

Dec 1973

Eastern Economy

1973 Decem

Vol 61, No 23, 24

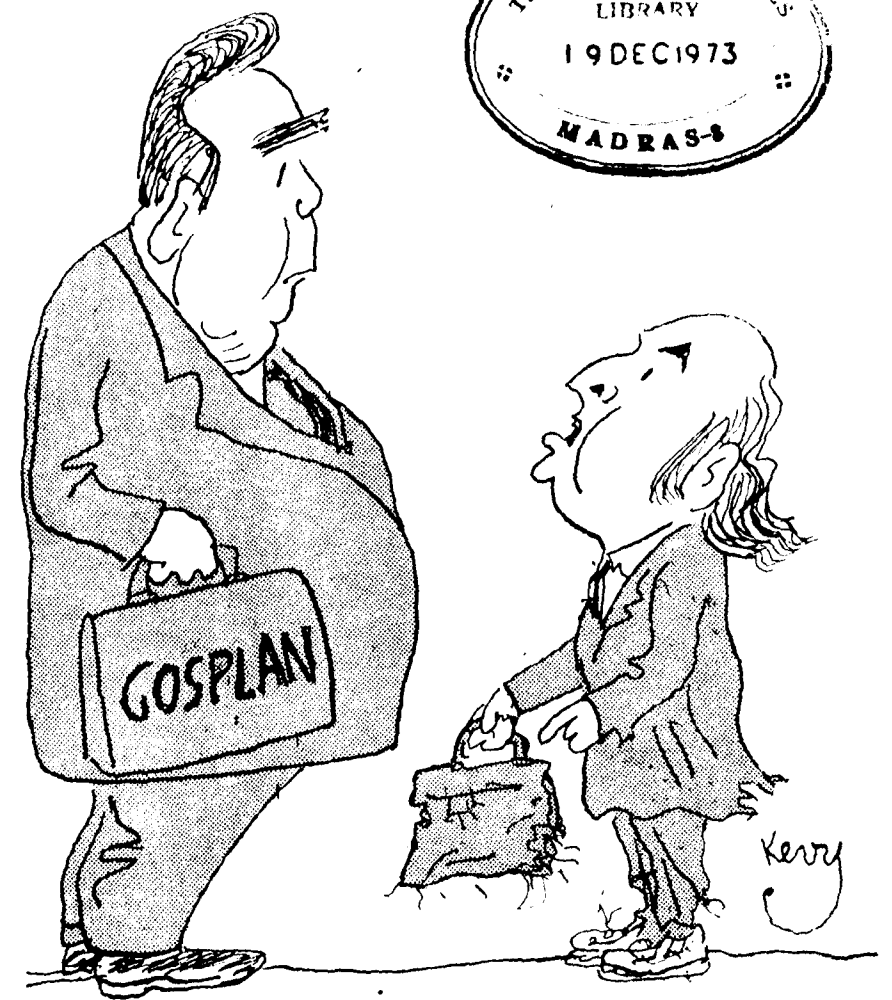


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WHAT CAN GOSPLAN DO TO OUR
GHOST PLAN?

VENTURING

EASTERN ECONOMIST

INDEX TO VOLUME 59

Nos. 14 to 25

OCT. TO DEC. 1972

ABBREVIATIONS

Leading Article	LA
Without Charity	WC
Points of View	PV
From the Press Gallery	PG
Window on the World	WW
Moving Finger	MF
Trade Winds	TW
Books Briefly	BB
Readers' Roundtable	RR
Records and Statistics	RS
Feature	FE
Annual Number	AN

(For Company Affairs see pages ii & v)

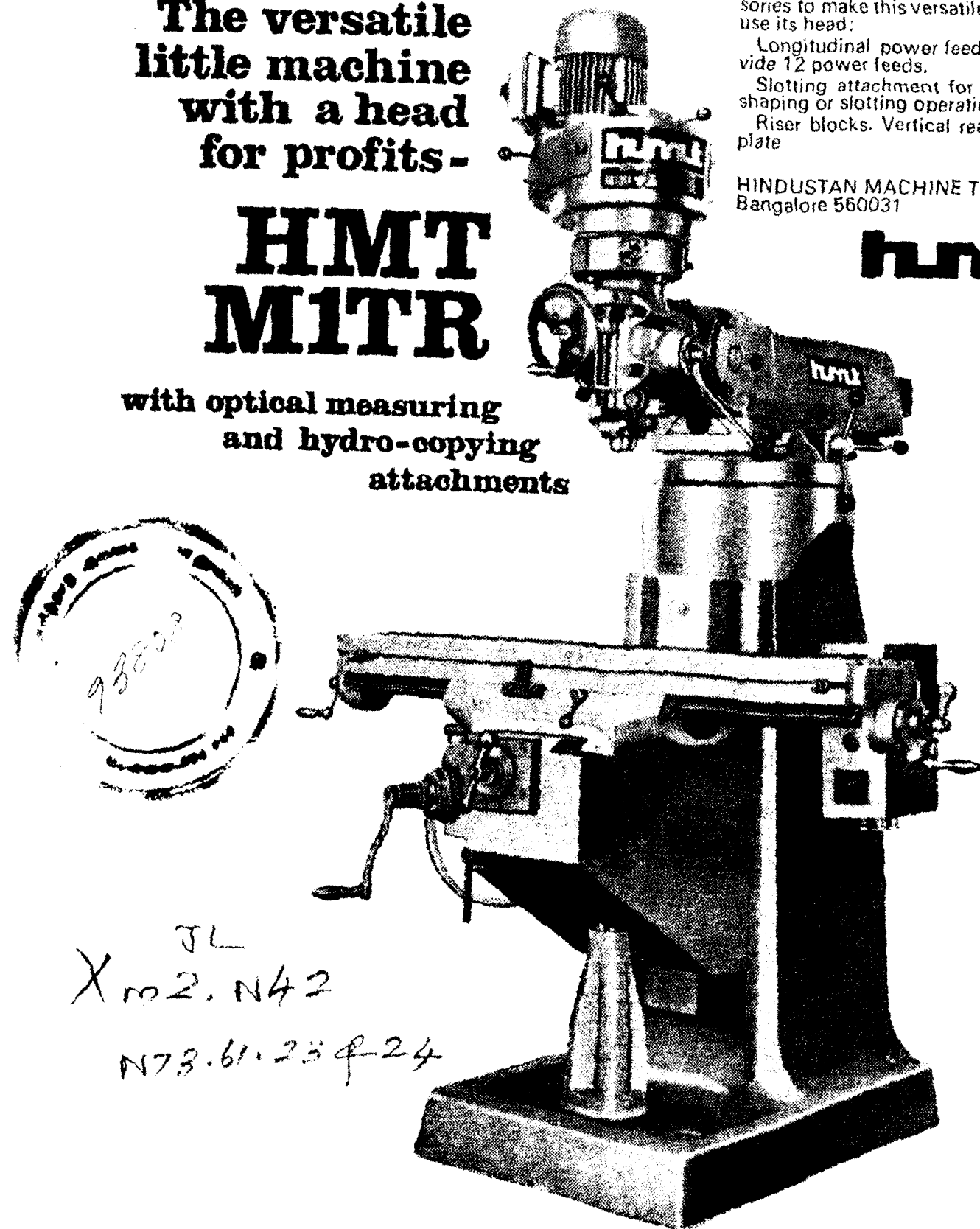
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Gandhi sharply said that, after all, the navies of other countries were already patrolling in the region. As of now, the government of India's stand in the United Nations is that the India Ocean area should not become a scene of big power rivalry. This being so, it may be assumed that it is not easy for Mrs Gandhi to enter into any overt commitment with the Soviet Union which may compromise New Delhi's publicly taken position on this issue. On balance, then, although Mr Brezhnev may have left after burying the non-alignment which the late Nikita Khrushchev (along with 'B') came to New Delhi years ago to praise, India seems to be still in possession of options regarding the way she can order her relations with foreign countries other than the Soviet Union.

At the same time, the government of India may well have paid to Moscow a political price which our people may find disagreeable and unacceptable over a period. For instance, Mr Brezhnev could not appreciate why there should be opposition parties in India. The Soviet leader, in a revealing conversation with Mr Madhu Limaye said in effect that he could not see why there should be opposition parties at all in India when, in his own country, the communist leadership found that it could manage national affairs very well indeed without benefit of opposition parties. Mrs Indira Gandhi, primarily because of the national political environment in which she has to function may not be so blunt in expressing herself and she has in fact found it expedient to go on record as recognizing the validity of and need for opposition parties in a democratic political system. Nevertheless, Mr Brezhnev's visit has been so stage-managed by her and her government as to produce the impression that it is all strictly a love affair between the Communist Party of the Soviet Union and Mrs Indira Gandhi's Congress Party in our country. There is therefore every reason to suspect the political motives of those who were involved in this business. Mr Limaye, consequently, did a great service to our country when he pointed out to the visiting Soviet leader that friendship between the governments or the peoples of the Soviet Union and India could not be a question of mutual back-scratching between Mr Brezhnev on the one hand and the prime minister of India on the other. It is natural and necessary that the Soviet Union and India, sharing the geography, politics and economic interests of the Asian continent should understand each other's problems or point of view so that both could cooperate with the rest of the world order in pursuing goals of global peace and prosperity. Concepts of the partisan interests

of particular political groups, therefore, cannot and should not enter this calculation. Mr Brezhnev apparently is in a position of power and trust in the government of his country. Mrs Indira Gandhi received overwhelming support for her party in the last general elections held in this country. Both therefore have the authority to speak and act on behalf of their respective countries. But above

Mandates make mischief

MRS BANDARANAIKE said some days ago that her government had obtained a mandate to rule the country for five years and that it would therefore complete its full term. This resolve does not even have the virtue of originality. Mr Nixon in the United States and Mrs Indira Gandhi in India have been making similar claims or declarations of intent. It is a pity that democracy, in its evolution down the ages, should have been reduced to autocracy punctuated only by a timetable. It seems as if this cannot be helped. Devices such as the referendum and the initiative could of course be provided for by law—India's own constitution has often been amended for less worthy purposes—so that the citizens of a democratic country could exercise the right of revoking the mandate given by them should the recipient rulers betray their trust, fail to discharge their responsibility for good government or otherwise cease to be worthy of the mandate. In practice, however, such constitutional or legal restraints are not easy to provide for in the functioning of modern governments, even in democracies, if only for the reason that the politicians in power have and will always have sufficient resources to pervert these processes and make them subserve their own interests. The hard truth, therefore, is that the leadership of a political party commanding a decisive majority in the legislature of a democracy could easily continue to remain in office even if it has ceased to deserve it so long as its own standards of political integrity or public morality are lax or elastic while public opinion is unable to forge extra parliamentary sanctions to compel it to quit.

Against this background the periodic attempts of opposition parties in parliament to censure the government through no-confidence motions can be useful only to the extent that debaters on the opposition benches are able to identify issues of public interest and persuade or pressurize the ruling party through well-documented

and beyond this personal equation or technical political situation is the fact that Indo-Soviet friendship should in the last resort be built on the informed appreciation of the people of India and the people of the Soviet Union of where their mutual interests lie. The personal diplomacy of leaders of governments may regularly make headlines; they make real history less readily.

arguments to reexamine its own policies or performance with regard to those issues. From this point of view, last week's proceedings in the Lok Sabha were not very promising. This is a pity considering that the mess created by the government's mismanagement of the economy clearly demands that the legislators should assert themselves effectively in making the government realize that the latter cannot expect to be allowed to do business as usual. It is true that the issue of corruption in politics and administration, on which the spotlight was turned by leading opposition spokesmen, is a serious one and it may even be argued that much of the mismanagement of the economy by the government has been both the occasion for and the consequence of this corruption but, so long as allegations of corruption are only in the nature of general statements, not backed by adequately researched data relating to precise and specific charges, they may succeed only in irritating the government without seriously jeopardizing its position. It is true that when accusations are made in parliament they do help to generate in the public feelings of dissatisfaction with or distrust of the politicians in power but, as the sad American experience has shown, this is by no means enough to make it impossible for the arraigned administration to continue in office without first clearing itself. The utmost that could therefore be hoped for from the no-confidence debate in parliament, in so far as it related to the problem of corruption, is that the various political parties and especially the ruling party would be more circumspect if not more honest as well in their conduct of future elections. With the likelihood of the people of Uttar Pradesh being called upon soon enough to vote in a general election for the state legislature, this possibility is not without its attractions.

For the rest it is doubtful that the opposition speeches on the no-confidence motion has contributed in any significant manner to bringing the government round to an acceptance of its obligation to put the economy right. In a way, this is not surprising since the opposition parties are no more united than the members of the

council of ministers are either on the diagnosis of the disease or the prescription of a remedy. It is true that there was general agreement that there is the grave problem of inflation, that rising prices and spreading shortages of essential goods are causing intolerable distress to large sections of the community and that the nation's economic progress, such as it is, is now in reverse gear, but hardly any two voices were heard in unison throughout the entire debate on how all this had happened or was happening or what could be done to deal with these difficulties or problems. Mr Asoka Mehta, writing to the members of his party in parliament the other day, emphasized the menace of monetary expansion and recommended that parliament should try to enforce a code of fiscal discipline on the government and a regimen of credit restraint on the Reserve Bank. Some of us would ask whether the Reserve Bank at least needs prompting in so far as scope or jurisdiction exists for it to act on its own in this respect. Even the government has announced certain *ad hoc* decisions or measures for arresting the soaring trends of public expenditure, but, while their ultimate fruit is yet to be seen, the immediate results of some of them have been such as to make things worse for several sections of the community who may not particularly merit this chastisement. It seems that, however impatient any of us may be with the state of things as it is, there just does not seem to be any short-term formula for mending things in a hurry.

There is also the important question whether politicians, whether in power or in the opposition, are the best qualified to get the country out of the mess. The fact that a group of them has been extremely successful in creating the mess itself is no guarantee that this or some other groups of politicians possesses talents in the other direction as well. It could therefore well be that the country's economy has now reached a stage where it is no longer safe to leave it to the politicians whoever they may be. While this much is more or less plain, it is by no means clear whom else could we turn to. It is not equally clear whom else the nation may turn to. A possible answer is that the country's best economists should, after all, be able to help, but it is not a very credible one. So many of them have let themselves be assimilated into the governmental apparatus that it would be difficult for them to revive or recapture their intellectual independence or originality. So many of them again have been wandering so long in the wilderness that they have lost themselves in their own intellectual rigidities or political prejudices. Normally, the intellectual elements

in the liberal professions or the business class ought to be able to make a creative contribution to circumstances such as these, but here again, the nation has been miserably crippled in its human resources for most of the years since independence. The leaders in the legal, medical or teaching professions have been content to plough the narrow fields of their respective specializations. It is true that there is occasionally a Palkhivala, but even he now belongs more to the board-room than to the court-room.

This takes us to considering the possible role of or contribution from the leadership in the business community, but once more, we fail to strike pay dirt. In the years immediately after independence there was an elitist element in this section of our population which did possess vision, faith and a tough pragmatism with which to cooperate with the government and to build for the country a bigger and brighter economic future. Unfortunately, somehow, somewhere, the communications went wrong and the nation was deprived of the benefits of such collaboration. Instead, the business community has tended to become an increasingly alien element in the governmental scheme of things and is now tolerated only as a necessary evil, with the emphasis being more and more on 'evil'. As a result, a good number of the older generation of business leaders has withdrawn itself into semi-retirement or other varying degrees of indifference or resignation while some others have chosen to make the best of a bad bargain and settle

for what they may be able to get in terms of licences or permits often on the basis of various kinds of *quid pro quo* in their dealings with the powers that be. Business leaders who have continued to devote themselves to the people's cause of national economic progress, despite every discouragement or impediment, have indeed become rare and even so they have been more vilified than appreciated. The situation has not been improved by the emergence of a new breed of businessmen of varying degrees of dedication or competence who have been successful in exploiting the interests of the political class for furthering their own commercial interests. Although they have undoubtedly added to the industrialization of the country in the process, they have caused grievous harm to the basis and fabric alike of a free enterprise economy by compromising its claims and ideals as a vital institution in democratic communities.

The sum of it all then, there is, as of now, no viable philosophy or respectable programme emanating from the leadership of the business community as a source of energy and motivation for the country being got out of the economic mess. This journal has often raised the question whether what is frightening about the economic crisis is not so much the crisis itself as that the government does not seem to know what to do about it. It may end the present discussion by asking itself whether there is any other force or institution in the nation which the people may look up to for reassurance or relief.

Eastern Economist 30 Years Ago

DECEMBER 10, 1943

In a thoughtful contribution on the subject published elsewhere in this issue, Prof Anjeria asks the question whether we have sufficient anti-inflation weapons "to counter the effects of inflation while at the same time the note issue goes on increasing continuously" and answers it by saying that anti-inflation measures are no substitute for non-inflationary methods of war finance. Briefly, his argument is as follows: If it is not practicable to limit the rupee expenditure of the government to the amount it can raise by non-inflationary methods, there are only two ways of meeting the situation, viz., to reduce rupee expenditure as far as possible

by retrenchment and economy in Government departments, deferred pay for government employees and war contractors, and, secondly, to raise assets in this country, and since this is likely to prove inadequate, to impose more taxes both provincial and central, including a ceiling on incomes and take compulsory loans. Prof Anjeria gets vexed with those who demand increased production and an increased supply of consumption goods on the ground that it is incompatible with inflation, and "it is not a problem of war finance, but of technical efficiency".

Elementary economics, Mr Dhar?

THE PLANNING minister Mr D. P. Dhar ended himself in hot waters in the Rajya Sabha on November 15, while trying to give some lessons in "elementary economics" relating to retail and wholesale prices. In reply to a question, Mr Dhar said that wholesale prices in 1972-73 had risen by 9.9 per cent over 1971-72 while retail prices during the same period had increased by 7.7 per cent. On the face of it, it looked anomalous that the rate of rise in retail prices should be lower than the rate of rise in wholesale prices. He, therefore, Mr Krishan Kant, a member of the Congress Party, enquired how it had come about. It seems that Mr Dhar had not been properly briefed in regard to the basis on which the index numbers of wholesale and retail prices are being computed by the official agencies. On the spur of the moment, he tried to offer an explanation by exercising his general understanding or perhaps whatever knowledge of "elementary economics" he could lay claim to. He tried to prove that there was nothing wrong in the lower rate of rise in retail prices in relation to wholesale prices.

There is no doubt that during the short period, there is a time-lag in the transmission of a rise in wholesale prices to retail prices. The time-lag has been estimated at various times and it has usually ranged between a month and three months. However, this argument does not hold good for comparing rate of change in the wholesale prices for a year based on 52 week-end quotations) with the rate of rise in the average consumer prices for 12 months. The time-lag in the last month (or the last three months) of the year under review could not bring out a difference of the order indicated above. (see table alongside)

In order to appreciate why the retail price index could be misleading when compared with the wholesale price index the way Mr Dhar did it, it is necessary to make a detailed study of the index numbers on which the two percentages are based. In the case of retail prices, the Planning minister had relied on the consumer price index numbers for industrial workers. With base 1960=100, the all-India index had risen from 192 in 1971-72 to 207 in 1972-73, recording an increase of 7.7 per cent. Both these figures are averages for index numbers extended

over 12 months. The all-India consumer price index itself is based on the consumer price indices for industrial workers in 21 centres spread all over the country. Directly there is no all-India sample of industrial families to whom this index relates. It is only a notional figure. In fact, the consumer price index numbers for industrial workers in 21 industrial centres are aggregated on a valid statistical basis in order to arrive at a national figure roughly applicable to all industrial workers.

In the case of wholesale prices, the Planning minister relied upon the averages of 52 weekly index numbers computed by the Economic Adviser to the government of India. This index is based on more than 500 quotations taken from wholesale markets all over the country. Thus, the two index numbers are not strictly comparable because not only do they cover different areas but they are computed with different objectives in view. The all-India consumer price index relates only to the industrial workers and measures movements in retail prices as paid by them and according to their peculiar structure of household expenditure. The middle classes, for example, have a different way of spending their earnings and changes in consumer prices paid by them do not always agree with those of the industrial workers. The consumer price index for urban non-manual employees—the statistician's way of describing the middle classes—rose from 180 (Base: 1960=100) in 1971-72 to 192 in 1972-73, registering a rise of 6.7 per cent only. In other words, the rate of rise in retail prices paid by the

middle classes in urban areas was lower than that of the industrial workers.

In most of the industrial towns, for which consumer price index numbers are computed and on which the all-India consumer price index is based, there are fair price shops for the supply of foodgrains and certain other essential commodities. Because the prices quoted at the fair price shops are fixed by the government and changes in them take place at infrequent intervals, the foodgrains index numbers of these consumer price indices move up only when these changes in prices are announced. In sharp contrast to this, the foodgrains component in the wholesale price index number reflects the movements in the free market prices which are under no official constraint. It is known that the free market prices of foodgrains and food products have been moving on more sharply than the quotations displayed by the fair price shops in industrial towns in recent years. This explains in part the faster movement of wholesale prices in relation to retail prices.

Again, the consumer price index numbers for industrial workers have a component entitled "Housing". Under it, the index measures changes in rent. Since most of the industrial towns have Rent Control Acts under which rent cannot be increased, the cost of housing in these index numbers rarely moves up and is shown as unchanged for long periods. For example, the index (Base: 1960=100) for "Housing" in Bombay in July this year was shown as 118—the lowest in relation to all the other components. While the food component was 269—denoting a rise of 169 per cent over 1960—

the rise of 18 per cent in housing during the same period is surely gross under-estimation. The housing index has stayed at almost the same level for the past few years. On the other hand, there is no such component in the wholesale price index. What is included in the wholesale price index is the prices of cement, steel, bricks, wood, glass and various other items used in the constructions of a building. Since there is no statutory control on all of these items—cement and steel being exceptions—the net result is a much steeper rise in their prices than the changes in the cost of housing. Also, the wholesale prices index has a component relating to industrial raw materials which has a

weightage of 12.1 per cent in it but, then, there is no similar component in the consumer price index.

Since the two index numbers are not comparable and the consumer price index numbers for industrial workers cannot be described as retail prices in the ordinary sense of the term, no wonder Mr Dhar's rhetoric failed to impress the members of Parliament. Taking the two series separately, there was basically nothing wrong in the two percentages cited by Mr Dhar only if it was understood that the manner of computation of the two series was different and the two were not exactly comparable.

water resources is of crucial importance to our farm economy. If the farmers are educated about improved management practices, which include not only timely and judicious application of fertilizers and water but also of weed, pest and disease control measures, the result can be much more wholesome than those accruing from extensive use of fertilizers alone.

As generally stressed at the seminar, time also appears to have come when even the present recommended doses of fertilizer application to various crops in different parts of the country ought to be reviewed. It hardly needs any emphasis that the recommendations for fertilizer use should be location and situation specific and balanced fertilization should be a dynamic and not a static idea. The exact requirements of nutrients for our different soils, block-wise and even village-wise, through extensive soil testing ought to be determined expeditiously with a view to containing the demand for fertilizers. It is common knowledge that as a result of extensive application of nitrogenous fertilizers, nitrogen no longer is the limiting factor to the fertility of soil in several parts of the country. In these areas, therefore, whereas the application of nitrogenous fertilizers can be curtailed, provision will have to be made for other nutrients.

A good deal of saving in the use of fertilizers can also be achieved if instead of catering for the requirements of particular crops, fertilization is undertaken on the basis of the entire cropping pattern of an agricultural plot. This will necessitate application of different soil nutrients at specific times in a particular order. The job of educating farmers about these concepts of fertilizer use indeed is arduous. But it cannot be shirked away.

Proper use of our limited land resources which are being called upon to support a rapidly rising population, is yet another aspect of the problem which needs concerted attention in the future. It is imperative that in terms of the pre-determined targets of production, cultivation of particular crops should be allowed in the areas most suitable for them. Over the ages, a good deal of specialisation in crops has already taken place in the different parts of the country. But the soil testing techniques available today can take this specialisation further. Concentration of specific crops in the areas most suited for them can help a great deal in rationalising application of fertilizers and other soil nutrients.

Rationalising fertilizer use

HOW FAR the estimated gap of 30 per cent between the supply and projected requirements of fertilizers this year and the alleged rampant shady deals in this essential farm input, not only by private trade but also co-operatives, would affect the prospects of the next rabi crop is anybody's guess, because the adverse effects of inadequate manuring might be mitigated to a considerable extent by timely rainfall and the reported increase in acreage, particularly under wheat. But there can be no denying the fact that the government has attempted to rationalise to some extent the distribution of fertilizers in order to cater for particularly the demand in the high yield potential areas. It is rather unfortunate that the critics who alleged, in a short discussion in the Rajya Sabha last week, discrimination against some areas on political considerations, failed to appreciate the rationale behind the allocation of the limited supplies of fertilizers.

The present acute scarcity of this important farm input, which has been brought about by the domestic production failing to rise upto expectations and the global shortage of the commodity due to various factors, including increased demand in both the developed and developing countries for raising food production and the large scale purchases made by the Peoples' Republic of China from Japan, warranted that we should not fritter away the available limited quantities without taking into consideration the yield potential of the different areas. A good rabi crop next year undoubtedly is of paramount impor-

tance for containing the inflationary tendencies in the economy and restoring normalcy on the food front. This calls for concerted action in areas with high yield potentials.

In the long-term interests of the economy, the use of fertilizers has to be made much more efficient than has been the case hitherto. This is because the global shortage of fertilizers is likely to persist for several years and despite the efforts being made by the union ministry of Petroleum and Chemicals to set up new plants to manufacture fertilizers indigenously, we cannot be expected to become self-sufficient at least for another decade.

It is encouraging to note that this prospect has already induced serious thinking in responsible quarters about rationalising fertilizer use in future. A wholesome exercise in this regard was done last month by the Fertiliser Association of India when it organised here seminar on fertilizer use strategy under limited availability. The seminar threw up many useful suggestions which need to be vigorously followed up.

It was pertinently pointed out at the seminar that the current recommended doses of fertilizers for various crops do not yield the same results in farmers fields as in national demonstrations. This phenomenon can be attributed to various factors. The most important among them appears to be the inadequate management practices by farmers. Recently, the Director-General of Indian Council of Agricultural Research, Dr. M. S. Swaminathan, also dwelt upon this subject and stressed that besides encouraging the use of fertilizers, the country had to lay great emphasis in future on land management practices and efficient use of water resources. The fact that adequate rainfall in the country makes a sizeable difference to agricultural harvests is a clear enough indication that the efficient utilization of

Wholesale and Consumer Prices: 1971-72 and 1972-73

	All-India Consumer Price Index Numbers for Industrial Workers (1960=100)		Index Numbers of Wholesale Prices (monthly averages) (1961-62=100)	
	1971-72	1972-73	1971-72	1972-73
April	184	195	182.2	192.3
May	184	196	181.9	193.2
June	187	201	185.2	197.9
July	190	205	188.0	202.5
August	194	207	191.4	207.5
September	196	208	192.5	208.1
October	196	209	191.0	210.4
November	197	210	188.0	210.6
December	195	210	186.0	211.4
January	194	210	190.0	213.2
February	193	213	191.2	217.4
March	194	216	192.2	219.9
Average	192	207	188.4	207.0

V. Balasubramanian

An opportunity not to be wasted

Courtesy, *The Hindustan Times*
in which it was published on
December 4, 1973.

WHILE IT is easy to point to the clouds massing on the economic horizon, it is far more difficult to notice or identify traces of some silver lining. It is therefore all the more important that account must be taken of the steady gains in share values over the recent past and the overwhelming response on the part of the investing public to new issues. Politicians in office have a habit of brushing aside trends or indicators in bearish markets by asserting that they are no evidence of any weakness in the government's economic policies and that movements in share values are most of the time really speculative and therefore irrelevant to an assessment of the economic situation or outlook. They are however less unwilling to seek justification for government policies in the behaviour of the capital market when it expresses buoyancy in investor sentiment or activity. On the present occasion they may well be tempted to argue that nothing can be basically wrong with the economic outlook or the government's economic policies when people seem to be more than usually able or willing to invest in the shares of existing industries or new issues.

an objective view

It is therefore rather important that a close and objective view of the capital market and its behaviour should be attempted in this context. In the first place, it is certainly a matter for congratulation that investors are taking kindly to equities of established companies or offers of shares in new floatations. This does suggest that despite everything there seems to be a good deal of public confidence in the economic future of the country including particularly its industrial future. While it is probably realized that things are not as good as they could have been, there seems to be a robust understanding that such basic factors as a growing population with rising expectations are inexorably persuading and pressurising the country to exploit its resources more and more intensively for the production of more and more goods and services. There is also a feeling that in this age of rapidly advancing

technology and standards of business management it is virtually impossible for any national economy to stand still for any length of time and that eventually the dynamic factors inherent in the situation are bound to assert themselves over the negative or restrictive elements. Finally, in the particular context of our own country, the investing public seems to have great faith in the continuance of political and social stability and the proper functioning of political institutions. These are among the more important positive aspects of investor attitude which seem to be making for the strength of the stock exchanges and the capital market and they are definitely to be welcomed.

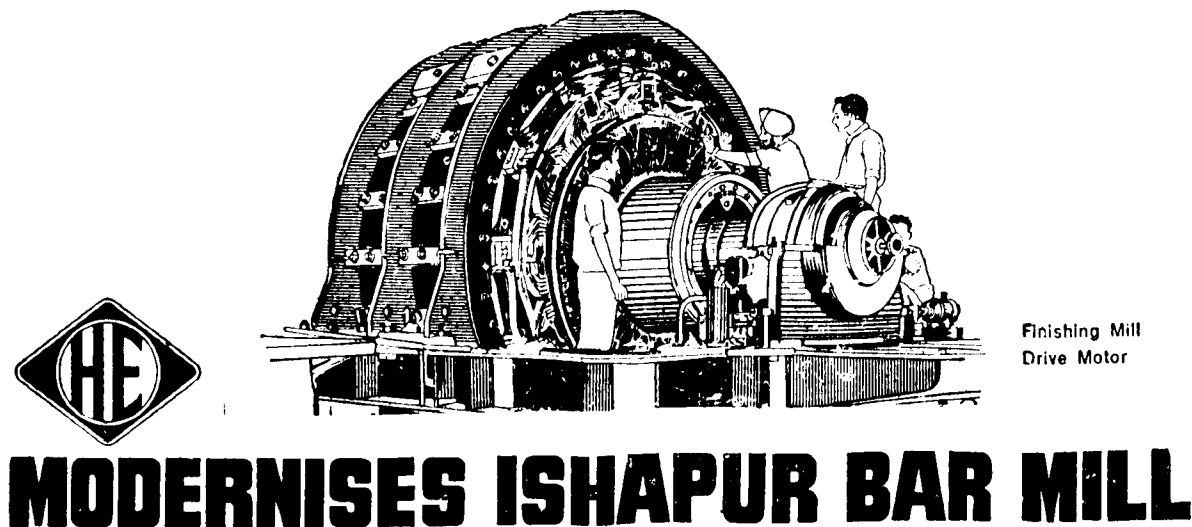
a general demand

This, however, is not the whole story. It is evident that a good part of the demand for shares in existing or new companies is only a specific instance of a general demand for all goods and services actuated largely by the monetary and credit expansion in the economy. The expansion in money supply has led to rising incomes which in some cases have been in excess of rising prices or expenditures at least temporarily. As a result, there has been some increase in monetary savings with the public and this is fuelling the demand for various investments including investments in equities. Not unconnected with this factor is the impact of inflation. While inflation persisting over a period must necessarily erode savings, within a more limited context of time it could improve both the ability and the willingness to invest. Given a steady increase in the price level, equities along with a few other forms of investments are attractive as a hedge against inflation and some safeguard against the erosion of savings through depreciation in the purchasing power of the currency. Another important factor is that, although the economy as a whole has

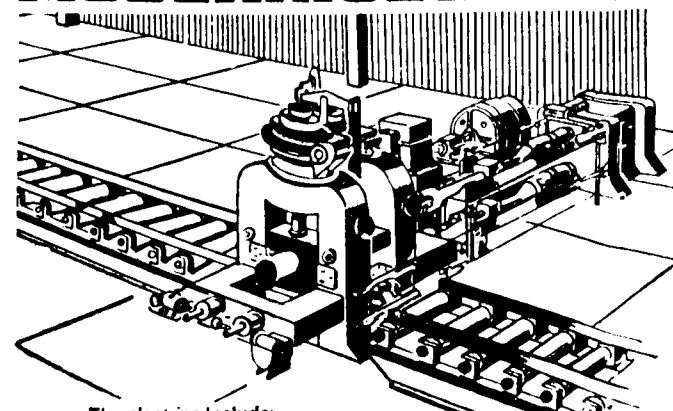
been stagnating and industrial expansion has been arrested, particular industries have been seen to be doing well in terms of prices or profits simply because shortages whether caused by shortfalls in production or otherwise, have presented them with the opportunities of sellers' markets. The earnings of a number of industries have therefore gone up, in some cases strikingly, and this has enabled the corporate sector to step up dividends over a wide range of equity shares.

optimistic investor

Against this background the investor is tending to become all the more optimistic about future yields and dividends partly because he expects expanding money supply or rising demand to boost prices and profits and partly because he feels that industrial production is bound to improve since it has already suffered the worst effects of various bottlenecks. Finally, the fact that the volume of new issues has been extremely limited over the past some years has led to a supply of equity investment opportunities failing to keep pace with the demand. There is thus a real shortage of shares seen most clearly in the scarcity of floating scrips and this has led to famine prices being commanded by leading equities in a generally rising market. The new issues, while benefiting from all these bullish factors which apply to existing equity shares, are also profiting from the fact that, thanks to government policies in these matters, they are generally issued by companies engaged or proposing to engage in priority industries or industries with fair prospects of attractive sellers' markets for their products. A further element of helpfulness in this area is that the government's measures for bringing about a dilution of foreign holdings of equity in Indian companies has led to the investing public in this country being given a chance of participation in the capital, fortunes and future of companies with prestigious foreign collaboration. Incidentally, whatever may be the view taken by the government of foreign investments in industry in this country, the investing public itself has been re-



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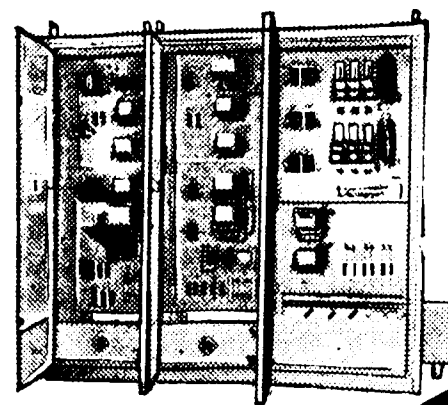
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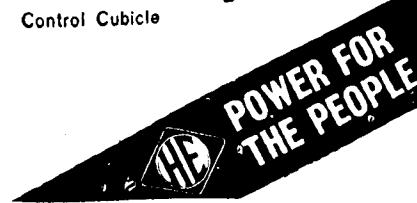
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HE(I)L has designed, manufactured and installed complete electrics for the modernisation of 710 mm (28") Bar-Mill at Ishapur, to match with the mechanical equipment fabricated by Heavy Machine Building Plant (HEC), Ranchi.



Control Cubicle



peatedly passing votes of confidence in companies or new issues associated with varying degrees of foreign participation in capital or management.

Thus, for a number of reasons, some of which reflect the constructive features in the economic situation or outlook and many more of which represent the consequences of monetary and credit expansion, excess demand, shortages of goods and the arrested rate of new investments in the past, there is today in the economy a surfeit of investible funds and a considerable investment potential seeking outlets in industrial equities. Surely it would be wise for the government to take full advantage of this situation to mobilize private savings and promote the growth of industrial capital in the economy. It is clear that, if the present opportunities were allowed to pass without being utilized constructively, the inflationary tendencies in the economy may soon advance to a point where they may no longer act as stimulants to investments but rather may destroy investor confidence itself in the basic stability of the economy. Only a steadily increased rate of production, ini-

tiated effectively in the short period, will be able to stabilize the economy and largely neutralize the purely inflationary impact of the expansion in money supply or the element of 'excess' in the level of demand. A confident capital market, able to extend solid support to existing equities and willing to invest enthusiastically in the new floatations, is a great boon for any country really concerned about promoting its industrialization. The Indian economy does seem to enjoy at the present time this considerable blessing. It is up to the government's economic policies and more to the machinery administering these policies to make the most of these favourable circumstances.

Immediately it is desirable that new floatations should be cleared as quickly as possible. It is true that, should the number of new floatations increase and there are prospects of more and more of them coming into the market in the more or less near future, there would not be the same overwhelming investment support, as has now become almost the rule, for new issues. This however will not be a bad thing at all. The speculative features of

POINTS OF VIEW

the capital market for new issues will find themselves weakened and become less prominent while genuine investments will come more effectively into the open. The investing public, moreover, will be induced to exercise more discretion and judgment in making their responses and their selective support would reinforce in a healthy manner the screening processes of the government's industrial licensing or other machinery for regulating new issues. The time therefore seems ripe for an essentially liberal policy on the part of the government where new equity issues are concerned. This would also be consistent with the programme recently announced by the ministry of Industrial Development to streamline and speed up government procedures for and decisions on investment proposals in the private sector. Above all, the psychological impact will be immense. There is a deep impression in the country that the economy, particularly its industrial part, is stagnating. It is to the advantage of the government to bring about a change in this mood and make people believe that things have started moving.

G. D. Amin

GIIC serves social content of planning

IN ABOUT five years of its existence, GIIC has effectively provided government assistance through active and careful participation in creation and promotion of new entrepreneurship and assisting such industries and sectors as are vital to the growth of industrial activities in the state. The methodology has been one to supplement the assistance programme provided by other institutions or by catalysing private investment and drawing other institutions into its own area of assistance programme.

The Corporation has made the first serious attempt at canalising the skills available with technicians into full scale industrial effort by providing the required fixed assets and arrangement for working capital. In creation of new entrepreneurship, expansion of existing units, renovation and modernisation of economically weak units by providing long term finance, guarantees, share capital, subscription under-writing and participation with other

The author is the Managing Director of Gujarat Industrial Investment Corporation Limited.

financial institutions, the corporation has played a pivotal role.

The impact of such activities in a steady economy can be very substantial. It has been seen that the Corporation's efforts in catalysing the investment can generate such total investment as would be in excess of five times of the Corporation's own assistance. Thus, with assistance of Rs 26.62 crores sanctioned, an investment of Rs 140 crores has been generated.

During the course of its operations it has been realised that assistance to the entrepreneurs in industry has to contain the critical minimum required for the growth and sustenance. To make it more meaningful, assistance will have to be followed by various post operational

services covering areas of technical financial and managerial problems. The Corporation is making rapid strides in this direction by setting up its consultancy division.

A beginning has been made in the fourth Plan for accelerated development of backward areas which has been stated to be responsibility essentially of state governments. The government of Gujarat has made a good beginning in this direction by appointing a committee under the chairmanship of Mr Jaisukhlal Hathi for identifying 30 per cent of the most backward talukas out of 185 talukas in the state on the basis of criteria of the backwardness suggested by the Planning Commission.

Our Corporation has since decided to offer concessional rate of interest to industries established in three districts i. Panchmahals, Broach and Surendranagar where central subsidy is available. The rate of interest charged by the Corporation

7½ per cent per annum. To encourage development of industries in the backward talukas and to hasten the process of reduction of regional imbalances it has been found necessary to extend the facilities of concessional rate of interest to the 56 talukas considered backward in the state. The Corporation proposes to arrange and out through the required effort for a sustained process of growth and the organisational and institutional aspects of the resources development problem of the backward talukas.

Another very important aspect of GIIC's activity is its stepping into the organised sector of industrial development by directly or indirectly promoting industrial projects in the state either on account of public policy consideration or inability of the private sector to enter such investment activity, or limited financial resources on the part of the entrepreneurs to undertake such industrial activity.

The Corporation has to its credit letters of intent in respect of nine industrial projects of which industrial licence has been received in respect of Caustic Soda/Chlorine Project and these projects are under various stages of implementation

1. Automobile Tyres and Tubes; 2.

Methyl Methacrylate Plastics; 3. Caustic Soda/Chlorine; 4. Fuel Injection Equipment; 5. Fuel Injection Test Benches; 6. Cresols 7. Carbon Black; 8. Nylon Filament Yarn 9. Portland Cement; and 10. Mini Steel Plant.

The applications for letters of intent for several other projects are pending with the union government. To implement the above projects undertaken by the Corporation, all necessary processes are afoot and five limited companies have been registered with a total authorised capital of Rs 10 crores for the purpose as per details given below:-

Name	Rs crores Authorised capital
Gujarat Tyres Limited	3
Gujarat Alkalies and Chemicals Limited	1
Polymers Corporation of Gujarat Limited	2
Cement Corporation of Gujarat Limited	3
Gujarat Nylons Limited	1

Effective steps have been taken to secure technical know-how/collaboration, line of credit and investment, foreign participa-

tion, supply of machinery and raw materials, project documentation, clearance of capital goods under the Import Trade Control Regulation, and site location etc.

It may be noted here that considerable interest has been evinced in these projects by foreign collaborators, technical consultants, investment circles and financial institutions. It is a matter of both satisfaction and great responsibility to the corporation in being associated with these projects which are at once unique in nature and of far-reaching potential for industrial growth in the state.

When these projects go on stream, the corporation would have added an investment of over Rs 100 crores to the industrial build up of the state and ensured a product pattern of more than Rs 200 crores per annum.

According to the projections now tentatively arrived at in the planned endeavour for industrial development in the state during the fifth five year Plan, GIIC's efforts will be directed at mobilising all potential resources in man-power, entrepreneurship, consultancy and training for a sustained growth in all sectors of growth.

Entrepreneurs in Madurai and its environs

R. Subramanian

THE Department of Research, the Gandhigram Rural Institute of Higher Education, Gandhigram, Madurai, has carried out a descriptive and statistical study on "Entrepreneurship in small scale industries in Madurai city and its environs". The Indian Council of Social Science Research, New Delhi had sanctioned a grant-in aid for this purpose. The Research project was sanctioned by the ICSSR, New Delhi in November 1971. The project became operative from January 1, 1972 for a period of 21 months.

The objectives on which the study is discussed are :-

- To identify the characteristics of entrepreneurship in small scale industries in Madurai city.
- To investigate the various factors

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that tend to influence entrepreneurship.

- To understand their economic structure and to find out the adequacy of the existing supporting facilities for these industries.

The universe of the study constitutes all the small scale industries in general. For the purpose of the study a small-

scale industry is defined as one which has a present capital investment of Rs 7,50,000 inclusive of plant and machinery. The population of the study comprises all small scale industries in Madurai city and its environs (within the city corporation limit). The unit of the study is the small scale industry and the respondent is the owner of such an industry. The reason for choosing Madurai city and its environs for the study is that it has a cluster of small scale industries alongside of a few large scale ones. The area exhibits characteristics generally associated with a rural urban continuum; nearabout is a concentration of agriculture where high-yielding varieties are grown; it has an industrial estate; the hinterland of this area is in the throes of industrial development and is an ideal re-

POINTS OF VIEW

POINTS OF VIEW

gion for an investigation of the pattern of industrial entrepreneurship and growth of small scale industries.

To establish the actual size of the population, a general list of small-scale industries was prepared by having recourse to the material available with trade associations or government agencies.

The criteria for the selection of the sample were:

- The industry should be either a manufacturing unit or a non-manufacturing (servicing) unit.
- The industry should be on-going as on March 31, 1971.
- The industry should not be an inherited one.
- The industry should not be run on lease.

Based on the above sample indicators, the industries were screened as a consequence, only 457 industries constituted the population of the study. Of the 457 industries, 175 were chosen by the random sample method; 150 was our sample size and 25 industries were kept in reserve in order to cover the quantum of non-responses (non-responsive industries the time of actual interview) during data collection.

Apart from these 175 industries, 10 industries were also selected by the same method for a detailed case study. Of the 10 industries thus selected, two had an initial capital investment of below Rs 10,000; five between Rs 10,000 and Rs one lakh, and three with an initial capital investment of above Rs one lakh.

added responsibility

The small entrepreneurs in Madurai city are young (mean age 33 years) a majority of whom 60 per cent were married at the time of starting/buying their industry. Perhaps the married status through its additional responsibilities of maintaining a family may have spurred them to exert more and more in risky business adventures for improving their economic position which, in turn, may have induced them to experiment with new ideas and practices that would promise higher returns. All this may have had some impact on entrepreneurial growth as is evidenced by a few of our case studies too.

The Nadars (19.3 per cent) and Soura-

shtrians (17.3 per cent) are the primary small industries communities in Madurai city, though there are a number of other caste affiliations to the small entrepreneurs. Generally caste is assumed to be a predominant factor in Indian entrepreneurship since it determines the traditional choice of professions and tends to delimit occupational mobility, innovation, etc. This demands further probe and data-support because in Indian industry caste is considered to be more a permissive factor than a barrier in occupational mobility, more adaptive to changes in occupational demand-pull; and this is evident in cities and metropolitan areas. The researchers evidently become ambivalent in respect of caste influences. However entrepreneurship in small industries in Madurai has been more an outgrowth of economic factors than of social factors, much less by caste, as is evidenced by some of the case studies presented in this report. Yet one could hear the caste tick in the industrial system of Madurai city. More-over objective studies in this area still await a researcher.

risk imagery

Our small entrepreneur is aspirationally accelerated to a higher pedestal in respect of his industry, which induces him to plan in order to fulfil it either by expanding his industry or finding new line of production. In so far as he thus acts he is not a gambler. He is a credit-oriented pre-planner. However, he often seeks confidence from his relatives/friends (others) in matters like finding him capital resources, extending market assistance, etc. Consequently the risk imagery may grow dim in him and his tendency is to shift risk on to others (relatives, friends) thereby preparing himself to escape inunendoes. To a large extent our case studies too support this behaviour in him.

As a dependent in this sense on relatives or friends, he exhibits his desire to achieve goals and this aspect ultimately turns him into an imitative innovator with a need for achievement which factor is conclusive in that he may see the difficulties and obstacles in the way of achievement of his goal only in the company of others (relatives and friends). Therefore he is more a follower than a pioneer.

Again because of his dependency and moderate traditionalism his desire to assume risk occasionally in conjunction with others (relatives and friends) he can be characterised as a risk shifter. Such an

entrepreneurial behaviour can be due to the quality of imitative innovativeness pre-planning capacity instrumental mitigating the intensity of risk by depending on others.

Thus the four attributes of our small entrepreneur in Madurai city as shown in the present study area are:

- credit oriented pre-planning realise aspirations;
- dependency;
- imitative-innovativeness plus need for achievement; and
- moderate traditionalism with occasional risk-shifting.

hospitable factors

Now how has he grown to the present status as a small entrepreneur? Certain factors have been hospitable to him. He has a small family with a sound economic base to spring from, thanks to his ancestral property, prior income-push and high level of living. Such an economic background makes for his entrepreneurial ability also. Even a lower economic levels assets in the form of jewels, land, owned by a small entrepreneur provide the thrust to small entrepreneurial development. Secondly the small entrepreneur, though circumscribed by narrow official, social and expert contacts, concentrates on production and sales; feels less need for reinvesting his profits for further growth because of the favourable economic background of his family. Mutual help financially or otherwise becomes less intense. In consequence profits from his industry are eaten up by personal consumption, family functions, social obligations.

Quite possibly he may not belong to industrial family since it was not a way of life either for his relatives or for his family members. His father's occupation or prior occupation does not give a clue to the nature of industry he had started. He is migrant in Madurai as he has been occupationally mobile, switching from job to job before settling down on a small industry in Madurai perhaps to validate his social status. Quite likely he does not possess any political affiliation of kind. His occupational mobility adequate educational (including technical) qualification together ensure his knowledge and ability in administering his industry.

For he is pervious to personnel training and bettering management of his industry.

Adding, our small entrepreneur appears to be what he is on account of his strong economic background with small family and narrow expert contact, limited systemic linkage and knowledge experience and managerial ability.

A majority of the small scale industries in our sample are proprietary (72 per cent), newly started (96 per cent), perennial (98 per cent) and manufacturing (88 per cent) concerns. They manufacture iron and steel products, electrical goods, textiles, food products, building materials, automobile spare parts, perfumery and incense, polythene and plastics, agricultural implements, leather goods, photomount, indigenous medicine dye and ink and chandutalak). The non-manufacturing concerns are mainly engaged in engineering and automobile services, electrical goods servicing, book binding and printing, repairing agricultural implements, cycle, clock, etc., rice hulling, tyre retreading, twisting art silk yarn and washing.

flourishing market

About 91 per cent of the industries (both manufacturing and non-manufacturing) manufacture/service the units on demand and 80 per cent of the manufacturing industries are able to find a flourishing market for their products. For about 59 per cent of the industries production shows an increasing trend every year.

Though a vast majority of the industries (96.7 per cent) do not adopt any management and quality control technique for ensuring the quality of the product, a certain percentage of them (28 per cent) used to conduct feasibility studies before launching on new projects in their industry.

Again a majority (85.3 per cent) of the small scale industries have an undesirable backwash of idle capacity in spite of the increasing trend of production (in the case of 59.3 per cent of the industries) which factor adds to the current low level of industrial production. 'Shortage of raw materials' 'lack of capital' 'lack of demand' 'shortage of labour' and 'labour trouble' are the causes for the idle capacity suffered by 85.3 per cent of the industries.

The employment potential of a majority of the industries (72.0 per cent) is comparatively low. In spite of this fact, employment potential of 20.6 per cent of the in-

dustries is increasing year after year. At the same time 64.0 per cent of industries, as their employment potential is constant, are smooth-running and enjoy an even tenor without wide fluctuations in their growth.

Skilled labourers predominate the employment roll of 86.7 per cent of the industries. In addition to the pay, 53.3 per cent of the industries pay yearly bonus to their employees ranging upto 20 per cent and even above; 78.7 per cent of the industries recruit personnel on a casual selection basis. While selecting workers for their industry 62.7 per cent go in for workers who have undergone apprenticeship elsewhere. The remaining 37.3 per cent of the industries give training to their employees according to job specifications. The labour participation in the management of the industries is not favoured by 68 per cent of the entrepreneurs, since according to them, it would hamper growth and spoil the peaceful atmosphere essential to smooth functioning of and fulfilling timely production targets in the industries.

It is found that the economic position of the industries at 'present' is better than what it was in the past, in spite of the fact that 50 per cent of the industries were able to obtain only a part of the loan amount required by them.

A majority (87.4 per cent) of the entrepreneurs keep records of business transactions, both financial and others, prepare the annual profit and loss accounts for increasing knowledgeability about the industries progress.

proprietary ventures

In sum, the small scale industries in Madurai city are mostly proprietary and newly started manufacturing units. These industries with their higher production are, to a considerable extent, able to capture somewhat a steady market in the context of changing demand pull for their commodities. Most of them do not exercise any form of quality control for their products. Yet one can identify under utilised production capacity in them due to dearth of raw materials, lack of adequate and timely capital, shortage of labour (though skilled labourers selected mostly on a casual basis are on their pay roll) and labour trouble. Their employment potential is comparatively low but where it is even, the industries are run on a routine fashion. Personnel training according to job specifications is found in some of these industries. A majority of them have records of business transactions, both financial and others for

evaluating their own, industries. Thus, one may say that the small scale entrepreneurs manifest though limitedly, knowledge and experience in managing their industry with certain amount of ability.

Financial assistance, supply of raw materials, provision of workshops in the industrial estates as well as marketing facilities, technical training to the personnel of small scale industries and other facilities under the aegis of the state government agencies, the technical consultancy service, help in setting up ancillary industries, economic information service, industrial management and training, export promotion services and other supporting facilities offered by the State Industries Service Institute, the service of the State Trading Corporation in exploring foreign markets for the products of small scale industries, supply of machinery and equipment on hire purchase and also the supply of raw materials by the National Small Industries Corporation as well as by the Mineral and Metal Trading Corporation, the financial assistance given by the Handloom Finance Corporation — these supporting facilities are not utilised by a majority of our entrepreneurs, as they are not aware of their availability to the small scale industries.

financial facilities

As almost all of them are aware of the financial assistance rendered by banks, a majority of them have gone in for their services. Of those who availed of the facilities offered by the Department of Industries and Commerce, Small Industries Development Corporation, Tamilnadu Industrial Investment Corporation, and banks, a majority of them find the assistance/service inadequate. If the small-scale industries are to develop and grow, an awareness of the supporting facilities offered by various state and central organisations and agencies among the entrepreneurs should be created and the inadequacy should be rectified by improving the services of the organisations that are set up to foster small scale industries.

Adequate timely financial assistance comparatively at a low rate of interest, constant supply of necessary raw materials, marketing and technical guidance, overdraft facilities to meet the instant capital requirements, connote the pattern of further assistance required by the entrepreneur from the supporting agencies.

A majority of the entrepreneurs (68.7 per cent) used to be beneficiaries from 'inter firm assistance,' which promotes the uninterrupted functioning of their

POINTS OF VIEW

industries. They exploit their membership in trade or associations to get raw materials, finance, to redress their grievances, to obtain knowledge of the available supporting facilities, etc. Their contact with their fellow entrepreneurs is narrow and pertains to matters connected with their industry only.

The future course of research on entrepreneurship in India can be in such possible areas as the need to develop a reliable measure of risk in small industries because of the very nature of risk in all its variety and patterns and the possible innocuousness of the existing instruments to amplify them-selves to suit Indian small industries-cum-social context.

The present study has shown that, to a preponderant degree, economic factors build up small entrepreneurship in Madurai city though social factors cannot be relegated to the background; for example, caste. One could discuss its subtle under scoring of Indian entrepreneurship, but more data are needed to locate it as an explanation and causative variable in entrepreneurial availability and performance. The latter is important because certain castes seem to generate skilled entrepreneurs, compared to others.

Several of the small entrepreneurs (43.3 per cent) in Madurai city are migrants; the study has shown that there is occupational mobility among them and though apparently caste-influence is muffled inspite of its possible inducements, to what extent do these three affect the distribution of small entrepreneurs in an area, *vis-a-vis* the sub-groups in its population.

imitative innovativeness

One may very well make a hunch based on the above results of the study that in Madurai city a non-inheritor-owner of an on-going small scale industry if he, by virtue of his need for achievement and imitative-innovativeness pursues planning with sufficient credit for realisation of his aspiration in a moderately traditionalistic way with occasional risk-shifting, can be an entrepreneur, *ceteris paribus*. This hypothesis needs testing, along with further refinement on the measurement of risk-shifting.

Procurement of raw material continues to be a big problem for the small scale industrialists. In fact in our study it was found that 61.3 per cent of the entrepreneurs experienced the problem of shortage and high cost of raw materials.

A majority of the entrepreneurs ex-

pressed the need to ensure an adequate supply of raw materials. In spite of the fact that the state and central governments have set up their own agencies like the SIDCO, the STC, the MMTC, etc. to supply scarce raw materials to the entrepreneurs, the problem persists. Ways and means may be found by both the central and state governments to meet reasonably the raw materials requirements of the small scale industries failing which the small scale units are most likely to wallow in idle capacity checking production and encouraging soaring commodity prices, etc.

At the time of distribution of raw materials (the entrepreneurs suggested) the central and state distributing agencies may fix the margin of profit at a lower level so as to help the entrepreneurs with raw materials at a lesser price.

According to the present study of the small entrepreneurs sources of financial problems have been working capital and long term loans which presented big hurdles in their management of resources. In order to tackle this problem the following recommendations may be considered:

emphasis on prospects

In granting loan to small scale industries the emphasis may be more on the prospects of the industry, the extent of its market for the products and on the entrepreneur's capacity to run his industries for profit than on the security which the entrepreneur is able to offer as at present.

The period of repayment and the rate of interest may be decided not on the quantum of loan but on the time consumed by the entrepreneur for manufacturing the particular type of product for which assistance is sought.

There may be the involvement of selected representatives of small scale industrialists in scrutinising the application for assistance and recommending the cases to the concerned authority for sanctioning loan. Time in doing so may be gained and credit given timely if the loan application is more simplified with only the necessary skeleton particulars for the small entrepreneurs to fill it out without difficulty.

In the case of loans from banks, the local branch manager may be empowered to authorise sanction of loan upto a higher maximum limit than at present.

Despite the fact that the SIDCO has

branch office in Madurai city, only limited percentage of the entrepreneurs are aware of the loan scheme of SIDCO. It is high time that SIDCO explore means through effective mass media to invite the needy entrepreneurs to its doors for availing of its support.

industries aid wing

Entrepreneurs of our study are equally oblivious of the financial assistance available at TNIC. Now that TNIC has a branch office in Madurai, it can well serve the entrepreneurs of Madurai city by creating what may be called a "Small Scale Industries Aid Wing" in its branch office for exclusively meeting the financial requirements of the small scale industries in Madurai city. The existing communication gap between them and the small entrepreneurs of Madurai city makes the latter alien to these sources. Small industries in Madurai city are poised for further growth extensively and it is but proper that they would need warmth at the hands of these central financial institutions.

Machinery and equipment is a problem is found only among eight per cent of the entrepreneurs. Hence inadequacy in equipment is as serious a matter for small scale industries as the shortage of raw materials or finance. While a number of financial institutions for catering to the financial needs of the entrepreneurs of small scale industries has grown, their counterpart to meet the equipment requirements of the entrepreneurs is limited in number. Only 21.3 per cent of the entrepreneurs in our study know that SIDCO supplies machine on hire purchase perhaps this may be due to the recent launching of the scheme of providing machinery on hire-purchase by the SIDCO a much less percentage (16.7 of the entrepreneurs are aware of the same type of supporting facility extended by the National Small Industries Corporation which goes to show that the NSIC has yet to go a long way in making its scheme popular among the small entrepreneurs of Madurai city. To overcome this lacuna the NSIC may function in conjunction with the Assistant Director of Industries and Commerce, Madurai in popularising the supply of machines on hire-purchase.

Besides making this scheme more popular among the entrepreneurs of Madurai city the SIDCO may draw up suitable provisions for repair of the machines supplied by it. A start may be made by the SIDCO by employing a team of servicing mechanics to visit its client-firms so as to ensure checking and proper maintenance of the

chines. This extra service may be made available to the entrepreneurs of small scale industries once in three months for a 2 year period in the first instance, extending it as a service half-yearly for one year. In case sophisticated machines are supplied to the entrepreneurs the SIDCO may well consider a plan in collaboration with SISI extension centre at Madurai for giving training to the users (workers) in handling such equipment.

problem of space

Want of suitable workshops is a problem in the case of 13.3 per cent of the small entrepreneurs. It is suggested that as a means of furthering small industries growth in Madurai city the entrepreneurs to take advantage of the industrial rate for starting new units may be own concessions in rent for at least two years by charging less than the present rate of 13 paise per square foot. In this connection the SIDCO's workshop scheme at Madurai to help local small artisans manufacturing Chimney lights, trunks, boxes, aluminium ladders, etc., is worthy of mention. Since these entrepreneurs are capital-poor, the SIDCO may forgo temporarily the usual service charges and in addition may extend some concessions in interest rate and repayment period of the loans to these types of manufacturing units.

A word of appreciation must go to the late government in constructing development plots in Kappalur, Madurai to tide over the problem of accommodation. These developed plots are intended to house both large and medium scale industries as well as small scale industries. Here also the needs and interests of the small scale industries may be put on a separate footing or preferential treatment in order to boost their growth in the face of competition from large and medium scale industries.

Existing marketing facilities for small scale industries need improvement since the major problem exists among 16 per cent of the entrepreneurs. In order to help further widen the market facilities for small-scale industries in Madurai city, the SIDCO may make it obligatory on the part of the beneficiaries (entrepreneurs who take advantage of its services) to sell at least half of their output at a fair price to the SIDCO which can, in turn, resell it later. This will not only eliminate the middlemen but also help the entrepreneurs to have assured markets.

Since the entrepreneurs of Madurai city have the advantage of having both

the SIDCO's branch office and the SISI extension centre these two organisations may jointly take the initiative with the involvement of the small entrepreneurs to set up a cell at Madurai to explore the market potential for the various small scale industries products manufactured in Madurai and carry information to the entrepreneurs about market trends for their products.

Moreover, if the entrepreneurs purchase machines through the SIDCO, then the latter may assist them in ensuring the quality of the products produced by such machines supplied on hire purchase by issuing a certificate to them in consultation with the SISI at Madurai after testifying to the quality of the products. It may bring this to the notice of the Indian Standards Institution too for quality control. The SIDCO may collect a nominal charge from the entrepreneurs for this service. The granting of such quality certificate may help the industries widen their market, for when the product is standardised by SIDCO under the ISI seal the number of buyers may increase because of the quality dependability for the product.

It may be mentioned that according to our study though the problems persist in machinery and equipment, workshop, and marketing the gravity of the problems is felt by the entrepreneurs more due to the lack of their knowledgeability of the supporting facilities available at state and central agencies than to the inadequacy of the supporting facilities themselves.

high rate of taxation

The high rate of existing taxation, it is opined nips off the enthusiasm of the entrepreneurs especially when they venture to organise small scale units or to expand them.

Sales tax at present ranges from 3½ per cent to 15 per cent depending on the nature of the products produced. Further, there is an additional charge of five per cent on the sales tax. Besides, entrepreneurs of the small scale units have to bear other taxes like excise duty, income tax, etc. and face problems such as checkpoint restrictions in respect of the movement of goods.

In such a situation the suggestions made below will go a long way in alleviating the problem of taxation."

Entrepreneurs of new small scale units may be given a tax-holiday for the initial three years irrespective of the place of their establishment. But if they are orga-

nised in economically backward areas, the same may be extended to five years.

An additional tax on sales in Madurai city area is imposed perhaps for the use of social overheads in the city by the small scale industrialists who are able to make a large output turnover, whereas in backward area similar industries are given concessions in respect of this surcharge. As such this additional surcharge on sales tax may be reduced or at best withdrawn.

To ensure cordial relationship between the sales tax official and the small entrepreneurs and to facilitate quick assessment, the state government may explore possibilities of conducting "Sales Tax Week" like the one organised by the Income Tax and Railway departments of the central government.

There is a paramount need to set up a high power committee to simplify sales tax rules for small scale industries.

entrepreneurial training

Entrepreneurial Training Programmes in this country began to take shape in the wake of the Kakinada experiment under the auspices of the SIET, Hyderabad in entrepreneurial development based on the McClellandian approach to study entrepreneurs and their qualities; one such is the 'action oriented' programmes for young engineers instituted by the Indian Institute of Technology in New Delhi and Madras. Another is found ongoing in the Gujarat Industrial Development Corporation which is put through with the support of other interested agencies. This programme is specially oriented to the entrepreneurial needs of rural area development. There are programmes conducted by the SIET, Hyderabad also. More ventures of this kind to impart suitable training to educated youths of rural and urban area, unemployed engineers and technicians have to be formulated and built into the development programmes in our country because unless the right type of entrepreneurial leadership is forthcoming the industrial programmes for growth would be futile and devoid of any meaningful impact on the country's economy. Before blue prints for entrepreneurial training can be prepared, objective data on the multitudes of the small entrepreneurial man, his characteristics and influencing factors have to be gathered either by improving the existing on going programme or for starting a new one. The present study would, it is hoped, give an edge to this aspect of small entrepreneurial development in India.

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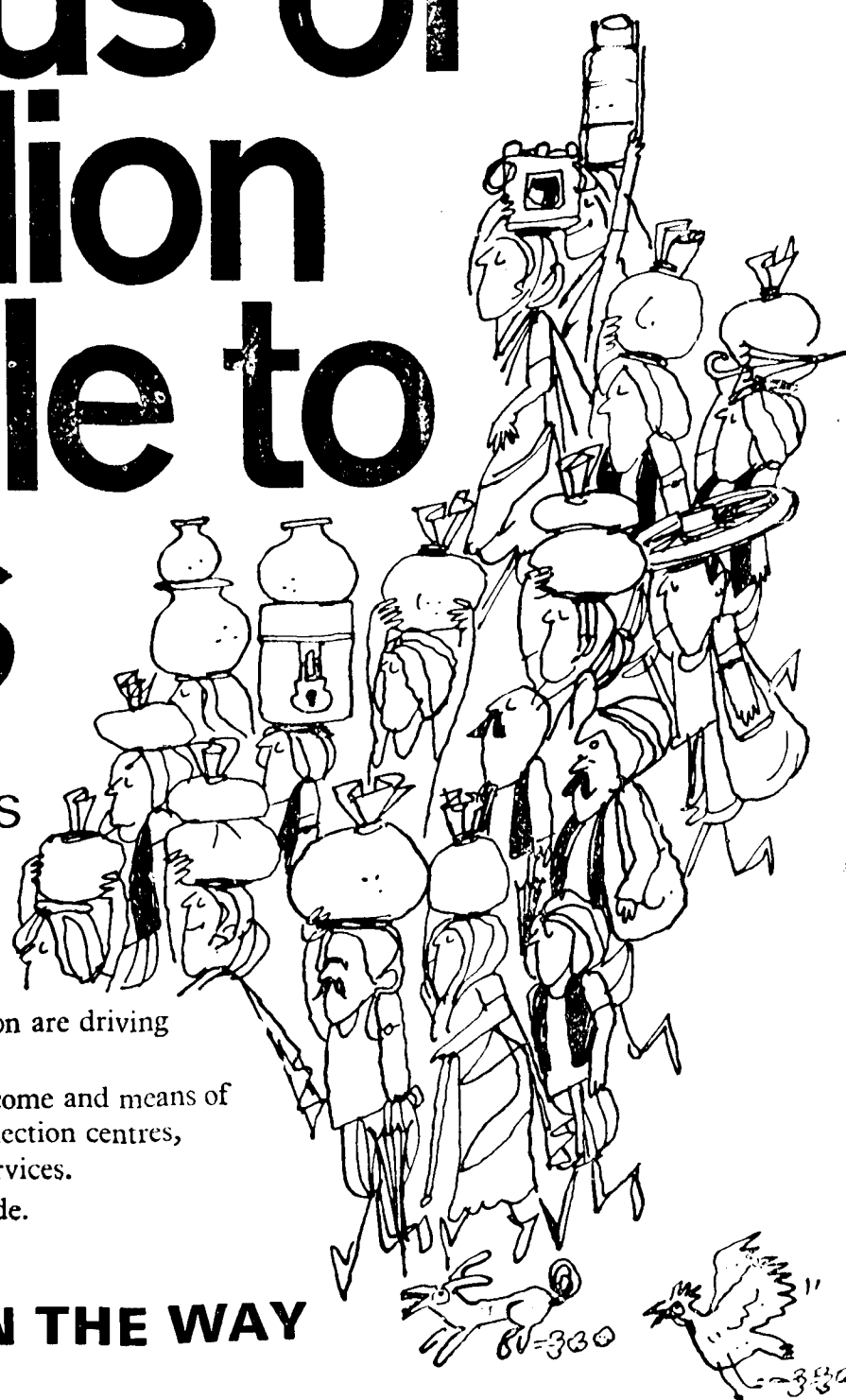
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FROM THE PRESS GALLERY

Our Parliamentary Correspondent

NEW DELHI, Saturday

AN ADDRESS to a joint session of the two houses by the Soviet Communist Party Chief, Mr Leonid Brezhnev, was the highlight of the proceedings in Parliament this week. In his address, Mr Brezhnev not only dwelt upon the growing Indo-Soviet friendship and co-operation for the cause of world peace but also covered extensively the current international scene. He touched on the US-Russian detente, the efforts being made towards establishing peace in Europe, the cessation of hostilities in Vietnam, the Arab-Israel war, and the attempts at easing the tension between North and South Koreans.

Extolling the detente

Extolling the detente between the two strongest powers in the world—one socialist and the other capitalist—Mr Brezhnev declared amidst applause that the Soviet Union was convinced that “nobody would succeed in obliterating this peaceful gain of a constructive policy” adopted by two powers. The two countries, he stressed had agreed to peaceful coexistence and had undertaken to conduct their foreign policy in such a way as to prevent the outbreak of a nuclear war.

Referring to the Arab-Israel conflict, Mr Brezhnev observed that it had demonstrated Arab solidarity and exploded the myth of the invincibility of Israel. Peace in this area, he however added, could be achieved only if Israel returned the land it had seized from the Arabs, justice was ensured for the Arab people of Palestine and foundations were laid for good neighbourly relations among the states in the region. The Soviet Union, he assured, had no selfish interests in West Asia. He applauded India's unambiguous and resolute backing to the cause of the Arabs.

The European peace, Mr Brezhnev said, could be built by joint efforts. An accord, he added, had been reached on a multi-lateral reduction in forces and armament and emphasised that this reduction should not give any unilateral advantages to either western or eastern Europe. The Soviet Union, he declared, would lay no claim to any military advantage from the contemplated reduction in forces and armament, but it could also not agree to the other side gaining any advantage.

The most significant observation of Mr Brezhnev, however, came towards the end of his address when he made out a strong case for collective security in Asia. This, according to him, would not only be a step of world historical importance but also enable the countries in the region to concentrate on their economic and social problems. Confidence, he added, was growing in the feasibility of a lasting peace in Asia. A number of interesting initiatives were emerging. These included the recent developments in the relations between North and South Korea, the idea of neutralisation of south-east Asia, the search for a formula for new relations between south-east Asian states which would ensure good neighbourly cooperation between them, the proposal to turn the Indian ocean into a zone of peace and plans for regional co-operation.

a lasting peace

The Soviet Union, Mr Brezhnev stressed was a determined advocate of the idea of Asian collective security not only because a great part of the land mass lay in Asia but also because Russia believed in the establishment of lasting peace in the world. The Soviet Communist Party Chief called for a thorough and comprehensive discussion on the idea.

The Lok Sabha completed this week its deliberations on the 1970-71 and 1971-72 reports of the University Grants Commission. Replying to this debate, the minister for Education, Mr Nurul Hassan, expressed the hope that the state governments would consult the UGC on the demands for higher education facilities in their areas. If such consultations were held on a regular basis, the UGC, he thought could play a more effective role in the development of higher education in the country. Apparently agreeing with the criticism of inadequacy of funds for the UGC, he hoped that the Planning Commission would take this into consideration while making the Fifth Plan allocations. To the critics who wanted that the UGC should not confine its activities to the provision of grants only, the minister's reply was that they should realise the constitutional limitations to the functioning of the commission. The university and higher education, he pointed out, was a

state subject and Parliament could only co-ordinate and determine the standards of this education. He reiterated the statement made by him in the Rajya Sabha earlier that efforts were being made to restructure the scholarships scheme so that those belonging to scheduled castes and tribes could get greater opportunities for higher education than at present.

The Rajya Sabha discussed this week the 1971-72 report of the Union Public Service Commission. The major points that were made by the members who participated in this debate were: (i) the UPSC examinations should be held in all the languages recognised by the Constitution, (ii) the viva voce or personality test should be abolished or it should be conducted on a different level with reduced marks, and (iii) parity should be established between the technocrats and the generalists. Pleas were also made for establishing an all-India engineering service and replacement of the confidential report system for the promotion of government employees by a performance report system. The chairman of the UPSC, it was suggested, should have the status of the chief justice India and its members that of high court judges. The chairman, it was further stressed, should be a distinguished non-official who had never been a member of any administrative service.

new all-India services

Replying to this debate, the minister of State for Home Affairs, Mr R. N. Mirdha, disclosed that the UPSC would shortly appoint an experts committee to go into its examination procedures for higher category services. He admitted that the viva voce test did not bring out the capabilities of candidates; therefore, a lot of reform was necessary in this regard. Mr Mirdha assured the house that the government had not given up the idea of creating all-India services for health and engineering.

Referring to the demand that all UPSC examinations should be conducted in all the languages recognised by the Constitution, Mr Mirdha observed that efforts were being made to find ways for achieving this objective. As regards the abolition of the confidential report system for promotions, he indicated that the

government was thinking how best it could implement the recommendations of the Administrative Reforms Commission on administrative personnel. About the status of the chairman and the members of the UPSC, he assured members that the government fully realised that they should get the status due to them under the Constitution.

Intervening in a short discussion on cloth prices in the Rajya Sabha, the minister for Commerce, Mr D. P. Chattopadhyaya, revealed that the government had decided to extend the voluntary cloth prices scheme, enforced in July this year, upto the end of December, pending the finalisation of an integrated cloth policy.

The minister of State for Agriculture, Prof Sher Singh told the Lok Sabha this week that the sugar policy for 1973-74 would remain unchanged from last year's and the partial decontrol of the commodity would continue. The price of sugarcane, he added, had been fixed at Rs 8 for 8.5 per cent sugar content.

The Lok Sabha adopted this week a bill to raise the compensation for the death or permanent disability caused to a person in a railway accident to Rs 50,000. Although the move to levy a surcharge on railway tickets for this purpose was resented by the members who participated in the debate on the bill, the Railway minister did not think that he could desist from imposing the surcharge.

The Rajya Sabha adopted the Prevention of Water Pollution Bill which provided for the prevention and control of water pollution and establishment of state boards and a central board for the purpose.

The minister for Heavy Industry, Mr T. A. Pai, introduced in the Lok Sabha two bills seeking to take over the management of Burn and Company, Calcutta, the Indian Standard Wagon Company, Calcutta, and Alcock Ashdown Company, Bombay.

question hour

The following important information was provided by various ministers in the two houses this week:

1. There is no proposal under the consideration of the government to set up a holding company in the field of fertilisers. Already there are three public sector undertakings dealing with this farm input. The setting up of a fourth company for constructing and operating three fertiliser plants in the north-west region has been agreed to in principle.

2. In view of the acute shortage of fertilisers, instructions have been issued by the government that 50 per cent of the total production of the commodity in the country should be handed over to

the ministry of Agriculture for distribution through co-operatives and other agencies. Imports of fertilisers have suffered a setback this year. Many countries, including some east European countries, which had agreed to supply fertilisers, had not been able to fulfil their commitments. Some of them are even trying to get out of their commitments because of shortage of naphtha in the world market.

3. All imports of fertilisers have been entrusted to the Minerals and Metals Trading Corporation. Hitherto, these imports were being done by the MMTC as well as the Department of Supply.

4. The ministry of Transport and Shipping is having consultations with the Railway Board with a view to getting the freight rates between Calcutta and Gauhati restructured so that more goods can be available for transport through waterways.

5. The General Insurance Corporation

is considering two pilot insurance schemes for cotton for the Coimbatore district of Tamilnadu.

6. The central government would assist the Kerala government's project for the development of palm oil plantation. A sum of Rs 100 lakhs has been provided for this purpose in the fifth Plan.

7. There is no proposal under the consideration of the government either to demonetise the currency or to devalue the rupee. The purchasing power of the rupee, which was 99 paise in 1950, a compared to 100 paise in 1949, fell to 80.6 paise in 1960, 44.6 paise in 1970 and 36 paise during the period January-September, 1973.

8. The government of India expect to receive aid from the World Bank group to the extent of about Rs 200 crores for the public sector projects in the remaining period of the current financial year.

criticommments

A DIFFICULT CHOICE FOR EMPLOYEES

Some time ago, the employees of a large organisation were asked to make a choice. They were offered an increase in their salary or, in place of this, a pension scheme. The choice had to be made immediately.

This posed a dilemma for the staff. A pension scheme did sound attractive. Who hasn't heard of the retired Central Government employee who had enjoyed his pension for 35 years—more years than his total period of service? On the other hand there have been men who retired in perfect health but nevertheless did not enjoy their pension even for a year.

Over the years many people have wistfully longed for a pension scheme which would provide a regular income to the retired employee and his family for a minimum number of years. This is what the Life Insurance Corporation offers through its Superannuation Scheme.

The Superannuation Scheme provides a life-time pension to a retired employee, guaranteed for

a minimum period—say 15 years. This would ensure that he will get a regular income for the rest of his life; and if he were to die earlier the pension would still be paid to his dependents during the guaranteed period. The employee is allowed to commute a part of the pension for a tax-free cash sum on his retirement.

Enlightened companies have introduced this Scheme for their employees; a special benefit is that life insurance cover can be provided for all those who come under the Scheme.

This is one of the many progressive schemes of insurance introduced by the LIC. Its advantage is greatest when employees cannot save out of current wages to provide for an income in their old age.

Linc

From international trade to multinational enterprise

Josselyn Hennesy London

The New Service Society

THE CARDINAL fact about modern economies is the ever increasingly dominant role of services—communications, travel, tourism, retail trade, insurance, entertainment, banking, medicine, etc. etc.

Within twentyfive years not only will white collar workers in all advanced countries far outnumber manual workers—they have for more than ten years in the USA—but computers will ensure that employment in manufacturing will come relatively as insignificant as that in agriculture today. Over the years I have periodically denounced here the fallacies (a) that the service industries are parasites and (b) that the world is becoming steadily more in thrall to "Industrial

trades, especially since the abolition of resale price maintenance throughout Europe, are gaining over the manufacturing industries with the splendid result that the consumer (contrary to popular belief) is becoming more, not less, of a sovereign power. Even if you disagree with Mr Lewis's conclusions, he has mustered a powerful case that you have to answer.

I offer here a summary of a section of Mr Lewis' book, which should interest you in India, in which he shows that (a) international trade in services is growing faster than that in goods and (b) the multinational company is not an agency of economic exploitation but is accelerating the worldwide export of information and know-how from the world's most advanced economies. The multinationals are currently doing more to advance the develop-

ment of the Third World than all the programmes of economic aid. The world's third largest producing unit in 1980 after the USA and the USSR will be American subsidiaries abroad, asserts Jean Jacques Servan-Schreiber in *The American Challenge* (H. Hamilton 1968) characteristically assuming that US subsidiaries abroad can be treated as a unit. Equally significant is that the sales of subsidiaries of British, Dutch and Swiss companies in the USA are now twice as large as the total exports to the US of their parent nations. Finally, to put things in perspective, in 1970 the world value of sales by foreign owned subsidiaries was at least \$300,000 million (of which US companies represented three-fifths), which comfortably exceeded total exports of merchandise from major countries. This comparison illustrates how far we have moved from the situation assumed by the neoclassical economists, under which the world economic order based on nation states allowed goods but not the factors of production to move freely across frontiers. The old bias of economics, which emphasised good, hinders recognition of this remarkable change of the world's economic structure. Indeed, in so far as it is recognised it is generally resented. In western Europe politicians commonly regard investment as an alien invasion to be repulsed: in the developing world the usual view is that all Western enterprise is neocolonialism. Here we argue that, on the contrary, the internationalisation of business deserves a universal welcome, for it is an agency not only for extending economic welfare, not only for completing the integration of common markets and common currency areas, but also for unifying economically the non-Communist world.

spatial extension

The international corporation is not new: it emerged about the beginning of this century. The appearance in Europe and elsewhere, especially in South America, of subsidiaries of the US giants was, in part, a natural further spatial extension of the national corporations which already straddled the USA by the 1890s. Yet at this stage European and especially British overseas enterprise was far more important than American. Indeed the US invasion was really a counter-offensive, because in the late nineteenth century an estimated 15 per cent of the total investment in America was European. European investment, however, was not usually direct, but was more often in the form of bond issues by governments. It was not normal for large European corporations to develop raw materials, build railways, ports or electricity power plants through their subsidiaries—Unilever was important but not typical—instead bankers and financiers promoted mining, plantations, trading, and public utility companies for specific ventures, and offered their shares to the public. The major exception was the oil industry, for which geography, and the integrated character of its operations

WINDOW ON THE WORLD

corporatism", i.e. J.K. Galbraith's foggy belief that a handful of huge corporations, like General Motors, have become so powerful that they are not controlled by market forces but can by their colossal expenditure on advertising, and on research and development, make the mass of consumers buy what they want them to buy, and that they can only be restrained by a vast bureaucratic and interventionist government.

I therefore welcome a remarkable new book entitled *The New Service Society* (Longmans, £3.25) by Russell Lewis—a rising star of the younger generation of British economists—in which he supports, by a wealth of statistical and other research, the proposition that the retail

ment of the Third World than all the programmes of economic aid.

The world's third largest producing unit in 1980 after the USA and the USSR will be American subsidiaries abroad, asserts Jean Jacques Servan-Schreiber in *The American Challenge* (H. Hamilton 1968) characteristically assuming that US subsidiaries abroad can be treated as a unit. Equally significant is that the sales of subsidiaries of British, Dutch and Swiss companies in the USA are now twice as large as the total exports to the US of their parent nations. Finally, to put things in perspective, in 1970 the world value of sales by foreign owned subsidiaries was at least \$300,000 million (of which US companies represented three-fifths), which

conspired to create an international corporate existence.

The increasingly American character of international enterprise in this century has owed much to two world wars, after each of which the USA emerged as the largest, and for many years, the only, source of large-scale development finance. Increasingly, too, the international corporations have been manufacturing concerns and even the oil companies have extended their manufacturing activities. The reasons for this migration of US manufacturing enterprise in particular are plain. In technology and management the lead of US industry made it possible for an overseas subsidiary to enjoy super-profits for just as long as local manufacturers take to draw level. Huge marketing promotions, incurred in developing the US home market for consumer goods, yield products suitable for launching in another national market at little further cost. Jumbo sized spending on technological research and development for the US market gives a company the chance to obtain a bonus through direct investment, which mere licensing of patents alone cannot.

Again, international firms can juggle with differently priced land, labour capital and enterprise all over the world and locate production according to the most economical of these human and material resources. There are also tax advantages in being able to change the domicile where profits are earned. Global operations demand frequent meetings between those who control them. It is not surprising, then, that the international corporations, most rapid period of growth has coincided with the most sensational acceleration in the speed of personal transport in modern times.

Commercial calculation alone thus explains why international corporations have advanced with giant strides since the Second World War.

II

The American "Challenge"

Yet if the corporations have been rational in going abroad, has 'abroad' been wise to accept them?

In western Europe, certainly, there is no lack of xenophobes who want the Americans out. Characteristic of the nationalist view is Servan-Schreiber in his *American Challenge*, which deserves scrutiny as the best argued and most influential intellectual assault on the American corporations in Europe. Servan-Schreiber's approach is more that of a soldier than

of an economist: 'The Assault on Europe', 'America's Arsenal', 'Battle of Computers', and 'Counter Attack'. Although his outlook is liberal, humane and generous, M. Servan-Schreiber, is the victim of his colourful vocabulary. Obsessed with his war analogy he is driven into advocating chauvinistic and dirigiste policies. Let us see how this occurs.

technological domination

The *American Challenge* begins by asserting that the European economy is in a state of collapse: US business enterprise is in process of conquering it. He admires the superior equipment, organisation and training of the Americans. Their brilliant technology enables them to dominate those industries, like aerospace and computers, which not only spearhead industrial advance but also set an enviable example of rapid growth. The US technological ascendancy he believes, rests mainly upon the sheer size of their corporations, for he assumes that only corporate giants can afford the necessary expenditure on research and development. Their size enables them to borrow cheaply and Servan-Schreiber regards it as supremely ironic that they are therefore able more cheaply than their European rivals to borrow Eurodollars - themselves the result of the USA's balance of payments deficit - in order to finance their takeover of European companies. He alleges that the huge scale of the multinationals, epitomised by General Motors, which grosses more than the Dutch national income, enables them to treat with European states on equal terms. They shop around for government subsidies such as those given for regional development, locate their investment with the highest bidder, and declare their profits where tax is least onerous. He sees them as vampires draining Europe's brains to America where all the advanced work goes on, thus helping to widen the yawning technological gap between the two sides of the Atlantic. He quotes with approval Harold Wilson's warning that Europeans will become technological helots in an American world.

What does he want done?

Servan-Schreiber urges Europeans to create in their own society those conditions which are the sources of America's dynamism. They must create an economic union, but instead of relying on competition they must reinforce strong points, namely the 50 or 100 firms likely to be the technological leaders in their field and foster their growth by mergers, by tax concessions, by the provision of investment funds, development contracts and by other forms of subsidy. Europeans must also create a strong federal government comparable with the USA's, capable of pooling

public procurement expenditures and fore equally able to support giant companies in the top technology sectors.

Servan-Schreiber's alarms are how ill-founded. The European economy, from collapse, is one of world's most dynamic: Europe's rate of growth *per cent* in the last decade has been one and a times as fast as the American. Nor is anxiety over US takeovers any so basis. US corporate investment in Europe has been steadily falling since 1965 cause their rate of profit has been falling which itself indicates the increasing competitiveness of rival firms in Europe. Despite their size, US firms have not growing faster than the European. Indeed, on the evidence of the last ten years there is no connection between size and growth.

The paradox is that both European Americans have felt threatened: the Europeans because they look no further than the European market and see only US invasion, the Americans because regard the world as their oyster and their world position threatened by dy European. Thus American corporate investment in Europe, far from aggressive, has been a defensive response by corporations, which fear their place in the world is slipping.

As for Servan-Schreiber's notion that the Americans are buying up Europe dollars that Europeans lend them, which is a latterday mercantilist fallacy. It is questionable whether there has been any US balance of payments deficit. A Professor Kindleberger has argued convincingly that the conventional definition of balance of payments equilibrium is faulty (C.P. Kindleberger, *Europe the Dollar*, Massachusetts Institute of Technology Press, 1966). The dollar in fact been strong, not weak. The current deficit is the result of joining together two money and capital markets with different liquidity preferences. The USA, with a low liquidity preference, borrows and lends long and appears to have a balance of payments deficit. Europe, with high liquidity, lends short and borrows long and appears to have a balance of payments surplus. Put another way, America's apparent deficit results from dividing Europe with liquidity that not or will not prove for itself.

III

Relation of States with Multinationals

The power of the multinational corporation to flout the authority of the sovereign national state is less great than alleged. The multinationals seek to

above all. In its pursuit they may clash with unrealistic policies of governments, as when, for instance, they sell short an over-valued currency but in that case they are only acting as the agents of those market forces with which sooner or later governments must come to terms. Discussion of this problem has tended to stress the alleged obligation of the international corporation to enslave itself to the political sensitivities of the governments and politicians of the countries in which it operates, and has ignored the limitations that governments should impose on themselves and their interventions in business if their countries are to keep the full benefits that the international corporations can bring them in the way of modern technology, efficient management, and the large-scale organisation of capital. Almost certainly the American corporations have been the cheapest source of advance technology available to western Europe.

political corollary

No doubt the multinational corporation has as its political corollary the multinational state or common market. Yet it is perverse to regard European harmonisation of commercial laws and economic policies as primarily a response to the challenge of corporate invasion. It is more realistic to see both as contributors to the same process. The multinationals, by striving for the most profitable combination of the available resources of manpower, capital, and brains, tend to equalise there wards of these productive factors. Thus they complete the process which the mere free movement of goods and factors of production, for which the Treaty of Rome provides, could never achieve unaided. Servan-Schreiber's ideas of hurrying this process on through state-said mergers would not have the effect that he anticipates. Recent British experience is that only one merger in nine succeeds, and in the USA only one in four. The main result of mergers is not more efficiency but more multinational companies, for experience shows that size is critical in the decision to establish a subsidiary abroad. This effort corresponds with what commonsense suggests, i.e. that the larger the firm the less of a strain on its budget of overseas venture. The net result of the Servan-Schreiber programme, then, would be artificially to stimulate the further internationalisation of business. Perhaps in the 1980s Senator Mike Mansfield will be treating Congress to startling revelations about the European challenge.

To all who, like M. Servan-Schreiber, are transfixed by the American challenge, the Japanese example excites envy, even if it defies exact imitation: the Japanese uniquely combine suspicion of the fore-

igner with eagerness to learn from him. The history of Japan has constantly revealed this mixture of hostility to outsiders with welcome for their ideas. The post-war American occupation could not change this; it reinforced it.

So it is that Japan, the world's biggest importer of US technology, is also, of all the developed non-Communist nations, the most free of US ownership and control. In the Japanese it seems that the multinationals have met their match. Is Japan, then, a model of what a policy of exclusion can accomplish, especially in view of her world-beating rate of economic growth to which this policy must surely have contributed?

No, because Japan demonstrates the exact opposite of the case for technological nationalism. First, Japan does not insist on a home-grown, and therefore independent, technology for the Japanese expenditure on research and development (1.7 per cent of GNP in 1967, has been among the lowest among all the advanced countries. Instead Japanese firms have licensed technology from abroad, spending the staggering sum of \$1,460 million between 1950-68.

Secondly, Japan is now gradually removing the restrictions which previously prevented international companies from establishing themselves in any strength inside Japan, for, as the economy has grown, international companies have become increasingly reluctant to release their technology through licensing and have demanded more direct participation in the Japanese home market.

liberal attitude

The Japanese have also begun to realise that they can expect retaliation against their exports in the US market if they do not treat US companies more liberally, and also that multinationals could turn away from Japan to Hong Kong, Taiwan, and South Korea to the disadvantage of Japanese exports. Above all, Japan's leaders are coming to see that a more liberal attitude to foreign capital investment will introduce more competition in their protected home markets, this should pep up Japanese industry and benefit Japanese consumers. Those Japanese who believe that the multinationals will help to reduce excessive government intervention are probably right, for the most strenuous opponents of liberal policies are the officials in the economic ministries.

So in all developed countries the multinational company is becoming the main agent for the transfer of the techniques of economic progress. How far is this true

in the developing world? The accepted view is that, even if there are economic benefits, the multinationals are colonial exploiters.

Exploitation, however, nearly always reflects monopoly power. It was the domination of the Latin American market by US companies which created resentment. It is ironic to recall that after World War I Latin American progressives favoured US, and opposed European, investment because the Europeans were associated with rural exports while the Americans were mostly involved in manufactures which were import substitutes. The American grip tightened during and after World War II as the UK position declined and that of the Germans and Italians collapsed. Moreover, manufacturers, lured by protective tariffs to make substitutes for imports, naturally found themselves in a far more intimate relationship with the authorities than the plantation and public utility enterprises typical of European investment. For their profit depended on continuing protection, because the home markets of those countries were too small to achieve the benefits of large scale production and therefore to compete with foreign products, let alone compete in exports.

autarchy favoured

The political situation in Latin America favoured autarchy: the break up of the old liberal international economic order, with gold-linked currencies, and free trade between manufacturing and raw material nations, the old conservative political structure of landlords, generals and priests perished with it. In its place came demagogues, like Peron, under pressure to produce dramatic-looking economic results. Such regimes were victims to the hothouse theory of economic progress that home produced manufactures stimulated by protection, would spearhead a modern industrial economy. Greater economic self-sufficiency in fact actually eroded their political independence. To tempt in US corporations was a policy reminiscent of the Renaissance popes and princes who thought they could solve their problems by calling the French army, only to discover they had started a process which led to the enslavement of all Italy.

The Latin Americans would have been free of dollar imperialism if they had adopted free trade, and even today it is precisely under free trade that the multinationals can make their greatest contribution to development. The multinationals are more mobile than ever before, therefore more truly multinational, therefore more readily disposed to manufacture components in developing countries, especially

those which require labour-intensive methods. In this way there is a healthy expansion of the economy through the growth of exports competitive in world markets.

The rulers of the developing countries should examine these considerations and revise their economic policy. The indication is that aid from governments and international organisations will contract, while aid from private investment will expand, even though the ratio of the public to the private contribution is still 3 to 1. Overwhelmingly those private funds come via direct investment by international companies. This has great advantages over public finance as a source of funds, because it is free of political strings; it is equity capital, not debt, so that the receiving country pays out in good times rather than in bad. It also has many-sided effects, bringing out business talent which government aid usually cannot obtain,

because international corporations can pay the price and, more important, offer a career. Private investment teaches skills to workers, knowledge and expertise to technicians, and the ways of competition to managers, not only to staff in their own subsidiaries but also to their local suppliers. Moreover private enterprise has the organisation, which no government has, to distribute around the world and thus expand the country's exports.

In developing countries, just as much as in the sophisticated, the multinational company is thus the instrument through which economic realities are brought to bear on the policies of states. Only a foolish government will ignore these realities. It is fortunate that the multinationals, so suspect in the past, are now increasingly recognised as the institutions through which the facts of international economics are being brought home to the developing countries.

Despite bureaucracy, truth will out and, indeed, from under the plethora of restrictions which nationalist politicians try to impose on commerce, the spontaneous and worldwide appearance of this remarkable free enterprise phenomenon, the multinational company, is yet another example of the endless inventiveness of the unaided human response when faced with a genuine popular need.

The multinationals are the most up-to-date examples of the perennial Adam Smith case for free trade. Instead of big business making nonsense of classical competitive theory, which is considered to be based on a myriad small firms, we now see that, allied to modern technology, the multinational company is the world's most powerful agency to promote competition and the confrontation of production costs. It is, says Russell Lewis, cementing all the economies of the non-Communist territories into one world.

The European Community and the Third World

Dr. Erhard Eppler

IN THE member states of the European Community the question of what role the Community should play in the future with regard to the developing countries of Africa, Asia and Latin America has been discussed for some time and with visibly growing enthusiasm. The members of the public who take an interest in development aid have been demanding with greater urgency that Europe must contribute to a greater extent than in the past towards solving the manifold problems of the Third World. The European Commission has concurred with these demands in its memorandum of July 27, 1971 and the complementary document of February 2, 1972 to the extent of publishing its ideas on a joint policy of co-operation with developing countries. The complex series of questions that are touched upon in these documents were taken up again at the session of the Council of Ministers in Brussels on September 26, 1972 and played a more significant role at the summit conference of European heads of government in Paris in October 1972 than was apparent to the general public.

So there is no doubt that discussion of a joint European development aid policy is an essential item on the agenda of European political meetings. With the entry of Britain, Denmark and Eire to

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the Community and the expansion of the EEC that has followed this has become an even more essential item on such agendas. Firstly because the European Community has been a very important trading bloc since the entry of the three new members on January 1, and secondly because the entry of Britain has of necessity meant that the situation of British Commonwealth countries occupies the attention of European policymakers to a far greater extent.

The then President of the European Commission Mr Sicco Mansholt said on April 17, 1972 in front of the full assembly of the Third World conference on Trade and Development of the UN with regard to the future role of the European Community towards the Third World: "Can we rely simply and solely on the assumption that such a powerful market is automatically of benefit to developing countries?"

The task of the European Community and its member states in the next few

years will be to remove such doubts by unified painstaking efforts. Where do the main barriers to an effective and appropriate European development policy lie?

The European Community has often been accused of being "inward looking", of devoting itself first and foremost to its own expansion and internal consolidation without taking account of whether and in what ways this consolidation is achieved at the expense of outside countries, particularly countries of the Third World, or possibly to their benefit. A harsher form of the same reproach was popular in developing countries and is still occasionally heard today: the European Community is "an exclusive club for rich people aiming to consolidate and increase their own wealth".

In fact it is difficult to deny that the EEC did concern itself for the most part with its own development in its early years, rather than weighing up what efforts it could be making to overcome the problems of underdevelopment in Africa, Asia and Latin America.

Nor can it be denied that disadvantage for many developing countries arose from the EEC's concern with itself. Today however, we have come to the stage

where we must decide that the initial tendency towards being "inward looking" is not to become a political principle of the European Community. Europe must direct its attentions to a far greater extent to countries beyond its borders.

expansion of cooperation

At the Paris summit conference in October 1972 the European heads of government confirmed the responsibility that the Community would take upon itself in future in world politics on account of the undoubted power it had achieved. This applies to the further expansion of partnerships with the United States and other industrial countries that do not belong to the EEC. It also applies to cooperation with the countries of eastern Europe. But equally important, it applies to efforts to assist the countries of the Third World in building up economic structures capable of supporting themselves. It is in this sphere that the EEC will find one of its main responsibilities in years to come. Talking about it is not enough. Sicco Mansholt in the speech I have quoted already to UNCTAD expressed his views clearly and emphatically. He said: "We must ensure that our contribution is not merely an abstract exchange of ideas, but that these ideas are indeed converted into political decisions."

On the path to a more effective European development aid policy one of the first decisions to be taken must be to remove this policy from its previous limitations within the bounds of certain regions. We must work out a vaster and more broadly-based concept, carrying the responsibilities of the EEC to the whole of the Third World and not only to certain countries within it.

Up till now Europe's development aid policy has been limited to certain regions, to the associate memberships in existence or sought after with French-speaking states in Africa and Madagascar, as well as certain Mediterranean countries.

The Community will not be able to limit itself to these areas in future. There will need to be a reorientation, especially now that Britain is a Common Market member. History has given Britain a special relationship with a number of developing countries, not only in Africa but also in Asia. And if these countries are to be given preferential treatment it is right that countries in Africa, Asia and Latin America should be discriminated against because they never had the "advantage" of being a French or British colony? The reorientation of European

development aid policy to become a worldwide policy cannot be stopped. France is already giving overthought to practice and criteria of the development aid policies of the past on the basis of the Gorse report.

The European Commission is, therefore, in the memorandum already mentioned, basing its calculation on a future worldwide relationship between the Community and developing countries as a whole. Just how this concept will be drawn up depends on the rounds of talks that lie ahead, the negotiations and decisions still to be made. However, it is known that in the long term the Community will have to aim its development activities towards the developing countries in Asia and Latin America as well as Africa, quite independently of whether these countries were formerly colonies or not. Thus the Community's formerly mainly regionally based development aid policy will gradually be converted into a worldwide system of development policy measures. This should be borne in mind immediately and not forgotten whenever the EEC concludes agreements that approximate to development aid.

The fears that could possibly arise in the United Nations and its special bodies that on the development aid field a kind of second UNO could form in Brussels as competition to the multilateral aid programme of the United Nations seem to me to be unjustified. An efficient and worldwide development aid policy by the Community would be discredited and above all would miss its target if it were not clearly a complement and support for the development aid policy of the United Nations and were not obviously planned and coordinated in conjunction with the UN.

regional straitjacket

Freeing European development aid from its regional straitjacket also means that it would have to give up its sectoral limitations. These limitations have so far been concentrated on trading policies and in particular the general customs-duty preference system and food subsidy schemes. This too is a limitation that cannot be continued for much longer. Critics of European development aid policy, including officials of the general development aid directorate of the European Commission, took these limitations as grounds for maintaining that in fact the Community did not have a development aid policy in the past. In order to give credence to the idea of a Community development aid policy it is essential to expand and perfect the development aid policy range of equipment, which is only

to a limited extent in evidence, according to UN strategy in the second decade of development aid. Basically I agree with this criticism, even though I do not underestimate the political and legal barriers that have so far stood in the way of such expansion and which will continue to do so for some time to come.

The aim of all who are striving for an effective development aid policy for the EEC must be to see that this policy is not restricted to closer co-operation on financial and technical aid. Factors that must be taken into account are trading policy including preferential customs duties as well as industrial and agricultural policies. All these differing forms of aid should be included in the strategy of a European development aid policy in such a way that all aspects are accounted for which are of vital significance to countries of the Third World. From this point of view an active and open-minded attitude on the part of the Community at the round of GATT discussions planned for this year would be of major value.

sectorial limitations

Sectorial limitations of European development aid policy can also no longer be maintained because they do not correspond with the greater self-confidence that the EEC has attained. In an article for the special European edition of *The Times* of London on January 1, 1973 Federal Chancellor Willy Brandt wrote: "The path has been cleared for the European Community to become a social union. No longer will economic growth alone, however important it may be, be decisive for the development of the Community. What will be decisive is the improvement in the quality of life for people living in the European Community... Those who have criticised the EEC in the past because it seemed to be building up a one-sided 'business Europe' can now, in the light of this new social orientation, assert that the Community will be built up into a 'Europe of equal and better opportunities in life.'"

What this means is that Europe will give up its previous one-sided economic orientation in favour of an orientation that does not aim solely to bolster common economic interests, but also equalises out unequal living conditions in the various regions of the Community and improves the Community's defences against pollution of the environment.

If, however, these principles are applicable within the Community it follows naturally that they must also be applicable to the Community's relationships with outside countries, and again specifi-

ally to its relations with developing countries. This entails the removal of sectorial limitations to development aid policy. If this does not happen it will be a new and justified backing for the old accusation that the EEC is a rich man's club. If the regional and sectorial limitations are given up in favour of a world-wide and sectorially expanded concept for the European development programme the Community will find itself faced with obligations to which it cannot do justice with its former, nationally varying concepts and the organisational methods that are at present in action. Changes and harmonisation are high on the list of priorities.

In the EEC's financial cooperation with developing countries it is essential to avoid setting up a plethora of new financial aid schemes by Community countries. On the contrary, step by step Community funds should be commandeered as financial aid for the Third World. The monies so provided by Community funds should be bolstered by a co-ordination of development policy activities in the Community and its member-states. Without further aid we could now begin by taking the consultations of member-states with the Commission on aid to the AASM* at present held separately, and incorporating them in routine rounds of talks in Brussels.

Furthermore the Community will not be able to do so without reaching a joint line to be taken on development aid at world conferences in the future. The last UNCTAD conference in Santiago de Chile showed clearly that that the differing and nationally independent lines taken by member countries of the Community at such a forum in no way correspond with the image the developing countries have of the European Community. And it corresponds just as little with the hopes and expectations that developing countries have of European assistance. Improved and coordinated efforts at co-operation with international organisations would be of great benefit to the image of the Community as well as the welfare of developing countries.

At any rate the principles and criteria of the individual national programmes of development aid should be harmonised. In view of the fact that the European Community is growing step by step a little closer in terms of foreign policy and by the end of this decade hopes to have formed an economic and monetary union the idea of a development aid programme with more harmonised principles and improved organisation should not be some vague Utopian ideal, but a concrete attainable aim of the Community.

There are many developing countries in

which hope is a commodity in short supply. But much of the hope that still lives draws its succour from Europe. I believe that the European Community as a whole will be a better partner for the Third World than the sum of its member countries as separate entities.

For as long as we concentrate entirely on what we consider to be our national problems, and for as long as we are prepared to leave to the European Community matters that can no longer be taken care of by individual countries alone we should not be surprised if public opinion in the western world has a difficult time taking the problems of the Third World as seriously as they actually are. Therefore I am convinced that the achievements of the European Community for the Third World can be more effective than the sum total of works carried out by the nine individual countries.

Thus our aim, even though it cannot be brought to fruition in this decade, is a joint effort by the Community, which must take over from individual national development aid programmes. Achieving this will of course not be any easier than many of the other difficult tasks that the Community has to carry out. I am certain that the Federal Republic will put its weight.

* the African states associated with the EEC

Booming world trade

IN THE second quarter of 1973, total world imports on a cif-basis rose to an annual rate of slightly more than half a trillion US dollars, as given in the latest issue of *International Financial Statistics*, (IFS) a monthly publication of the International Monetary Fund. World imports had thus risen by 31 per cent over the annual rate of \$386 billion in the corresponding quarter a year before, and by 51 per cent over the \$334 billion in the corresponding quarter of 1971.

These import figures (as well as the figures on exports in the paragraphs below) are expressed in US dollars. Thus, the changes in these figures are affected by the depreciation of the dollars in relation to many other currencies. In addition, price increases for internationally traded commodities added substantially to the value of trade. But even after corrections have been made for these influences, there remains considerable growth in trade volume, surpassing the average annual rate of increase over the past three years.

Total world exports (fob) reached an

annual rate of \$469 billion in the second quarter of 1973, an increase of 26 per cent over the annual rate of \$371 billion in the corresponding quarter of 1972 and of 49 per cent over the annual rate of \$314 billion in the second quarter of 1971. Export figures appear smaller than those of imports because they are based on fob values which do not include the insurance and freight element contained in the cif values used for imports, and also because of lags. For 1973 as a whole, total world trade (i.e. exports and imports taken together) can be expected to reach a value of over one trillion dollars.

Exports of industrial countries increased from an annual rate of \$276 billion in the second quarter of 1972 to \$367 billion in this second quarter of 1973, or by 33 per cent. Among this group, the United States showed the strongest growth, by 44 per cent, reaching an annual rate of \$70 billion in the second quarter of 1973. Exports of the industrial countries on the European continent grew by an average of 35 per cent to \$205 billion, those of other developed countries (non-industrial Euro-

pe, Australia, New Zealand and South Africa) by 37 per cent to \$33 billion, and those of less developed areas by 20 per cent to \$85 billion.

The index of export prices of developed areas reached 148 in the second quarter of 1973, compared to 140 in the first quarter of 1973. According to the latest issue of IFS, export prices had thus risen by 5.7 per cent from the first to the second quarter of 1973, compared to an increase of 1.6 per cent between the corresponding quarters a year ago. The indexes are based on prices expressed in dollars (1963=100). Mainly because of the currency realignments that have taken place in early 1973, the rise of export prices was particularly marked for Japan where the index went up from 137 in the first quarter to 153 in the second, France (from 146 to 162), and for Germany (from 142 to 157). The export price index rose less rapidly in the United States (from 138 in the first quarter to 144 in the second), in the United Kingdom (from 138 to 149), and in Italy (from 133 to 137).

—*Courtesy IMF*

Father Christmas has one problem less

Vienna

E. B. Brook

It is today one month to Christmas: it seems unlikely that either politics or economic circumstances will be much help to the spirit of good will in making it a happy feast in Europe. Unless the very unexpected happens the Europeans will be even shorter of their industrial and transport fuel than they are now and the price surge imposed on the general inflation by the higher cost of petrol will be even more impressive. It is fortunate that Father Christmas is supposed to be a deer-drawn sleigh to get around on in his amiable mission: if present conditions continue some Europeans may soon be moving in the same way.

major obstruction

What began as a nuisance to the motorised European and as a distant threat to its industries has built up over six weeks to a major obstruction. That an increasing part of west Europe is not allowed to use its cars on Sunday and that speed limits are down to 100 kilometres, or about 55 miles, an hour is possibly no bad thing except for the hotel and tourist trade which, in winter, depends heavily on week-end visitors. Even that industrial output is being slowed down is misfortune against which can be set a reckoning of over-production and artificially stimulated sales. What matters most is that the slack enforced on industry going to hit the poorer worker first by taking away his livelihood. West Germany here the Opel and other manufacturers are going on short time, is closing down its intake of workers from south-east Europe and will not be long before it is sending a sizeable number of them home. The Turks and Yugoslavs will be in loss of income and foreign exchange the misfortunes of the west European housewife, who has to walk to shop instead of going by car, the effects of the industrially developed world having placed most all its reliance for energy on the easily obtained oil.

The reduction in comfort and means to reduce to the maximum caused by the reduction in oil supply is beginning to make some western tempers turn nasty. President Nixon has expressed impatience, his Secretary of State has warned the Arabs to be reasonable. There are omi-

nous threats of a build-up of US naval forces in the Indian Ocean and, by the Arabs, of blowing up the oil wells if anyone tries to grab them. More factual is the international scramble for Iranian oil, expected very soon to be produced up to six million barrels a day. Iran cannot meet all the demands of the importunate countries and firms now approaching it. Iran, despite all temptations, is not likely to try to alter its production because of the Arab oil boycott. The Iranians are also Muslims and, more practically, emergency spurts in any form of production are, in the long run, not good business. Iran is looking after its regular customers, a consortium of British, US, French and Dutch companies. Japan and the rest of west Europe are likely to get first consideration for the rest rather than the claimant American firms since the USA has so far not taken more than 4.3 per cent of Iranian crude. Iran has, in any case, been foremost in demanding that crude oil prices be raised substantially—a rise of 70 per cent was achieved in October — and that a majority share in its oil wells is taken by the state.

Europeans dilemma

Among themselves, the oil-using west European states are not being remarkably helpful to one another. Everyone is still afraid that doing anything with oil will offend the Arab producers. While Japan has publicly sharpened its foreign policy towards Israel the Dutch have sought in vain for help with oil from the British and the French and have irritably threatened the latter with a cut in natural gas supplies unless they are more forthcoming about oil. The Germans, anxious to avoid any more trouble with Jews by supporting action against Israel, keep a low profile in discussions and gratefully accept their share of oil imported into Holland or stored there. With the British and the French both anxious for many reasons to keep in well with the Arabs and the Germans almost professionally neutral the rest of west Europe is obliged to take what comes—or, more precisely, to go without what does not come—with as good grace as possible. For this reason, the surliest noises have come from the USA which is itself restrained by consciousness that the Soviet Union would intervene if they push-

ed the Arabs too roughly. While in Europe the French have been the most threatening by warning the international oil companies that their refining and marketing operations in France could be nationalized if they cut back crude deliveries too drastically, in the USA the Treasury Secretary, Mr Shultz, has moved his anger to all sources of raw supplies by advocating “a tough policy” against victimization in any form of foreign-owned business interests without adequate cause and compensation in any part of Africa and Asia.

surly mood

The industrially-developed nations surly mood has been noted also over textile manufactures. The industrially developing countries are increasingly the object of criticism in international discussions because of their “disruptive exports” as low-cost suppliers. This ignores the fact that the industrially developed countries are themselves the chief manufacturers and exporters both of textiles and clothing and that by far the greater proportion of the world's textile trade is conducted by the industrially-developed countries among themselves. The much-criticized developing countries account for only about 18 per cent of world exports of yarns and fibres and some 26 per cent of world exports in clothing. Despite this, the west Europeans and the Americans regularly see themselves as being deliberately ruined in the textile trade by Asian “dumpers of textiles.”

This attitude ignores the fact that several textile-producing areas in Asia are fairly rapidly becoming less low labour-cost economies, and that it runs clean contrary to the developed areas' expressed intention to assist others' developing industries clearly does not matter. Much the same attitude impels the Common Market's illiberal stand towards trade even in raw products with Asian Commonwealth countries, especially as regards jute products, to serve the upward alignment towards the Market's common external tariff. The Market's position on jute and jute product imports is the less defensible since it is maintained only in the interests of the sharply declining number of jute manufacturers in west Europe, mainly in France and Belgium. The

French have been the most obdurate in his petty tactic.

The jute industry in west Europe and, perhaps to a lesser extent, in Britain is, in any case, on its way out. The synthetic fibres industry and increasing carpet sales from the Middle-East are the winners. Foam and polypropylene backing are driving jute-backed carpets out of the market. Within five years what is left of the European jute industry will have vanished or switched to synthetics. Britain may continue some jute manufacture but it has been a feeble defender in Brussels of Indian and Bangla Desh interests over jute and jute manufactures imports even though, in this matter, it was not obstructed by the terms of the accession treaty. The only short-term ray of hope is that, if

the oil shortage persists, it may create shortages of raw materials for synthetic fibres and force the prices of artificial fibres up so far that natural fibre products may enjoy a temporary revival — but it is a forlorn hope.

As regards increasing, in long term, their own oil production, both west Europe and the USA are running into unforeseen difficulties. While both of them are beginning to turn to smaller size cars as less extravagant in petrol, the North Sea oilbed exploiters — with little prospect of oil-raising in quantity before 1980 — are finding that, both in Britain and on the continent, they lack facilities to build production platforms. This will delay early stages in operation by nearly a year. The

Americans, armed at last with Congressional approval of the trans-Alaskan oil pipeline, find that the five members of the company consortium are having second thoughts about the project. Inflation has sent costs for the 796 miles of pipeline soaring five times above the original estimate of 900 million dollars. Even if the costs do not rise further this would mean that when oil begins to flow in 1977, it will cost \$ 6 a barrel — two dollars more than domestic oil in the USA and one dollar a barrel more than even Arab oil prices at this moment. The consortium worries that, by the time it produces North Slope oil it will be almost unsaleably above world prices. Only two of the five oil company consortium members are paying out more money for the enterprise.

GATT have been almost continuous throughout its history. That fact in itself underlines one of GATT's principal innovations: the establishment of a continually available forum in which the trading nations can negotiate.

The six major multilateral rounds of GATT negotiations have stretched from the tariff bargaining in Geneva in 1947 that preceded the signature of the General Agreement, through the Annecy and Torquay Rounds of 1949 and 1950-51, the Geneva negotiations of 1956, the Dillon Round of 1960-61 and the Kennedy Round of 1964-67.

multilateral negotiations

All these negotiations have been multilateral. Today, we regard multilateral trade bargaining, as well as bilateral bargaining which leads to concessions that are automatically extended on a multilateral basis, as the normal thing. But it should not be forgotten that this process was an innovation when devised in 1947 as a co-operation among governments.

As the years have passed, new methods and techniques of negotiation have evolved in the light of changing conditions and of the problems in the field of tariff and non-tariff barriers that need to be dealt with. The product-by-product bargaining of the early negotiations gave way in the Kennedy Round to the linear approach and, in the current round of negotiations, much skill and ingenuity will certainly be required in deciding upon the methods and techniques most likely to facilitate solutions to the complex problems that confront the trading nations.

There is, in some quarters the mistaken view that, until the very recent past, GATT has only been concerned with tariffs. In fact, the first years of GATT's existence were marked by the continuous, and eventually largely successful, campaign to remove the straight-jacket of quantitative restrictions which then afflicted much of world trade. The Declaration on Subsidies and the Anti-Dumping Code, which date back to 1962 and 1967 respectively, are more recent examples of action relating to non-tariff measures. In tariff barriers will, of course, have to be dealt with on a much greater scale.

As in any field of human endeavour there are areas in the GATT record where progress has fallen short, or where a concrete response, fully commensurate with the magnitude of the issues involved and the aspirations of the countries concerned has not yet been forthcoming. The lack

of sufficient progress in past efforts to open up world markets for agricultural products and the need to build upon, as a matter of priority, what has already been done in GATT for the developing countries, are probably the most conspicuous in this respect. For many countries, the success, or otherwise, of the current negotiations will be judged largely by the progress made in these two vital fields. As we look to the future, therefore, there is certainly no room for complacency.

It cannot be denied, however, that the balance sheet generally is very favourable. Concrete evidence of this is to be found in the great expansion of world trade in the quarter century of GATT's existence, an expansion that is without precedent in history.

There cannot be much doubt that the trading conditions established by the GATT have had a profound effect on this development. Without exception, trade has reacted with a high degree of sensitivity to every successful liberalisation effort of this period and every reduction of trade barriers has been followed by an acceleration of the corresponding trade flows. The movements towards regional trade liberalisation have, of course, contributed to this process, but the creation of conditions for the sustained expansion of international trade on a global basis owes much to the results of negotiations in GATT leading to reduction of the tariffs of industrial countries to one third of the level of the 1920's.

ensures stability

It would be a mistake, however, to think of the influence of the GATT in this context only in terms of trade liberalisation and tariff reductions. GATT tariff bindings and provisions designed to safeguard access have also served to ensure the stability of market conditions, without which much of the massive investment made in the world's export capacities, including investment in developing countries export-oriented production, in this period could not have been undertaken.

The expansion of world trade is not in itself necessarily conducive to harmonious trade relations. Trade is a field where tremendous stakes, both national and international, are involved and where such considerations as equity and the impact of imports on domestic production or the balance of payments, access to markets, non-discrimination, preferential treatment for developing countries and so on, can offer fertile ground for dissension and friction between government

During the period of its existence, the

principles and provisions of GATT have been a major factor in the formulation and conduct of both national and international trade policies. These policies, and international trade relations, might have been much different if there had been no GATT and if they had been pursued without the restraints of internationally agreed rules.

There is no doubt that GATT with its legal rights and obligations, has exercised a powerful and restraining influence in a dynamic field, for governments remain particularly sensitive to world public opinion and to any suggestion that they are in breach of their international obligations.

Although it has not always been able to prevent serious frictions and tensions between governments in the trade field the very existence of GATT, and of the commitments it embodies, have certainly helped to avoid situations deteriorating into what are popularly described as "trade wars". Moreover, the use of the GATT consultation procedures has on many occasions led to the settlement of trade differences between countries—or has at least taken some of the heat out of the situation before these differences have been able to get worse and become sources of more serious friction. During the course of this year, as delegations are aware, the GATT Council has had a number of such cases before it.

GATT's principles have constituted the corner-stone upon which the multilateral trade system has been founded, and has operated, in the post-war period. This system has served the world trading community well, despite its shortcomings and need for some refurbishing in modern conditions.

international scene

The international economic scene of today is, of course, very different from what it was in the early years of GATT. Prominent among the major developments that have occurred have been the continuing of the powerful process of regional economic integration, on a scale certainly far greater than ever envisaged by the original drafters of Article XXIV of the GATT, and the growing interest of eastern European countries in GATT. The recent welcome accession of two further countries of eastern Europe reflects the progressively greater universality of GATT's membership.

A major feature of the past twenty-five years has been the emergence of the developing world as a principal factor in international affairs. Needless to say,

Twentyfive years of GATT —a balance sheet

B. R. Patel

is appropriate to recall, at our 1973 Annual Session, that this is the twenty-fifth anniversary year of the entry into force of GATT.

For me, and I am sure for many others, was a happy coincidence that the successful Tokyo Ministerial Meeting, at which the declaration launching the round of multilateral trade negotiations was adopted, should have taken place in its anniversary year.

For this important event seemed to symbolize the continuing vitality of GATT and to underline the association with its activities of a growing number of trading nations at all levels of economic development and with widely differing economic structures.

This twenty-fifth anniversary year thus sets GATT down to work and embarked on a new wide-ranging operation for further liberalization of world trade.

It would be interesting to try and imagine what the founding fathers of GATT would have said if, in 1948, they could be looked to the future and to the Tokyo meeting with impressive gathering of 102 nations—including, I am happy to say, 17 non-GATT developing countries — and its historic significance for the world.

They might well have been surprised, with some justification. For GATT

This is the text of a statement delivered on November 14 by the Chairman, Ambassador B.R. Patel, India at the twenty-ninth session of the Contracting Parties to the GATT at Geneva.

was originally intended to be temporary. It has no elaborate procedures. It has a small secretariat. It was only because of the abandonment of the charter establishing an International Trade Organisation that GATT found itself called upon to fulfil the role of the principal international body concerned with world trade and trade relations and to provide the basic rules and contractual commitments governing the conduct of world trade over the past quarter-century.

success of GATT

It can however reasonably be argued that GATT's successes have in part been due to its origins. The absence of any predetermined blueprint for a large and complicated establishment has given GATT the necessary freedom and flexibility to evolve pragmatically, without becoming diverted from its main course by procedural, administrative or legal complications. It has been able to adapt and to respond constructively to the needs and realities of the times, while retaining its

essentially practical character as a forum for negotiations.

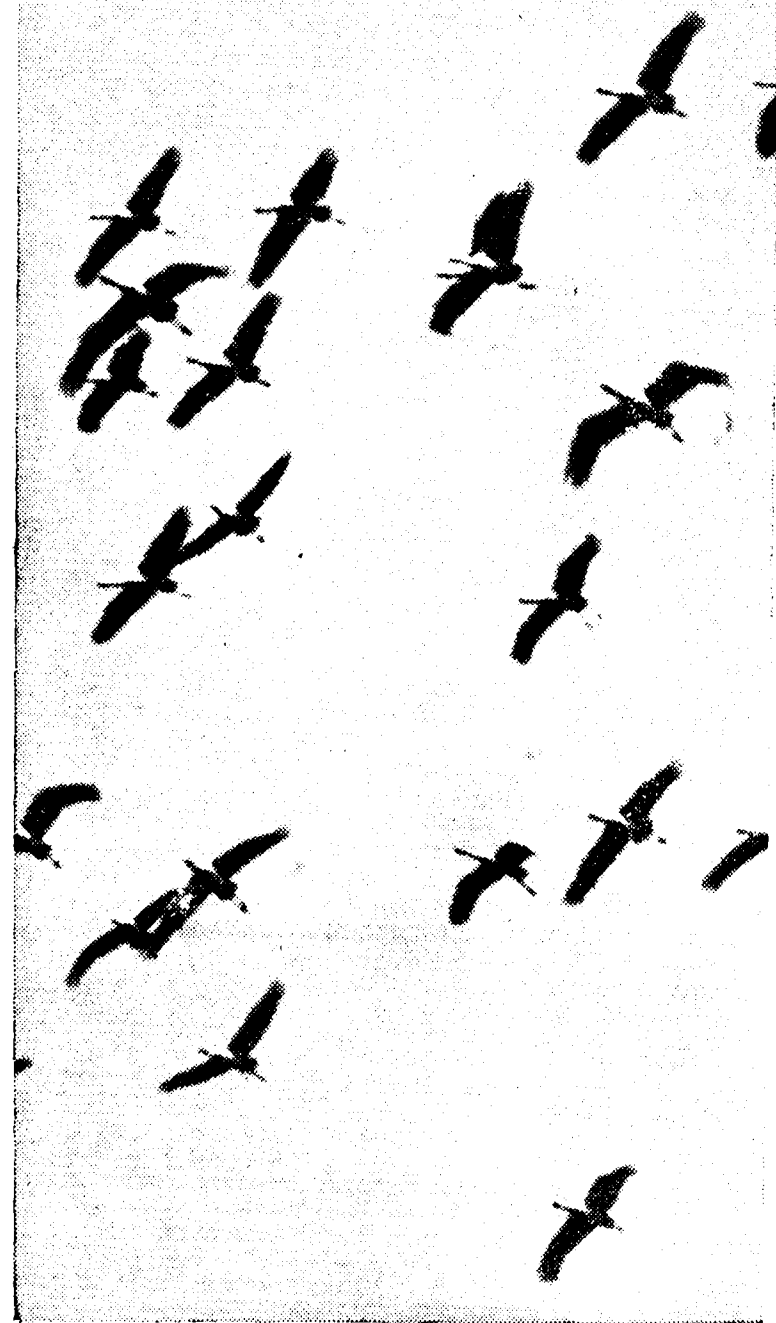
A twenty-fifth anniversary year is as good a moment as any to take stock and to make an assessment of what GATT has achieved, and of what it has failed to achieve, over the years. Even more important, it affords the opportunity to look at the present, and into the future, in an attempt to consider the prospects for GATT's continuing success in the conditions of the modern world.

There are, of course, many elements involved in any such stocktaking, but I intend to focus my comments on what seems to me to be, in broad terms, the basic question, namely, the extent to which GATT has fulfilled, and is likely to fulfil in the future, its fundamental purposes of bringing about the liberalization and expansion of world trade and of promoting harmony in international trade relations through, among other things, the application of the code of conduct that it represents, keeping in mind also the effective benefits accruing for the trade of developing countries.

There is no need for me to remind you of GATT's record in getting rid of trade barriers. Many of you have taken part in negotiations in GATT during these past twenty-five years. But perhaps our very familiarity with this record may tend to make us take for granted the extent and significance of what has been achieved.

In a very real sense, negotiations in

Into the wide world



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this has also had its impact on the GATT, where developing countries now make up over two-thirds of the membership.

The developing countries have benefited in large measure from the opening up of world markets and the dynamic growth in world trade resulting from successive GATT trade negotiations.

At the same time, there has been over the years a significant shift in GATT's activities toward action to find solutions to the particular trade problems of these countries.

This process began with the Haberler Report and received legal and institutional endorsement with adoption of Part IV of the General Agreement in 1965. Since then—as you are fully aware—the process has gathered increasing momentum across the whole range of GATT's activities and is well reflected in the important and specific activities of the Committee on Trade and Development and the Group of Three.

evolution in approach

There has also been an evolution in approach in keeping with the growing global awareness of the problems of development and increasing flexibility has been shown by GATT in the practical application of its rules and principles to meet the special needs of developing countries. A notable example in the legal authorisation given by GATT to the establishment of the Generalised Scheme of Preferences, which the ministers at the Tokyo Meeting agreed needed to be preserved and further strengthened.

Another landmark in GATT's history was the successful conclusion in the recent past of trade negotiations among a number of developing countries. This endeavour is worthy of special mention, for it represents the first truly multilateral scheme of its kind and is an important development in international co-operation.

As one looks to the future, however, it is clear that a great deal remains to be done if a more adequate response is to be given to the legitimate and urgent demands of the developing countries for an accelerated rate of economic development. The problems in the trade field are well-known and must now be energetically tackled. It is vital that the opportunities offered by the multilateral trade negotiations be fully seized. The developing countries, like the developed, now have before them many months of work which will be hard, detailed and sometimes tedious. They must make certain that they do not spare any efforts to secure the maximum benefits from the negotiations. I know that, in this task, they can freely call upon the support and technical assistance of the GATT secretariat.

We must not, of course, fall into the

error of believing that GATT or the forthcoming multilateral trade negotiations can solve all the difficulties of developing countries in the field of trade and development. But, given the necessary political will, and a desire to focus on concrete problems and to find practical solutions to these problems, real progress can be made.

The GATT and the multilateral trading system have been submitted to considerable strain, particularly in recent years, as they have attempted to accommodate the important developments that have occurred. I believe GATT has emerged well from these vicissitudes, while the multilateral trading system, although somewhat weary-looking on occasions, has held. There is now the opportunity, in the multilateral trade negotiations, to reinforce the system, to reconcile the serious differences that have generated friction and tension between governments, and to decide what modifications or

adaptations to the GATT are desirable as it moves forward in the second quarter-century of its existence.

There is no doubt that the multilateral trade negotiations, both in their scope and in their significance for international relations generally, will confront the GATT and its member nations with their most severe test. As the arduous business of negotiation gets under way, we can take encouragement from the approval, without a dissenting voice, of the Tokyo Declaration by the Ministerial Meeting of 102 nations.

If the Tokyo expression of political will is kept in the forefront of our minds and reinforced when necessary, there is the prospect that GATT will emerge at the end of the negotiations as even stronger and more efficient instrument to govern the conduct of world trade and trade relations.

—Courtesy : GATT Secretariat

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A. J. S. Sodhi
Managing Director

The use of improved seeds was made the basis of calculation or additional production of foodgrains, in the formulation of the first five year Plan in 1950-51. The second five-year Plan estimated that 10 per cent of the additional production of foodgrains would be realised by the use of improved seeds. At the end of the second Plan, 1893 seed multiplication farms with a total area of 82,355 acres are reported to have been established. India became a member of the International Seed Testing Association in 1961 which was celebrated as World Seed Year by the Food and Agricultural Organisation of the United Nations. During the subsequent period, the Indian Council of Agricultural Research and other Institutes and the state governments cooperated in the coordinated crop improvement programme. These programmes brought together large collections of germplasm from all parts of the world; and those resulted in the evolution and release of new hybrids of maize in 1961, of sor-

ghum in 1964 and of pearl-millet (bajra) in 1965.

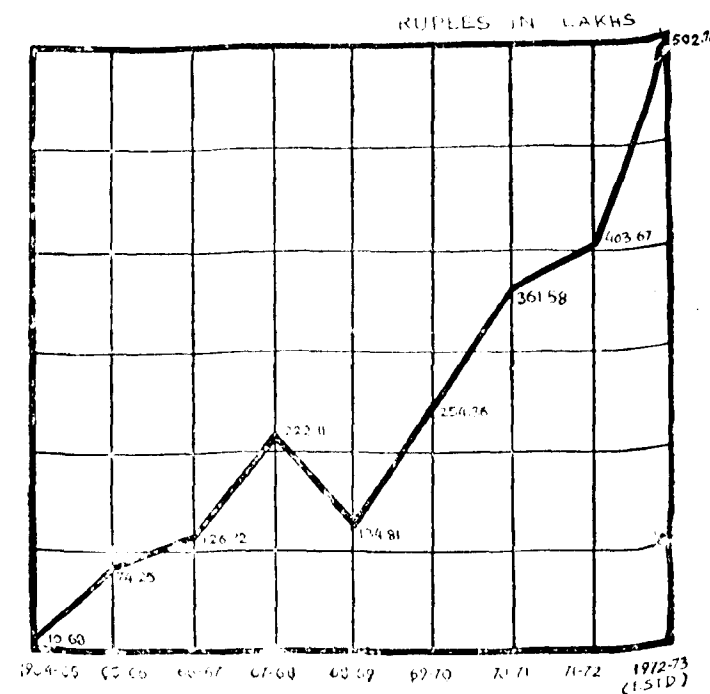
At about this time the need for an organisation to multiply inbred and single cross seeds of hybrids and to assist in the development of a sound seed industry in India was recognised. The National Seeds Corporation (NSC) was established to undertake this responsibility in July, 1963. It was envisaged that the NSC would act primarily as a foundation seed stock organisation in respect of maize, sorghum and pearl-millet (bajra) hybrids and varieties evolved by the co-ordinated programmes and released by the Central Variety Release Committee. Later, as Co-ordinated Projects in other important crops took shape, and research activities on other crops strengthened, NSC's function as foundation seed stock organisation was extended to other crops.

To cope with the demand for seeds of new varieties, NSC even undertook to organise pre-release multiplication of seeds of new varieties which

were expected to be released. NSC being the pioneer agency of quality seed supply in India, also undertook production and

supply of high quality seeds of other selected crops such as vegetables, fodder and fibre crops, oil seeds and pulses.

SALE OF CERTIFIED SEEDS



Sound Base for a Healthy Seed Industry

In keeping with the assigned role of establishing a sound seed industry in India, NSC quickly expanded its seed multiplication programme. This programme included a number of measures which the NSC took up to produce and supply high quality seeds of the latest varieties and hybrids to the farmers.

Seed certification formed one of the most important functions under this programme. In fact, it is the NSC which brought about quality consciousness through its seed certification measures initiated as far back as 1963-64. This meant that the farmer who took up seed production under the overall guidance of the NSC would automatically receive all technical guidance and know-how right from seed sowing to harvest and even in scientific marketing.

It would not be out of context to mention here that it is this service of certification, initiated of its own by the NSC at the time of its establishment, that helped the law makers of the country to draft a seed bill, and regulate seed production on quality lines. Even though seed certification under the seed law is the responsibility of the State Governments, the NSC being the pioneer in the scientific seed industry in India still certifies nearly

20,000 acres of land under seed production on behalf of many state governments. In fact, the NSC has provided the basic guidelines in quality seed production to almost all the present seed producing agencies, including state agriculture departments, farmers' cooperatives and others.

Seeds Handled

At present, the NSC handles seeds of nearly 210 varieties of 70 crops. It has its own foundation seed production farms at Hempur in Nainital District of Uttar Pradesh and Mandikotkur in Kurnool District of Andhra Pradesh and at Sainj (Kulu Valley) in Himachal Pradesh.

The NSC has a country-wide network of 96 units — all manned by expert, competent technical officers with high qualifications (minimum is a degree) in relevant facets of agricultural science. It has a network of nearly 600 sale-outlets in the country.

Exports

The development of a sound system of quality seed production in India coupled with immense diversity in agro-climatic conditions in different parts of the country has opened bright prospects of developing exports of Indian seeds to many parts of the world. The ex-



राष्ट्रपति भवन, नई दिल्ली-4.
RASHTRAPATI BHAVAN,
NEW DELHI-4.

October 26, 1973.

The National Seeds Corporation has made a significant contribution to the growth of agriculture and agricultural production in the country. It has pioneered the growth of a sound seed industry and organised production and distribution of high quality seeds of field and garden crops on scientific lines, some of which stood the test of time and yielded excellent results. I congratulate the National Seeds Corporation on its achievements and hope that it will make still greater efforts towards augmenting our agricultural production. My best wishes for the success of the Decennial Celebrations of the National Seeds Corporation.

V. V. B.

perience gained by the NSC and buttressed by the support of Indian farmers and the guidance of our bright agricultural scientists enabled it (NSC) to achieve a breakthrough and now the once imported seeds of vegetables and cash crops such as Snowball Cauliflower, Peas Perfection New Line and Sugarbeet, are being successfully grown in India. The seed industry is now aware that the richness of Indian agro-climatic conditions can ensure successful export of high quality seeds.

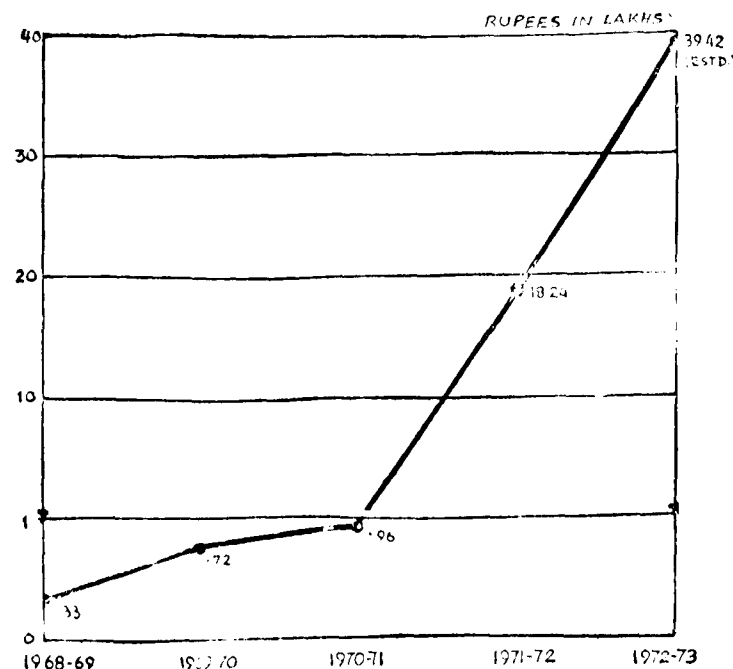
Already the NSC has established contacts with more than 40 countries around the world; and has during the last three years exported seeds to countries such as the USSR, Poland, Burma, Iraq, Ghana, Indonesia, Malaysia, Malawi,

Saudi Arabia, Nigeria and Bangladesh. Some of the seeds in the export line are wheat, paddy, jute, vegetables and hybrid maize. The NSC has also imparted training to seed technicians from other countries, such as Iraq, Afghanistan, the Philippines, Nepal and Srilanka.

In the Service of the Seed Industry

The plans of the seed industry development initiated and designed by the NSC include availability of scientific know-how on all aspects of seed production to the seed industry in particular and Indian farmer in general. It has thus helped in the creation of a hard core of seed producers and seed growers with necessary know-

EXPORT OF NSC SEEDS



ledge of seed production technology.

It has also helped in setting up seed processing plants throughout the country for facilitating mechanical seed processing, has laid down standards and procedures for use in the seed certification programmes; has provided comprehensive training facilities to the representatives of seed industry in all aspects of quality seed production; has set up model seed processing plants and airconditioned, humidity controlled godowns, and has developed a sound system of seed handling and distribution. The NSC has provided the latest technical know-how on the use of seeds to obtain high yields, independently or in co-operation with other appropriate agencies. The NSC has brought out several useful publications on seed listing seed processing, seed storage seed marketing, seed certification and seed law enforcement.

Built in Surety

Quality control in the NSC's seed production process is an important factor responsible for making the farmers' investment in NSC seeds a profitable one. The NSC has its own Research, Development and Quality Control Division. Quality control is applied to such requirements as genetic and physical purity, germination, freedom from diseases and from seeds of other varieties of the same crop or other crops, or weeds and from inert matter uniformity of size, colour, and weight of seeds and optimum moisture content for safe storage.

The foundation seed is subjected to very rigid scrutiny during all stages of its production, harvesting, drying, pro-

cessing and storage to ensure high quality. Most of it is produced by the NSC at its own Foundation Seed Farms under the direct supervision of highly trained personnel. Additional quantities on a restricted scale are produced under contract with government farms and universities under NSC's own quality control checks and supervision.

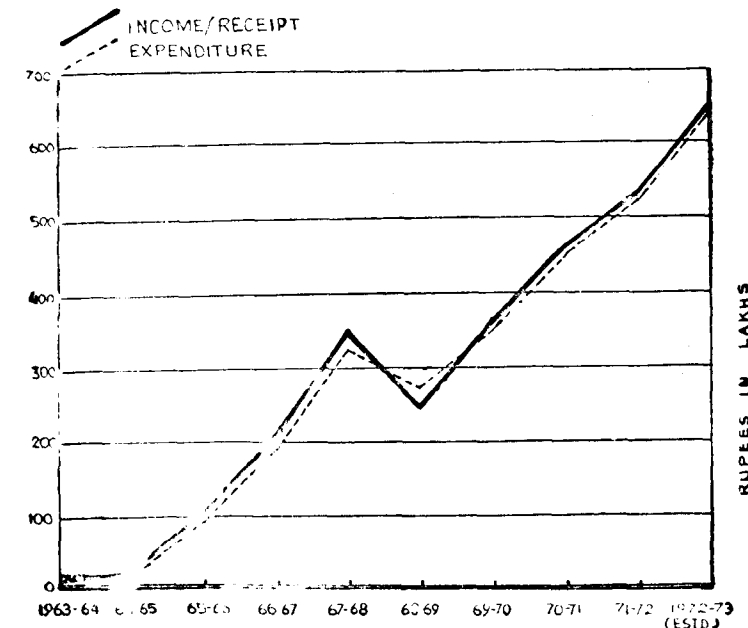
Certified seed, however, is produced under contract with various agencies such as private seed growers, government farms and universities in a properly organised field inspection and quality-check programme. Wherever appropriate, foundation and certified seed production are subjected to official seed certification by the concerned agencies in the states.

A Profitable Buy

When the farmer receives his bag of NSC quality seed, the NSC label and seal on each seed bag assure him that he has just bought the right seed. Each bag or seed packet contains explicit details of the recommended cultural practices. Like the doting mother's concern for her charge, NSC's services extend, in fact, to aftercare as well.

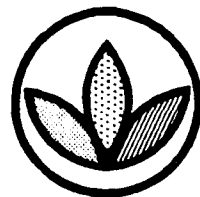
With all the assistance that NSC has provided, the young seed industry in India is today moving in the right direction for a prosperous future ahead. The Indian farmer today is aware of the importance of quality in seed; he has already realised the fruits of sowing good seeds of hybrids of maize, sorghum and pearl-millet (bajra) and of improved varieties of wheat, and paddy. There is also increasing consciousness among Indian farmers about the use of quality seeds of

PROGRESS AT A GLANCE



Unlimited wealth lies in your land which will be yours with a judicious use of fertilizers. Your crop will be richer if you get your soil tested and use balanced NPK (Nitrogen, Phosphate, Potash) fertilizer.

Soil testing is no problem. Get in touch with the Gram Sevak of your area for assistance.



FOR RICHER CROPS USE BALANCED NPK FERTILIZER

NPK fertilizer is easily available everywhere.

davp 72/594



कृषि मंत्री
भारत सरकार
नई दिल्ली।
MINISTER OF AGRICULTURE
GOVERNMENT OF INDIA
NEW DELHI-110001.

MESSAGE

27-10-73

I am happy to learn that the National Seeds Corporation is completing a decade of its service to the growth of Indian Agriculture in 1973. Established primarily as a Foundation Seed Organisation in 1963, it has grown in its stature and dimension with the multilateral expansion of its activities in the fields of development, production, certification, processing and training. Seed being the key input and yet the cheapest input in the total investment for realising higher crop yields, it is gratifying to note that the Corporation has played a prominent role in the development of seed industry and creating an awareness amongst the farmers for the use of high quality seeds of hybrids and high yielding varieties all over the country.

I am sure the Corporation will continue its endeavour to produce quality seeds in much larger quantities and at cheaper rate, than heretofore, within easy access of small farmers.

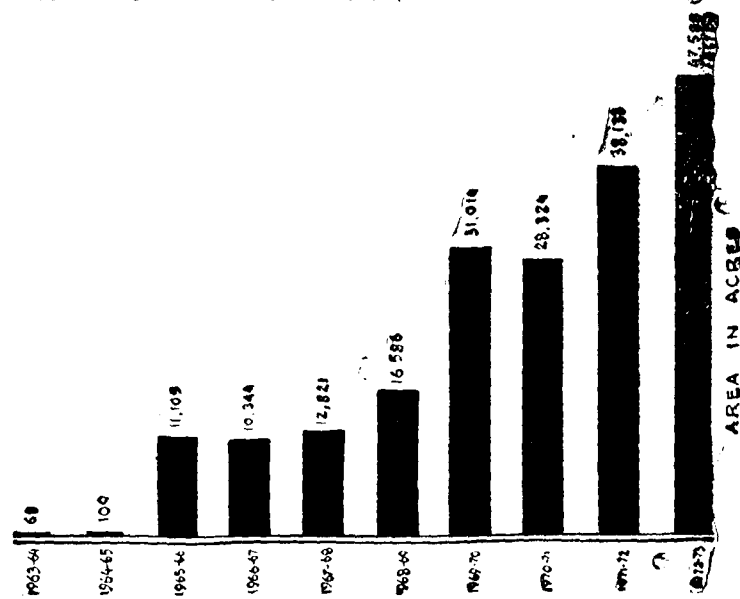
I extend my heartiest felicitations to the Corporation, its Management and all its dedicated workers for their performance and hope they will carry on the good work with the same zeal and enthusiasm in the years ahead.

(F. A. AHMED)

vegetables, fodder and fibre crops and flowers. All the available mass media are being utilized to make the Indian farmer aware of the importance of quality seeds.

Seeds of improved varieties have, within the course of the past ten years, opened a new era of prosperity in India. The NSC has confidence in the Indian farmers and also in the Indian scientists and it feels that the time is not far off when this country would not only be self-sufficient in foodgrain production but would also be able to export. Seeds of improved varieties have already shown the way.

NSC CERTIFIED SEED PRODUCTION



NSC: a decade of service

1963-64 :

The NSC comes into being to pioneer the growth of a sound seed industry in India on scientific lines. Establishes its foundation seed farm at Nandikotkur, District Kurnool, Andhra Pradesh.

1964-65 :

The NSC establishes its second foundation seed farm at Hempur (Tarai), District Nainital, Uttar Pradesh. Launches extensive drive for popularising hybrid maize by laying demonstrations in close cooperation with international agencies such as the USAID. Initiates seed technology training programme for the benefit of NSC's own staff, state government personnel, representatives of the seed producers and candidates from neighbouring countries.

1965-66 :

The NSC initiates programme for developing prototypes of machinery and equipment, thereby helping Indian manufacturers in producing seed processing, cleaning and grading equipment in India.

Takes up foundation and certified seed production programme of the hybrids of sorghum (jowar) and pearl-millet (bajra).

1966-67 :

The NSC launches a comprehensive programme for multiplying seeds of high-yielding dwarf varieties of paddy in beginning with the multiplication of seeds of Tai-Chung Native-1. Steps up programme of production of foundation seeds of hybrids to cater for the needs of High Yielding Varieties Programme.

1967-68 :

The NSC successfully grows in India seeds of imported variety of Snowball Cauliflower. Takes up well-planned programme for the production of high quality seeds of this variety, thereby completely replacing imports of seeds of Snowball Cauliflower with indigenous production.

The NSC sets up its own quality seed testing laboratory. The laboratory receives recognition of the International Seed Testing Association.

1968-69 :

The NSC launches a major seed production programme of the latest high yielding dwarf varieties of wheat. The seeds of green revolution are sown. Takes up adequate programme of the supply of high-quality seeds of vegetables for the Applied Nutrition Programme of UNICEF.

1969-70 :

The NSC assists the government of India in framing seed certification standards required under the Seed Act, 1966 for the guidance of the Indian seed industry. Diversifies seed production and supply by taking up production of seeds of a number of commercial crops. Introduces for the first time in the plains, certification of the seed potato. Multiplies and distributes new varieties of seed potato grown with new techniques under low-aphid conditions.

1970-71 :

The quality seed production of the most difficult crop of sugarbeet is taken up deep into Himalayas. Takes up basic but major work of production

of technical books on various aspects of seed processing, seed storage and seed marketing, with the active collaboration of international experts.

1971-72 :

The NSC successfully grows, for the first time in India, high quality seeds of hitherto imported variety of sugarbeet, thereby bringing about a breakthrough in sugarbeet cultivation in India. The programme gains success and NSC plans to grow seeds of sugarbeet to completely replace imports in the succeeding year.

1972-73 :

The NSC establishes Asia's biggest seed processing plant developed with cent-per-cent indigenously manufactured equipment and Indian know-how for giving demonstrations to the Indian seed producers, equipment manufacturers and others in the scientific way of seed processing, cleaning and grading. Acquires a farm at Sainj, District Kulu, Himachal Pradesh for the production of foundation seed of temperate vegetables.

This year 13 million more will share pot-luck with us

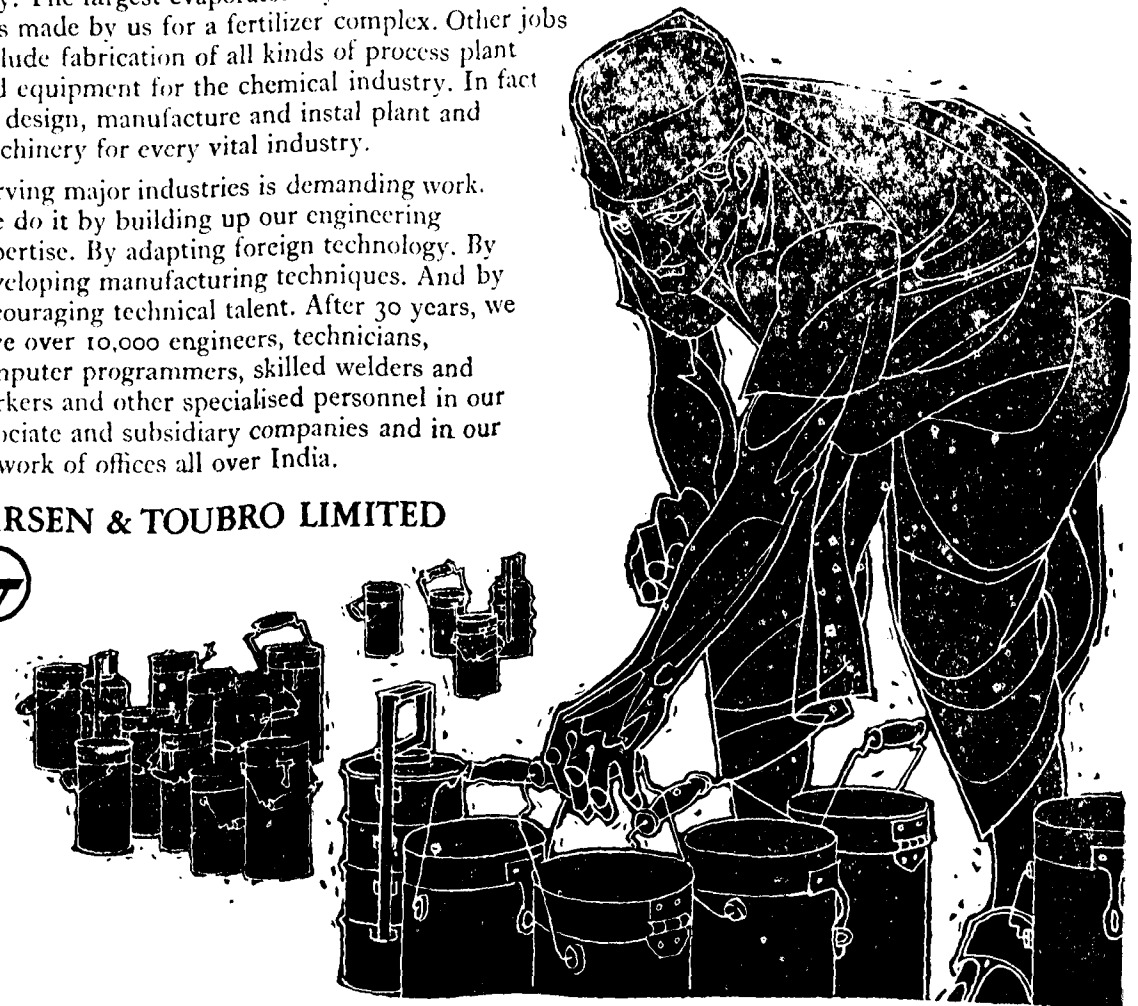
so we have some down to earth ideas cooking

The thought of 13 million more for dinner every year puts food on your mind. Even a small helping for each means millions of tonnes of food grain. How are you going to dish it out? By prodding the earth to produce more. That brings us to fertilizers. One tonne on 30 hectares means an extra 10 tonne production of food grain.

We don't make the fertilizers but we play a major role in manufacturing and installing fertilizer plants. That's one industry we've thought of in a big way. The largest evaporator crystallizer in India was made by us for a fertilizer complex. Other jobs include fabrication of all kinds of process plant and equipment for the chemical industry. In fact we design, manufacture and install plant and machinery for every vital industry.

Serving major industries is demanding work. We do it by building up our engineering expertise. By adapting foreign technology. By developing manufacturing techniques. And by encouraging technical talent. After 30 years, we have over 10,000 engineers, technicians, computer programmers, skilled welders and workers and other specialised personnel in our associate and subsidiary companies and in our network of offices all over India.

LARSEN & TOUBRO LIMITED





NSC

10 YEARS OF SERVICE

- Pioneered the growth of a sound seed industry in India.
- Introduced seed certification on large scale in the country.
- Developed foundation seed production, stocking and supply organisation.
- Organised production and distribution of high quality seeds of field and garden crops on scientific lines.
- Replaced imports of seeds of Snowball cauliflower and Perfection new lines peas by arranging large scale production indigenously.
- Brought about break-through in sugar-beet seed production in India.
- Established and helped in setting up seed processing plants all over the country.
- Helped in replacing imports of seed processing equipment by arranging its manufacture indigenously.
- Organised training programmes in all aspects of quality seed production for the benefit of seed industry.
- Spread latest know-how and information on quality seed production; and developed quality consciousness on seeds all-round.

NATIONAL SEEDS CORPORATION LTD.
(A Government of India Undertaking)
4E, JHANDEWALAN EXTENSION, RANI JHANSI ROAD,
NEW DELHI-110055.



Regional Offices at :

New Delhi, Bareilly, Bangalore, Bhopal, Calcutta, Chandigarh, Coimbatore
Hyderabad, Jaipur, Patna, Poona, Vijayawada.

Foundation Seed Production Units : Nandikotkur (Andhra Pradesh),
Hempur (Nainital-U.P.)
Sainj (Temperate Vegetables) (Himachal Pradesh)

Seed industry leaps forward

Deorao S. Patil

The development of a sound seed industry is a necessary pre-condition for the development of agricultural anywhere. It is a matter of great satisfaction that in India, seed industry is taking the desired shape on which the agricultural situation of the country can pin high hopes. It is perhaps no exaggeration that the tremendous progress made by the Indian seed industry during the last ten years under the guidance of the National Seeds Corporation can match any seed industry anywhere in the world developed in a couple of decades.

The ten years that have passed posed a number of difficult problems but due to the sustained effort of the Indian seed industry marching ahead with the active cooperation of Indian Council of Agricultural Research, national and regional level research institutions, international agencies, Agriculture Universities, State Agriculture Departments, progressive farmers/seed producers, Indian manufacturers of equipments and others, the seed industry overcame these problems.

When one looks back on the performance of this industry during the past decade, one goes through an exciting account of rare achievements and break through in Indian seed industry. There is an exciting story of developing a network of country's own seed proces-

sing plants numbering 130, and there is the unique achievement of breakthrough and import substitution in the case of seeds of Snowball Cauliflower, Sugarbeet, Sunflower etc., which were being imported but are now grown entirely in India.

The NSC started with a limited programmes of seed production of hybrids of maize in 1963-64. Later as new varieties and hybrids of other crops were made available by the research laboratories, the NSC boldly took up seed production of hybrids of sorghum and pearl-millet in 1965-66, and of high-yielding newly released dwarf varieties of paddy and wheat in the subsequent year. The NSC at the same time took up production of quality seeds of selected varieties of vegetables, fodder and fibre crops. The present list of seeds handled by the NSC includes 210 varieties of 70 crops. The NSC has a proud claim of having prepared a hard core of over 8,000 experienced seed growers/seed producers capable of independently taking up seed production on scientific lines. Performance-wise the record of the progress of the NSC is impressive; starting with a turnover of hardly five lakhs of rupees in 1963-64, the turnover for 1972-73 exceeds Rs 6.5 crores.

In fact, the NSC and the seed industry, during the last

ten years have successfully brought the fruits of scientific research in plant breeding and genetics to the door-step of the farmer. It has not only disseminated knowledge on various scientific aspects of quality seed production, it has made possible for the farmer to try and use the high-yielding varieties and hybrids by making high quality seeds of these

varieties physically available to him. The NSC has a network of over 600 sale outlets all over the country.

I hope, the seed industry in the years to come would achieve far greater success and would reach up to the expectations of all those concerned with the progress of Indian agriculture.

The Fertilizer Corporation of India Limited is the single largest producer of plant nutrients in the country.

HOW BIG IS FCI?—FCI's five functioning units at Sindri, Nangal, Trombay, Gorakhpur and Namrup have the installed capacity of half a million tonnes of plant nutrients. This will rise to over two million tonnes when additional six plants under construction go on stream.

TOTAL FERTILIZER TECHNOLOGY—FCI has now developed its own know-hows, design and engineering capability and can execute six to eight modern fertilizer plants at a time from the blue-print to the final commissioning stage. It has also developed and produced a complete range of fertilizer catalysts.

MARKETING SET-UP—With a vast network of sales outlets and promotional activities, FCI now serves about 80 per cent of the country.

THE FERTILIZER CORPORATION OF INDIA LIMITED



The Calcutta Electric Supply Corporation Limited

(Incorporated in England)

SALES OF ELECTRICITY (in millions of units)

	1971/72	1972/73
Domestic & Commercial	738.8	789.9
Industrial	1850.4	1918.6
Others	72.2	76.5
TOTAL	2661.4	2785.0
Maximum Demand met in M.W.	533.0	538.0

FINANCIAL WORKING

	1971/72 Rs. lakhs	1972/73 Rs. lakhs
Gross Rev.	3489.0	3716.7
Profit after taxation	112.4	76.3
Additions to Fixed Assets	313.4	328.7

EXTRACTS FROM THE REVIEW BY THE CHAIRMAN, MR. SACHINDRA CHAUDHURI
AT THE 76TH ANNUAL GENERAL MEETING HELD ON 30TH NOVEMBER, 1973,
AT VICTORIA HOUSE, CALCUTTA

OPERATIONS :

The power shortage to which I have referred earlier and in my Review last year is with us and, I apprehend, in a severer form because availability of power, instead of keeping pace with the growing demand, has actually declined. The reasons for the shortage and the prospects for the future remain the same and the only consolation that stockholders specially those resident in Calcutta can find is that the performance of the Company's own power plant has not only been maintained at the previous year's level but has actually been improved on. The power stations of the Company delivered 115 million units, about 6%, more for distribution than they did in the previous years, despite the handicaps of aging plant and deteriorating quality of coal, a remarkable performance by any standards in a situation where a 5% decline of output per year is accepted as normal for plant of comparable age. The disquieting feature of this performance is that it has meant an amount of strain to plant in the expectation of relief with the commissioning of Santaldih Power Station in June this year. Unhappily this expectation has not been fulfilled. The strain calls for greater and more intensive maintenance during the current year and this is bound to be reflected in a lower output as compared to the year under review.

ADMINISTRATION :

Despite an emerging pattern of inter-Union and intra-Union rivalry industrial relations in the year under review have been reasonably healthy. This has been due in large measures to the understanding of both the Company's management and its other employees of their respective social duties and obligations. The State Government is aware of the need for discouraging splinter movements as inimical to healthy trade-unionism and the emphasis, happily, has shifted to concepts of greater production and productivity as the only means of generating greater employment opportunities for the large body of unemployed in the State.

TARIFF :

The Clear Profit for the year, as computed under the Electricity (Supply) Act, 1948, was Rs. 157.67 lakhs which fell short by Rs. 71.27 lakhs of the Reasonable Return which the Company is entitled to earn under that Act. This profit includes Rs. 55.0 lakhs by way of a withdrawal from the Contingencies Reserve permitted by the State Government, partially to off-set the loss of profit during the year. This is clearly indicative of a further erosion of the Company's financial position as a result of the continuing delay in implementing a comprehensive revision of its rates designed to bring the Clear Profit more in line with the Reasonable Return.

I take this opportunity of expressing your Company's sincere regret that your Company has to ask its consumers to bear the extra burden which the Company has postponed putting on them and which it is endeavouring to keep to the absolute minimum. Your Company further seeks the appreciation of its consumers of its financial needs to enable it to give its consumers, industrial, organisational and domestic, the service which they are reasonably entitled to. Your Company is also grateful to its consumers for their patience and forbearance when there has been unavoidable load shedding for reasons which were not within your Company's control.

(N.B.—This statement does not purport to be a report of proceedings of the Annual General Meeting referred to above).



Dr Shankar Dayal

Sharma, despite his doctorate, does not seem to be a very learned person after all. Seeking to do his duty faithfully as the president of the Congress Party, he issued a *Hindi-Russi dost dost* statement on the eve of the arrival of Mr Leonid Brezhnev in New Delhi. So far so good.

But, thanks to his enthusiasm outrunning his knowledge, he said that the Soviet Union had come forward to set up a steel plant in the public sector in our country at a time when no other foreign country was willing to do so. Dr Sharma, of course, was talking through his Gandhi cap. The first public sector steel project in this country was the Rourkela project, which was sponsored by a consortium of steel and heavy machinery manufacturers in West Germany and underwritten by the government of that country which extended a line of intergovernmental credit for the financing of the construction of this plant. The Soviet Union came into the picture only later with offer of assistance in the establishment of a second steel plant in the public sector which the government of India decided to set up in Bhilai.

So far as I am concerned, it does not matter very much which country happened to come first with offer of assistance for our steel or any other programme, but I certainly do not care to put up with the kind of mean-minded propaganda which men like Dr Sharma, taking advantage of their own ignorance or inadequate information, may like to put out for obvious propaganda purposes of a purely opportunistic nature. Surely the very considerable assistance which the Soviet Union has been extending to our economic development can be acknowledged and appreciated adequately without an attempt being made to make light of similar contributions from other friendly foreign countries. I do not know what kind of secretarial assistance the president of the Congress party is able to command, but I would advise Dr Sharma not to speak on matters of which he does not know enough without first acquiring somehow or other a certain amount of information. Men of the kind of

Dr Shankar Dayal Sharma may be fitting across the political stage all the time, but our country's friendly relations with other countries of the world are certainly not matters of passing interest.

The prime minister's

suggestion in the lighter vein that the rich variety of beards sported by the Indian male could profitably be exploited by those who design our stamps was promptly played up in press reports of her speech at the India International Philatelic Exhibition, 1973 (INDIPEX-73). These reports however failed to mention another very interesting observation made by Mrs Indira Gandhi. The minister for Communications, Mr Raj Bahadur, took it into his head to say that the organisers of the exhibition were grateful for the guidance they had received from the prime minister. He was perhaps playing the courtier, as so many of them do so much of the time in New Delhi. On this occasion, however, poor Mr Raj Bahadur received a most unexpected snub. The impish element in Mrs Gandhi thrust out and prompted her to say that she did not know what the minister was talking about since she had given no guidance whatsoever to the organisers of the exhibition. I would like this episode to receive wide publicity as the prime minister's unpredictability in these matters ought to discourage sycophants to some extent.

I hope my basic esteem for Mr Raj Bahadur will not be permanently undermined because of this episode, for I do consider him to be one of our more sincere and shrewd administrator-politicians. I have heard it said that many Nepalis are of the view that Mr Raj Bahadur was the best Ambassador New Delhi ever sent to Kathmandu. I myself am thankful to whatever gods there may be in heaven that it is Mr Raj Bahadur and not Dr Karan Singh who is currently responsible for the Civil Aviation portfolio. Had Dr Karan Singh continued in this job, Indian Airlines would probably have once again yielded abjectly to the blackmailing or bullying tactics of its lawless employees. It has now been stated in parliament on behalf of the

government of India that the Indian Airlines ranks the lowest in efficiency or productivity among the world's domestic airlines although its employees receive emoluments which are about the second highest. This is evidence enough that over a period the management of Indian Airlines has allowed itself to be continuously held to ransom by various categories of its staff who have successfully managed to reject its disciplinary authority. It is not irrelevant to ask whether Dr Karan Singh, who had held this portfolio for quite some time and whose tenure has been punctuated by strikes, which seriously damaged the finances and the administration of the airlines and which were invariably followed by settlements which boosted the morale of intransigent and irresponsible unions while playing havoc with that of the management, is not to be held accountable for the mess he has created and left behind. Recently, when Dr K. L. Rao's resignation was asked for and quite readily accepted by the prime minister, much was made of the fact of Mrs Gandhi having acted at last to penalise a failed minister for this folly or inadequacy. Dr Karan Singh's translation from one ministry to another was, however, billed as a change made at his own request and to accommodate his preferences. It is clear that the press has its favourites no less than the prime minister.

This is how the inter-

national overseas weekly edition dated November 17 of *Kayhan*, published from Teheran, views the lighter side of Dr Henry Kissinger's recent visit to the Iranian capital :

"One old friend US Secretary of State Henry Kissinger didn't look up while he was in Teheran was belly dancer Nadia, who made such a big hit with him at a party on his visit with President Nixon last year.

A reporter called out to him : "Did you see Nadia?" as he rushed out to his aircraft at Mehrabad airport. He made no reply—but an aide told the reporter "He had no time with the programme he had here, I can assure you."

Kissinger's aides and the newsmen accompanying him on the trip were not so anxious to find out what had happened here. They spent their time at the airport collecting their money together and buying their allowance of caviar and vodka to carry them on to Islamabad.



MOVING FINGER

EASTERN ECONOMIST

1087

Investment in backward regions

Significance of Public Investment for Backward Regions: Mahesh Pathak; Gujarat Mineral Development Corporation Ltd.; Ahmedabad; Pp. 156; Price Rs 20.

Indo-Nepalese Relations: Braj Kishore Jha; Vora and Co., Publishers Pvt. Ltd., Bombay, (1973); Pp 174; Price Rs 25.

Inflation and India's Economic Crisis: V.K.R.V. Rao, A.M. Khusro, C.H. Hanumantha Rao, P.C. Joshi, K. Krishnamurthy, A.K. Dasgupta; Vikas Publishing House Pvt. Ltd.; Pp 64; Price Rs 10.

Finance of Foreign Trade and Foreign Exchange: Prof B.C. Ajmera; Commercial Book Centre Pvt. Ltd., Neemuch, (1973); Pp 264+126; Price Rs 12.

Banker's Advances (How they are made and controlled): L.R. Suneja; Bankers Publishing Centre, New Delhi, 1973; Pp 445; Price Rs 22.50.

Structure of Financial Institutions: V.V. Bhat; Vora and Co Publishers (Pvt) Ltd., Bombay; Pp 198; Price Rs 20.

MAHESH PATHAK has made an attempt in *Significance of Public Investment for Backward Regions* to assess the impact of the fluorspar plant, a public sector project, on the backward economy of Chhota Udepur taluka in Baroda district of Gujarat state. This fluorspar project started in 1965 happens to be one of those exceptionally good projects which satisfy most of the conventionally accepted criteria for project appraisal. For example, the project satisfies most of the criteria suggested for the national benefit tests. It will save foreign exchange and achieve to a great extent the policy of import substitution. The project will utilise human and mineral resources of the country which has not been satisfactorily utilised so far. The plant has been designed by Indian engineers without any foreign collaboration and the plant equipment is entirely indigenous. The project will have strong linkage effects on some of the basic industries like chemicals and engineering. It will help in promoting development of backward region, an object which enjoys a very high priority in Indian national planning. The project will also pass the test of commercial profitability.

wider benefits

The project has generated certain wider benefits at the macro level for the backward region. This project involving an investment of about Rs 5 crores has directly and indirectly provided employment for about a thousand tribal workers for the past five years, the total wage bill for that period being about Rs 37 lakhs. Also transport and communication facilities have helped to break the long spell of iso-

lation for the tribal people and has exposed them to outside world. Introduction of electricity has also been a major change for the people. With the generation of additional income, trade and commerce have been generally expanding in the region. What is more important, the tribal people have become aware of the subtle ways in which they have long been exploited by the vested interests of the region.

abject poverty

According to the author, the poverty of the people in this region has to be seen to be believed. And therefore the author opines that even when the other criteria for project appraisal are not fully satisfied, the extreme poverty prevailing in the area by itself can be a sufficient justification for the establishment of such a public sector project in the area. When such a project also is justifiable on other grounds, there is obviously a very strong case for the immediate establishment of such a project either on public or on private account. The author has rightly emphasised that "the policy objectives of the development of backward regions may be served in a large measure (and within a reasonable period) if such potentially viable projects are identified and promoted in various parts of the country on a priority basis.

The author has made certain other general observations following from this study. He maintains that the experience of this project regarding the development of an industry in a backward region is quite encouraging. Attempts should be made to develop ancillary and agro-based in-

dustries in the region. The chances of their success, with a major industry around, will be bright. The author has also warned that "if planning for the development of backward regions is to be more effective and meaningful, one may have to go beyond the district level for the purpose."

standard criteria

The author has rightly emphasised that in order to make the investment planning more rational and rewarding, it would be worthwhile to make use of standard criteria for project appraisal, whenever decisions regarding public sector projects are taken. There will have to be careful identification of backward regions followed by careful selection from among them for development. Once it is decided to start an industry in a particular backward region taking into account available raw material, manpower skills and traditions of the people, means of communication and power etc., etc., government may associate big business houses which possess necessary resources and management expertise with such projects.

In a sense the period after the project was commissioned in 1970 has been too short for attempting with any great validity a kind of 'before-after' comparison in a range of socio-economic attainments in areas such as attitude to family planning, preference for employment categories, changes in family indebtedness, etc. There is no doubt that a close study of changes in the traditional pattern of society that has remained backward needs careful study after an industrial unit is established there. The task may be difficult, but has to be undertaken. It is especially important to keep a watch on the chain reactions of industrial units established in backward areas. It would be worthwhile to know how the process of modernisation of backward regions takes place and the part which industries can play in this process of modernisation. Five years is not a period long enough for proper assessment of the changes in a backward region and Mahesh Pathak has also been often superficial in his assessment. An yet the book definitely shows the importance of this kind of study which should receive more attention than it has done hereto. If the extremely poor among the poor in India

are to be assured even tolerable living conditions, it is necessary to know the effects which an industrial unit, either in the public or private sector, is likely to produce on those people and their standard of living.

Strategic Position

Situated between the democratic republic of India and communist China, Nepal occupies a key position of strategic importance. What has been the history of relations between India and Nepal? Have they been intimate throughout or have there been ups and downs in the relationship between the two? If so, why? Since Nepal occupies a strategic position, it is of vital importance to cultivate good relations with that country. From that point of view, study of India's relations with Nepal since 1947 should provide us some guidelines for the future. Dr B.K. Jha has given an excellent account of the ups and downs in the relations between India and Nepal and on the basis of that study has drawn certain important conclusions in *Indo-Nepalese Relations* and guidelines for the future.

According to the author, India's role in Nepal during 1947-51 seemed to be "wavering between wholesale intervention with a deliberate policy of bringing about full-fledged democracy in Nepal and steps designed to introduce democracy over a period of years." Jawaharlal Nehru secured from the Rana leadership acceptance of the demand for a constitutional assembly based on adult franchise; but he however compromised with the Ranas though only for the interim period in order to avoid violent upheavals. Ultimate developments in Nepal however proved that the path of democracy in that country was obstructed not by the Ranas but by the institution of monarchy itself.

We find that during 1951-55, despite growing opposition from the interested political parties in Nepal and some foreign powers, India's relations with Nepal became very intimate. During this period India was managing Nepal's only airport at Gadhchaur, undertook to construct Nepal's first highway, the Tribhuvan Rajpath, and ran the only post office which enabled Nepal to maintain contacts with the outside world. During this period Nepal's administration was reformed along Indian lines and her army was trained by the Indian military mission. Nepal's northern frontiers were also guarded by Indian soldiers. India's relations during this period grew more intimate and found expression in the Treaty of Extradition and agreement on Kosi project. Both the governments were in close agreement on foreign policy and India supported Nepal's application

for admission to the United Nations Organisation. Thus during 1951-55 Nepal which was apprehensive of China looked to India for help and support in all spheres.

But the entire picture changed when in March 1955 King Mahendra assumed direct rule over the country. During 1955 to 1959 i.e., the first four years of King Mahendra's reign, Nepal emerged with a new image of herself on the international scene. She was admitted to the UNO. By establishing, during this period diplomatic relations with China, Russia, Japan and Ceylon, Nepal presented a picture of herself as a sovereign and independent nation on the map of the world. By entering into economic agreements with a number of countries, Nepal grew more self-reliant, thus lessening her dependence on India. By establishing contact with China and adopting an attitude of equal friendship with India and China, Nepal during this period followed the policy of leaning towards China as the best means of offsetting New Delhi's special position at Kathmandu. Nepal had now definitely reversed her traditional policy of sheltering exclusively under the Indian wings. India could no longer take Nepal's friendship for granted.

height of cordiality

During 1959-60 when B.P. Koirala formed the first popularly elected ministry in Nepal, Indo-Nepalese relations again became cordial. B.P. Koirala exhibited his pro-Indian inclination by rejecting the Chinese proposals of non-aggression pact and construction of Kathmandu-Lhasa road. India also indicated her desire to help Nepal both politically and economically by agreeing to revise the trade treaty and by increasing the pace of economic aid. Thus Indian stock of goodwill which had received a severe setback during 1955-58 seemed to have reached its zenith during the regime of the first elected government of Nepal.

During the next period (i.e. 1960-63) the Indo-Nepalese relations remained strained owing to (a) coup d'etat staged by King Mahendra by dismissing the popularly elected ministry of B.P. Koirala, (b) the political activities of Nepalese refugees against King Mahendra from the Indian base, (c) instability of King Mahendra's own position in Nepal, and (d) failure on his part to secure whole-hearted and active support of the Indian government to his methods of capturing political power. As India did not approve of anti-democratic rule of King Mahendra, Nepal tried to move out of India's political and economic fold and went closer to Pakistan and China. King Mahendra also concluded an agreement with China

for the construction of the Kathmandu-Kodari road which at once spotlighted the strategic importance of hitherto inaccessible Nepal from the north. By taking this step the King seemed to have adopted the balance of power policy for counteracting the alleged threat of Indian aggression.

During 1969-72 Indo-Nepalese relation showed a distinct improvement. Government of India has adopted a realistic foreign policy towards Nepal. Indian approach has been more mellow and New Delhi has taken a calm view of Nepal's susceptibilities and aspirations. The consequence has been that a rapprochement has been achieved that settled most of the political and economic issues which have previously disrupted their relations. But it should be noted that even while attempting to improve relations with India, Nepal has been careful enough not to alienate China. Since 1961 Nepal has been playing off both China and Pakistan against India.

With the emergence of Bangladesh Nepal's policy of playing Pakistan against India has however lost much of its relevance. To a certain extent Nepal was also disenchanted with China and therefore tried to establish contacts with the outside world in order to extricate herself from complete reliance on either India or China. Nepal's contacts with the US and the USSR have therefore assumed added significance. Thus abandoning her traditional policy of isolation, Nepal appears now to have set out for international co-operation, taking advantage of the great power rivalries in the area. By taking advantage of economic assistance from rivals, Nepal has been making efforts to bring about her economic development. But the author fears that Nepal because of this policy might become a cockpit of international rivalry and cold war. He doubts whether the short run advantages obtained by Nepal would prove to be equally beneficial in the long run.

India's failure

There is no doubt that India's relation with Nepal have seen many ups and down since 1947 and the author has done well to point out that a substantial part of the blame must lie with India which has failed to win the confidence of the government and people of Nepal. India's interference in the internal affairs of Nepal during the Nehru regime, overbearing conduct of our corrupt officials, unsympathetic terms in respect of various aid projects and the big brotherly attitude gave offence to the government and people of Nepal who naturally tried to play China and Pakistan against India. In fact during the Nehru era India's relations with practically a

our neighbouring countries namely Nepal, Burma and Ceylon were positively strained. The author has done well to emphasise all these aspects in this excellent book. If India can draw suitable lessons from her experience with Nepal and follow them carefully, especially in regard to Bangladesh, which is bound to occupy a competitive position with India in many spheres, India would have learnt a valuable lesson in her foreign policy. No country's friendship can be taken for granted, however closely it may be linked with us culturally and economically. Relations with foreign countries need to be cultivated continually with vision and caution.

Economic Crisis

Inflation and India's Economic Crisis, represents a sort of collective thinking of the six eminent economists associated with the Institute of Economic Growth of Delhi. They thought 'it fit to give their considered view on the burning topic of inflation in the present context.

They all have agreed that rapid and continuing price rise during the last 28 months indicate the presence of inflationary pressures in the Indian economy. It is also agreed that the problem must be tackled from the twin angles of reducing aggregate money demand and increasing aggregate real supplies. It has been found that there has been increase of about 38 per cent in money supply between 1970-71 and June 1973 as against an increase in real output of less than five per cent. This is mainly as a consequence of resort to deficit financing. Controlling inflationary pressures would therefore necessitate limiting money supply by the Reserve Bank of India to a level that would keep the money stock somewhat above the level of the growth of real output. Monetary policy should also aim at increasing the level of domestic savings by a suitable increase in the rate of interest which has for all practical purposes become negative. Action also needs to be taken to regulate large and growing volume of deposits and advances taking place outside the regular banking system.

The authors have suggested that fiscal policy should also clearly recognise the limits of deficit financing and revive the old concept of 'safe deficit financing'. Tax policy should also be revised to take account of both inflationary effects as well as non-incentive effects on savings and productions. Fiscal policy should aim at increasing government receipts from taxation, public borrowings and from public enterprises. Public loans of Rs 300 crores to Rs 400 crores should be raised not for financing government expenditure "but for keeping it frozen as

non-operable addition to the cash balances of government." The economists have also insisted on drastic reduction of uneconomic public expenditure. Further, according to them the existing price policy is based on ad hocism, sectional pressures and wishful thinking rather than on "the norms of economics or regard for mass welfare or control of luxury consumption". The authors have emphasised the need for taking into account the economic logic and social policy when enforcing the policy of price control. To fight black money the authors have not favoured demonetization but "an economically rational method of price controls and industrial licensing and a less drastic application of progression at the margin in direct taxation."

The sovereign remedy for inflation however is "increase in production and a realistic policy of procurement, distribution and pricing of foodgrains". The immediate steps to be taken are the increase in irrigation through quick maturing projects, especially in backward regions and strengthening of the small farmer economy through credit support on liberal terms. The authors also seem to have belief in public distribution system to ensure adequate supply at reasonable prices to vulnerable sections of the population; but they do not favour at least in the short run, nationalisation of the wholesale trade in foodgrain, but instead favour "a strengthening and improving of the existing system of public distribution". This is because according to the authors nationalisation of wholesale trade will have also to be supplemented with nationalisation of retail trade in foodgrains, if the system is to work properly. But in the short-run such public responsibility might not be a feasible proposition.

challenge of inflation

The authors have emphasised that in addition to increasing foodgrains "the industrial goods component in the aggregate supply also needs to be increased for meeting the challenge of inflation." The authors therefore, to immediately increase this component, have favoured industrial licensing and control over monopoly; oligopoly aiming "not only at social justice but also at increasing production in the short period." Such firms should therefore be allowed to expand production to the optimal level so that consumers are able to get low-cost, low-price supply. At the same time according to the authors, special tax measures should be devised to syphon off their large profits into the public exchequer.

The authors of this book have proclaimed that they all believe in democracy and

socialism, but they also believe that "this can be achieved only if socialist planning takes account of the distinction between short and long-term strategy and includes flexibility and patience and requires that mere slogans and wishful thinking will not deliver the goods." This then is the gist of the book.

naivete of economists

The entire analysis by the six eminent economists (one of whom was a central minister not long ago and another is a director of the Reserve Bank of India) reads like an essay on inflation by an undergraduate student of economics. All they have said has been said before umpteen number of times and often tried but with no impact whatsoever on inflationary pressures. Inflationary pressures have been developing in India for the past 18 years and have assumed enormous proportions in recent times and appear to have gone completely out of control. It must be realised that inflation in India is a politico-economic development and not purely an economic phenomenon. And therefore the timid half-hearted and often vague measures which the eminent economists have suggested will have absolutely no impact on the situation. And do they sincerely believe that the government which has remained in power on the basis of deficit financing and black money (made available for elections) will ever put effective restraints on either? One is inclined to pity the naivete of the economists!

It must be understood once and for all, that the basic and final cause of inflation in India (as against the proximate and immediate causes such as deficit financing, black marketing and wrong plan strategy etc., etc., etc.) is that we have been trying to live beyond our means. This is true of all, right from the first citizen of India downwards, excepting the bottom level unfortunates who have hardly anything to live on, thanks to the international demonstration effect and the imperial style of living adopted by our ministers, bureaucrats, businessmen and professionals. No amount of increase in production by methods suggested by our eminent economists — even granting that those methods succeed, which is doubtful — will curb inflationary pressures, so long as we indulge in the irresponsible habit of living at a standard that cannot be sustained by our level of production. And how do the wise men from Delhi who have suggested for the revival of the economy and for fighting of inflationary pressures, propose to reconcile the almost capitalistic measures (the Indian version of the Russian New Economic Policy of early 1920s) which they have suggested

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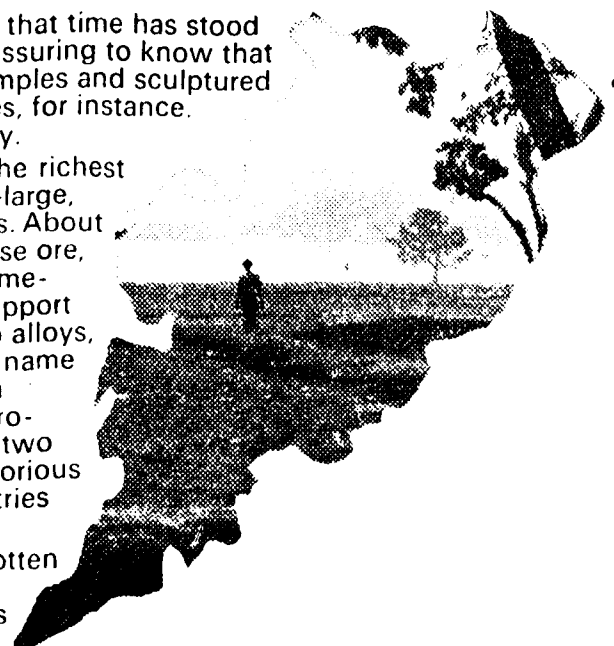


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Orissa—where the scene is set for industrial enterprise

as short term measures with the long-term socialistic policies by which they swear?

The country is in a mess of organised disorganisation, planned chaos. And therefore a little marginal adjustment of taxation here and there or tinkering with the distribution system in the country or with the licensing policy and all this with professing faith in democracy and socialism (lest they be dubbed as reactionaries) might satisfy the conscience of the eminent economists, but will certainly not remedy the decrease of inflation in the country.

Foreign Trade

In his book *Finance of Foreign Trade and Foreign Exchange* Prof Ajmera has made an attempt to put together material on various aspects of foreign exchange in a manner that will be useful to students appearing for CAIIB examination for which this paper is prescribed.

The author begins by explaining the meaning of foreign exchange, the principal credit instrument such as telegraphic transfers, air mail transfer, guaranteed mail transfer, bankers sight draft, bankers cheque which have all been explained in detail. He has then explained how the rates of exchange get fixed and how to interpret foreign exchange quotations. This is followed by explanation of the importance and mechanics of forward exchange. In foreign trade transactions there is always reference to bill of lading which often confuses the uninitiated. This has been well explained by the author as also its importance in international trade transactions. Chapter on 'Marine Insurance' is in a sense the most interesting part of the book. The author has explained how the various types of losses such as total loss, constructive total loss, particular average loss and the general average loss are calculated and various types of risks such as commercial risks, political risks and war risks are covered by marine insurance. He has also explained the mechanics of maritime insurance. Various technical aspects of international trade transactions such as the invoice, methods of receiving payments, credit risk and commercial letter or credit have all been explained with clarity and with suitable illustrations which greatly aid reader's understanding of these technical and complex issues.

Against this theoretical and technical background, the author has analysed some of the international trade problems of India. Some of the problems analysed are problems of export credit in India, import-export policy and procedures, exchange control, payments for imports and exports and so on. As regards India's share in world trade, it is

rather disappointing to see that India's exports which constituted 6.3 per cent of her gross national product in 1950-51, constituted only 3.9 per cent in 1970-71. India's share in world export trade has also declined from 2.1 per cent in 1951 to 1.2 per cent in 1968 and to 0.7 per cent in 1970. This shows the enormous strides which India has to make compared to other countries. While welcoming substantial increases in export of non-traditional items such as seafoods, cashew-nut, precious stones, leather, engineering goods etc., etc., the author however has emphasised that efforts need to be made in regard to quality control, high-pressure salesmanship and dynamic promotional efforts in foreign markets. He also has emphasised that export of services and technical manpower and labour component should play an important part in planning India's exports in future. There is vast scope for this kind of exports to other developing countries and unfortunately Indian government has not cared to fully exploit this opportunity. The author has explained what steps the government of India has been taking in promoting her exports and the assistance which the IMF the Special Drawing Rights, the World Bank as also IFC and IDA have all been giving to promote Indian exports.

In section B of the Book the author has worked out model arithmetical examples in the sphere of foreign exchange to illustrate what he has explained in Section A.

The students of economics mostly study the various aspects of the problem of foreign exchange only conceptually and in abstract so that many gaps are left in their understanding of those problems. Prof Ajmera has done well to explain clearly and concisely the various technical details and procedures associated with the various aspects of the problems of foreign exchange. This book therefore is bound to aid the students of economics in understanding the problems of foreign exchange in a better way.

Controls on Advances

L.R. Suncja has made an attempt to explain in detail the principles of bank lending in *Banker's Advances (How they are made and controlled)*. While explaining the theory of bank lending, emphasis has been laid on the practical aspects of loaning business of commercial banks.

After nationalisation of fourteen major commercial banks, it is now being stressed that the viability of a loan proposal should be determined not from the point of view of security but from the angle of

its productive power to generate income to pay back the loans. There is no doubt that with new challenges, fundamental changes will have to be brought about, if the banking industry is to show progress.

In this book the author has laid stress on the traditional concept of loaning which emphasises the safety of funds entrusted by vast multitude of depositors. At the same time the author has made no attempt to shy away from the problem of how to provide acceptable yet profitable financing vehicle to serve the increasing requirements of trade, commerce and the vulnerable sections of the community.

complementary functions

Deposits and loans are complementary functions and no bank can exist without either. While considering the deposit side and resources, the author opines that the nationalised commercial banks might consider the desirability of issuing debentures to augment their funds. As regards deposits it should be noted, according to the author, that all classes of deposits will not move in the same direction at the same time, that there is greater stability in saving deposits than demand deposits, that business accounts fluctuate more than personal accounts, that public funds have profound seasonal characteristics, that least stability is exhibited by large deposits, especially inter-bank deposits, that greater degree of stability is found in smaller accounts, that time deposits experience wider fluctuations than saving deposits and that rural deposits indicate greater stability than deposits from urban areas.

As regards lending, the author has emphasised that lending function requires the greatest care because right or wrong judgments made in handling credit problems would mean the success or failure of the banks. There is however no uniform lending policy applicable to all banks, though certain broad guidelines are indicated by the author. The things to be taken into account while advancing money are the obligation of a bank to its customers because of deposit liability, prevailing local and business conditions, regulations and limitations imposed by law and policies and regulations established by various authorities in the case of nationalised banks. The author has dealt in detail with the above aspects of bankers' advances, namely what considerations must be kept in view regarding deposit obligations, regarding local and general conditions, regularly limits and policies of directors. The general considerations to be kept in view while making advances are borrower's character, his experience, nature of his business, his requirements, his competence, capacity to borrow, purpose of the loan,

sources of redemption and of course security. There are however no fixed rules regarding the above considerations and that means each advance will have to be considered on its own merit.

According to the author a sound loan policy contributes to the success of the bank by making possible prompt credit decisions. The author has analysed the issues concerned in regard to policy regarding commercial loans, individual loans, consumer loans, long term loans, small business loans, farm loans, industrial financing and so on. He has emphasised that the established loan policy should be reviewed from time to time, taking into consideration economic climate, deposit mix, portfolio composition, market area and government policies. The author has also discussed in detail the problem of differential rates of interest and government policy in this regard.

This general analysis is followed by rather technical issue of 'Loan Processing' wherein the author has given all the technical details to be kept in view by bank officials when granting and recovering loans. This is followed by analysis of other technical aspects such as balance sheet analysis, functioning of credit department, loans and discounting, control of advances, recall and renewal of advances, correspondence with and about borrowers, types of securities (such as life policies, goods and produce, bills of lading, warehouse and dock warrants, railway receipts, letter of credit etc.).

Some of L.R. Suneja's books on banking have already been reviewed in these columns and the author has added another feather to his cap by writing this excellent book on bankers' advances. He has made the technical problems of banker's advances look easy by clear analysis and extensive illustrations. To render various services efficiently banks must develop competent staff through training. This excellent book will serve as an excellent guide to bank officials who are in charge of bankers' advances.

Financial Institutions

The various papers in this book *Structure Of Financial Institutions* are the result of research in banking and financial institutions with which the author has been associated for a long time.

It will be seen that after the nationalisation of the fourteen major commercial banks in 1969, a significant part of the banking system in India is now under the control of the public sector. Also the principal term-lending institutions like the Industrial Development Bank of India,

IFC and SFCs, the State Industrial Development Corporations have all along been owned by the public sector. Similarly, the LIC, Unit Trust of India, Employees Provident Fund are all within the public sector control and regulation. The author therefore rightly maintains that the key sector of the economy — the real commanding sector — is directly under the effective government control. This implies that if this sector is managed efficiently and with imagination, all the other sectors of the economy would then come within the purview of effective government control and direction. Management of this key sector, according to the author, "with imagination, vigour and entrepreneurial spirit ... can provide necessary dynamism to the economy for rapid growth and at the same time, function as an effective countervailing power in the private sector. These institutions can mobilise resources, introduce rationality in decision-making in the public as well as private sector and can help national project planning and rational overall financial planning.

functions of a lead bank

The author has written a detailed article on functions of a lead bank in a district. Since for a variety of reasons co-operative banks have, by and large, failed to perform the functions entrusted to them, a new and potentially fruitful concept of a lead bank in a district has been evolved. The functions of a lead bank would be to undertake phased branch-expansion programme, prepare an estimate of correct requirements of credit in the district, identify potential areas of agricultural and small industry development and induce local entrepreneurs to undertake them, identify major bottlenecks to development and devise such schemes of deposits and investments as would prove attractive to local people. Thus the obvious fields of action for a lead bank in a district are agriculture with all the ancillary industries, marketing, small industries, various service institutions, technical institutions and so on and so forth. The author has drawn a very elaborate plan with diagrams and all, to illustrate how an ideal lead bank in a district should function.

V.V. Bhat has worked out the details of the lead bank scheme almost like a perfectionist and with the zeal of a missionary. Reading about the scheme reminds one of the community development projects and how enthusiastically some authors wrote about those projects when they were introduced in 1952. We encumbered the community project in an area with too many tasks and burdens with the consequence that nothing worthwhile was done and during the last couple of years no body

even hears about them. One is afraid one has not learnt anything much from that experience. Our sense of history is poor and one should not be surprised at the failure of the lead bank scheme for the same reason as the failure of the community development projects. It is always good to concentrate on a few related jobs and do them well rather than undertake multiplicity of jobs and fail miserably. Bhat's plan, like any technician's plan is near perfect; only it won't work as the has planned!

Writing about recruitment and promotion policies, the author has made some really useful recommendations. The present policy in regard to the above two aspects is based on ad hocism. We in India only act as the situation arises. This must be given up and we must react in a rational manner anticipating the situation. The author wants that in view of the special characteristics of the banking services, the recruitment of non-officer staff be restricted to persons from the relevant regions or district. Also to avoid national waste, recruitment of non-officer staff should be restricted only to matriculates, though for officer cadre it may be necessary to insist on banking examinations rather than mere graduation. This would give functional base right from the start. Only a few jobs at the top should be on selection basis while rest of the promotions, according to the author, should be on 'functional basis' so that problems of seniority and salary differences etc. are omitted while at the same time efficiency is maintained or even enhanced.

The author has pleaded for the institution of 'approved dealers' who would make significant contribution to the wider diffusion of bank services, provide of essential repair and maintenance services to farmers and small-scale industrialists, on behalf of a lead bank, provide guidance in regard to purchase of machinery and other current inputs, etc.

role in agriculture

If banks are to play increasing role in financing agriculture and other neglected sectors, mobilisation of resources in a more effective way is absolutely essential. The author thinks that more effective mobilisation of deposits from the public can be done "only by making a bank deposit more attractive as a financial asset than private lending in unorganised market." He has also made a novel suggestion that "some deposit schemes should be linked with certain services", apart from linking them with different saving motives. These are really good and easily workable suggestions which should receive careful attention from the banks.

Analysing the problems of term-lending

institutions, Bhat has made a novel suggestion that there is an urgent need for a national development bank to provide term finance to public sector enterprises on business principles and in the light of plan priorities and investment pattern. The present Industrial Development Bank can play only a marginal role in regard to provision of finance to public sector enterprises and hence this suggestion for a brand new institution. According to the author such an institution can see that priorities are adhered to, that projects are rationally selected, that continuous watch and supervision are exercised at the implementation stage and that overall efficiency of public sector projects goes on increasing.

Bhat has also made some constructive

Statistical Outline

INDIA: A Statistical Outline: Fourth Edition—1973: Published by the Public Relations Department, Indian Oxygen Limited, Oxygen House, P. 34, Taratala Road, Calcutta 53; Pp 230; Price Rs 40.

Indian Oxygen's annual publication *India: A Statistical Outline* is now in its fourth year and during this period it has firmly established itself as a very informative and interesting presentation of data covering a variety of themes and topics in the economic, political and social spheres. Apart from its comprehensiveness it is distinguished by a high regard for accuracy on the part of its editor and has

suggestion regarding centre-state financial relations.

In the third section of the book the author has made an attempt to analyse some technical problems of appraisal criteria in regard to monopoly problem, working capital finance, industrial projects, and export proposals.

The book is the product of deep scholarship and attachment to the subject of banking and finance. There is no doubt that a considerable amount of thinking on the subject has gone into the articles and though sometimes the viewpoint suffers from the narrowness of approach which characterises all experts, on the whole the analysis and especially the constructive suggestions made in the book deserve close attention of the powers that be.

therefore come to be accepted as a reliable reference book for all those who are interested in national affairs. It is noteworthy that what began as a publication meant for private circulation has evolved into a valuable commercial production for which there is a growing demand from government agencies, business circles, administrators and politicians and the academic world. The present edition which contains many new features is bound to add to the usefulness and popularity of this publication. Special mention may be made of a very considerably enlarged section on "International Comparison".

Books Received

Management of Scientific Research: Edited by Jitendra Singh; Published for the Administrative Staff College of India, Hyderabad, Popular Prakashan, 35 C. Tardeo Road, Bombay, 400034; Pp. 311; Price Rs 50.00.

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SHRI M. S. PATHAK

Gentlemen,

It gives me great pleasure to welcome you to the eighth Annual General Meeting of your Company, to consider the Directors' Report, the Audited Balance Sheet and the Profit and Loss Account for the year ended March 31, 1973.

Technological Development

On this occasion, it would be appropriate to take stock of the technological progress achieved by your company. When doing this, it would be necessary to keep in mind the number of years that the company has been in existence, the assignments obtained by it and the use made of these opportunities for further technological growth.

Formed in 1965, the Company started to progress rapidly only on its reconstitution into a fully Government-owned Company in 1967.

(a) Petroleum Refining

A start was made in 1966 with the initiation of the Madras Refinery Project, owned jointly by Government of India, M/s National Iranian Oil Company and M/s American International Oil Company. EIL performed about 45% of the total engineering required for the project, mostly in respect of offsite facilities. Almost simultaneously, in 1967, work was commenced on the design of the offsite facilities of the lubricating oil plant of M/s Lube India Limited, a joint venture between the Government of India and ESSO. The succeeding refinery project at Haldia, entirely owned by M/s Indian Oil Corporation saw EIL commence process design work in res-

pect of the topping, gas separation, vacuum distillation, kerosene hydro-desulphurisation and bitumen units. This was the first time that refinery process design was performed in the country. Additionally, about 75% of the total engineering for the project, much of this for process units, was performed. As a result of the above experience, the Company was able to successfully carry out, on its own, its responsibilities in regard to the entire process design and engineering of the project for the expansion of Cochin Refinery from 2.5 MTA to 3.3 MTA. EIL is currently undertaking, by itself, 100% of the process design and engineering of the Bongaigaon Refinery (consisting of topping, delayed coker and coke calcination units) and of the project for the expansion of Koyali Refinery from 3 MTA to 6 MTA (consisting of topping, vacuum, bitumen, visbreaker and treating units). Thus EIL has developed complete process 'know-how' for the design of non-licensed units required for the production of fuels. Likewise it has acquired the capability of preparing process design packages for hydro-desulphurisation and catalytic reforming units, based on licensors' reactor effluent data. Following the successful completion by EIL of M/s Indian Oil Corporation Ltd's, petroleum coke calcination plant at Barauni in 1971, EIL has developed complete process 'know-how' for these facilities. This 'know-how' is presently being employed in the setting up of M/s Carbon Product Company's Coke Calcination Plant at Calcutta.

Thus today EIL is in a position to take full responsibility for the design and construction of complete petroleum refining plants.

(b) Petrochemicals

EIL commenced in 1968 to perform 90% of the engineering of the Koyali Aromatics project. With the completion of this assignment, it is now capable of preparing process design packages based on licensed information for most of the licensed units occurring in an Aromatics Complex (e.g. naphtha pre-treater, cat reformer and isomerisation unit) as also the process design of the intermediate, non-licensed, distillation facilities (i.e. Xylene separation facilities). These capabilities will be employed to the maximum possible extent in the process design of the Assam Petrochemical Complex. Engineering for the Assam Complex, to the extent of 100%, will be carried out by the Company. In 1971 EIL commenced work on the engineering of the Koyali Petrochemical Complex, comprising of a naphtha cracker sized to produce

130,000 TPA of ethylene and 10 downstream units, i.e. facilities for Pyrolysis Gasoline Hydrotreating, Benzene Extraction, Butadiene extraction, Polybutadiene Rubber, Acrylonitrile, Detergent Alkylate, Polypropylene, Acrylic Fibre, Polyethylene, and Ethylene Glycol. A project of major complexity, it is being engineered for the first time in the country.

It is to be noted that the petrochemical field is characterised by a very wide range of processes, each of these licensed by about 3 or 4 parties in the world. Development of indigenous processes is possible only through coordinated and intense R & D efforts on the part of our research laboratories, operating plant and design organisations. It is in this connection that EIL has embarked on a major R & D Programme in collaboration with M/s Indian Petrochemical Corporation Limited, at Baroda.

EIL's design capabilities in the area of petroleum refining and petrochemicals have been developed, only after the most strenuous efforts with concerned clients, aid-giving countries to secure for it an increasing share in the process design and engineering of such plants. To the extent that it was decided to carry out process design and engineering overseas, EIL endeavoured to secure for its engineers, participation in this work abroad.

(c) Fertilizer

As regards the fertilizer field, EIL has completed its engineering work for M/s Indian Farmers' Fertilizer Co-operatives' ammonia plant and M/s Southern Petrochemical Industries Corporation's urea plant. It is currently engaged in the engineering of SPIC's acid complex plant. The Company is now in a position to undertake the design engineering of ammonia and urea plants based on licensors' process packages, this corresponding to the degree of indigenisation currently obtaining in the design phase of these facilities.

(d) Central Service Organisation

EIL's Central Service Organisation, which was set up as a Cell for providing specialist consultancy services in the maintenance and materials problems of process plants has rendered valuable services to M/s Indian Oil Corp. Ltd., M/s Indian Petrochemicals Corp. Ltd. and the Ceylon Petroleum Corp. There is still considerable scope for its expansion.

(e) Heat & Mass Transfer Equipment

EIL's technical collaboration with overseas companies in respect of the

design of heat exchange equipment (including air coolers and waste heat boilers), process heaters and distillation trays has enabled it to save the country a significant amount of foreign exchange, and simultaneously to develop a technological capability that would otherwise not have developed in the country within such a short period. 'Know-how' so acquired is of a proprietary nature, based on years of varied experience and which would have taken a company not yet in this position several years to develop on its own—meantime causing heavy expenditure of foreign exchange on account of import of technology and associated equipment. EIL has initiated its own R & D efforts in the area of mass and heat transfer and major programmes are additionally proposed in the country's Science & Technology Plan. It is already able to design sophisticated heat exchangers, process heaters and valve and sieve trays. It thus occupies a unique position in the country in the area of heat and mass transfer equipment design.

(f) Ocean Engineering

In the area of Ocean Engineering, EIL has made a start with sea-bed investigations, collection and analysis of meteorological and oceanographic conditions and hydrographic, shallow seismic profiling and shallow coring surveys. The piston gravity corer which was designed by EIL and manufactured indigenously has already been put to successful use in the shallow soil coring surveys of Mangalore. With the acquisition of a shallow seismic profiling system, EIL has developed a capability for carrying out marine investigation required for offshore oil exploration, offshore lighthouses, port and harbour development, dredging, submarine pipelines, sewer outfalls, etc. The Company has also developed software for the design of offshore platforms, production structures and for any fixed installation at sea.

(g) Non-ferrous Ore Processing Plants

EIL is fully capable of engineering, procuring and constructing these plants based on process 'know-how' furnished to it. It has set itself up to cater to the requirements of Hindustan Copper Limited and Hindustan Zinc Ltd.

(h) Systems Engineering

Over the past year, significant progress has likewise been made in this area.

(i) Environmental Engineering

EIL already has an engineering cell for designing effluent treatment

STATEMENT BY M. S. PATHAK CHAIRMAN & MANAGING DIRECTOR AT THE 8TH ANNUAL GENERAL MEETING HELD ON NOVEMBER 29, 1973

systems for petroleum refining, petrochemical and fertilizer plants. The sources of pollution in a plant and the corresponding treatment required to make such effluents harmless before discharging them from the plant are identified at the design stage. Suitable systems to render them safe are accordingly designed and incorporated in the plants. The Company's capabilities in this area are being strengthened further, on a high priority basis, to enable it to play a larger role, as desired by Government.

(j) Optimisation Aids

A comprehensive array of programmes has been developed to optimise the design of plant and equipment and to assist in effective project management (including project scheduling and cost control). More effective use has also been made of scale modelling to optimise plant layouts and to aid in expeditious construction work.

(k) Contractual responsibilities

EIL has long graduated from a position of secondary responsibility to that of prime responsibility for putting up facilities in its areas of specialisation. It offers the full range of technical services—feasibility studies, basic design engineering, equipment procurement/expediting/inspection, construction supervision, commissioning assistance and overall project management. Of the known design companies in the country, EIL has emerged as the largest, though youngest. It would be interesting to compare EIL's rate of development *vis-à-vis* that of similar organisations in our own country and overseas. As will be seen from the above, central to EIL's development has been its objective to undertake basic design/engineering work hitherto performed overseas. This must continue to be the thrust of its efforts for the future.

Financial Results

The turnover in 1972-73 increased from Rs. 289.54 lakhs in the previous year to Rs. 409.28 lakhs yielding a gross profit of Rs. 61.04 lakhs as against Rs. 58.19 lakhs in the previous year. A still higher level of gross profit, commensurate with the increase in the turnover, could have been achieved, but for the fact that technical manpower utilisation dropped from 85% in 1971-72 to 72.5% in 1972-73. This was mainly due to circumstances leading to the delayed sanctioning of foreign exchange required for the preparation of licensors' process packages relating to the

downstream units of the Koyali Petrochemical complex. Hopefully this position will change very soon with the anticipated improvement in the utilisation of available technical manpower on the various projects. After paying bonus to employees amounting to Rs. 18.94 lakhs and corporate taxes to the extent of Rs. 15.25 lakhs, net profit amounts to Rs. 26.85 lakhs. This would increase "General Reserves" to Rs. 108.28 lakhs from 83.93 lakhs as at the end of the previous year. Your Directors recommend a dividend of 10% on paid-up capital, to be paid, after your approval, from General Reserves. As at the end of the year, the net worth of your Company as also intrinsic value of the Company's share of a par value of Rs. 100—each, rose to Rs. 133.28 lakhs and Rs. 533.12 respectively from Rs. 101.93 lakhs and Rs. 435.72 at the end of the previous year.

Assignments

Major assignments completed during the year include: the design, engineering, procurement and construction of M/s Cochin Refineries Limited's Expansion Project from 2.5 MTA to 3.3 MTA and of M/s Indian Petrochemicals Corporation's Rs. 76 crores Koyali Aromatics Project, engineering of M/s Gujarat State Fertilizer Company's 30,000 T/A caprolactam project; design, erection and commissioning of air coolers for the Cochin Refinery Expansion project as also the design of other heat exchange equipment for IPCL (the Koyali Petrochemical Complex), M/s National Organic Chemical Industries Limited and Hindustan Steel Limited; design/engineering of valve trays for the Naphtha Cracker Unit of the Koyali Petrochemical Complex; construction supervision for M/s Hindustan Organic Chemicals Limited's chemical complex at Rasayani setting up of M/s Hindustan Copper Limited's 100 TPD Copper Ore Beneficiation project at Dariba; consultancy service to the Government of Madhya Pradesh in respect of a caustic soda-chlorine plant; studies relating to a 50,000 MTA caprolactam plant for M/s Indian Petrochemicals Corporation Ltd., the development of chemical industry in Bihar for the Government of Bihar, a petroleum coke calcination plant in Mysore for the Government of Mysore, a fertilizer project for M/s State Industrial and Investment Corporation of Maharashtra Ltd., and a Malathion project for M/s Hindustan Insecticides Limited. In the field of ocean engineering, EIL acted a sub-contractor to M/s Compagnie Generale de Geophysique of France in CGG's

sea-bed investigations in the Bombay High area. It also completed its assignment in regard to data collection and analysis of meteorological and oceanographic conditions around the Andaman and Nicobar islands, both for the Oil & Natural Gas Commission, a project report for a dry dock and a preliminary report for the Northern Harbour Project at Cochin for the Cochin Port Trust and also hydrographic, shallow seismic profiling and shallow coring surveys off Mangalore for M/s National Mineral Development Corporation.

Taken to an advanced stage of completion during the year was the design, procurement and construction of M/s Indian Oil Corporation Ltd's Haldia Refinery. This is now expected to have its fuel units commissioned in the first quarter of 1974 and its lubricants portion during 1974-75. Completion of this project has been delayed due to poor industrial relations at site. Engineering, Equipment procurement and construction is also under way for Indian Petrochemicals Corporation Ltd's Rs. 220 crore naphtha cracker complex. With site work having started, this project is expected to be completed by 1975-76. Currently in hand is the process design engineering/procurement of Bongaigaon Refinery, forming part of the Refinery-cum-petrochemical complex in Assam, and also of the Gujarat Refinery Expansion Project—these projects expected to be completed by 1976. Other assignments in hand refer to the engineering of modifications to Barauni Refinery—a new visbreaker unit, changes in the existing distillation unit and revamping to the Bitumen unit—to enable it to receive imported crude oil; design heat exchangers, heaters, valve sieve trays for the Bongaigaon and Koyali Refinery Projects, as also steam super heaters for the naphtha cracker plant of Gujarat Petrochemicals Complex and valve/bubble cap trays for Atomic Energy Commission's heavy water plant at Talcher; assistance to M/s Kellogg in the construction supervision of M/s Indian Farmers Fertilizer Co-operative's Ammonia Plant at Kandla; the design, procurement and construction of a 50,000 TPA petroleum coke calcination plant at Haldia for M/s Carbon Products Co. of Calcutta, expected to be completed in August, 1975; the engineering of M/s Southern Petrochemical Industries Corporation Limited's Sulphuric Acid, Phosphoric Acid and DAP plants at Tuticorin; the design/procurement and construction of Hindustan Copper Limited's lead ore beneficiation facilities at Agnigundala, expected to be completed by mid 1974; assistance to Hindustan Copper Limited in its pre-project activities

relating to the copper concentrator projects at Surda, Rakha Phase II and Malanikhand; the engineering, procurement and construction supervision of M/s Hindustan Zinc Ltd's Rs. 25 crore zinc smelter at Vizag, scheduled for completion in 1976; marine survey, design engineering and other technical services required for the setting up of Indian Oil Corporation's offshore terminal and submarine pipeline in the Gulf of Kutch, intended to receive 300,000 DWT crude tankers to service the Koyali Refinery Expansion and Mathura Refinery projects; a comprehensive transport study by EIL's Systems Services Group in connection with the country's 5th Five Year Plan, as also a systems study relating to the development of iron ore mines and supporting railway network and port facilities to arrive at an optimum expansion programme for iron ore mining; feasibility reports/project reports in respect of chemical industries in UP, a nylon fibre plant in Assam and a Sodium Tripoly Phosphate Plant in Rajasthan.

Workload

Design office man-hours rose from 10.37 lakhs in 1971-72 to 12.67 lakhs in 1972-73, with the prospect of a further increase up to 17 lakhs during 1973-74. Workload for the succeeding years, as far as can be foreseen now, would be more or less of the same level. The Company has had good success in getting back Indian engineers working overseas and would continue its efforts in this direction. Manpower strength which increased to 1394 at the end of March, 1973, from 1163 at the end of the previous year is expected to reach 1500 by the end of the current year. Correspondingly the turnover is expected to reach about Rs. 5 crores in 1973-74 yielding a profit (before tax) of the order of Rs. 60 lakhs.

Organisationally and capability-wise, EIL is well poised to undertake the additional workload expected from the next financial year onwards. The Fifth Five Year Plan is expected to call for an increase in refining capacity. However, no additional petrochemical projects are anticipated. Of the additional fertilizer plants envisaged, EIL expects to put up three plants.

Training

The company attaches the highest importance to the training of its staff on a continuous basis. While training in various fields has gone on over the past few years EIL has initiated special efforts to organise manage-

ment development courses for the benefit of its personnel through the Indian Institute of Management, Ahmedabad. A study has also commenced, through the agency of this Institute, for further improving upon the existing Management Information and Reporting System within the organisation.

Research and Development

EIL attaches great importance to the performance of R & D work in its areas of specialisation. Worthy of special mention is the work that has already been carried out in the area of separation processes. As a result, EIL is now capable of undertaking the process design of the distillation train for the separation of C8 aromatic hydrocarbons envisaged in the Bongaigaon Petrochemical Complex. Development work on visbreaking carried out during the last two years, in association with the Indian Institute of Petroleum, has enabled EIL to undertake process design for the visbreaker of the Koyali Refinery Expansion project.

R & D work will continue to be done in close cooperation with research laboratories, equipment suppliers, operating companies and the National Research Development Corporation. A five year programme for implementation in association with the National Research Development Corporation, the Indian Petrochemicals Corporation Ltd., Indian Oil Corporation Ltd., and the Indian Institute of Petroleum seeks to cover the areas of distillation technology, extraction technology, extractive distillation, liquid phase oxidation of hydrocarbons and steam cracking, in the field of petrochemicals, visbreaking, dewaxing and deoiling, hydrogen processing of petroleum fractions and sulphur recovery relevant to petroleum refining; fired heaters and heat exchangers in the field of process plant equipment.

The successful completion of these projects should lead to direct substitution of foreign technology with indigenously developed 'know-how'. As desired by Government, EIL has commenced preliminary studies in the areas of conversion of coal into gaseous and liquid hydrocarbons, in close coordination with the concerned national laboratories and coal mining organisation. This is a project of crucial significance to the energy strategy of the country. Every effort will be made to ensure that by end

1974 work will have progressed to the stage of enabling an investment decision.

Board of Directors

Shri V. G. Rajadhyaksha, Shri L. Kumar, Dr. L.K. Doraiswamy, Shri V. Krishnamurthi and Shri A.V. Poulse continued to be members of the Board of Directors.

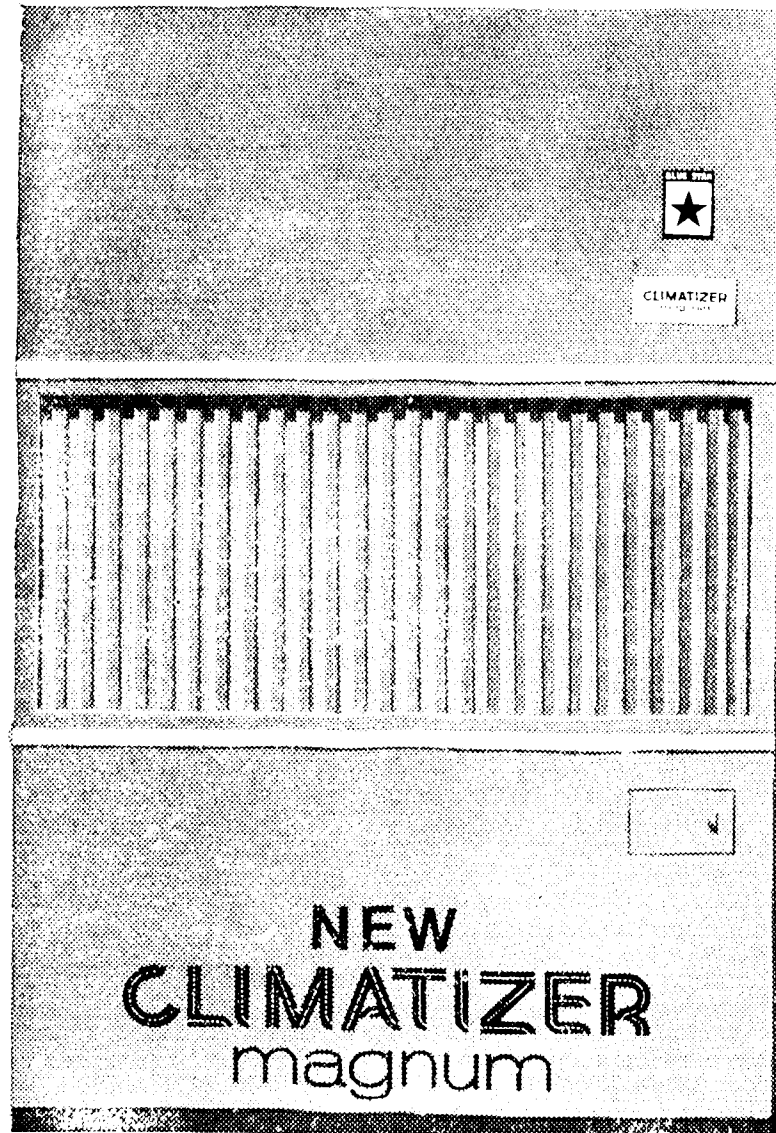
Conclusion

On behalf of the Board of Directors, and on my own behalf, I wish to place on record our deep appreciation of the valuable cooperation and guidance extended to your company by our clients, the Ministry of Petroleum & Chemicals, other Ministries and Departments of the Government

of India and the dedicated efforts of the personnel of the company. Our grateful thanks are due to you as shareholders for your support and the confidence reposed in us.

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

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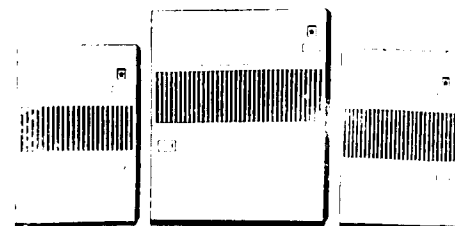
CLIMATIZER MAGNUM

- Can be used singly, or in multiples, to form large tonnage systems. Ideal for offices, restaurants, stores, apartments, even entire buildings.
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TRADE WINDS

Nepal Regulates Foreign Trade

Nepal has barred all foreign companies, most of whom having Indian interest, from carrying on any export-import transactions in the kingdom. This major policy decision, having serious repercussions on the provisions of the Indo-Nepal Friendship Treaty of 1950, was disclosed recently when Nepal's Commerce and Industry ministry announced certain changes in the jute export policy, observers in this country felt that these restrictions on Indian businessmen constitute a breach of Article 7 of the Indo-Nepal Friendship Treaty under which the governments of India and Nepal have agreed to grant on a reciprocal basis residence, ownership of property participation in trade and commerce, movement and other privileges of similar nature.

More Credit Curbs

The Reserve Bank of India has imposed through a set of directives to commercial banks recently the most rigorous credit squeeze it has attempted hitherto to enforce "the maximum possible restraint upon expansion of credit" during the current busy season. The minimum lending rate for commercial bank advances has been raised with effect from December 1, from 10 per cent to 11 per cent. This however, does not apply to individual agricultural borrowers with limits of less than Rs 50,000 and some other small accounts and export credits, the rate for which had been raised to eight per cent on November 16. This has been followed up by a directive to banks asking them to raise the margins on existing and future credit limits for all borrowers

other than those already covered by the stringent selective credit control directives issued on November 16, those exempted from the minimum lending rate hike and export credit. The bank's lending capacity has been curbed severely by requiring them to hold back under the NLR (net liquidity ratio) mechanism, a further two per cent of their deposits. This means that banks can at best lend only 61 per cent of their deposit growth since 39 per cent of all deposits have to be kept aside—32 per cent under the NLR mechanism and seven per cent as cash reserves.

Further, the Reserve Bank has drastically pruned the banks' access to borrowing from it by prescribing a three-state limit on borrowings during the current busy season, till the end of May 1974. These measures are a follow-up to the busy season credit policy announced on November 16 when the Reserve Bank raised from 12 per cent to 13 per cent the minimum lending rate for advances against most commodities covered by the selective credit controls, increased margin requirements in respect of commodity advances and raised steeply to 15 per cent the penal rates imposed on excess borrowings from the Reserve Bank or commercial banks. This policy was intended to limit total credit expansion from November to May next year to not more than 10 per cent, that is, Rs 400 to 450 crores. Aggregate commercial bank credit is currently at over Rs 6,400 crores, and deposits are placed at about Rs 9,500 crores.

Vanaspati Prices

In view of the further fall in the prices of raw oils used in

the manufacture of vanaspati, the prices of vanaspati have been reduced by another 20 paise per kg. in all the zones, with effect from December 1, 1973. The maximum retail prices of vanaspati in different pack-sizes, and when sold loose, exclusive of sale-tax and other local taxes, will be, as given in the table below.

Tyre Prices

The union government has issued a price control order freezing the prices of tyres and tubes of trucks tractors (rear only) and heavy vehicles. This was stated recently in the Rajya Sabha by Mr Pranab Mukherjee, the deputy minister for Industrial Development. He added that the government had decided to import 5,000 bus and truck tyres from Sri Lanka through the State Trading Corporation. The STC had also been authorised to import another 10,000 tyres from the general currency areas to meet the needs of state transport undertakings. Import of a limited quantity of tyres was also being allowed to tractor manufacturers for newly manufactured vehicles. The government had asked manufacturers to work extra shifts, including Sundays and holidays, to increase the production of tyres and tubes. The price control order had been issued under the Industries (Development and Regulation) Act. Automobile tyres and tubes had been included as an essential commodity for purposes of taking

action under the Essential Commodities Act and the state governments had been requested to issue orders permitting the sale of tyres and tubes to actual users.

Yarn Control Order

The Supreme Court recently upheld the Yarn Control Order of the government. In its judgment, the constitution bench ruled that price control by government could not be invalidated on the ground that it led to "alleged loss for some time" for the concerned industry or trade. The constitution bench in its judgment ruled that in attempting to hold the price line, the government may so control the prices that the industry producing a commodity, or the trade dealing in the commodity may face "alleged loss for some time" following the imposition of price control. The court, therefore, upheld the validity of two notifications issued by the Textile Commissioner.

The first notification determined the ex-factory price of count of yarn of 59 and below and count of yarn of 60 and above. The second notification directed that no producer of yarn for civil consumption shall sell or deliver any such yarn produced by him except to specified persons and subject to the specified conditions mentioned by Textile Commissioner. The notification also directed that every producer of yarn for civil consumption shall sell or deliver

Vanaspati Prices from Dec. 1, 1973

(in rupees)

Zone	16.5 kg. tins	4 kg. tins	2 kg. tins	1 kg. poly-thene containers	Loose per kg.
North	120.89	31.38	16.20	8.46	7.31
J & K, HP and hilly areas	123.38	31.99	16.20	8.61	7.46
of UP	118.17	30.72	15.87	8.29	7.14
South	121.28	31.48	16.24	8.48	7.33
East	123.13	31.93	16.47	8.59	7.44
North-eastern region	119.71	31.10	16.50	8.39	7.24
West					

such yarn to the channel of distribution mentioned therein.

Giant Generator Tested

A 200-MW steam turbine manufactured by BHEL, Hardwar, in collaboration with the USSR was commissioned for test by Mrs. Indira Gandhi on December 2. This represents the biggest set ever produced in the country. BHEL, Hardwar, has hitherto concerned itself only with 100 MW sets. It has already supplied six 100 MW sets to Obra and Badarpur. At each of these stations one set has already been commissioned. This country has joined the select few nations in producing 200 MW sets. The entire set, inclusive of the turbine, the generator, the condenser and the auxiliaries weighs about 1700 tonnes. (the turbine alone weighs about 560 tonnes). With the fabrication of this 200 MW set, a breakthrough in monitoring technology has been effected. The turbo supervising and surveillance monitors is totally indigenous in design and fabrication. Designed by BHEL, it has been made by the Electronics Corporation of India Limited.

Duty-free Jute for Britain

The European Economic Community (EEC) of which Britain is now a member, is believed to have agreed to allow duty-free import of Indian jute by Britain. A communique from the EEC headquarters was reported to be on its way to the union government in this connection.

Indo-Yugoslav Cooperation

The Indo-Yugoslav trade is expected to double in volume this year to a level of \$65 million (Rs 949 crores) compared to last year, despite the switch over from rupee to multilateral trading pattern from January 1973. Mr. Novak Poleksic, Yugoslav Assistant Federal Secretary for Foreign Trade, told the Forum of Financial Writers recently. He pointed out that the 'target

for 1974 was \$100 million (Rs 75 crores). Mr. Poleksic stated that India has placed orders for nine ships of 'large tonnage with Yugoslavia' and would supply 3600 wagons to Yugoslav Railways.

Indo-Yugoslav joint ventures in the field of shipbuilding and machinery construction are in the offing. This indication of the Yugoslav technical collaboration with the Indian industry was also given by Mr. Poleksic. The two governments would discuss in extending the area of economic co-operation. The members of the delegation led by Mr. Poleksic were looking for new products with a view to further expanding the trade. Mr. Poleksic stated that Indian businessmen would do well to study the Yugoslav market and compete with other countries in new items, keeping in view the quality and price.

Assistance from Canada

An agreement for a Canadian loan of \$10 million (Rs 7 crores) was signed recently. The loan is meant to finance the import of potash from Canada during 1973-74 including for the first time its freight costs. An amount of Canadian \$7 million is already available for the import of potash under an agreement signed last July for a loan of Canadian \$50 million. With the new loan agreement signed now, the total assistance from Canada for the purchase of fertilisers works out to Canadian \$112 million (approximately Rs 78 crores).

Import of Fertilisers by MMTC

The government proposes to entrust the Minerals and Metals Trading Corporation (MMTC) with the task of importing fertilisers, minister of State for Agriculture, Mr. A.P. Shinde told the Lok Sabha recently. He added that the government had decided to import one million tonnes of fertilisers. Contracts had been entered into for 800,000 tonnes of which 100,000 tonnes were 'firm' contracts. He said earlier such

imports were handled by the department of Supply and the MMTC. The government, however, had decided that it would be better to entrust it to a single agency.

New Tractor Unit

The Soviet foreign trade organisation "Traktorexport" has signed an agreement with an Indian firm for manufacturing a 60 hp. "Byelarus" tractor, 7,000 units of which will roll out of the production line in 1974. The new tractor, cheapest in its horse power range, will be produced with an approved and phased indigenous manufacturing programme to fulfil the Indian farmers' choice in tractors. The factory will be located on an area of 31 hectares in the industrial area in Bangalore with a licensed capacity of 12,000 large h.p. tractors per annum in two phases. The first phase of manufacture envisages the production of 7,000 units per annum commencing from next year. The government of Karnataka has decided to participate through the Mysore State Industrial Invest-

ment and Development Corporation through substantial investment in the share capital of the company. The company proposes to open training centres at Bangalore and New Delhi to train farmers in the correct use of tractor and its wide range of implements.

Names in the News

Union Carbide India Limited announced the appointment of two whole time Indian directors on its board. They are **Dr S. C. Bhattacharjee** and **Mr. V.P. Arya**. The Chairman, Mr. Keshub Mahindra, while announcing this appointment, indicated that in a total strength of over 10,000 employees the company has only four non-Indians on its payroll.

Dr Bhattacharjee was educated in the United States of America where he obtained a Doctorate in Industrial Engineering. Mr. Arya is an author of several books and his writings have made substantial contributions in the fields of Company and Industrial Law.

SITUATIONS VACANT

Applications are invited by the TEA BOARD for the following posts. The appointments will be on a temporary basis but are likely to be continued.

- (1) Manager (Tea Centre) Bombay, in the scale of Rs. 350-25-500-30-590-EB-30-800-EB-30-830-35-900. The candidates must possess a Three-Year-Diploma in Hotel Management, Catering and Nutrition from any of the recognised Institutes in India or abroad with two years' experience in a Hotel or first Class Restaurant. Age-Preferably below 40 years as on 1-1-1974. Selected candidates will have to furnish a Fidelity Bond of Rs. 5000/.
- (2) Inspector (Technical) in the scale of Rs. 290-15-320-EB-15-425. The candidates must be a Science Graduate in Agriculture of a recognised University with practical experience in the methods of cultivation and manufacture of tea. Age-Preferably below 32 years as on 1-1-1974.

Prescribed application form together with details of the post may be obtained from **Secretary, Tea Board, 14, Brabourne Road, Calcutta-1** either personally or by sending self addressed envelope. The applications in the prescribed form will be received upto 31st Dec. '73.

COMPANY AFFAIRS

Delhi Cloth

DELHI CLOTH and General Mills Company Ltd expects to complete the expansion of the fertilizer capacity by 50 per cent before the end of the current year. The commissioning of the expanded capacity was delayed by several months on account of delays in the supply of indigenous equipment on the usage of which the government has insisted in spite of considerable loss of foreign exchange to the country by such delays. The project for doubling of caustic soda plant capacity to 100 tonnes per day is expected to be completed by the end of the current year. The company has made satisfactory progress in the implementation of its grey iron casting project. The textile units of the company faced a series of difficulties. Its Hissar and Hindon River Mills, major profit earning units, were severely hit during 1972-73 due to power cuts ranging from 50 to 75 per cent. The Delhi units was also affected due to a strike for about a month. The company's vanaspati unit is expected to fare better in the current year due to larger availability of raw materials following good monsoons. The company's electronic calculators have been well received by the markets. It is planning to bring out shortly a new series of sophisticated electronic machines.

Indian Explosives

The Dretors of Indian Explosives Ltd have recommended a final equity dividend of 10 per cent for the year ended September 30, 1973. With the interim dividend of 7.5 per cent, the total distribution for the year comes to 17.5 per cent, the same as in the

previous year. The final dividend will absorb Rs 2.14 crores and will be paid out of the special reserve. The company has suffered a slight setback in its working during 1972-73. Its sales declined by Rs 9.58 crores to Rs 39.43 crores mainly due to loss of production of urea fertilizer at Kanpur caused by power shortages and labour unrest. There has also been a shortfall in sales of explosives on account of an accident in a mixing plant at Gomia. The pre-tax profit, as is to be expected, was lower at Rs 2.87 crores as compared to Rs 7.40 crores in the preceding year. Losses of production apart, profitability of the company was affected by significant increases in the costs of critical raw materials.

Andhra Pradesh Paper

Severe power cut, non-availability of coal, shortage of railway wagons and the political agitation in the state, all combined together have affected adversely the working of Andhra Pradesh Paper Mills during the year ended June 30, 1973. The directors have, however, recommended maintenance of the equity dividend at 10 per cent for the year on an enlarged capital resulting from the rights issue. The new rights shares rank for a proportionate dividend in respect of 1972-73. With a drop in sales from Rs 12.04 crores to Rs 11.39 crores, gross profit dipped to Rs 1.71 crores from Rs 2.94 crores in 1971-72. Production too declined from 59,692 to 54,042 tonnes. Out of the gross profit, a sum of Rs 1.16 crores was appropriated to the depreciation reserve as against Rs 1.99 crores in 1971-72. After adjustments a sum of Rs 55.35 lakhs was transferred to the general re-

serve out of which the proposed dividends will be paid.

Kothari Sugars

The Kattur unit of Kothari Sugars and Chemicals Ltd is expected to crush three lakh tonnes of sugarcane during 1973-74 and have already registered the necessary acreage for the same. During this year, the capacity will also be raised to crushing of 2000 tonnes of cane per day.

The Siruguppa unit, the new factory of the company located at Siruguppa, Bellary district in Karnataka will go into production early this month. The implementation of this project has been one of the quickest. This factory is expected to crush 1.5 lakh tonnes of sugarcane with an estimated recovery of 10 per cent this year. The total crushing for 1973-74 for the company will be 4,50,000 tonnes of cane producing about 4,00,000 bags of sugar. The estimated profits will be double or more provided the price of sugar does not fall substantially. The future plans are to increase the capacity of both Kattur and Siruguppa units of the company to 4000 tonnes of cane per day each and this will result in a total crush of cane of 12 lakh tonnes per season. This scheme will be implemented within a period of four to five years.

Ballarpur Paper

The Ballarpur Paper and Straw Board Mills Limited has achieved a significant breakthrough in implementation of its development projects and its working results for the year ended June, 1973 are indeed satisfactory. The gross profit before providing depreciation, development rebate and interest charges amounts to

Rs 7.16 crores as against Rs 7.01 crores in the previous year. Depreciation has been provided at Rs 1.76 crores (Rs 1.40 crores). While development rebate has been allocated with Rs 46.47 lakhs (Rs 54.50 lakhs). The outgo by way of interest and financing charges accounts for Rs 1.07 crores (Rs 66.78 lakhs). The higher outgo on interest charges was due to the heavy capital outlay on the various development schemes presently under implementation of sum of Rs 4.40 crores has been transferred to the general reserve out of which dividend would be paid to the shareholders. The Directors have maintained the dividend for the year at last year's level of 15 per cent on ordinary shares. It would absorb Rs 92.22 lakhs, while dividend on 9.3 per cent redeemable cumulative preference shares would consume Rs 13.72 lakhs. The production of paper during the year increased further to 1,05,351 tonnes from 97,162 tonnes in the previous year. It would have been better still but for the bad monsoons resulting in water shortage right from April through June. It affected the production pattern adversely during these difficult months and the Company's profitability could not be maintained at a higher level. The runaway inflation also made its inroads on the company's profitability as production costs kept on increasing continuously. The company has marketed successfully during the year four new varieties of papers which were being imported previously—sunlit filter, cheque paper, crystal cartridge and sunshine offset printing. On the export front the company has further improved its performance during the year to Rs 29.05 lakhs as compared to Rs 2.5 lakhs in the previous year. It is making sustained efforts to establish itself in the markets of east Asian Countries. The unprecedented increase in oil prices necessitated postponement of the commissioning of the company's enlarged vanaspati plant of 100 tonnes per day capacity. Considerable progress has

been made in the field of expansion and development. Construction work on the Karwar Caustic Soda/Chlorine Plant (Karnataka) has progressed at a satisfactory pace and subject to indigenous equipment being delivered as per schedule the plant would be put on a trial run towards the end of 1974 and commissioned shortly thereafter. Meanwhile the company's application for increasing the capacity of the plant from 100 to 150 tonnes per day is still pending with the government for its approval. All steps are being taken for the expeditious implementation of the company's 200 tonnes per day newsprint mill in Himachal Pradesh.

Rane Brake Linings

Rane Brake Linings Ltd, Madras, will be further expanding its operations to produce 960 tonnes of brake and clutch linings for commercial and passenger vehicles by 1975. Finance required will be of the order of Rs 45 lakhs and will be met from its own resources and borrowings from bankers. Its products have been well received by all the commercial vehicle manufacturers in the country and all the state transport undertakings. It is particularly gratifying to note that the brake linings manufactured by the company had already found acceptance in the UK and Japanese market. Discussions are afoot for exports to America and Australia, and also to several other countries. The company has decided to open a research and development centre in this unit at Madras.

The Research & Development, will be a good foreign exchange earner and will also help development of technology in the manufacture of friction materials including those for the sophisticated railway braking system. The company hopes to reach a turnover of Rs 97 lakhs in 1973 as against Rs 96.72 lakhs in 1972. The target for 1974 is fixed at Rs 140 lakhs. Rane Brake Lining will also be taking part in this equity capital of a separate unit

to be set up in Malaysia in collaboration with Anglo-Thai and the parent company in UK.

SIPCOT

The inauguration of SIPCOT Industrial Complex at Ranipet on November 15, 1973, will mark a significant step in attracting industries to comparatively backward areas of Tamil Nadu and in achieving the much needed industrial dispersal in the state. SIPCOT which has taken up the task of developing industrial complexes in potential growth centres, has commenced work of the development of Ranipet industrial complex just couple of months ago and already work on the various items of infrastructure has been initiated simultaneously.

The industrial complex is divided into five zones one each for heavy industries chemical industries, electrical industries, medium scale industries, and small scale industries. There are 62 plots spread over an area of 514 acres. The entrepreneurs will have a wide choice of plots of varying sizes depending upon their requirements. As adequate water supply is the most important requirement of the industries to be located in the complex, SIPCOT is executing a water supply scheme at a cost of Rs 46 lakhs to bring two million gallons per day. Water will be tapped from the confluence of Palar and Ponnai just 3 k.m. away from the industrial complex. A separate 110/11 KV substation is being constructed by the Tamil Nadu Electricity Board on a plot within the Industrial Complex to take care of the power requirements for the industrial units. A separate railway siding is proposed to cater to the requirements of heavy industries to be located in the industrial complex. The proposed railway siding will be connected to the Ranipet Railway Station.

An area of 72 acres has been set apart for the development of an industrial estate for small scale industries by SIDCO. SIDCO has planned to construct about 150 sheds which will be made available

to small scale industries on easy payment terms. On the southern side of Madras-Chittoor Road, a contiguous area of 52 acres has been set apart for the development of a housing colony by the Tamil Nadu Housing Board.

The details of the projects for which the foundation stones have already been laid are as follows: 1. Tamil Nadu Chromates and Chemicals Limited: This is a joint sector project promoted by TIDCO in collaboration with Mr K.K. Mohideen and his associates. The project is for the manufacture of basic chemicals such as BCT Powder sodium bichromate and sodium sulphate required for the tanning industry. The total project cost is estimated at Rs 1.7 crores. The project is scheduled to go into production in the middle of 1974. 2. Ultramarine

and Pigments Limited: The company is setting diversification project for the manufacture of 10,000 MT of synthetic detergents per annum at a total cost of Rs 1.50 crores. The project is scheduled to go into production in May 1974. 3. SRP Tools Limited: The company is setting up their expansion-cum-diversification project for the manufacture of Gear hubs, Gear cutters etc. with the foreign collaboration of Messrs. Mitsubishi Heavy Industries, Japan. 4. The Secals Limited: The project is being promoted by Mr Bapty Seshasayee, a technocrat. The project is for the manufacture of Ceramic Cast Tools and Precision Castings 5. Apollo Tubes Limited: The company will be manufacturing 25,000 M.T. of steel tubes per annum at a total cost of Rs 1.70 crores. The project

is scheduled to go into production in 1974.

All these projects will be given the benefit of incentives implementend by SIPCOT including a subsidy of 15 per cent of fixed assets. Besides these five ventures on which work has already started, plots have been allotted to Thirumalai Chemicals Ltd, Southern Synthetics Ltd, Diamond Saws and Tools Private Ltd, Ralsdan Chemical Manufacturing Company Private Ltd, and Southern Auto Prints Ltd. Work on these projects will commence shortly.

News and Notes

(Expansion and diversifications)

Kothari (Madras) Ltd has formed a subsidiary, M/s. Kothari (Madras) International Limited—for the purpose of export promotion. This new company has established contacts on the Continent, in Switzerland, West Germany, Japan and Philippines and has received enquiries for commodities to be imported from India ranging from ready-made garments, textiles yarn to engineering items such as bicycle chains, etc. The company's performance in 1973-74 is expected to be quite substantial and the profits expected to be one of the highest achieved so far. For a four-month period from July to October, 1973, the gross profit of the company is around Rs 120 lakhs. The company is planning to diversify its activities by going into the manufacture of Caustic Soda during next year and the manufacture of wrist watches two years from now. As regards Caustic Soda, letter of intent has been received from the central government and steps will be taken for the implementation very soon.

New Issues

Thirumalai Chemicals, promoted by ultramarine & Pigments, is setting up a project at Ranipet, a backward area in Tamil Nadu, for the manufacture of phthalic anhydride, a chemical in acute short supply throughout the world. The company has been licensed to manufacture 6000 tonnes of

phthalic anhydride per year and the plant is expected to go on stream by the end of 1975. The present issued capital of the company is Rs 64 lakhs. Out of this, equity shares worth Rs 30 lakhs have been taken up by Ultramarine and Pigments and equity shares of the value of Rs 34 lakhs by directors and their associates. It is now making an issue of Rs 96 lakhs, out of which equity capital of the value of Rs 17.50 lakhs have been reserved for allotment to the LIC, UTI, ICICI and IFC, while the remaining capital of Rs 78.50 lakhs in equity shares of Rs 10 each are offered at par to the public for subscription. The subscription list is opening on December 12.

The capital outlay on the project is estimated at Rs 4.25 crores and it will be met by the share capital of Rs 1.60 crores and term borrowings of Rs 2.65 crores from financial institutions. The company hopes to achieve two-thirds of the capacity during 1976, the first year of its operations. It hopes to achieve a turnover of Rs 2.04 crores and a gross profit of Rs 58 lakhs in 1976. Its sales are expected to increase to Rs 2.70 crores in 1977 and further to Rs 3.14 crores in the following year. Its gross profit is expected to go up to Rs 96 lakhs in 1977 and further to Rs 1.25 crores in 1978. The company hopes to pay a maiden equity dividend of about 10 per cent in the second year of its working.

Rukmani Metals and Gases Ltd is offering 150,000 equity shares of Rs 10 each for cash at par to the public for subscription. A sum of Rs 2.50 per share is payable on application and an equal amount on allotment. The balance of Rs 5 shall be payable in such call or calls as may be determined by the directors but not earlier than two months from the date of allotment. The subscription list for this fully underwritten issue opens on December 11 and will close on December 21 or earlier but not before December 14. The immediate object of the company is to

set up an oxygen gas plant. In the subsequent stages the company has plans to set up an acetylene gas plant and a steel re-rolling mills in phases subject to the availability of suitable conditions and requisite permissions. Land has already been acquired at the Nagpur industrial area. Orders for the oxygen plant have been placed with Indian Oxygen Ltd and is expected to be delivered around July 1974. The plant will be installed and commissioned by the suppliers. The plant is designed to produce 10 lakh cubic metres of oxygen gas per annum and is expected to go on stream by the end of 1974. As about half a dozen mini-steel plants are expected to be set up at Nagpur, apart from several scores of other industries which are fast coming up in the Industrial area of Nagpur, the company is assured of a ready market for its product. The capital cost of the project is estimated at Rs 90.91 lakhs and will be financed by the equity share capital of Rs 25 lakhs, term loan from SICOM of Rs 18.25 lakhs, another term loan from MSFC of Rs 18.25 lakhs, cash credit facility from Bank of India of Rs 28.00 lakhs, and deposits and unsecured loans from directors of Rs 1.41 lakhs.

Venus Paper Mills Limited, a Rajgarhia enterprise, will

shortly offer for public subscription 1,50,000 equity shares of Rs 10 for cash at par. The company is setting up a project at Faridabad for manufacture of M. G. light weight kraft papers with a capacity of 3,600 tonnes per annum at a project cost of only Rs 54 lakhs. The low project cost enables the company to create annual per tonne capacity of paper at a cost of Rs 1,500 only. The ratio of investment to output of 1:2 is unique feature of this project. Basing its sale price at a low rate of Rs 3000 per tonne, in spite of much higher prevailing market rates, the company hopes to pay a maiden dividend 10 per cent in its very first full year's working. The dividend will be raised substantially in subsequent years. The construction of the factory is nearing completion and the mill is expected to commence production during January 1974.

Company Meetings

Brooke Bond India Ltd: Registered office, Brooke House, 9 Shakespeare Sarani, Calcutta-16; December 12; 10.30 A.M.

Kothari (Madras) Ltd: Registered office, Kothari Buildings, 20, Nungambakkam High Road, Madras-34; December 12; 3 P.M.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend	declared for
		Current year	Previous year
Higher Dividend			
Universal Cables	March 31, 1973	16.0	14.0
Mettur Beardsell	March 31, 1973	25.0	20.0
Oudh Sugar	June 30, 1973	28.0	25.0
Same Dividend			
Bharat Bijilee	June 30, 1972	15.0	15.0
Mettur Chemical	March 31, 1973	12.5	12.5
Rohtas Industries	March 31, 1973	Nil	Nil
Peninsular Plantations.	Feb. 28, 1973	8.0	8.0
Mysore Stoneware	March 31, 1973	13.0	13.0
Indian Standard Wagon.	March 31, 1973	Nil	Nil
New Swadeshi Sugar	June 30, 1973	16.0	16.0

RECORDS AND STATISTICS

Joint Indo-Soviet declaration

AT THE invitation of the Prime Minister of India, Mrs Indira Gandhi and the Government of India, the General Secretary of the Central Committee of the CPSU, Mr L. I. Brezhnev, paid an official friendly visit to India from November 26 to 30, 1973. Excerpts from the Joint Indo-Soviet Declaration issued at the end of the visit are given below:

Both sides placed a high assessment on the successful development of mutually advantageous economic, trade, scientific and technological co-operation between India and the USSR.

As a result of the broad economic cooperation between the two countries, a number of major industrial enterprises and projects have been or are being built in India, such as the Bhilai and Bokaro metallurgical plants, the machine building plants in Ranchi, Hardwar and Durgapur, the oil-refineries in Barauni and Koyali, oil-fields, electric power plants and other projects, which corresponds to the desire of the Government of India to strengthen the country's economic independence.

The two sides expressed their firm intention to continue to develop and strengthen economic and technological co-operation

between the two countries. This cooperation will be carried out through the expansion of some projects built earlier with the assistance of the USSR and through the construction of new industrial enterprises and projects *inter-alia*, in the fields of ferrous and non-ferrous metallurgy, geological prospecting, extracting and refining of oil, natural gas and other natural resources, power production, petro-chemical and other industries, and agriculture as well as in training national technical personnel. It is understood that the two sides will, in particular, co-operate in the further expansion of the metallurgical plant in Bhilai to produce seven million tons and of that in Bokaro to produce ten million tons of steel annually, in the construction of an oil refinery in Mathura with the annual production capacity of six million tons of oil, a copper mining and dressing complex in Malanjkhand, the subway in Calcutta, and other projects which may later be determined by the two sides, as well as in the development of industrial cooperation in the fields of non-ferrous metallurgy, light and other industries.

In this connection, the Government of the USSR will, whenever necessary, render to the Government of India appropriate economic assistance.

During the visit of the General Secretary of the Central Committee of the CPSU, Mr. L.I. Brezhnev, to India, the following Agreements were signed:—

(a) Agreement on the further development of Economic and Trade Cooperation between the Republic of India and the

Union of Soviet Socialist Republics as well as a Protocol on Concrete Steps for Implementing the Agreement:

(b) Agreement on Cooperation between the Planning Commission of the Republic of India and the State Planning Committee of the Union of Soviet Socialist Republics; and

(c) Consular Convention between the Government of the Republic of India and the Government of the Union of Soviet Socialist Republics.

Both sides are convinced that these Agreements will constitute a new significant contribution to the further strengthening of friendship and all-round co-operation between India and the USSR.

The two sides note with satisfaction that Indo-Soviet trade has developed considerably. Beneficial commercial and economic cooperation based on the principles of equality and mutual benefit has evolved into an objective trend and has become an important factor in developing the economies of the two friendly states.

Proceedings from the acquired experience of cooperation, the two sides agreed to take measures to ensure from one and a half to two fold increase in the volume of Indo-Soviet trade by 1980. To this end, the appropriate organisations of the two sides will work out in 1974 joint proposals for the further development of trade between the two countries on a long-term and stable basis and on a wide scale. These proposals should envisage new forms of mutually advantageous co-operation taking account of specialisation and co-operation in the manufacture of individual industrial products, the construction in India and the USSR of new enterprises and the expansion of existing enterprises to increase mutual deliveries of goods required by the USSR and India.

Both sides welcome the development of Indo-Soviet ties in the fields of science, art, literature, education, health, press,

radio, television, cinema, tourism and sports. They deem it necessary to continue to perfect and deepen the existing ties in the above fields.

AGREEMENT

On further development of Economic and Trade Cooperation between the Republic of India and the Union of Soviet Socialist Republics.

The Government of the Republic of India and the Government of the Union of Soviet Socialist Republics, DESIRING to further strengthen and develop friendship and cooperation between their two countries on the basis of the Treaty of Peace, Friendship and Co-operation between the Republic of India and the Union of Soviet Socialist Republic of August 9, 1971.

RECALLING that as a result of a wide range of co-operation between the two countries in many branches of the economy of India a number of major industrial enterprises and projects have been established and are being set up such as iron and steel plants in Bhilai and Bokaro, machine building plants in Ranchi, Hardwar, Durgapur, refineries in Barauni and Koyali, oil production projects, electric power stations and other projects, and that these conform to the programme of the Government of India for developing its economy and strengthening the economic independence of India.

PROCEEDING from their common aspiration for all possible expansion and deepening of mutually beneficial economic and trade cooperation between the two countries and convinced that such co-operation will be in the interests of the people of both countries in their struggle for economic and social progress

HAVE AGREED to conclude this Agreement which provides as follows:

Article 1

The Parties to this Agreement shall continue to further

develop and strengthen economic and technical cooperation as well as trade between the two countries on the basis of the principles of respect for sovereignty, territorial integrity, non-interference in internal affairs of each other, equality and mutual benefit. Such co-operation shall be implemented and strengthened in the fields of industry, power, agriculture, geological surveys, training of personnel, and trade, as well as in all other branches of the economy of the two countries where the necessary economic pre-requisites are favourable for rapid development.

Article 2

The cooperation mentioned in Article 1, hereof shall aim at exploring the possibilities of developing the economies of the two countries, in production collaboration and in the sharing and utilisation of up-to-date technical and technological achievements on mutually favourable terms, particularly bearing in mind the following objectives:

(1) Cooperation in designing and construction of mutually agreed enterprises and projects in the field of iron and steel and non-ferrous metals production, prospecting, production and refining of oil, natural gas coal and other minerals, power engineering, petrochemical industry, shipping and other branches of industry, agriculture as well as providing facilities for training personnel, will be effected by expanding projects previously undertaken with the assistance of the USSR, by setting up new industrial and agricultural and other projects, and also by assisting in establishing institutes for specialised training. The Parties will cooperate in further expansion of iron and steel plants in Bhilai and Bokaro to increase their annual capacity to 7 and 10 million tonnes respectively, in the construction of the oil refinery in Mathura with the annual capacity of 6 million tons of oil, of the copper mining complex in Malanjkhand, of the Calcutta underground railway project, and also of other projects as may be further agreed upon

between the two parties, as well as in development of the manufacturing cooperation in the field of non-ferrous metals production, and light and other branches of industry.

(ii) For the aforementioned purposes, the Government of the Union of Soviet Socialist Republics will extend to the Government of the Republic of India credits, the amounts and terms and conditions of which will be settled by separate agreements.

(iii) Steady development of goods turnover by increasing deliveries of complete and other equipment, expanding the nomenclature and increasing the quantities of goods of mutual interest, will be furthered.

(iv) Methods of reciprocal settlement of accounts and terms of credit relations will be streamlined and improved.

(v) The two parties shall co-operate in the matter of supply of equipment and services for setting up plants in their countries.

Article 3

Attaching great importance to the scientific and technical cooperation between the Union of Soviet Socialist Republics and the Republic of India contributing to the scientific and technical progress of both countries, including in the fields of atomic energy for peaceful uses, space, electronics, as well as to the development of economic relations, the two Parties deem it necessary to further develop and strengthen this cooperation.

Article 4

The Parties to this Agreement shall promote in very possible way cooperation between the concerned organisations of the Republic of India and the Union of Soviet Socialist Republics in the field of economic and trade relations, as well as facilitate the conclusion of appropriate long-term agreements and contracts on the basis hereof, consistent with the mutual inter-

ests of the Parties and in conformity with the laws in force in each of the two countries.

Article 5

The Parties of this Agreement, noting that the promotion of exports of each country to the markets of the other remains their common aspiration for the future, shall, consistent with their international obligations, further grant mutual advantages, privileges, facilities and favourable terms in the field of trade and economic relations in compliance with the agreements and treaties in force between them.

Article 6

The Parties to this Agreement shall regularly consult each other on matters of mutual interest pertaining to economic and trade relations between the two countries.

Article 7

This Agreement shall enter into force on the date of signature. The present Agreement is signed for a term of FIFTEEN years and shall be prolonged automatically for every subsequent period of five years unless one of the Parties declares its intention to terminate its operation by notifying the other Parties six months before the expiration of the term of the Agreement.

Done in New Delhi on 29th November, 1973 in two original copies, each in the Russian, Hindi and English languages, all texts being equally authentic.

On behalf of the Government of the Republic of India.

(INDIRA GANDHI)

On behalf of the Government of the Union of Soviet Socialist Republics.

(L. I. BREZHNEV)

AGREEMENT

On cooperation between the Planning Commission of the Republic of India and the State Planning Committee of the

Union of Soviet Socialist Republics (GOSPLAN of the U.S.S.R.).

Appreciating the importance of planned development of economies and guided by Article 6 of the Agreement between the Government of India and the Government of the USSR on the setting up of the Inter-governmental, Indo-Soviet Commission on Economic, Scientific and Technical Cooperation, the Contracting Parties have agreed as follows:

1. There shall be established a Joint Indo-Soviet Study Group on cooperation in the field of planning within the frame-work of the Inter-governmental Indo-Soviet Commission on Economic, Scientific and Technical Cooperation.

2. (i) The Study Group will be composed of the Members of the Planning Commission of India assisted by such representatives of Central Ministries State Governments as may be deemed necessary from time to time by the Government of India and the responsible officials of the State Planning Com-



mittee of the USSR. (GOSPLAN of the U.S.S.R.).

(ii) Specialists of other organisations and institutions connected with planning can be enlisted in the capacity of advisers and/or experts.

3. (i) The main functions of the Study Group will be the exchange of experience and knowledge in the following fields:

- (a) economic forecasting,
- (b) methodology of annual, medium and perspective planning,
- (c) formulation of projects and programmes,
- (d) methods of monitoring and evaluation of planned programmes and projects,
- (e) planning the supplies of materials,
- (f) exchange of published reports and materials,

(ii) The scope of problems to be reviewed by the Study Group may be enlarged by mutual agreement.

(iii) The Study Group shall also examine and report on any matter referred to it by the Inter-governmental Commission referred to in paragraph 1.

4. Meetings of the Study Group will be held, as a rule, not less than once a year in New Delhi and in Moscow by turn.

5. (i) Leaders of the Indian and Soviet sides of the Study Group shall by mutual agreement determine the agenda and the time limit of each meeting.

(ii) In order that discussions of the Study Group are fruitful, both sides shall circulate material and documents in advance of each meeting.

6. (i) Agreed minutes reflecting the results of the discussions shall be drawn up at the conclusion of each meeting of the Study Group.

(ii) The agreed minutes will be submitted to the Inter-governmental Commission referred to in paragraph 1 for its consideration.

Done in New Delhi on November 29, 1973 in three originals each in Hindi, Russian and English, all the texts being equally authentic.

(D. P. DHAR)

Minister for Planning

Government of the Republic of India.

(N.K. BAIBAKOV)

Chairman of the State Planning Committee of the Union of Soviet Socialist Republics.

Partners in Progress

India's trade with the USSR and other East European countries increased significantly during the last two decades from Rs 8.45 crores in 1953 to Rs 618.5 crores in 1972. The USSR was India's second largest trading partner after the USA in 1972-73 and the largest trading partner of India in the socialist world. The USSR occupied the first position in our exports in 1972-73. The share of Soviet Union in our trade with East European countries was 53.2 per cent in 1971-72.

The total trade turn-over between India and the USSR increased significantly from Rs 1.27 crores in 1953 to Rs 158.4 crores in 1963, to Rs 227.3 crores in 1964, to Rs 300.5 crores in 1971, and to Rs 367.7 crores in 1972. The total trade turn-over between the two countries was of the order of Rs 410.54 crores in 1972-73 as against Rs 296.00 crores in 1971-72. India's exports to the Soviet Union in 1972-73 amounted to Rs 304.82 crores while imports were of the order of Rs 105.72 crores leaving a favourable balance of trade of about Rs 199 crores for India during the year. India's imports and exports with relation to the Soviet Union in 1971-72 were of the order of Rs 87.3 crores and Rs 208.7 crores respectively.

The share of the USSR in India's global trade went up from 8.5 per cent in 1971-72 to 11 per cent in 1972-73. The percentage share of India's exports to Soviet Union in relation to India's global exports during the year increased to 15.3 per cent as against 13.6 per cent in 1971-72. The percentage share of India in the USSR's global trade was 1.6 per cent in 1971

The principal items of India's export to Soviet Union are jute goods, tea, cotton textiles, tobacco, cashew kernels, hides and skins, mica, coffee, spices, de-oiled cakes, leather shoes, handicrafts and non-traditional items including engineering goods, readymade garments and various chemicals. Principal items of imports are machinery and equipment, rolled steel products, zinc, nickel, palladium, fertilizers, ships, printing machinery and newsprints.

Composition of Trade

During the last few years it had been the endeavour of India to increase substantially the export of non-traditional goods to East European countries including Soviet Union. The proportion of export of non-traditional items in the case of the USSR was around 20-25 per cent.

While the trend over the last three years has been to increase the export of non-traditional items in the form of semiprocessed, processed and manufactured goods, the increasing demand for large varieties of new items from East European countries provides further opportunities for growth and diversification of trade. The composition of imports from the Soviet Union has been gradually changing in keeping with the changing requirements of the Indian economy. Capital goods constituted an important item of import from the Soviet Union. Imports of essential plant and machinery, industrial raw materials etc. from the USSR enabled the country to have a considerable amount of free foreign exchange resources which were rather scarce. With the growth of production capacity in the country there has been a decline in the import of conventional machinery from the Soviet Union in recent years and their place is now being taken by items required by India such as ships and shipping equipment, oil prospecting equipment, special steel and steel products, petroleum products and chemicals.

The trade plan for 1973 en-

visages a total turnover of Rs 488 crores and provides for export of non-traditional goods to the extent of 20 per cent of total exports.

The first trade agreement between India and the USSR was signed in 1953, while the second in 1958 and the third in 1963 and current one in 1970. The agreement provides for trade on balanced basis and payments are made in rupees through a rupee account maintained by the USSR in India. The current agreement incorporates some special features such as exploration of new avenues in the field of industrial cooperation, utilisation and creation of additional production capacity and joint marketing in third countries.

The agreement to set up an Indo-Soviet Joint Commission on Economic, Scientific and Technical cooperation was signed in Moscow in 1972 and the first meeting of the Commission was held in New Delhi in February this year. Among other things the Protocol mentions that both sides will develop cooperation between the countries on the long-term basis in several specific fields. It was agreed that steps should be taken to augment and diversify the flow of trade between the two countries.

The Working Group on Trade under the Joint Commission held discussion in February 1973 on volume and completion of trade exchanges on a long-term basis. The possibilities of increased supplies of some non-traditional items by India to the USSR were also discussed. The second meeting of the Joint Commission will be held in Moscow in 1974.

The Soviet Union has helped the industrial development of India in a significant way. The main projects set up in collaboration with the USSR are: steel plant at Bhilai; Heavy Machine Plant of Ranchi; Mining & Allied Machinery Plant; Neyveli Lignite Plant; Heavy Electrical Plant at Hardwar; Indian Drugs & Pharmaceuticals Ltd.; Oil Refineries at Bharauni & Koyali; Oil Exploration at Cambay and other areas and Bokaro Steel Plant.

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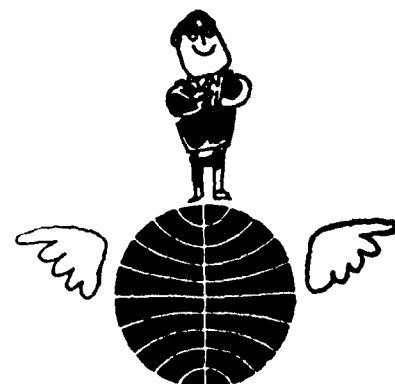
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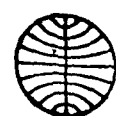
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Beyond political gestures

THERE is a view that the 15-year Indo-Soviet economic pact is, on the part of the government of this country, essentially an attempt to ensure that, in exchange for the goods which the Soviet Union will be importing from us possibly in steadily increasing quantities, it will provide the kind of goods of which our economy is in need. Although, if the Soviet participation in major industrial projects continues on the lines of Soviet collaboration at Bhilai or Bokaro, this country may be importing Soviet machinery installations or other industrial equipment to a substantial extent, the fact remains that, with the development of capacity in our country for the manufacture of industrial machinery of all kinds, India may find it more useful hereafter to procure from the Soviet Union components or scarce raw materials rather than complete or near-complete industrial plants. It has not been obvious that the Soviet Union, on its part, would automatically appreciate or adjust itself to this change in India's import requirements. On the contrary, there has been a growing feeling that, unless special or specific steps are taken, India may not be able to receive payment for its exports in the form of goods of which it is really in need. The 15-year economic pact may perhaps dispel much of this country's fears or anxieties in this respect.

It is not only in the case of the Soviet Union that this question of exchanging India's exports for essential imports has come into prominence. Broadly speaking, this problem is present throughout our trade relations with the communist countries and, in fact, it is particularly in the case of some of the east or central European countries that India has found it necessary to avoid running up trade surpluses which may not be readily utilizable for the import of goods really needed by the Indian economy. It is against this background that the broad understanding on economic co-operation reached between the Indian and the Czechoslovak delegations during the visit to New Delhi of the General Secretary of the Czechoslovak Communist Party, Dr Husak, has to be assessed. It is noteworthy that, whereas the total trade turnover between the two countries stood at Rs 58 crores in 1972, exports from India accounted for as much as Rs 44 crores. This imbalance in trade is no doubt mitigated to some extent by the economic credits which Czechoslovakia has been extending from time to time. Even so, if the persistence of a disagreeable disequilibrium is to be avoided in the future, especially as India's capacity to export grows, special measures are certainly necessary to organize a larger trade flow of essential materials or manufactures from Czechoslovakia to our country. The provision on economic cooperation indicating that Czechoslovakia would set up new steel processing units and export to India some finished rolled steel is therefore promising as a move towards balancing Indo-Czech trade at an optimum level of mutual advantage. For the rest, it is by now well known that India has to shop around the world for a number of key materials or strategic commodities and it has been disclosed that Czechoslovakia might help with things like newsprint.

It is rather interesting to note that, even as negotiations are going on in Brussels on a commercial cooperation treaty between the EEC and India, our government is actively engaged in promoting more extensive commercial cooperation with the communist countries through bilateral agreements. The two efforts are clearly complementary and in fact the Indian economy needs all the external stimulus that it may secure for activating its own economic potential for higher levels of investment and production. The communist countries as well as the markets of the EEC, if properly tended or cultivated, could strengthen the elements of dynamism in our industry or trade. At the same time the Indian economy is clearly deficient in many key materials or commodities which are necessary for the growth or diversification of its industrial capacity or production. Indian commercial policy, therefore, has to seek not only to promote our exports but also to direct our trade relations in such a way that, in return for our goods, our economy receives the materials or machinery that it, in turn, needs. This is the hard core of our commercial relations with other countries, whether those countries are in the EEC or the Soviet bloc.

The story, however, does not end there. It is all very well for the government of India to seek to conclude spacious commercial agreements with this country or that or this trading area or that. These exercises will become meaningful only if simultaneously action is taken on the home front to step up investment and production on a scale sufficient for throwing up significant export surpluses. This leads directly to the conclusion that the government of India should, here and now, make a bonfire of the elements of restrictionism or negativism in its industrial policy

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DECEMBER 14, 1973

Beyond Political Gestures	1111
In Strait-Jacket	.. 1112
Failure in Fertilisers	.. 1113
ARC's First Decade	.. 1115
The M's in Coal	.. 1116

Points of View	
Input-Output Analysis and the Leontief Paradox	
—L. Sridhara Murthy	.. 1118
From the Press Gallery	.. 1122
Window on the World	
East Germany Plods Ahead	
—Josselyn Hennessy	.. 1127
The Role of Petroleum in US Energy Supplies	
—Courtesy USIS	.. 1133

Trade Winds	
New Loans; Sugar Output; National Income 1971-72; Union Carbide Research Centre; Indo-Czech Trade; Self-reliance in Ship Building; W. Germany in Developing World; UNDP Assistance; Asian Statisticians Meet; 1000th Boeing 727 Roll Out; Exports of Rayon Textiles; JPCL Board of Directors; Reduced Exports of Manganese; New Business by LIC; Award for Hindustan Shipyard; Trade Team from Yugoslavia; Sericulture Industry	1134-1140

Company Notices	
The Delhi Cloth and General Mills Ltd.	1137
Upper Ganges Sugar Mills Ltd.	1137

Company Affairs	
Kamani Metals; Standard Batteries; Consolidated Coffee; Travancore Rayons; Central India Spinning; Calcutta Electric Supply; Engineers India; Warner Hindustan; News and Notes; New Issues; Capital and Bonus Issues; Company Meetings; Interim Dividend; Dividends.	1143-1148

Records and Statistics	
Credit Squeeze	1149
Colombo Plan and Development Aid	1150

if its economic cooperation agreements with other countries are not to remain merely high-sounding declarations leading to no concrete results. It has been said often enough that Mrs Gandhi is sincerely keen on getting the economy on the move so that the further deepening of poverty or the spreading of unemployment could be arrested. The nation, however, has seen pretty little evidence of the practical results of this attitude. Both the prime minister's party and the country still continue to be held to ransom by opportunists or adventurists in Mrs Gandhi's own camp who lose no chance of creating difficulties for any positive turn of industrial policy however essential it may be to the national interest. Hope for the country must lie in the possibility that these dog-in-the-manger have barked once too often.

The country will surely admire and applaud if and when the prime minister or her colleagues in the cabinet stand up to maintain firmly a constructive position for the government in its industrial policy or its implementation. Far too often the public has been pained and saddened by the spectacle of ministers lacking the guts to uphold even the government's own industrial policy when it is assailed by extremists in the legislature or outside. All honour then to Mr C. Subramaniam, the minister for Industrial Development, who last week took political courage in both hands to swing to the offensive and assert that the government would not compromise on the issue of increasing investment or production. There has been some speculation that the prime minister has been persuaded that an obstructionist policy towards the larger industrial houses or companies with foreign collaboration may not be consistent with the basic national objective of promoting production or employment and stabilizing prices. It is just not possible for the country to develop sufficiently by the growth of the public sector and the promotion of the small or medium industrial sector alone to the exclusion of that part of the organized industry which forms a large presence in our economy at present and which commands resources of considerable significance for the faster growth of the industrial structure. The people of this country have committed no crime that they should be denied for their development these resources which are truly a national asset. Let the government encourage small and medium industry. Let it expand the public sector if it must, but first of all let it make it more efficient and less wasteful. Let it also utilize at the same time the expertise or enterprise of institutions which have already done so much to step up investment and production in the economy.

Unless this country uses all its resources and tools purposefully, the elaborate economic cooperation agreements it has

In strait-jacket

FOR THE fourth time since May this year and barely a fortnight after the credit policy for the 1973-74 busy season was announced, the Reserve Bank has imposed new restrictions on the expansion of credit qualitatively and quantitatively by raising the minimum lending rate, imposing higher margins on book debts and inventories, increasing the minimum liquidity ratio and fixing quotas for borrowing from the central banking institution by the scheduled commercial banks. These restrictions are intended only to discourage lending by banks and borrowing by constituents in the private sector while the central and state governments will be helped to raise larger amounts through open market loans and sales of treasury bills. The monetary authorities have obviously got alarmed over the continuing expansion of credit since the end of September and are anxious to avoid a repetition of the happenings of last season. But, is there not a difference between the growth in advances now taking place and that in the last season and can the Reserve Bank, like King Canute, order back the waves of rising credit without prejudicing its objective or hurting the economy at vital points and undoing the good work of some new constructive forces?

Under the latest directives the scheduled commercial banks have been obliged to raise the minimum liquidity ratio to 32 per cent from 30 per cent. This new stipulation has to be observed by December 8. A ceiling has been fixed in respect of borrowing by each bank from the central banking institution and this will be 1.5 per cent of demand and time liabilities at the end of September for the period between December 8, 1973 and January 11, 1974. The ceiling will be higher at two per cent of demand and time liabilities at the same base for the period between January 11 and April 5, 1974. While the quotas for individual banks will depend on the level of deposits on September 28, 1973, in the aggregate member banks can borrow only Rs 208 crores by using refinancing facilities up to April 5. Thereafter they will have to reduce it by one per cent or Rs 104 crores by May 31, 1974. A good portion of the quota available up to January 11, 1974 had been already used by the time the new restrictions were announced, borrowings on November 23, 1973 amounting to Rs 90.97 crores. It

concluded or may conclude with other countries of the world will remain empty political gestures.

will therefore be seen that banks will not be in a position to secure by way of refinancing facilities more than Rs 65 crores between November 23, 1973 and January 11, 1974 and more than Rs 117 crores up to April 5. Thereafter they will have to reduce the borrowings by Rs 102 crores in a period of seven weeks if the ceiling were reached.

The Reserve Bank's strategy would seem to be somewhat on the following lines. It is already stipulated that the growth in advances in the current busy season cannot be more than Rs 65 crores excluding food procurement which is estimated to be about Rs 22 crores. The aggregate expansion of credit in a seven-month period ending April 1974 cannot thus be more than Rs 875 crores. On the availability side, deposits would be rising by nearly Rs 1000 crores. Including the refinancing quota the maximum of Rs 1200 crores would be available for purposes of expansion of credit and investment in government and approved securities. The necessary adjustment has been made in these calculations for a proportionate reduction in the ceiling for borrowing after April 5, 1974 up to the end of that month. The balance of Rs 32 crores available after meeting procurement is proposed to be immobilised by the hike in the minimum liquidity ratio and a continuance of the higher cash reserve ratio. The minimum liquidity ratio alone may require an investment of about Rs 100 crores immediately by several banks which have a high credit deposit ratio and a liquidity ratio of barely about 30 per cent. The average for all scheduled commercial banks on November 30 was reported to be 32.5 per cent. Where there is a constraint on resources there will certainly be a tendency on the part of member banks to take advantage of a higher liquidity ratio prior to the latest directive and use the cushion for offsetting the effect of further diversions from deposits, to the extent possible on account of the higher liquidity ratio and cash reserve ratio.

Thus, there will immediately be need for some banks to invest additionally Rs 100 crores for raising the minimum liquidity ratio to 32 per cent and this will provide an opportunity for the Reserve Bank to effect sales of government securities and the government to make reissues of earlier loans and hand them over to the central banking institution. Taking however the balance sheet for the whole busy season, banks will be compelled to

segregate nearly 40 per cent of fresh additions to deposits for being invested in government and approved securities and for maintaining higher cash balances with a hike in the reserve ratio. As the actual growth in deposits up to the end of April may even be Rs 1100 crores to 1500 crores, the Reserve Bank will be compelling fresh investment in government securities for over Rs 300 crores. Cash balances maintained by member banks with the Reserve Bank will also grow by over 70 crores. Cash on hand may increase Rs 30 crores. The credit institutions have therefore been placed in a straitjacket even on the Reserve Bank's own reckoning, only about Rs 800 crores will be available including the full quota of Rs 875 crores even on the basis of official estimates.

Is this exercise correct? And, is it worthwhile? The answers are obviously in the negative. There has already been an increase in advances by Rs 318 crores up to November 23, 1973 from September 28, 1973 while borrowings have stood at Rs 90.97 crores. The procurement operations have not so far created any complications as fresh purchases of rice and cereals have been very nearly offset by sales of imported and loaned wheat. However, with the expectation that the procurement target of five million tonnes of rice can be over-reached in the next two months, it will have to be assumed that there will have to be net credit expansion of Rs 225 crores during the peak of the next season. It is also likely that there will be an increase in credit for other purposes by at least Rs 550 crores in the next few months ending April 1974. This would mean that banks will be needing at least Rs 775 crores for meeting genuine needs of the constituents and for financing procurement operations. As in the aggregate the growth in advances, excluding procurement credit, in a seven-month period will be in excess of the Reserve Bank's estimate by Rs 225 crores, the banking system will be in a quandary in the next five months and fresh credit may have to be denied even for legitimate purposes. It is perhaps theoretically assumed that there would be some release of funds on account of the raising of margins by 10 to 20 per cent over the usual levels, in respect of book debts and by 10 per cent in respect of inventories. How the weaker industrial units and controlled industries will be able to comply with the new margin requirements remains to be seen.

It is also overlooked that the sugar industry alone will be increasing its stocks by over 1½ million tonnes calling for fresh advances of Rs 225 crores even allowing

for the higher margin requirements. There will have to be heavy buying of raw cotton by the Cotton Corporation and mills while jute mills will have to maintain additional stocks of at least one million bales of raw jute, along with the Jute Corporation and the trade. These exceptional requirements may call for fresh expansion of Rs 100 crores. It will thus be recognised that the estimate of Rs 550 crores as being the minimum for expanding credit for legitimate purposes excluding food procurement is not in any sense exaggerated.

The Reserve Bank is probably wanting a deliberate running down of inventories and prudent use of available resources. But it will be failing in its objective and creating needless hardships for the cotton and cane growers and cultivators of food crops, if there is unwillingness on the part of cotton textile units to increase their stocks of raw cotton, and there is a slowing down in procurement operations. In respect of the latter there may be an automatic expansion of credit as official agencies are involved. In that event there may be distinct slowing down of purchases of raw jute while even if the textile units desired to add to their stocks of raw cotton the required funds may not be available. The Textile Commissioner may find it even necessary to issue a directive to the cotton mills, as the Jute Commissioner did to the jute mills, asking them to acquire raw cotton on a stipulated basis within a defined period. These anomalies will arise in February-March when there

will also be the complication on account of tax payments and costlier imports.

The Reserve Bank would have been well advised if it had fixed compartmental quotas for different purposes and identified the areas in which there could be a pruning of inventories. It has also been overlooked that the value of stocks has been inflated by government's own policies like the dual pricing system for steel. This dual pricing system is also to be extended to other commodities in the next few months.

The failure to fix sectional quotas and determine priorities when granting fresh credit may well result in the denial of credit for worthy purposes. It is no use merely exercising the powers available unimaginationatively as a tightening of the screw at wrong points and on wrong occasions may have consequences which will have a defeating effect on the objective of containing inflation. No useful purpose will be served by overlooking the realities of the situation especially when higher interest rates will not be applicable to government borrowing and the central government also will not be reducing significantly its non-Plan expenditure. The undue restriction of credit to industry and trade and a diversion of funds to the public sector through various measures, without there being any attempt to use additional funds productively by the latter, will have unintended distorting effects which may have a recoiling effect in 1974-75.

Failure in fertilisers

EVEN AFTER a decade of intensive effort to increase the output of chemical fertilisers and create new capacity in the public and private sectors, the central government has miserably failed to achieve for the country a high degree of self-reliance in this area by the end of the fourth Plan. The union minister for Agriculture, Mr Fakruddin Ali Ahmed, indicated only recently in Parliament, that indigenous production is not expected to be more than 1.1 million tonnes of nitrogen in 1973-74 against the target of 1.6 million tonnes and imports could be arranged for only 8.9 lakh tonnes (N) against the need of 10.4 lakh tonnes (N). Total availability is thus expected to be short of requirements of 2.5 million tonnes by 30 per cent and it is feared that the anticipated increase in production of rabi crops may not materialise because of an acute shortage of inputs.

The years 1972-73 and 1973-74 were expected to be major landmarks in the

fertiliser industry as several new units in the public and private sectors were scheduled to add to the installed capacity for nitrogenous fertilisers by nearly one million tonnes (N). Except for the large-sized plant of Madras Fertilisers in the public sector and that of Zuari Agrochemicals in Goa, the units at Cochin, Durgapur and Barauni have been woefully behind schedule. There is even now no indication when these plants will be in regular operation and make good use of the newly created facilities. Meanwhile, the Goa plant has been having some technical problems which are being overcome while the Madras fertiliser plant, after functioning efficiently for over a year, has recently been obliged to shut down because of trouble with its compressor. This defect is being rectified and regular operations may be recommenced without much delay because the opportunity is being utilised for completing also the annual overhaul.

What has seriously upset the calculations of the government is the inefficient use of the capacity of the existing units and the costly lapses at Cochin, Durgapur and Barauni. The level of operating efficien-

cy is so glaringly deficient that the average utilisation is not more than 60 per cent of aggregate capacity. Even the Kanpur unit of Indian Explosives has not been raising its output to the anticipated extent on account of operational problems, labour trouble or power shortage. The units at Kotah, Koyali and Visakhapatnam in the private and joint sectors have of course been functioning well and the expansion schemes of two units now under implementation should be helpful in raising production significantly in 1974. A real breakthrough can be achieved only if the industry is accorded high priority in respect of power supply and a pool of technical experts was created in order to look into the peculiar problems of the different units and find satisfactory solutions.

The mistakes at Cochin and Durgapur, however, have proved to be very costly as it is not even now clear when these two units will be overcoming their unexpected technical difficulties and the new processes which have not been commercially tested fully elsewhere will be mastered and the heavy investment already incurred will be made to yield tangible results. The existing level of consumption can be assumed to be 2.5 million tonnes of nitrogen and it is extremely disconcerting to note that indigenous production is less than 50 per cent of total needs even after a decade of intensive development of this basic industry.

In 1974-75 the output of food and cash crops cannot be raised to the desired levels unless there is availability of 2.8 million tonnes of nitrogen and proportionate quantities of phosphoric acid and potash. The production of foodgrains can be easily 120 million tonnes if not 125 million tonnes in the next season if a new record of 115 million tonnes could be established in 1973-74. Luckily, bumper crops of raw jute, raw cotton, sugarcane and oilseeds are being harvested and there is now confidence that the recent progress in the cultivation of raw jute and raw cotton can be sustained if new strains are introduced over a larger area and agricultural inputs are used massively. It will be worthwhile to import even sizeable quantities of fertilisers by allocating the necessary foreign exchange resources.

The crisis in the international oil situation, however, has dimmed the prospects of securing larger imports from the developed countries as there is an acute shortage of naphtha all over the world. It has also been not considered quite remunerative in the altered context to manufacture chemical fertiliser based on naphtha when this raw material can be utilised more profitably for the processing of other petrochemicals which afford a higher profit margin. It is only now that the central

government is thinking of concluding long-term contracts for importing chemical fertilisers. Even granting that there may be an improvement in the world supply situation after some months and there may also be an attempt to use other types of feed stock, it will be wrong to expect that imports can be more than one million tonnes of nitrogen in any year.

A critical situation in regard to the availability of fertilisers in the next agricultural season can be avoided only if the existing capacity of over 2.3 million tonnes of nitrogen can be operated at least at 90 per cent capacity and work on the remaining projects is expeditiously completed. On present indications only the Ramagundam and Talchar coal based plants can be expected to be ready by 1975-76 apart from the two naphtha based units at Tuticorin and Mangalore in 1974-75. The expansion schemes of the public sector units can of course be implemented vigorously. But the actual addition to capacity may not be more than one million tonnes taking the total to around 3.5 million tonnes in the second year of the fifth Plan. From that point there will have to be a near doubling of the capacity to seven million tonnes if consumption of over five million tonnes is to be met from indigenous sources.

There is no prospect, however, of any significant progress being made in the next Plan period which will be helpful in boosting production to even four million tonnes by 1978-79. The project of Tata's is yet to take shape as there is still dissatisfaction with the concessions provided by the government and only recent-

ly Mr J.R.D. Tata indicated that capital costs have risen sharply in the past four years and it has become necessary to review the economics of working of new units based on fuel oil before they can be implemented. The pricing policy in respect of nitrogenous fertilisers is still faulty and the capital cost of new plants based on fuel oil with a capacity of 1300 tonnes of ammonia daily is expected to be more than Rs 140 crores against only about Rs 80 crores a few years back. There has been a heavy overrun in capital outlay on the largest fertiliser units at Tuticorin now under implementation and when the final accounts are adjusted this overrun may be easily 30 per cent of the original estimate.

The new fertiliser plants have naturally to be based on fuel oil and coal. The former feedstock may not be available in unrestricted quantities and it may not be desirable either to incur heavy foreign exchange expenditure continually on petroleum feedstocks when it is likely that there will be a doubling of crude oil prices even from the existing high levels in the next three or four years. The negotiations now being carried on with foreign interests for erecting a new large-sized coal based unit should be speedily concluded besides finalising arrangements for implementing five new fertiliser plants based on fuel oil. The Japanese are reported to have agreed to provide the required yen credit for three units. The remaining two units are to be financed by Britain and France. These five units and the new coal based plant can between themselves add to the installed capacity by 1.2 million tonnes. If the scheme of Tatas also is helped to take

early shape, it may yet be possible to reach a capacity of six million tonnes by 1978-79 though there may be no significant growth in production in the latter half of the fifth Plan. The main hope lies in making a success of three naphtha based units in the public sector and the two coal based units under construction. The giant projects at Tuticorin and Mangalore in the joint sector have raised high hopes and if all goes well these may

be in commercial production in the latter half of next year at Tuticorin and in the first half of 1975 at Mangalore. A sizeable saving in foreign exchange expenditure on imports can thus be effected with a better use of the existing capacity and a determined attempt to raise output substantially with the commissioning of seven new units in the next two years. The country cannot afford continued costly lapses on the fertiliser front.

ments, though it is difficult to say whether they are commensurate with the relative outlays. No systematic evaluation of the socio-economic benefits of the corporation's operations so far seems to have been done. As minor irrigation has absorbed most of the outlays, the appropriate procedure would have been to find out whether all the tubewells and dugwells are in use. There is an impression that, in some areas of excessive concentration of wells, sub-soil water flows have been affected and that, as a consequence, some of the wells have dried up. But this impression has not been dispelled by the report. The figure relating to the area of land brought under irrigated multiple cropping would, therefore, have to be accepted with some reservations. For the time being there is only the promise that "the Corporation proposes in future to assess on a continuing basis the impact of the assistance provided on the economy of the project areas and the totality of incremental income generated in these areas."

The need for such continuous socio-economic evaluation is all the greater because the Corporation has clearly laid down that "minor irrigation will continue to receive prime importance" and that "groundwater development programme deserve particular emphasis in the central eastern and north-eastern regions." These incidentally, are the regions which have received much less assistance from the corporation than the southern, western and northern regions. In relative terms of the aggregate disbursement of Rs 21 crores of ARC assistance during the decade under review, as much as 32 per cent has been in the southern region, 25 per cent in the western region and 26 per cent in the northern region, while only 14 per cent has flowed to the central region and 16

absorbed as much as Rs 196 crores of the disbursed refinance assistance, state co-operative banks and commercial banks have trailed behind with Rs 11 crores and Rs 12 crores, respectively. ARC's preponderant reliance on the agency of land development banks is explained by the fact that its assistance has been predominantly for long-term investment purposes such as minor irrigation (pumpset irrigation from wells), land development, plantation and storage.

The physical achievements claimed by the corporation in its latest annual report—that for 1972-73—make impressive reading. Minor irrigation schemes have transformed 5.3 lakh hectares into multiple-cropped irrigated farms with the help of 77,000 tubewells and 109,000 dugwells and the installation of 212,000 electric or diesel pumpsets. About 3.25 lakh hectares of land in the command areas of major irrigation projects have been developed for raising irrigated crops and 2.1 lakh hectares developed under soil conservation schemes. Some 23,000 hectares have been brought under plantations such as those of tea, coffee, rubber, cardamom, coconut, arecanut, apples and citrus. Besides creating a storage capacity of 5.5 lakh tonnes, the Corporation has financed the purchase of 2,800 tractors and 507 mechanised fishing boats.

These, by and large, are solid achieve-

ARC's first decade

THANKS TO THE impetus given by successive Plans, institutional credit has become an immense, though not a major, source of credit for agriculture. The institutions involved consist mainly of two types—co-operative land mortgage banks (otherwise called 'land development banks') providing long-term credit, and co-operative societies and banks supplying short-term and medium-term credit. Though the two parallel credit structures have been in existence for the past several decades, there is no effective co-ordination between them. Such coordination is necessary because, as the chairman of Agricultural Refinance Corporation (ARC) has recently emphasised, "the provision of investment credit alone will not result in increased production and repayment capacity unless the farmer is assured of short-term credit for inputs and marketing." But the weaknesses of the production-credit structure are yet to be remedied in many parts of the country. Even the operations of land development banks are impeded in those states which have not built up proper land records. That the institutional credit system, with all its deficiencies and handicaps, has served as a channel for the flow of massive long-term investment credit and also some medium-term credit provided by ARC is creditable indeed. The corporation has made available this credit by way of refinance assistance mostly to land development banks and, on a much smaller scale, to state co-operative banks and commercial banks for approved projects in agriculture and related fields.

In its first decade of operations ended June 1973, the corporation alone made commitments for an aggregate of about Rs 501 crores, against which it actually disbursed nearly Rs 219 crores during the period. It will be seen from the table given alongside that minor irrigation has accounted for most of the approved schemes and for the major proportion of ARC commitments.

While land development banks have

ARC's Commitments and Disbursements up to June 1973

Purpose	No. of schemes	ARC commitment	(Rs crores)	
			Commitment of state govts. banks	Loans drawn from debentures subscribed to by ARC
Minor irrigation	553	367.4	39.8	169.1
Land development & soil conservation	78	67.1	18.3	26.2
Farm mechanisation	15	7.3	2.2	2.9
Plantation & horticulture	205	32.8	8.9	9.1
Poultry, fisheries, dairy, etc	58	10.5	3.4	2.9
Storage facilities & market yards	14	16.3	1.1	8.5
Total	923	501.4	73.7	218.7

Eastern Economist 30 Years Ago

DECEMBER 17, 1943

Speaking at a Calcutta meeting last week, Mr Deshmukh, Governor of the Reserve Bank of India, said that the anti-inflation measures already taken would soon result in a fall in general prices and they could hope for a desired improvement in the commodity position. "What do the monetary and non-monetary indices say?" It will be recalled that in July last in the flush of the initial (albeit uncertain) success which attended their anti-inflation measures, the government of India came out with a Press communique in which they underlined the fall in the Economic Adviser's and Calcutta indices of prices in June-July as an indication of trends to come. Ever since they have perhaps thought it unnecessary to review periodically the

progress of their price stop measures. The latest available figures of the Economic Adviser's index of prices are those for March 1943, three months' older than those given in the pretentious Press Note five months back. But there are other indices as well. The Calcutta index of commodity prices fell from 125 in May last to 119 in June, and was seen to rise in the next three months until it reached 149 in September. In October a fall of 5 points is recorded. Seeing, however, that a good part of this is accounted for by the fall in the eight cereal items by 106 points and the figures of cereal prices are approximate, not much value can be attached to the decline recorded in October.

than one per cent to the north-eastern region.

These disparities in the flow of ARC assistance are explained by the fact that the necessary infrastructure—namely, strong institutional credit structure, competent administrative and technical organisation and quick collection of ground-water data—has not been readily available in the latter three regions to absorb outlays. To some extent, inadequate progress in the particular regions may be attributed to the generally slow tempo of disbursements against commitments. It is a salutary trend that the corporation is currently streamlining its procedures so as “to cut down sharply the present time-lag between the conception of a scheme, its submission to the corporation, its implementation by the financing bank and the reaping of its benefits.”

The corporation is even otherwise bracing itself for a big leap forward during the fifth Plan period. It is expected that the fourth Plan period will end with a total disbursement of Rs 286 crores by ARC for the period. The goal now set is a total disbursement of Rs 780 crores over the four-year period from 1974-75 (July-June) to 1977-78 (July-June). That is a big volume of finance, and the corporation seems to be assured of the requisite resources. Already the corporation has increased its paid-up share capital to Rs 15 crores from the level of Rs 10 crores in June 1973. As the statutory borrowing power of the corporation is 20 times the paid-up capital and reserves, it is now in a position to borrow an additional Rs 100 crores or a little more, as against its total borrowings of Rs 202 crores up to June 1973 from the government of India, the Reserve Bank and the market. As ARC's authorised capital is Rs 25 crores, a further issue of, say, Rs 10 crores in due course during the fifth Plan may well be fully subscribed by the existing shareholders, namely, the Reserve Bank of India, 19 central land development banks, 24 state co-operative banks, the Life Insurance Corporation, 61 scheduled commercial banks, and four insurance and investment companies. That would enable it to borrow a further Rs 200 crores or more for its refinancing operations. By that time repayments by land development banks towards their initial 9 to 15-year debentures would ensure a much larger return flow of funds than during the first decade. The expected IDA/IBRD funds, however, cannot be treated as additional, for they will, as before, form part of the borrowings from the government of India.

Even so, the funds that may be available to the corporation in the next four or five years would be of a magnitude large

enough to sustain the massive refinancing operations envisaged. Only, it is to be hoped, lots of money would not be allowed to go down the drain in the pursuit of the social objective of financing small farmers and agricultural labourers. The recent amendment of the ARC statute would enable the corporation to accept such security for advances as it considers satisfactory. As there will be no rigid

The mess in coal

THE PRESIDENTIAL address of Mr K.Z. George at the 28th annual general meeting of the Coal Consumers' Association of India, held in Calcutta on November 23, and the speeches at the seminar on coal, sponsored in the same place on November 26 by the Federation of Indian Chambers of Commerce and Industry, clearly revealed how widely and deeply nationalisation had created a veritable mess in one of the most vital areas of the country's economy. Mr George said that coal had become “the rarest commodity in the country,” that the inadequacy of railway transport for coal loading had hit “an all-time low record”, and that the fuel bill of the coal consumers had gone up by 25 per cent overnight. He denied that the coal shortage was being exaggerated. He invited people who held this view to visit industrial units or look at the prices of coal and coke that were sold in the open market. “Are they blind,” asked Mr George, “to the various reports of cancelling of a number of trains in various sectors due to coal shortage and he declared that the country had never been through such a crisis for coal — not even during the days of the world war. He also pointed out that “the greatest casualty of nationalisation was the quality of coal supplied”.

Many speakers at the FICCI's seminar also spoke about the alarming situation arising from the coal crisis. Mr K.K. Birla who presided over the seminar said that the shortage of wagons and locomotives, labour unrest, lack of co-ordination between the loading and carrying sections of the railways, less flow of box-empties and the increase in the number of unserviceable wagons had all contributed to the creation of shortages of coal everywhere. Mr Birla made several concrete and constructive suggestions to tackle this problem. These were augmenting the wagon strength of the railways, improvement in the turn-round of wagons, increasing the line capacity, and introduction of mechanical handling. He said that it would be desirable to have some arrangement for storing coal in large quantities in

insistence on land mortgages or government guarantees, the corporation may have to lay down practical norms for other acceptable securities. That these securities may not be wholly fool-proof and knave-proof is to be expected. But, then, it is probably a risk worth taking in the context of accepted social goals. The risk would nevertheless have to be kept within bounds.

important centres. Mr Birla was of the opinion that the coal crisis was “basically a problem of management”. The management groups who formulated the policies and those who implemented them as well as the managers and workers had the accountability and responsibility in their own areas. He emphasised that there should be proper co-ordination among these management groups so that production could be increased and the supply line maintained. He also referred to the impact of the petroleum crisis on the Indian economy and suggested that the government should actively seek the assistance of those who had experience and expertise in oil exploration since there were good possibilities of striking rich oil fields in India.

While Mr Birla's speech was moderate in tone, many other speakers at the seminar strongly criticised the way in which the government had created intense hardship to industrial consumers by making it extremely difficult for them to get their requirements of coal adequately, in time, and at fair prices. Mr Inder Mohan Thapar, for instance, said that if coal was considered as “a dirty industry” in the past, it had now become “dirtier”. He said that by enhancing the price of coal, the government of India had “exonerated” the private collieries of the charges levelled against them at the time of nationalisation. Mr Thapar also complained about the utterly inadequate supply of wagons. He said that even for one wagon, coal consumers had to make a bee-line “to the Mecca of the Coal Controller's office in Calcutta and to the various railway offices.”

Mr J.C. Kumaramangalam, the Chairman of the Coal Mining Authority, and Mr R.N. Sharma, Managing Director of Bharat Coking Coal Ltd, who also spoke at the seminar, strongly defended the working of the coal industry since nationalisation. They explained the steps that were taken to step up production, increase the transport facilities, improve quality, modernise the equipment and implement the programme to achieve the coal targets in the fifth five-year Plan. They also refuted the allegations that the power shortage was

A CORRECTION

In Eastern Economist issue dated Nov. 30, page 1029, Col. 2, line 5 from the top, please read DM 28,000 million for DM 280,000 million.

due to the failure of the coal industry to supply the right kind of coal to the power plants. It is, of course, understandable that the spokesmen of the government should try to play down the adverse consequences arising from the acute shortage and high price of coal. But the fact remains that, on the eve of the commencement of the fifth five-year Plan, the country has been confronted with a really grave and unprecedented situation. That nationalisation has played havoc with the economy will be clear from the following extract from Mr George's speech: “Several industrial units in Tamil Nadu including major cement factories and foundries, have been starving without adequate supplies of coal. Over 2,500 smaller engineering units and foundries in Gujarat are very badly hit. Some textile mills in Madhya Pradesh, Andhra Pradesh and UP are very much in distress. Tea gardens in Assam have been complaining bitterly about inadequacy of coal. Cement and chemical works in Rajasthan are not getting the quality of coal they need. Coal consuming industries in Punjab and Haryana are in the grip of the worst coal shortage in memory. Even the domestic coal consumers in the neighbourhood of Calcutta region continue to suffer and cannot procure their day-to-day soft coke or coal requirements at reasonable prices. Defence and export oriented industries have to cut down their production.”

The fifth Plan envisages an increase in the coal production to 143.11 million tonnes from 72 million tonnes in 1971-72. The production by Bharat Coking Coal Ltd, is expected to increase from 13 mil-

lion tonnes in 1971-72 to 21 million tonnes in 1978-79, by the National Coal Development Corporation from 14.40 million tonnes to 45.00 million tonnes, by Singareni collieries from 4.70 million tonnes to 10.00 million tonnes, and by the Coal Mines Authority from 39.96 million tonnes to 67.11 million tonnes. The increase in capacity envisaged is 53.00 million tonnes of which Coal Mines Authority will account for 15.50 million tonnes and the National Coal Development Corporation for 26.50 million tonnes. The increase in capacity is 6.00 million tonnes for Bharat Coking Coal and 5.00 million tonnes for Singareni Collieries Ltd. Of the 143.1 million tonnes to be produced in 1978-79, demand by the steel industry is placed at 27.4 million tonnes, coke ovens 5.1 million tonnes, power 45.00 million tonnes, railways 13.0 million tonnes, major industries 17.5 million tonnes, soft coke and low temperature carbonisation 8.7 million tonnes, bricks 7.5 million tonnes, and others, including colliery consumption and exports 18.6 million tonnes.

It is likely that the Planning Commission may revise these targets when the fifth five-year Plan is finalised. But whatever may be the target, what are the prospects of achieving it? The availability of sufficient finance or foreign exchange is not likely to be a problem in reaching the fifth Plan's target. But there are other formidable difficulties.

Mr George said that the “deep rooted malady seems to be the lack of urgency and commitment in the rank and file of the coal organisations”. He referred to reports of “several disputes among the

supervisory staff,” “serious complaints of corruption and wide-spread mal-practices”, and of instances of coal, meant for priority consumers being diverted to non-priority units and to consumers located in the up-country regions. Mr George suggested that the government should institute enquiries to see whether such complaints were true and how far administrative lapses were affecting production. But, if the complaints were true, what corrective steps can government take? Can we expect New Delhi to take firm action against those who, in one way or the other, sabotage coal production and its distribution? Mr George said that the industrial relations of the railways were “at their lowest ebb”, that their maintenance of rolling stock was “extremely poor” and that trains were cancelled or delayed “beyond anybody's control”. One can understand inefficiency and indiscipline in the collieries due to sudden nationalisation. But what are we to say about the rampant corruption and deterioration in the efficiency of the railways? The government of India therefore cannot afford to remain complacent about the coal situation. The problem has to be tackled boldly and effectively over a wide front if the coal industry is to play its part in the country's economy. In his message to the seminar, Mr T.A. Pai, the union minister for Heavy Industry, Steel and Mines, rightly said that coal was as vital to the economy as heart to the human body. But the speeches at the Coal Consumers' Association and at the seminar indicated that the various authorities handling coal did not seem to have the same awareness as Mr Pai about the role of coal in the country's economy.

RECORDS AND STATISTICS

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POINTS OF VIEW

Input-output analysis and the Leontief paradox

L. Sridhara Murthy

THE WORLD has honoured Prof. W.W. Leontief who has been awarded the Nobel Prize in Economic Science for 1973. Prof. Leontief is the seventh economist to be so honoured ever since the award was instituted in 1969. The other economists who have already been honoured are Professors Jan Tinbergen and Ragnar Frische (1969); Simon Kuznets (1970); Paul A. Samuelson (1971); Kenneth J. Arrow and J.R. Hicks (1972). Prof. Leontief is the second Harvard economist, the first one being Prof. Simon Kuznets. Prof. Leontief is 67. The Swedish Academy announcing the award paid the following tribute to Leontief: "Prof. Leontief is the sole and unchallenged creator of the input-output technique. This important innovation has given to economic science an empirically useful method to highlight the general interdependence in the production system of a society." The Academy further said that one of the advantages of the input-output analysis is its use in different types of economic systems, decentralised market economies with mainly private enterprise as well as centrally planned economies dominated by public ownership.

major contribution

Leontief first caught the attention of economists throughout the world by his now well-known "Leontief Paradox". In what follows, an attempt is made to study the contribution of Prof. Leontief, especially the two major aspects mentioned above viz., the input-output analysis and the Leontief Paradox.

The Input-Output Analysis: As the Swedish Academy citation said, Prof. Leontief is the creator of the input-output analysis, which is an improvement over the general equilibrium analysis of Leon Walras (1834-1910). The economy is said to be in a state of general equilibrium if the supply of every commodity is equal to the demand for it. The input-output analysis is a distant heir to the *Tableau Economique* of the Physiocrats and as mentioned above, of the general equilibrium analysis of the late 19th century.

The difference is that it represents an elaborate modern attempt to put actual, as opposed to hypothetical, quantities into the general equilibrium framework. As Leontief himself describes, it simply "is an attempt to apply economic theory of general equilibrium... to an empirical study of interrelations among the different parts of a national economy".

general equilibrium

In the words of Prof. William J. Baumol, the input-output analysis "is the name given to the attempt to take account of *general equilibrium* phenomena in the *empirical analysis of production*". The three italicised elements are crucial. An analysis of this definition leads to the following observations: First, the input-output analysis deals exclusively with production. Demand theory has no role in the input-output analysis. A qualification to this observation, must, however, be made. The fact that demand plays no role at all in his analysis is true only of an open model. Here, the final demand sector is taken to be outside the purview of the production economy and 'final products are exported' to the consumer inhabitants of this 'foreign' demand sector". In case of a closed model, however, demand does enter into the analysis. In this model, labour and raw materials enter into the picture. While labour is treated as a produced commodity, raw materials are taken to be used up in the process of production of this labour. Here demand, however rudimentary it may be, enters to show how the levels of consumption demands are related to the levels of labour outputs supplied. The analysis is essentially technological. The investigation aims at determining the produce and the quantity of each intermediate product which must be used up in the production process, given the quantities of available resources and the state of technology.

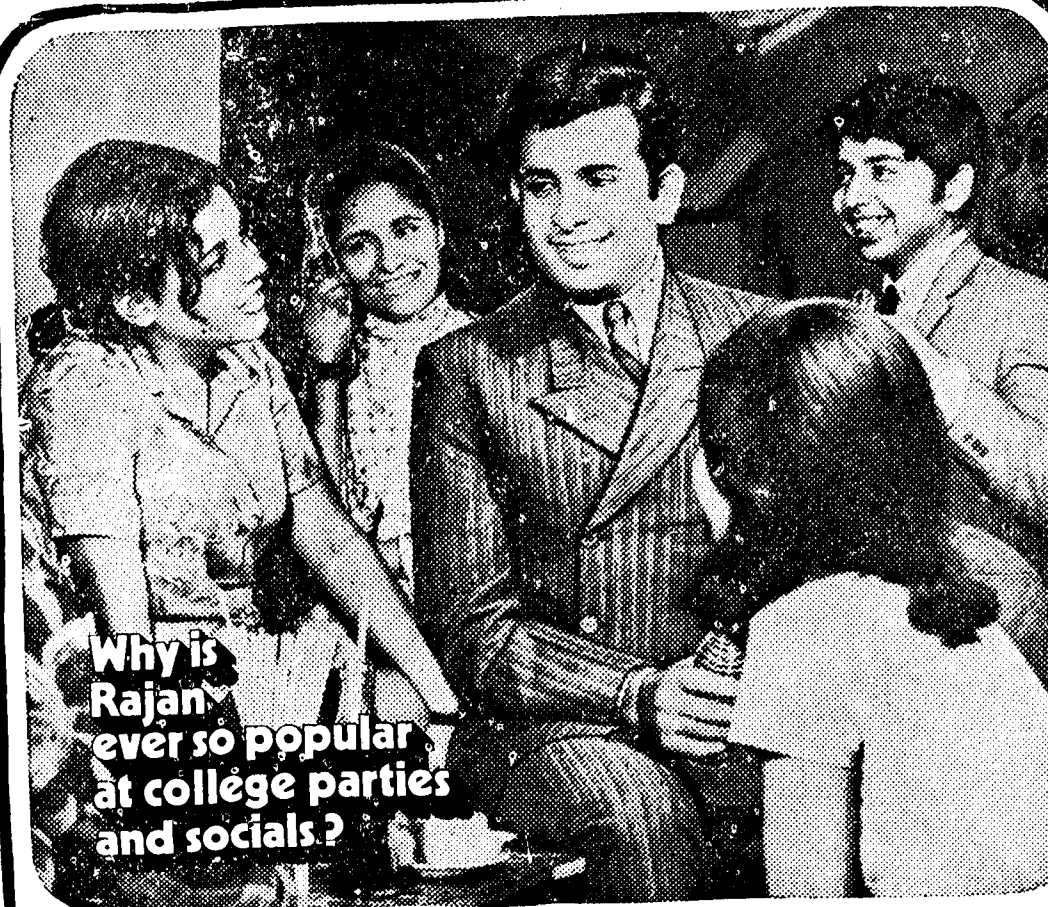
The second distinctive feature of the input-output analysis is its devotion to empirical investigation. Here statistical measurement of input and output of all

industries is taken together in an interdependent system of commodity flows. Leontief breaks sharply at this point from Walras and the later general equilibrium theorists. This refinement and sophistication helped greatly in the decision-making process in respect of what commodity to be produced in the context of resource constraint and technical development. However, the input-output model is more severely simplified and more narrow in the sense that it seeks to encompass fewer phenomena than does the general equilibrium. This seems to be both the strength and weakness of Leontief's analysis.

mutual interdependence

Finally, the input-output analysis stresses the general equilibrium phenomenon. The input-output analysis seeks to take into account the interdependence of the production plans and activities of many industries which constitute the economy. This interdependence arises because of the fact that each industry employs outputs of other industries as raw materials. The output of this industry is most often used as the input of some other industry. Sometimes, even the very industries from which it obtained its ingredients may use the output as its input. As an example, we may say that steel is used in making rails and wagons, which in turn are used to transport steel, coal and pig iron which are used in its manufacture.

The above analysis takes us to the basic problem as to what can be left over for final consumption. Also to be examined is the quantity of each output which will be used up in the course of the productive activities in order to obtain these net outputs. A satisfactory answer to these problems which the input-output analysis hopes to provide is sure to have a lot of practical applications. It can be used in (i) predicting future production requirements if usable demand estimates can somehow be obtained; (ii) economic planning including economic problems of underdeveloped countries and problems of military mobilisation; and (3) providing a detailed structure for national in-



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come accounting. The input-output tables therefore are the "simplest and most elegant means of doing this and they lend themselves to a simple form of economic arithmetic which readily yields quantitative answers to important problems". The science of quantitative economics owes much to Leontief.

The major criticism that is levelled against Leontief's input-output analysis is in regard to his assumptions which are "even more extreme than those usually employed in our theoretical models". Particularly noteworthy are two assumptions, each of which has to some extent been relaxed in practice. One assumption states that no two commodities are produced jointly. Each industry produces only one homogenous output.

serious limitation

Perhaps, a really serious limitation is the assumption that in any productive process all inputs are employed in rigidly fixed proportions and the use of these inputs expands proportionately with the level of output. This is only a special case of the assumption of constant returns to scale. The constant returns to scale (in mathematical terminology 'linear homogenous production function') permits both labour-intensive and capital-intensive processes. In other words, constant returns to scale is perfectly consistent with the substitution of one factor for another. This may be illustrated as follows: A firm whose production exhibits constant returns to scale, can, if it wishes, have 100 workers for every Rs 10,000 invested in machinery, or, it may use machines which require only 10 workers and Rs 10,000 machine investment. A linear homogenous production requires only that if the firm decides to triple the scale of either of these types of operation, the result will be tripling of output. It is not the case with Leontief's premise, which requires that manufacturing process which is labour-intensive offers no option of a capital-intensive alternative. Whether this assumption does considerable damage to input-output analysis is still under dispute. But it may be concluded that this is never absolutely true.

The input-output model of Leontief has appeared in several modified forms. The most prominent is the dynamic model in which specific account is taken of current and past output and in particular of the building up of stocks of capital goods (factories, machinery etc.). A new element that has entered the dynamic model is the possibility of an addition to the economy's stock of capital. In the

static model, two other elements viz., current output for current consumption; and current output as an input of some other output, have already entered. The dynamic model consists of two conditions: First, the current output of each commodity must be sufficient to cover the demands made for (a) consumption; (b) inter-industry demands; and (c) demands for addition to inventory. Secondly, the dynamic Leontief model requires that the capital stock be as large as is necessary to produce the planned output levels for the current period. Example: If each unit of output requires 5 units of steel capital goods in terms of equipment etc., and if each unit of coal production requires 3 units of steel capital and each unit of railroad transportation requires 4 units of steel equipments, we need a capital stock sufficiently large for all three purposes. These requirements of a dynamic model not only help in present production, but for future output as well.

The input-output analysis has led to three noteworthy theorems, which are briefly described here:

substitution theorem

The first is Samuelson's Substitution Theorem. It may be recalled that a restrictive assumption of the input-output analysis is the premise of fixed technological coefficients. Prof Samuelson has proved that in some circumstances, this need not be a serious limitation. He has shown that even where variation of input proportions is possible, it will never be advantageous provided that these are constant to scale, there is only one scarce input and no joint products. In other words the fixed proportions are by considerations of productive efficiency rather than technological requirements. For each commodity, there will be a single most efficient labour-capital ratio. This theorem, unfortunately, does not hold good if there is more than one resource in limited supply.

The second theorem is the Hawkins-Simon conditions. It is quite conceivable that after collecting data for input-output table, the solution of the input-output equations may yield one or more negative numbers. This implies that negative outputs of some commodities are required to achieve the final consumption targets! Hawkins and Simon have derived mathematical conditions which tell us the circumstances that will lead to such a strange phenomenon and help us to understand it. These conditions help in checking the input-output data. Further, these conditions provide mathematical requirements

which must be met by any input-output systems.

In simple terms, the Hawkins-Simon conditions show that if the solution calls for a negative output (say coal), this must mean that more than one ton of coal is used up in the production of every ton of coal output. Under such an unfortunate situation, only a negative amount of coal will be left over to consumers' use.

The third theorem is the series-approximation formula. This theorem arose out of the need for computationally efficient methods of solution of the simultaneous equations of the static Leontief system.

Before concluding this discussion on input-output analysis, it may not be out of place to quote the following: "It is no Leontief's style to worry over niceties of economic theory; his is a more vigorous more experimental approach. His position is quite straightforward: for many economic problems, it is insufficient to look only at the components of final demand, income or value added. One must also look at the inter-industry flows of goods and services, and hence at the structural interdependence of the economy" (Payt in *Economic Journal*, June 1967).

relevance to India

What relevance have these input-output models for a country like India? As remarked earlier, one of the advantages of the input-output analysis is that it lends itself to different types of economic systems. It assumes greater importance for us in view of the resource constraints and the need for optimal utilisation of the available resources. An optimal utilisation method is sure to pave the way for rapid economic development.

The Leontief Paradox: More than the input-output analysis, Leontief's name came to the fore by his surprising finding on the American trade structure. This emerged as a result of the application of the Walrasian input-output models to problems of international trade culminating in an improvement of the Heckscher-Ohlin thesis.

Eli F. Heckscher (1949) and Bertil Ohlin (1933) attempted to provide a more specific explanation of the principle of comparative costs and the causes of international trade. They worked with a more general and refined variable proportions model in which 'production conditions' find a specific interpretation in terms of 'production function'. Their work gave rise to two very important and plausible looking propositions:

1. The major cause of comparative cost

differences and international trade between countries is to be found in their relative factor endowments; the statement that a country exports those commodities that require relatively large amounts of the country's abundant factor has come to be called the 'Heckscher-Ohlin Theorem'.

2. Free international trade in commodities tends to equalize factor prices between countries, thereby serving, to some extent, as a substitute for factor movements.

The name of Leontief is associated with the Heckscher-Ohlin thesis in regard to the empirical verification of the first proposition noted above for the United States of America. A widely shared view on the nature of the American trade with the rest of the world is derived from the assumption that the US has a comparative advantage in the production of commodities which require for their manufacture large quantities of capital and relatively small amounts of labour. The economic relationship of the US, with other countries is supposed to be based mainly on the export of 'capital intensive' goods in exchange for 'labour intensive' goods. Since the US is supposed to possess a relatively large amount of capital and a comparatively small amount of labour, direct domestic production of such 'labour intensive' products would be uneconomical; it would be advantageous to obtain them from abroad in exchange for capital intensive products. Leontief set himself to verify this proposition.

actual information

The factual information collected by Leontief comprised many sets of figures of which the largest and in a sense the most important was in terms of input-output table. This table depicts the actual flow of commodities and services among all the different parts of the American economy. Specifically, it is to show how, each one of manufacturing industries, each branch of agriculture, each kind of transportation and distribution — in short each sector of the American economy — depends upon every other sector.

The principal finding of statistical computation for the year 1947 was paradoxical. The figures showed that an average million dollars worth of the US exports embodied considerably less capital and somewhat more labour than would be required to replace from domestic production an equivalent amount of the US competitive imports. America's participation in the

international division of labour is based on its specializing in labour intensive, rather than capital intensive lines of production. The widely held opinion that — as compared with the rest of the world — the US economy is characterized by a relative surplus of capital and a relative shortage of labour proved to be wrong. As a matter of fact, the opposite proved to be correct.

These results of Leontief have drawn a stream of comments, comments upon comments, which have at least proved that testing Heckscher-Ohlin model is a tricky business. Leontief himself tried to dissolve the apparent contradiction between theory and fact. He urged that the US is not relatively better supplied with capital than other nations when one takes into account the superior physical effectiveness of American labour, that one American worker is as effective as, say, three foreign labourers.

series of criticism

As noted above, the paradoxical finding of Leontief led to a series of criticisms of both his hypothesis and methodology. The broadest of all criticisms of Leontief's method for testing the Heckscher-Ohlin theorem is Valanis-Vail's assertion that "input-output models (except with luck) are logically incompatible with international trade". He contends that the Leontief model with its fixed input coefficients, is incompatible with a world trade equilibrium in which every country gains from trade, full employment exists and the introduction of trade has increased the output of some commodities and reduced others. This does not seem to be completely relevant. The fixed coefficients production model, when adhered to strictly, normally implies less than full employment of one or more factors, and it is customary to justify it by the operational hypothesis that variations of coefficients are small relative to changes in variables in the model.

In spite of the surprising result that Leontief has arrived at, the Heckscher-Ohlin theory remains unrefuted. Leontief himself tried to save it with his hypothesis that when factory endowments are measured in terms of comparable physical units, his results verify the Heckscher-Ohlin hypothesis. The Leontief's findings cast at best doubt on the Heckscher-Ohlin theorem or at least illustrate thoroughly the problems which arise in testing it.

Besides the above two major aspects

which have been discussed at some length, Leontief's contribution in other fields is also significant. His *Essays in Economics: Theories and Theorizing* (1966) is a collection of his writing covering a period of 30 years. Most of the articles are theoretical but many concern practical problems which were topical at the time.

Leontief maintained that the essential difference between Keynes and the Classics was the former's denial of the 'homogeneity postulate in the labour market. He also stresses the importance of liquidity trap.

"The use of indifference curves in the analysis of foreign trade" shows Leontief at his analytical best. The techniques he helped make standard may partly explain the inter-change of commodities between countries with similar industrial structure and also show how an offer curve is distorted by an import duty.

Leontief has developed a simple growth model to examine empirically how much aid rich countries need to give to underdeveloped ones to bring the latter's growth rate up to the former's. The model has two limitations. First, its oversimplification and secondly, the growth rate of recipient country is raised by the transfer of capital but the donor's income is still allowed to grow as if the transferred resources were invested domestically. Since the aid must slow down the donor's growth, the problem of the gap, as such, is reduced.

interesting observation

Leontief's observation on Marx is interesting. He says: "Marx was a prophet of socialism, but he was a student of capitalism: to be more exact, he was a student of the first 100 years — vital and incredibly creative, but also ruthless and destructive — of modern, mechanized, large scale industry. Marxism, as an economic theory, is a theory of rampant private enterprise, not of the centrally guided economy".

The above analysis has shown that Leontief is not only original but also controversial. This is as it should be. Whenever a new idea or hypothesis is put forth, it should receive the best possible testing, so as to withstand the revenges of time and scientific enquiry. In this respect, Leontief stands out as another brilliant economist whose contribution has made the science of economics what it is — the queen of social sciences.

FROM THE PRESS GALLERY

Our Parliamentary Correspondent

NEW DELHI, Saturday.

A TWO-DAY debate in the Rajya Sabha on international situation was the main feature of the proceedings in Parliament this week. As could be expected, the recent talks between the prime minister, Mrs Indira Gandhi, and the Soviet communist party chief, Mr Leonid Brezhnev, dominated the discussion.

Although the house generally welcomed most of the statements contained in the joint communique issued at the end of Mr Brezhnev's visit and appreciated the significance the Indo-Soviet 15-year economic collaboration agreement, some discordant notes were struck by the spokesmen of the Congress (O), the Jana Sangh and the Swatantra parties. Mr C.D. Pande (Congress-O) found some of the provisions of the Indo-Soviet Consular Agreement "humiliating". Prof. M. Rathnaswamy (Swatantra) wanted the pact with the Soviet Union to be balanced by similar agreements with the United States of America and other countries, not excluding China. Dr Bhai Mahavir (Jana Sangh) wondered whether substantially greater economic collaboration with the Soviet Union would be advantageous and conducive to self-reliance. Mr N. G. Goray (Socialist) too wanted that along with the strengthening of the ties with the Soviet Union, we should establish close relations with Japan, the USA, China and western Europe. Mr S. S. Mariswamy (DMK) assailed the government for turning the visit of Mr Brezhnev into a Congress party affair. Several members, including Mr Krishan Kant (Congress), referred to reports in the foreign press indicating that the government of India would concede naval bases to the Soviet Union and wanted the minister for External Affairs to clarify the position.

prominent features

Besides Indo-Soviet relations, the recent developments in west Asia, the need for improving relations with the USA and some recent utterances of the Pakistani prime minister, Mr Z. A. Bhutto, figured prominently in this debate. A good deal of concern was voiced over the renewed efforts of Pakistan to build up its armed forces.

In his reply to the debate, Mr Swaran

Singh, categorically denied any "military content in the Indo-Soviet understanding. Neither the Soviet Union, he said, had asked for naval bases on our coast nor had any such facilities been given to the Soviet Union. He expressed satisfaction over the appreciation of the Soviet Union of government of India's policy of non-alignment, its struggle for peace and opposition to colonialism and imperialism. He also stressed that the Soviet Union had fully supported India's efforts towards normalisation of relations between the countries of the sub-continent as well as her stand that the Indian Ocean should remain a zone of peace.

As regards economic co-operation between the two countries, the minister for External Affairs observed that there should be no misgivings about the administrative and financial control over the projects to be built or run with Soviet assistance. Not only had adequate safeguards been provided in the Indo-Soviet agreement in this respect but also the government of India would zealously protect the economic independence of the country.

mature operation

Referring to our relations with the USA, Mr Swaran Singh indicated that they were entering a phase of constructive and mature operation. Since 1971, both the countries had made conscious and deliberate attempts at improving relations between them. He felt that there was now a greater appreciation in the USA of the dangers involved in the supply of arms to Pakistan. Talks on the issue of PL-480 funds, the minister revealed, were making satisfactory progress. He welcomed the detente between the USA and the Soviet Union.

Referring to China, Mr Swaran Singh observed that the government of India desired to improve relations with this Asian neighbour but this was a matter in which reciprocity was absolutely necessary. Dwelling at some length on Indo-Pakistan relations, he emphasised that while the government of India was dead earnest in establishing good neighbourly relations with this country, it could not agree to any deviation from

the objectives laid down in the agreement. His ministry, he said, drawn the attention of the government of Pakistan to some of the recent utterances of Mr Bhutto and the Pakistani minister of state for Foreign Affairs, Mr Ahmed, had re-assured that Pakistan remained committed to the objectives of the Simla pact. If Mr Bhutto's utterances, Mr Aziz Ahmed had suggested, were read as a whole, they would justify the impression that had formed in India. Some of Mr Bhutto's statements, it had been explained, Mr Aziz Ahmed, were meant to pacify the agitated crowds in Pakistan.

POW repatriation

The government of India, Mr Swaran Singh added, reserved the right to cover from Pakistan the amounts spent on the Pakistani prisoners of war, according to the international law. On Monday, 30,190 Pakistani POWs, civilian internees in India, he revealed, had been repatriated. As many 22,593 Pakistanis in Bangladesh had been sent back to Pakistan. About 52,850 Bengalis in Pakistan had been repatriated to Bangladesh.

India's relations with the other neighbouring countries, particularly Nepal, Bhutan, Mr Swaran Singh said, were excellent both at the political and economic levels.

Referring to the recent development in west Asia, the minister for External Affairs expressed the hope that Israel would be writing on the wall and understand the lessons of history. The rights of Palestinian people, he stressed, had to be restored to them if any lasting peace was to be established in this strife-torn area. The arrogance of Israel and the support it had received from its "mighty friend" Mr Swaran Singh felt, had made the Palestinian people desperate.

The minister for External Affairs also dwelt at some length on our relations with Iran. The joint economic commission of the two countries, he disclosed, would meet shortly to discuss new projects. The two countries, he emphasised, also agreed with each other on the cri-

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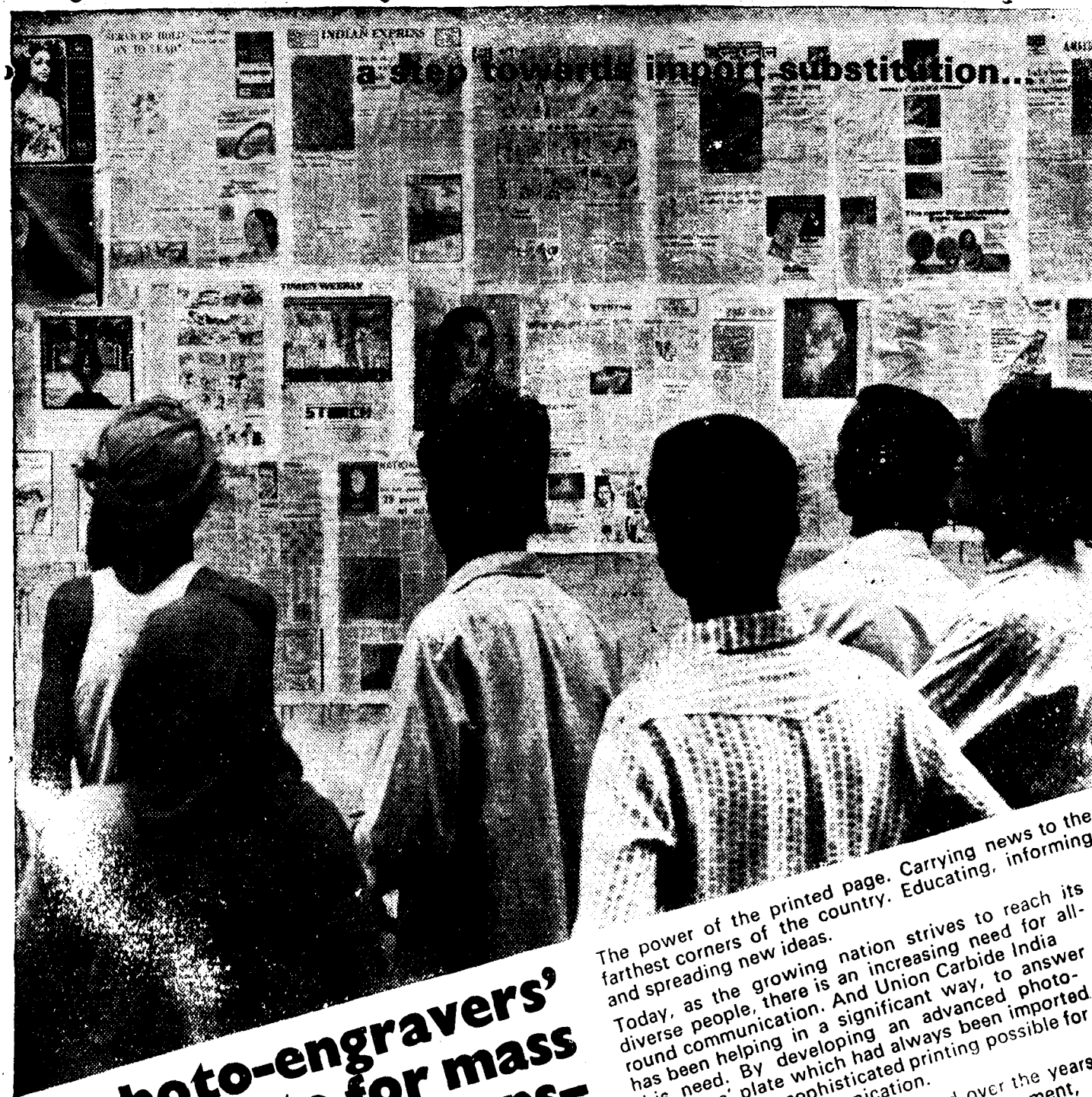


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tion of a zone of peace in the Indian Ocean.

The start of offshore drilling at the Tarapore structure in the Gulf of Cambay, instead of at Bombay High, figured prominently in the Lok Sabha this week. Several members demanded a judicial enquiry into this off-shore operation of the Oil and Natural Gas Commission. The minister for Petroleum and Chemicals, Mr D. K. Barooah, explained the reasons for the drilling operation being first taken up at the Tarapore structure and not in the Bombay High area. The floating platform—Sagar Samrat—he observed, could not be jacked up at the initially selected point in the Bombay High area because the penetration at the preliminary leg erection location was beyond the limits predicted by the French firm whose services had been secured to survey the area. The insurers of the platform too had imposed certain limits on penetration. Sagar Samrat, he assured the house, would go to the Bombay High area after completing the work on the Tarapore structure. Meanwhile, a fresh survey of the seabed in the Bombay High region would be made by a British firm—Offshore Dynamics Ltd. The insurers, he revealed, had also now allowed deeper penetration of the legs of Sagar Samrat that they had allowed earlier.

Sagar Samrat affair

Referring to the criticism of Sagar Samrat being equipped with re-conditioned generators, Mr Barooah revealed that the attention of the Japanese government had been drawn to this fact. The compensation of \$ 400,000 (approximately Rs 30 lakhs) payable to the ONGC on this count and delays in the delivery of the platform, he stated, could be utilised for any replacement that might be necessary. The minister of Petroleum and Chemicals did not reject the demand for a parliamentary probe or judicial inquiry into the Sagar Samrat affair. He promised that he himself would look into the matter to find out whether there had been some mala fide which necessitated such a probe or inquiry.

The Sagar Samrat affair came up in the Rajya Sabha also. During the short discussion on the subject in this house, Mr Barooah asserted that the platform was not a total loss. If sold, it could fetch even a higher price than what had been spent on it. He rejected the charge of bungling in the purchase of the platform. The minister also indicated that we will have to go in for more floating platforms as one platform could not be expected to complete the offshore exploration programme.

In a statement laid on the table of the Rajya Sabha in response to a calling at-

tention notice on the recent strike by taxi owners for a reduction in the price of petrol, Mr Barooah, indicated that restrictions on the use of petrol were likely to be continued for quite some time in the overall national interest. He turned down the suggestion for the supply of petrol to taxi and auto-rickshaw owners at concessional rates. The government, he stated, had given earnest thought to this suggestion but had reached the conclusion that supply of petrol at concessional rates to any class of consumers would involve serious administrative problems. It would also not be in line with the government's objective of reducing the consumption of petrol in the country. Mr Barooah as well cited in this regard the restrictions being imposed on consumption of petroleum products in most countries, including the developed ones. The taxi and auto-rickshaw owners, he further observed, could get a benefit of four paise per litre in the price of petrol if they availed of the scheme of the Indian Oil Corporation of allotting petrol pumps to actual consumers.

opposition resentment

The resentment of opposition members to the sharp increase in the prices of petrol and kerosene last month was also in evidence in the Lok Sabha when the Finance minister, Mr Y.B. Chavan, introduced this week the bill seeking to replace the Central Excise and Salt (Amendment) Ordinance under which the petrol and kerosene price hike had been effected. The bill, however, was introduced after a division of the house.

Among the bills adopted by the Lok Sabha this week were (i) the Industries (Development and Regulation) Amendment Bill; (ii) the Maternity Benefits (Amendment) Bill (iii) the Payment of Bonus (Second Amendment) Bill; (iv) Burn and Company and Indian Standard Wagon Company (Takeover of Management) Bill, and (v) the Alcock Ashdown Company Limited (Acquisition of Undertaking) Bill.

The Industries (Development and Regulation) Amendment Bill sought to remove a lacuna in the parent act by making it compulsory for the owner of every industrial undertaking to whom a certificate of registration had been issued before the commencement of the parent act, to produce the registration certificate for entering in it the productive capacity of the undertaking and other prescribed particulars. The bill came in for sharp criticism from the leftist members of the house on the ground that it would provide a legal garb to the illegal and unauthorised capacity expansion by business houses. They also criticised the govern-

ment for not effectively curbing monopolies and large industrial houses and alleged that through this bill, the government was diluting its industrial policy in favour of large business houses. This charge was, however, stoutly refuted by the minister for Industrial Development, Mr C. Subramaniam, who assured members that the government had never hesitated to take over industries when it thought it was in the national interest to do so. This policy, he added, would be adhered to in future also.

Mr Subramaniam agreed that foreign domination in industries should be reduced and eventually eliminated. He, however stressed that this could happen only when the country had developed its own technology to a substantially high level. Foreign technology, he pointed out, was allowed to operate at present only in areas in which domestic know-how was lacking and the permission for this operation was given after a great deal of scrutiny of the items to be produced and the conditions of operation. The government, Mr Subramaniam further stated, had no love for the large industrial houses either. It was only due to compulsion of circumstances that they were being tolerated. The minister appealed to opposition members that they should

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help in creating an atmosphere of better labour relations in public sector undertakings.

The Payment of Maternity Benefits (Amendment) Bill sought to extend the parent act to circus girls. The Payment of Bonus (Second Amendment) Bill provided for the payment of the entire bonus for the accounting year 1972 in cash. The two bills relating to Burn and Company, Indian Standard Wagon Company and Alcock Ashdown Company Ltd. sought to empower the government to take over their management, pending nationalisation in course of time.

compensation bill

The Indian Railways (Second Amendment) Bill, which sought to raise the limit of compensation for loss of human life in a railway accident from Rs 20,000 to Rs 50,000, was adopted by the Rajya Sabha.

The following important information was provided in the two houses this week by various ministers:

(1) The government has decided to set up an electronic components unit in the public sector at an estimated cost of two crores of rupees.

(2) The government will introduce in Parliament shortly a bill imposing ceiling on urban property. Restrictions on construction of palatial buildings in urban areas, however, are not favoured.

(3) About 4.1 million tonnes of food-grains have been imported in the past 10 months to meet the shortage in the country.

(4) The centre has advised state governments to ban the use of silver foils on all food articles. Silver foils in most cases at present are found to be made of aluminium or lead which are hazardous to health.

(5) A moratorium even on "illegal" strikes alone, it is felt, would have a favourable impact on industrial production.

(6) The government would deal "very firmly" with any attempts by any individual or party to set up a broadcasting station on its own.

(7) The coal supply position admittedly has not been satisfactory. The situation is said to have arisen because of considerable increase in demand by the priority sectors like power and steel.

(8) A bill providing for tax relief to industrial undertakings in the specified backward areas is under the consideration of the government.

(9) The licensing authorities have been directed by the government to clear applications for industrial licences from entrepreneurs committing 60 per cent of their products for export within three

months even if they violate the Monopolies Act.

(10) The railways are willing to undertake techno-economic feasibility studies for circular railways in cities having population of more than one million. Cities such as, Bangalore, Hyderabad, Ahmedabad and Kanpur fall in this category.

(11) The targets tentatively fixed for oil refining in the fifth Plan period are undergoing a review in the context of the steep and continuing increases in the price of crude oil and the need to curtail the growth of consumption of petroleum products in the country.

(12) The Haldia refinery would be completed by the end of 1974. Various factors, including lack of communication facilities, design and construction taken up indigenously and labour trouble, have contributed to the delay in the completion of this project.

(13) The Finance ministry has so

far effected a saving of Rs 160.48 crores in the allocations for Plan items and Rs 6.24 crores in the non-Plan items as part of the economy measures during the current year with a view to reducing budgetary deficit. The savings effected so far in the Plan expenditure include Rs 2.50 crore in loans to the Industrial Development Bank of India, Rs 30 crores in the scheme for the educated unemployed, Rs 30 crores in the provision for advance action for the fifth Plan and Rs 93.98 crores in central assistance to states for state plan schemes. The allocations for the latter two purposes hitherto have been Rs 150 crores and Rs 841 crores, respectively. The saving of about Rs 30 crores in the expenditure to be incurred on schemes relating to the uneducated unemployed, of course, is not expected to affect the target of creating five lakh jobs.

(14) The amount of foreign loans payable by India at the end of August, 1973, stood at Rs 9,351 crores.

criticcomments

SECOND THOUGHTS ON MARRIAGE

Many an eager bachelor in our cities has second thoughts on marriage because of the immediate problem he has to face: of finding suitable accommodation.

In congested cities, a young man finds it difficult to secure a flat or a house at a rent he can afford.

In Bombay City there are only 716 females to 1000 males compared to 930 females to 1000 males for the whole of India. These figures suggest that there is a greater bachelor population in Bombay or that wives are living elsewhere.

Housing shortage has been felt not only in cities but in villages as well. It is not unusual to find several generations living under the same roof, and young couples, deprived of privacy and independence, long for a house of their own.

So far, Rs. 179.29 crores has been loaned to 19 State Governments for various schemes such as the middle income housing scheme; the rental housing scheme; the low income group

housing scheme; the village housing project scheme; the Plantation labour housing scheme; the land acquisition and development scheme and the scheme to rebuild Koyana Nagar and Broach Town.

In addition, Rs. 151.27 crores has been advanced to apex housing finance units in Andhra Pradesh, Goa, Kerala, Maharashtra, Mysore, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal, where 1,17,908 houses/tenements have already been constructed and 1,06,776 are under construction.

Add to these the Own Your Home Scheme, the Own Your Apartment Scheme in Maharashtra and the schemes for LIC's own employees and for employees of public and private sector industries and you will find that LIC's total investment in housing is Rs. 425 crores.

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Positive Half-year Results

THE STABILISATION of the German Democratic Republic economy made progress in the first half of 1973. Thanks mainly to an unusually mild winter, continuous production was possible from the beginning of the year; and although the energy supply situation basically remains tight, production was not effected this time. The half-year targets were reached almost across the board, both in production and in the disposition of goods.

The GDR economy has started 1973 with a plan—difficult to interpret, though

suggested that production would fall short of the planned distribution of goods. Assuming internal consistency of economic planning, the only explanation was that the GDR must have planned for a larger import surplus in 1973.

However, in the meantime the assumption of internal consistency of economic planning in the GDR has turned out to be wrong. At the end of the winter months the economic leaders admitted that the 1973 plan was not fully balanced and that at the beginning of the year there had been a "planning gap": the distribution of goods projected for this year required a growth in production of manufacturing of about eight per cent, i.e., an even larger productivity increase than ori-

of produced national income envisaged for the year (+5.7 per cent)—quite a good result, particularly since there was one working day less than the year before.

The main contribution came from manufacturing with a production increase of 7.6 per cent (adjusted for working days: +8.4 per cent): 90 per cent of all centrally directed enterprises, which account for four-fifths of manufacturing production (mid-1972: 80 per cent), achieved or improved on their production targets, and this put them ahead of the plan by a total of 2.100 million marks or 2.1 per cent.

II

Development Problems

However, global plan fulfilment or over-fulfilment does not mean that the chronic development problems of the GDR economy no longer mattered:

140 centrally-directed enterprises—including important producers of machinery and equipment—fell behind with their targets;

A number of enterprises in the investment goods and ancillary industries, while reaching or improving on their production targets, caused supply shortfalls by missing deadlines or producing the wrong range of quality of goods.

A third of all centrally-controlled enterprises went beyond their planned costs, often because of additional costs due to rejects, factory-covered maintenance and guarantee claims, which were partly due to:

The production of insufficiently developed products or the use of uncompleted processes.

Even so, the situation in the ancillary sector has eased markedly. New plant came on stream permitting improvements in the energy supply, the production of certain investment goods and the supply situation of the population. However, increases in production by the locally-directed enterprises (+6.6 per cent) were below average; 16 per cent of these producers,

WINDOW ON THE WORLD

said to be "realistic"—which provided for the following growth rates (in per cent):

Production		Disposition	
Manufacturing production	6.5	Gross fixed investment	9.0
Construction	7.6	Retail turnover	6.2
Produced national income	5.7		

Production targets for manufacturing were to be achieved by stepping up productivity by 5.7 per cent.

These data, taken from the economic plan, which the Deutsches Institut für Wirtschaftsforschung checked for consistency taking in key foreign trade figures,

inally planned. This also explains the energetic campaign to mobilise any extra reserves through "counter-plans" in the factories and to improve on the originally planned productivity by at least one per cent.

The GDR leaders' rather speculative estimate is now likely to come off: productivity in manufacturing for the first half of the year went up by 6.6 per cent.

Because of yet another change in the documentation of the monthly production of individual branches of manufacturing, the latest results cannot be compared with earlier years. The analysis of the half year results therefore has to concentrate entirely on the plan fulfilment report. According to these data, overall economic growth in the first half of the year (+6 per cent) was in line with the growth rate

who largely operate at the consumer end of production, did not reach their production targets. Craft production, which after the nationalisation of the more industrialised firms is now concentrated on the very small and less productive firms, went up by only four per cent.

The building industry produced good results. Helped by favourable weather from the beginning of the year, and an increase in the production of building materials of 9.6 per cent (adjusted for the number of working days), the state-owned building industry managed to push up its output by seven per cent and with a productivity increase to six per cent—improve on its planning target by three working days. Only four out of the fifty construction combines did not reach their targets. A total of 35,600 flats (first half of 1972: about 30,000), including 1,410 self-contained houses, were newly built, 6,900 rebuilt or extended and over 12,000 modernised. However, some of these results were achieved only through overtime to make up for time lost because some materials (e.g., prefabricated concrete components, bricks, windows and doors) were not available on time or in the right quality.

agricultural development

The development in agriculture was also favourable. The planned state procurement of animal products increased by 6.3 per cent—faster than allowed for in the plan—in all areas: livestock numbers were increased further. The food production industry's output (+5 per cent) also rose by more than planned—particularly because of a considerable rise in meat production—so that the population's supply position improved markedly. Once again fruit and vegetables came up against supply bottlenecks.

The transport sector generally increased its output according to plan, but some short-comings remained, due to bottlenecks in the supply of spare parts.

The distribution of goods, for which ambitious targets had been set for 1973, overall developed roughly in line with the economic leaders' expectations in the first half.

Thus gross fixed investment, with an increase of eight per cent (first half 1972: +4 per cent), more or less reached the growth rate envisaged for the year as a whole (+9 per cent). The increase in investment concentrated—according to plan—on the energy industry (+29 per cent), light industry (+44 per cent) and glass and ceramics (+29 per cent) which are near the consumer end of industry.

Many large-scale projects were completed, including, among others, the Boxberg 1 power station, the natural gas pipeline from the USSR, the aluminium foundry and rolling mill at the light plant Nachterstadt and the second stage of the polyester silk production at the chemical fibre plant Guben.

The positive impact of these results is marred, however, by the fact that at the same time shortcomings in the preparation and implementation of investment projects in a number of other areas have multiplied, particularly in the chemical industry, the energy and fuel industry and light industry. In view of rapidly growing demand for certain products of ancillary industry, there can be no certainty that these problems will be overcome by the end of the year. New difficulties are also emerging for the investment projects completed because the necessary employment of labour is creating increasing problems.

The expansion of private demand was marked by a strong rise in new money incomes (+6.6 per cent), of which almost half is due to the rise in pensions in the autumn of 1972 (+20 per cent compared with 1971). Retail trade turnover went up by 6.9 per cent, sales of industrial consumer goods by as much as 10.3 per cent. An increase on this scale was facilitated by marked improvements in the supply of goods for many of which a considerable backlog of demand had built up. In particular, the biggest increases in the first half of 1973 were in the supply of wallpaper (+61 per cent), domestic china (+50 per cent), tape recorders (+51 per cent), and underwear (28 per cent). Despite the overall increase in supplies, however, there were still shortages of enamelware, furniture, ladies' garments and children's hosiery. Quality and choice, too, often fell short of customers' requirements. The same was true for repairs and services, where undue delays were also criticised.

III

External Aspects

In 1972 the GDR achieved an increase in turnover of 11 per cent and a foreign trade surplus, based on an unexpectedly high export surplus, in its trade with the socialist countries (+2,900 million VM) and particularly with the Soviet Union (+1,600 million VM). GDR trade with western industrial countries (including intra-German trade), however, showed a record deficit of over 2,000 million VM last year, (1970: 1,200 million VM, 1971: 1,300 million VM).

The GDR's cumulative deficit with western countries, 4,700 million VM since 1969, amounts to the equivalent of almost a year's exports to these countries. The GDR's trade with the developing countries declined in 1972.

rising turnover

This year so far shows a rise in turnover of nearly 14 per cent, again largely due to an increase in trade with the Comecon countries (+16 per cent), particularly Poland. Last year's drop in trade with the developing countries was reversed, with an increase of 28 per cent. Trade with western countries increased by 11 per cent, thanks to increased efforts by the GDR to make additional deliveries: the main beneficiaries were France, Italy and Sweden. In intra-German trade the GDR managed to step up its deliveries by eight per cent in the first half of 1972. Although this still left it about 150 million units of account short of West German deliveries, stagnant at just under 1,400 million UAs, at least the result demonstrates the success of a more intensive sales policy. In this connection, Erich Honecker's remarks during the ninth congress of the SED's central committee are worth recalling: "Consumer services as the supply of spare parts are in need of further vigorous improvement so as to adapt fully to the demands of international markets. In the final analysis we are aiming for an improvement in pattern and profitability in our trade with the capitalist countries. But effectiveness, particularly in this field, in turn depends largely on persistence in building up the most important export and import lines and on opening up and looking after new markets." Trade with the west as a whole nevertheless still showed an import surplus. Even so, overall trade was more or less in balance, although total imports increased by 15 per cent.

At the same time efforts to achieve increased "socialist" economic integration with other "interested" Comecon partners continue. Thus in the last twelve months seven multilateral specialisation and co-operation agreements were signed, covering 800 engineering products (e.g. cutting tools, tractors and agricultural machinery, ships and marine equipment); but their economic significance cannot be assessed. The recent XXVII Comecon Council meeting in Prague, which discussed the still unsolved financing problems, did not however come up with any spectacular results, concentrating mainly on questions of co-ordination. An agreement has been concluded with Poland to increase Polish deliveries in 1973 by more than 50 per cent. Trade with Czechoslo-

The GDR's External Trade by Groups of Countries and Selected Countries

	GDR imports						GDR exports						Foreign trade turnover					
	in mill. VM*		in per cent				in mill. VM*		in per cent				in mill. VM*		in per cent			
			in-crease		structure				in-crease		structure				in-crease		structure	
	1971	1972	1971/1972	1966/1970**	1971	1972	1971	1972	1971/1972	1966/1970**	1971	1972	1971	1972	1971/1972	1966/1970**	1971	1972
All countries	20,920	22,851	9.2	100	100	100	21,321	23,931	12.2	100	100	100	42,241	46,782	10.8	100	100	100
Comecon countries†	13,626	14,412	5.8	68.5	65.1	63.1	14,776	17,042	15.3	69.4	69.3	71.2	28,402	31,454	10.7	68.9	67.2	67.2
of which :																		
USSR	7,954	8,079	0.7	42.4	38.0	35.0	8,139	9,615	18.1	39.9	38.2	40.2	16,093	17,624	9.5	41.1	38.1	37.7
Czechoslovakia	1,987	2,122	6.8	9.4	9.5	9.3	1,973	2,240	13.5	9.8	9.2	9.4	3,960	4,362	10.2	9.6	9.4	9.3
Poland	1,275	1,543	21.0	5.8	6.1	6.8	1,920	2,282	18.9	8.2	9.0	9.5	3,195	3,825	19.7	7.0	7.6	8.2
Hungary	1,036	1,274	19.5	4.8	5.1	5.6	1,285	1,219	-5.1	5.1	6.0	5.1	2,351	2,493	6.0	4.9	5.6	5.3
Bulgaria	761	768	0.9	3.5	3.6	3.4	749	912	21.8	3.6	3.5	3.8	1,510	1,680	11.3	3.6	3.6	3.6
Rumania	536	643	20.0	2.3	2.6	2.8	646	715	10.7	2.4	3.0	3.0	1,182	1,358	14.9	2.4	2.8	2.9
Albania	30	28	-6.7	0.2	0.1	0.1	32	33	3.1	0.2	0.2	0.1	62	61	-1.6	0.2	0.1	0.1
Mongolia	17	25	47.1	0.1	0.1	0.1	32	26	-18.7	0.2	0.5	0.1	49	51	4.1	0.1	0.1	0.1
Other socialist countries	742	778	4.9	3.7	3.6	3.4	1,115	1,008	-9.6	5.2	5.2	4.2	1,857	1,786	-3.8	4.5	4.4	3.8
of which :																		
Yugoslavia	297	390	31.3	1.5	1.4	1.7	522	476	-8.8	2.0	2.4	2.0	819	866	5.7	1.8	1.9	1.9
China	161	189	15.2	0.9	0.8	0.8	185	182	-1.6	0.9	0.9	0.8	349	371	6.3	0.9	0.8	0.8
Cuba	201	136	-33.3	1.0	1.0	0.6	206	154	-25.2	1.2	1.0	0.6	410	290	-29.3	1.1	1.0	0.6
North Korea	50	49	-2.0	0.2	0.3	0.2	106	110	3.8	0.2	0.5	0.5	156	159	1.9	0.2	0.4	0.3
North Vietnam	27	14	-48.1	0.1	0.1	0.1	96	86	-10.4	0.9	0.4	0.3	123	100	-18.7	0.5	0.3	0.2
Western industrial countries	5,772	7,035	21.9	23.9	27.6	30.8	4,495	5,014	11.5	20.8	21.1	21.0	10,267	12,049	17.4	22.4	24.3	25.8
of which :																		
West Germany (incl. west Berlin)	2,153	2,624	21.9	10.2	10.3	11.5	2,142	2,204	2.9	9.1	10.0	9.2	4,295	4,828	12.4	9.7	10.2	10.3
France	489	568	16.2	1.1	2.3	2.5	268	348	29.9	0.9	1.3	1.5	757	916	21.0	1.0	1.8	2.0
Britain	401	370	-7.7	1.5	1.9	1.6	225	377	67.6	0.8	1.1	1.6	626	747	19.3	1.2	1.3	1.6
Netherlands	282	383	35.8	1.1	1.3	1.7	253	261	3.2	1.2	1.2	1.1	535	644	20.4	1.1	1.3	1.4
Switzerland-Liechtenstein	339	414	22.1	1.3	1.6	1.8	143	208	45.5	0.7	0.7	0.9	482	622	29.0	1.0	1.1	1.3
Sweden	253	219	-13.4	1.1	1.2	1.0	173	226	30.6	0.9	0.8	0.9	426	445	4.5	1.0	1.0	1.0
Belgium-Luxembourg	196	221	12.8	0.7	0.9	1.0	129	180	39.5	0.8	0.6	0.8	325	401	23.4	0.7	0.8	0.9
Italy	125	181	44.8	0.8	0.6	0.8	165	201	21.8	0.8	0.8	0.8	290	382	31.7	0.8	0.7	0.8
Austria	175	230	31.4	0.8	0.8	1.0	113	139	23.0	0.6	0.5	0.6	288	369	28.1	0.7	0.7	0.8
United States	271	269	-0.7	0.7	1.3	1.2	40	34	-15.0	0.2	0.2	0.1	311	303	-2.6	0.5	0.7	0.6
Japan	215	245	14.0	0.2	1.0	1.1	41	44	7.3	0.4	0.2	0.2	255	289	13.3	0.3	0.6	0.6
Denmark	84	103	22.6	0.5	0.4	0.5	97	124	27.8	0.5	0.5	0.5	181	227	25.4	0.5	0.4	0.5
Norway	31	43	38.7	0.1	0.1	0.2	108	102	-5.6	0.4	0.4	0.5	139	145	4.3	0.3	0.3	0.3
Finland	56	56	0	0.3	0.3	0.2	70	67	-4.3	0.4	0.3	0.3	126	123	-2.4	0.4	0.3	0.3
Turkey	22	27	22.7	0.2	0.1	0.1	28	28	0	0.3	0.1	0.1	50	55	10.0	0.2	0.1	0.1
Developing countries	779	627	-19.5	3.9	3.7	2.7	935	867	-7.3	4.6	4.4	3.6	1,714	1,494	-12.8	4.2	4.1	3.2
of which :																		
Egypt	138	132	-11.6	0.9	0.7	0.5	284	273	-3.9	1.0	1.3	1.1	422	395	-6.4	0.9	1.0	0.8
India	130	76	-41.5	0.7	0.6	0.3	206	131	-36.4	0.7	1.0	0.5	336	207	-38.4	0.7	0.8	0.4
Brazil	97	149	53.6	0.5	0.5	0.7	73	49	-32.9	0.6	0.3	0.2	170	198	16.5	0.6	0.4	0.4
Iraq	1	21	2,000.0	0.0	0.0	0.1	103	104	1.0	0.1	0.5	0.4	104	125	20.2	0.1	0.2	0.3
Syria	17	32	88.2	0.1	0.1	0.1	31	50	61.3	0.2	0.1	0.2	48	82	70.8	0.1	0.1	0.2
Algeria	—	—	—	0.0	—	—	27	61	125.9	0.1	0.1	0.3	27	61	125.9	0.0	0.1	0.1

VM = Valuta-Mark; this corresponds to 4.67 roubles.

** Five-Year average †Excluding Cuba, which since 1972 does belong to the Comecon.

Source : Statistical Yearbook of the GDR 1973, p. 286 onwards.

vania, too, is likely to increase faster than average. To what extent this bias of the GDR's foreign trade towards its more highly developed neighbours will set the pattern for the future remains to be seen. There is certainly some emphasis on extra efforts at more intensive bilateral co-operation with the Soviet Union. The 14th Congress of the Joint Government Commission GDR/USSR from June 12 to 25 in Berlin produced the following resolutions:

1. To set up a economic organisation for the photochemical industry "Assofoto", with the Combine Wolfen (GDR) and "Sojuschimfoto" (USSR) in membership. Its object is to plan and manage co-operation in the research, development and production of photochemical and magnetic materials for information storage, and to look after some aspects of mutual sales and exports to third countries. It is based in Moscow.

2. To set up a joint centre for co-ordinating co-operation on important product groups and gradually introducing joint planning in the optical industry.

3. A co-operation agreement in the radio industry and in electrical engineering (e.g., production of galvanic elements in the USSR or the necessary equipment in GDR), and on specialisation and co-operation in the production of textile machinery spindles, low tension switching equipment etc.

joint planning

Agreement has been reached on developing further joint planning in selected branches and product groups. This is of particular importance for the drafting of the five-year plans 1976 to 1980, as it marks the start of a new phase of co-operation which would go beyond the previous practice, of mere co-ordination of long-term plans.

The increasing specialisation and division of labour within the Comecon area clearly offers the GDR certain advantages: it enables it to reduce its over-extended production range and to optimise the size of its production runs. But any production difficulties could turn these advantages into drawbacks, because of increasing mutual dependence and a fairly inflexible system. Such problems could affect the entire Comecon area.

In the more immediate future, the GDR does seem to be expecting some extra strain on its economy—for instance from increased participation in joint investment projects: this co-operation "will result, within the framework of the vast integration programme of the Comecon

countries, in exceptional demands on our economy, particularly this year."

IV

Outlook

Given the fairly satisfactory development of production so far this year, 1973 production targets are likely to be reached. Even so, there are plenty of problems left. Large differences in the degree of plan fulfilment continue. The engineering industry and the chemical and light industry, have been doing less well than expected and there have been difficulties in implementing investment programmes. Finally, the criticism of the quality of production and of excessive costs due to rejects, factory-covered maintenance and overtime cannot be overlooked.

Although development problems still persist (for instance with building up the energy and raw material base and with the modernisation of production plant in important branches of manufacturing), the situation in ancillary industry seems to have eased; there is now talk about the development of "normal and economically sensible capacity reserves." Yet concern is being shown that this year's peak demand for supplies, e.g., of pipes, engines, measuring and control equipment, may not be satisfied. At the same time there are fears that not all the output of some new plants, like polyurethane which is being made at Schwarzhilde, can be sold, partly because plastic moulding in the GDR has clearly not expanded in line with the output expected. The production changes are also likely to exacerbate problems with the direction of labour.

These developments will certainly make extra claims on co-ordination and adaptability which the central authorities cannot deal with on their own. In view of the increasing consolidation of the means of production, it would therefore make sense gradually to relax the strong central administration of the economy so as to minimise frictional losses. Honecker's recent remarks point to this kind of development in the reasonably near future: "The more continuously, the more normally our economic life develops, the stronger the tendency for the council of ministers and the ministries to concentrate on the basic questions of the reproduction process, while the directors-general and the directors of the combines, firms, VVB and other relevant economic bodies will take on increasing responsibilities for the detailed preparation and implementation of these plans."

Whether this alone will be enough to set off the desired long-term development trend remains to be seen. Thorough and con-

tinuous economic success requires not merely improved planning and management methods, but also expansion in the recording, processing and transmission of information and, above all, correction of the currently rigid pricing system.

The GDR leadership's long term development plans, which provide for an average annual increase between 1970 and 1990 (in rounded percentage figures) of: Produced national income 5.0; Manufacturing production 7.0; Productivity of labour 6.5; Average net money receipts 3.5; Consumer spending 4.5 are not so much the product of a carefully worked out and internally consistent development concept but rather of an extrapolated trend with "framework of orientation" character. Three features in particular are worth stressing to help with the political evaluation of long-term targets:

The projected overall economic growth rate of five per cent a year on average which, although lower than the increase planned as for the next two years, must be rated problematic because it is based on an average increase in industrial productivity of 6.5 per cent;

The below-average growth in incomes, with the annual average of 3.5 per cent;

The priority given to housing: by 1990 some 2.9 to 3 million dwellings are to be newly built or modernised (total: 6.5 million households) to "solve the housing problem."

optimistic targets

The longer term production targets, then, are fairly optimistic, while the consumption targets clearly reflect the GDR's limited scope for development, given the increasing integration with the less developed Comecon area. The GDR leaders currently reckon that in this period an as yet incalculable process of approachment between the socialist states and a further strengthening of their union and integration with Lenin's country will take place, but this would not only demand an above-average development aid contribution from the GDR, it would given its increasing involvement in foreign trade—also make it increasingly dependent on the other Comecon countries, and particularly the Soviet Union, for its economic growth.

Sources and acknowledgements: The foregoing summarises a report in depth in the latest issue of the *Economist Bulletin* published by the Deutsches Institut für Wirtschaftsforschung (33 Koenigin-Luise St. Berlin 33), but the DIW is responsible neither for the emphasis of my summary nor for my interspersed comments based on a variety of sources.

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The role of petroleum in US energy supplies

Washington

FOLLOWING ARE excerpts from a fact sheet issued by the White House to accompany President Nixon's Energy Message:

Petroleum accounts for 46 per cent of the nation's energy supplies. The remainder is supplied by coal—17 per cent; natural gas—32 per cent; hydropower—four per cent; and nuclear—one per cent.

A reduction of 10 per cent to 17 per cent in petroleum supplies will involve a reduction in total energy supplies of 5-8 per cent.

If the supply of petroleum were not constrained, current estimates are that US demand would reach 19.7 million barrels per day in the first quarter of 1974.

huge oil deficit

Current estimates of petroleum supplies are 16.5 million barrels per day in the first quarter of 1974. The deficits, if actions to reduce demands are not taken, will amount to 3.5 million barrels per day. The deficit would then drop back below 3 million barrels per day in the second quarter of 1974.

Stocks of petroleum could be used to supply demands for a limited period (28 to 40 days, depending upon the type of fuel), but the use of stocks only postpones the time when a more permanent solution to the problem becomes necessary.

The alternative actions that must be taken to bring demand into line with supplies include reducing demand, substituting one fuel for another, and changing the mix of petroleum products from refineries to meet highest priority needs, i.e., to distillates, jet fuel and residual from gasoline. These actions are designed to spread the impact of shortages as equitably as possible, and to minimize the impact of the shortages on our economic activity.

The projected first quarter shortage is 3.2 million barrels per day, or 17.3 per cent of demand.

Half of that shortage can be made up by shifting refinery production; the remainder will be realized through reductions in airline flights.

per day (17.5 per cent of demand) can be reduced by a refinery shift of 400,000 barrels per day.

First Quarter 1974 Petroleum Shortfalls (thousands of barrels per day)

Product	Net shortage*	Per cent of project demand
Jet Fuel	173	14
Gasoline	1,412	22
Middle Distillates	498	11
Residual Oil	852	24
Other	526	14
Total	3,461	17

*Net shortage refers to shortages after the proposed shift in refinery production.

Expected shortages will be 1,400,000 barrels per day during the first quarter of 1974 (21.4 per cent of demand).

Fifteen per cent reduction in use by business and government will yield a 300,000 barrels per day saving.

Reduction in passenger car use of 24 per cent could provide 1,100,000 barrels per day savings.

Current shortages of 900,000 barrels

Reduction of residential and commercial heating by a few degrees saves 490,000 barrels per day.

Fifty per cent reduction in the use of distillates for "peak power" production by electric utilities on a selective basis yields 150,000 barrels per day.

These and other reductions will provide approximately 200,000 barrels per day as a hedge against a colder than normal winter.

Current shortages of 1,050,000 barrels per day (29.4 per cent) can be made up through:

Refinery shift of 200,000 barrels per day; the conversion of oil burning electrical generation plant into coal (250,000 barrels per day); a 15 per cent reduction in heating uses of residual oil (90,000 barrels per day); a 3 per cent cut in electricity (300,000 barrels per day); a 10 per cent reduction in the industrial use of residual oil (60,000 barrels per day); reducing residential consumption of natural gas so that electric utilities can use it instead of residual oil for power generation (100,000 barrels per day).

US Supply and Demand for Petroleum Products

(million of barrels per day)

	4th Qtr 1973			1st Qtr 1974		
	Base level	Impact of cut-off	Current forecast	Base level	Impact of cut-off	Current forecast
Demand	18.6	..	18.8	19.7	..	20.0
Supply						
(Domestic)						
Sources	11.4	..	11.4	11.1	..	11.1
Imports	7.0	1.2	5.8	7.8	3.2	4.7
Others	.2	..	.2	.8	..	.7
Total Supply	18.6	1.2	17.4	19.7	3.2	16.5
Deficit	..	..	1.4	..	..	3.5
Percent of Total Demand			7.5			17.3

— Courtesy USIS

TRADE WINDS

New Loans

THE UNION government has announced the issue of further tranches of the following three government of India loans aggregating Rs 115 crores: (i) 4 per cent Loan, 1981 (Second Issue) to be issued at Rs 99.75 per cent and repayable at par on July 21, 1981; (ii) 5 per cent Loan, 1987 (Second Issue) to be issued at Rs 100.00 per cent and repayable at par on July 21, 1987; and (iii) 5 per cent Loan 2003 (Third Issue) to be issued at Rs 100.00 per cent and repayable at par on May 12, 2003. Subscriptions to the above loans will be received in the form of cash cheque. Subscriptions will be received from December 21 to December 24, 1973 (both days inclusive) but the subscriptions lists may be closed earlier without notice as soon as the total subscription amounts to Rs 115 crores. The government reserve the right to retain subscriptions upto 10 per cent in excess of the notified amount. If the total subscriptions received for the loans exceed the notified figure plus the amount of 10 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 on 4 per cent Loan, 1981 (Second Issue) and 5 per cent Loan, 1987 (Second Issue) for the period December 21, 1973 to January 20, 1974 inclusive will be paid on January 21, 1974 and thereafter payment of interest will be made half yearly on July 21 and January 21. Interest on 5 per cent Loan 2003 (Third Issue) for the period December 21, 1973 to May 11, 1974 in-

clusive will be paid on May 12, 1974 and thereafter interest will be paid half yearly on November 12 and May 12. 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 other investments specified in Section 5 of the Wealth Tax Act will also be exempt from the Wealth Tax upto Rs 1,50,000. Applications for the loans will be received at offices of the Reserve Bank of India at Ahmedabad, 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 Hyderabad; and branches of the State Bank of India at other places in India.

Sugar Output

According to the Indian Sugar Mills Association, the sugar production in the month of October, 1973, the first month of the season 1973-74 was about 65,000 tonnes as against 104,000 tonnes during the corresponding period last season. The off-take of sugar from factories during the month of October, 1973 was about 303,000 tonnes for internal consumption and 20,000 tonnes for exports

as against about 319,000 tonnes for internal consumption and 5,000 tonnes for exports in the corresponding period last season. The total closing stock of sugar with the factories on the 31st October, 1973 was about 5,85,100 tonnes as against about 3,72,000 tonnes on the same date last season.

National Income 1971-72

The Central Statistical Organisation recently gave the provisional estimate of rise in the national income for 1971-72 (at constant 1960-61 prices) as 1.7 per cent over the previous year. The low rate of increase (against the fourth Plan target of 5.5 per cent) is the result of the fall in foodgrain production in 1971-72. The manufacturing sector recorded a slightly higher increase of 2.8 per cent, but increases in sectors other than agriculture were not large enough to compensate for the fall in agricultural production. The per capita income recorded a marginal fall of 0.6 per cent, during 1971-72 over 1970-71. The per capita income in 1971-72 is estimated at Rs 645.40 at current prices and Rs 343.60 at the 1960-61 prices as compared to Rs 627.50 and Rs 345.80 in the previous year. National income in 1971-72 stood at Rs 35,756 crores at current prices and Rs 19,033 crores at the 1960-61 prices.

Union Carbide Research Centre

Mr P.C. Sethi, chief minister of Madhya Pradesh, laid the foundation stone of Research Development Centre of the Union Carbide at Bhopal recently. Mr E.A. Munoz, managing director, Union Carbide, stated in his speech that the company had developed a team of skilled technicians who were pursuing basic research in the field of pesticides and they will be provided with the best facilities to continue their work.

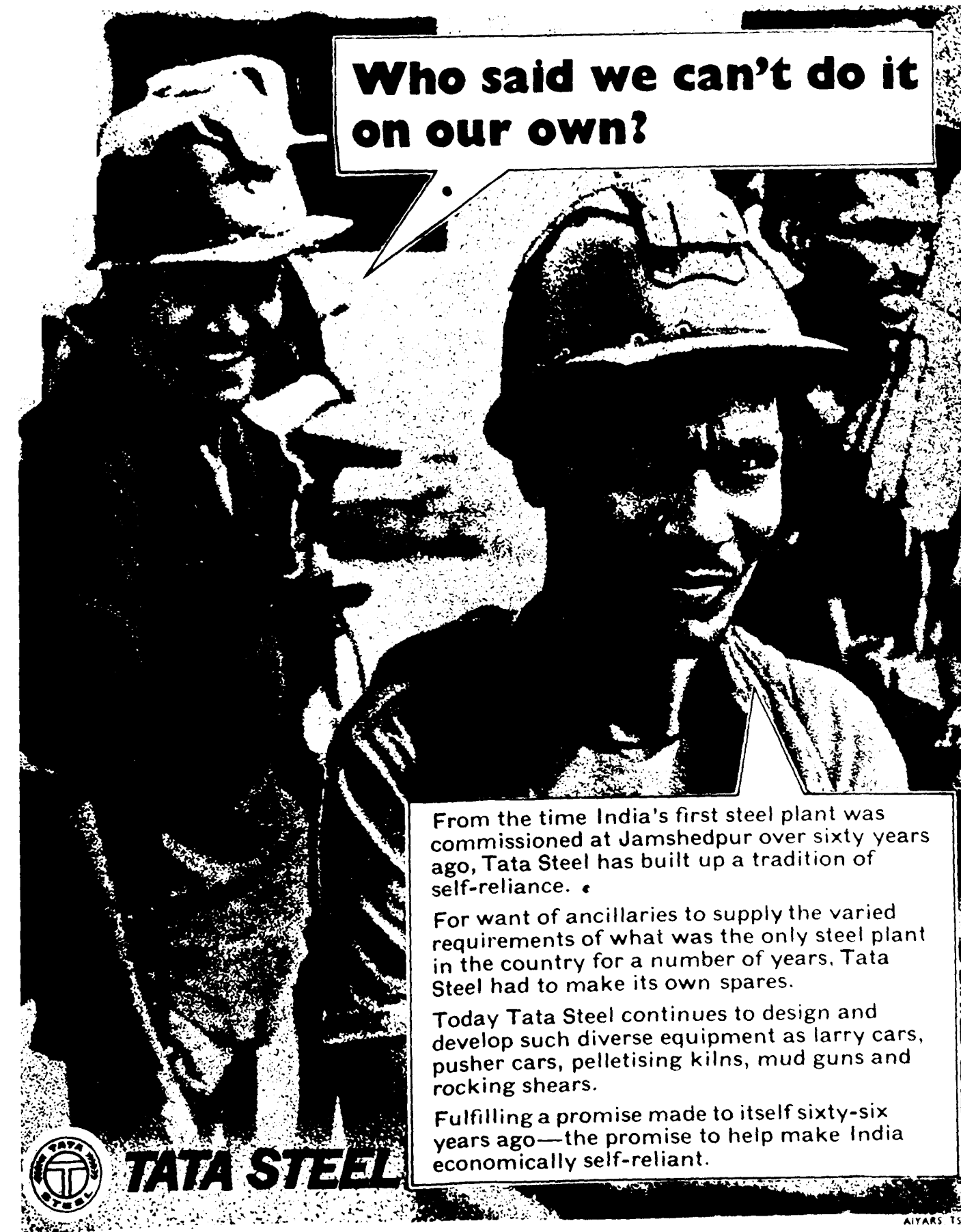
At present there are 30 scientists and technicians at Bhopal

who are devoting their full time to research and development work. Mr B.K. Dutta, general manager, Agricultural Chemicals Operations, stated that the company was proud of these research workers because they had already shown, through their research work, the measure of independence that could be achieved in establishing local manufacturing facilities. The Centre, when in full operation, will have the latest laboratory facilities and will be augmented with additional staff to develop pesticides which will allow the farmer to grow pest-free crop of rice, millets, maize, oilseeds, cotton jute, pulses, vegetables, fruits and other crops of economic importance.

Mr Dutta added that in search of more effective and safer pesticides, Union Carbide has been successful in introducing Carbamates — a group differing from chlorinated hydrocarbons and organophosphates. This group can provide all types of pesticides insecticides, fungicides, weedicides, nematocides, miticides, etc. — and Union Carbide was leading in this field and had the unique technology necessary for their manufacture. An associate of the company, Union Carbide Corporation, had synthesized and tested about 50,000 compounds so far to determine their biological efficiency and economic use. These compounds will be available to the company, in addition to those it intended to acquire from other sources, to test them under Indian conditions.

Indo-Czech Trade

Trade negotiations were held between the trade delegations of India and Czechoslovakia and a trade protocol was concluded envisaging a trade turn-over of Rs 150 crores between the two countries during 1974. The trade protocol was signed recently by Mr A.S. Gill, joint secretary, ministry of Commerce, on behalf of the government of India and by Mr V. Kirsbaum, director general, ministry of Foreign Trade, on behalf of the go-



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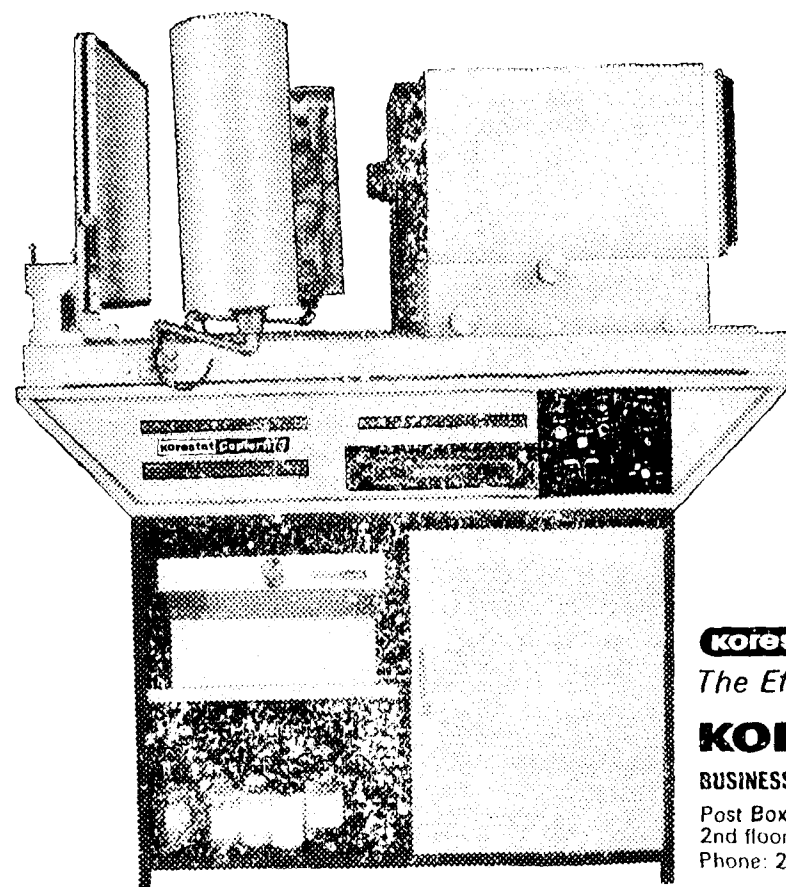
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ment of the Czechoslovak Republic. Besides various traditional commodities such as jute manufactures, oiled cakes, iron ore, coffee, jacco etc., from India to Czechoslovakia, a number of n-traditional items including ished leather and leather oducts, rayon and synthetic ries including ready-made rments, engineering goods ch as automobile ancillaries, nd tools and small tools, stings and foregings and ala- clocks, drugs and medicines .. will be exported from dia to Czechoslovakia in 74. Principal items of im- ri from Czechoslovakia dur- g 1974 will include rolled el products, newsprint, cap- lactum, organic and inorga- chemicals, casing pipes and achinery items.

Self-reliance in Ship building

This country will attain a rge measure of self-reliance the requirements of ships by e end of the sixth Plan. The rogramme of ship building uring the fifth Plan contem- tes the maximum expansion f the shipyards at Visakhapat- am, Cochin, Mazagon Dock nd Garden Reach Workshop. his would lead to a total capa- ty of 4,75,000 GRT. In ad- ition, it is proposed to take p construction of at least two ew shipyards during the fifth lan period. Preliminary stu- ies regarding selection of a nitable site, keeping in view ie size of tankers and bulk arriers to be constructed, is nderway. A Techno-Econo- ic Group appointed by the inistry of Shipping and ransport, has already visited umber of locations in vari- us maritime states. The am is expected to forward s report by the end of the urrent month. Meanwhile, eports are being received from arious countries giving details f the terms and conditions f collaboration in ship building.

An amount of Rs 160 crores s expected to be spent in the etting up and expansion of he Cochin shipyard and the xpansion of the Hindustan Shipyard Limited. Funds

Company Notices:

Upper Ganges Sugar Mills Limited

NOTICE

NOTICE is hereby given that the Forty-first Annual General Meeting of Upper Ganges Sugar Mills Limited will be held on Friday, the 28th December, 1973 at 3.00 P.M. at 9/1, R.N. Mukherjee Road, Calcutta-1, for the following purposes:

1. To receive and consider the Report of the Directors and to adopt the Audited Accounts of the Company for the year ended 30th June, 1973.
2. To declare dividends.
3. To elect Directors in place of Shri R.K. Kanoria and Shri C.P. Dalmia who retire by rotation and being eligible offer themselves for re-election.
4. To appoint Auditors and fix their remuneration.

As Special Business:

5. To appoint a Director in place of Shri Sudhir Jalan who was appointed as an Additional Director by the Board of Directors. His term of office expires at this Annual General Meeting. A notice in writing has been received by the Company from a member proposing his candidature for the office of Director and signifying his intention to move the following resolution as an Ordinary Resolution:—
“Resolved that Shri Sudhir Jalan be and is hereby appointed a Director of the Company.”
6. To appoint a Director in place of Shri G.K. Bhagat who was appointed as an Additional Director by the Board of Directors. His term of office expires at this Annual General Meeting. A notice in writing has been received by the Company from a member proposing his candidature for the office of Director and signifying his intention to move the following

resolution as an Ordinary Resolution:—

“Resolved that Shri G.K. Bhagat be and is hereby appointed a Director of the Company.”

7. To appoint a Director in place of Shri Bhaskar Mitter who was appointed as an Additional Director by the Board of Directors. His term of office expires at this Annual General Meeting. A notice in writing has been received by the Company from a member proposing his candidature for the office of Director and signifying his intention to move the following resolution as an Ordinary Resolution:—

“Resolved that Shri Bhaskar Mitter be and is hereby appointed a Director of the Company.”

8. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:—

“Resolved that the Company hereby approves the appointment/re-appointment of the parties as per list circulated, as distributors for the sale of Confectionery and Milk Products manufactured by Morton Confectionery and Milk Products Factory at Marhowrah (of which the Company is the lessee on the terms and conditions and for the areas as set out in the Standard Distributorship agreement subject to any variation that may be made in the terms including changes in areas”.

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

9/1, R.N. Mukherjee Road,
Calcutta-1, the 1st December, 1973.

Notes:—

1. A member entitled to attend and vote at the meeting

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

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

3. The Register of Members of the Company will remain closed from the 22nd December, 1973 to the 28th December, 1973 both days inclusive.

4. The dividends when declared will be payable to the registered shareholders as on the 28th December, 1973 or to their mandatees on or after the 15th January, 1974.

The explanatory statement has been sent to the shareholders.

The Delhi Cloth & General Mills Co. Ltd.

NOTICE

In terms of Rule 4A of the MRTP Rules, 1970, it is hereby notified that The Delhi Cloth & General Mills Co. Ltd., Bara Hindu Rao, Delhi-110006, propose to make an application under Section 22 of the MRTP Act, 1969, to the Central Government in the Deptt. of Company Affairs, New Delhi, in regard to its proposal to manufacture Caustic Soda/Chlorine products with a capacity of 200 M. tons per day in a Backward District of Gujarat and involving an estimated investment in land, building, plant and machinery of Rs. 1400 laes.

Any person interested in the matter may, if he so desires, intimate to the Central Government in the Department of Company Affairs, within 14 days of the publication hereof his views with regard to the proposal contained in this notice and also the nature of his interest therein.

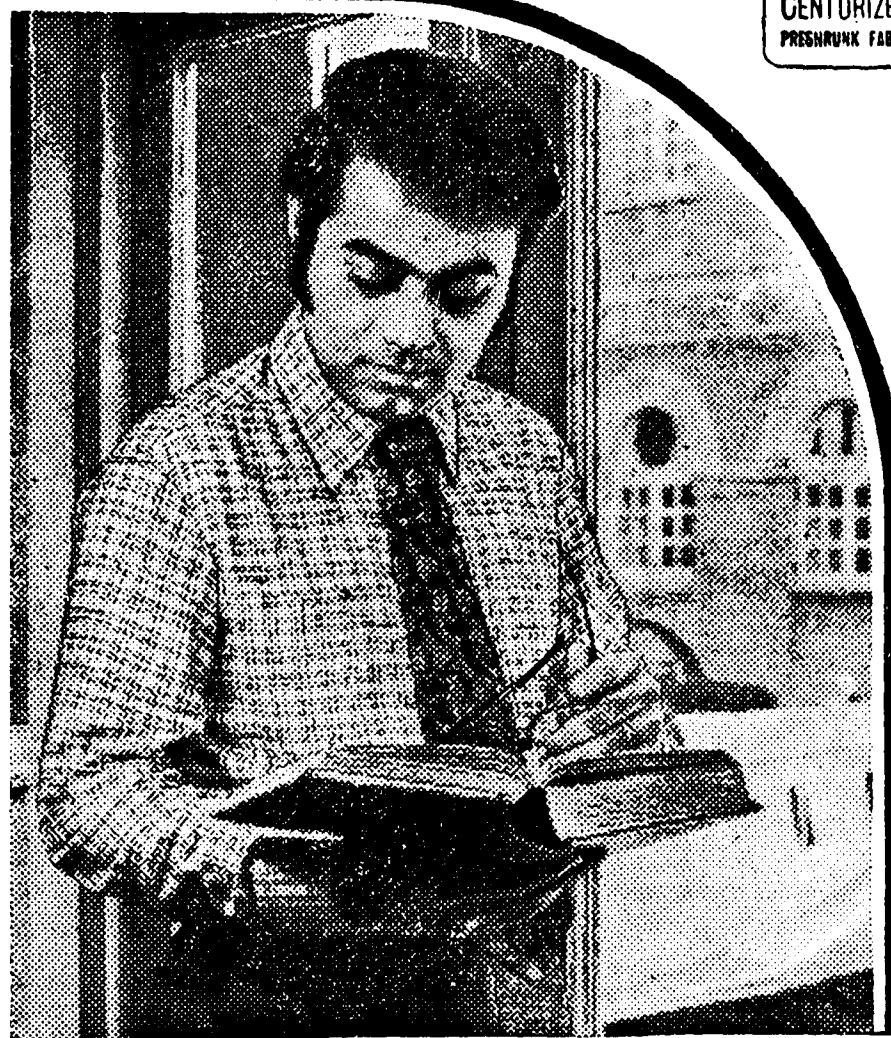
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have also been provided for subsidising ship building ancillaries, initial expenditure on new ship building yards. For promoting selfreliance in design of ships, the Central Maritime Design and Research Organisation will also be set up during the fifth Plan. A team of experts has already visited a number of countries to study their maritime design organisation. The team, which has already given its report, has recommended the setting up of a design and research centre at a capital cost of Rs 20 crores.

W. Germany in Developing World

West German private investment in developing countries is to be promoted by tax concessions granted in Germany. The West German government has decided to extend the respective law—the Development Assistance Tax Law dated from 1963 in a modified form. Till now the West German tax payer investing in developing countries was allowed, to make, for purposes of computing his profits, a deduction from the value of these capital investments of up to 15 per cent of the cost of acquisition or production of such capital investments. This possibility of deduction while computing the profits is going to be abolished. Also till now the investor was allowed to establish a tax-free reserve of up to 50 per cent of the costs. This percentage share will in future be stipulated depending on the stage of development of the country in which it has been invested.

A tax-free reserve of 75 per cent will be granted in case of investment in one of the 25 least developed countries. There will, in future be no concessions for tourism projects. The Development Assistance Tax Law, having been in the past extended always for one year, will in the modified form be valid without any temporal limitation. The tax incentives being granted under the present form of the law cost the Ger-

man government about DM 200 million (Rs 66 crores) per year.

UNDP Assistance

The United Nations Development Programme has agreed to assist India in the establishment of regional computer centres over a period of years to quicken the tempo of planned economic development. In its seven-year country programme approved by the Governing Council of UNDP in June 1972, the government of India had included requests for the establishment of three large computer centres. These are to be established at the Tata Institute of Fundamental Research (TIFR) at Bombay, Jawaharlal Nehru University (JNU) at New Delhi; and the National Aeronautical Laboratory (NAL) at Bangalore. Each of these centres has its own specific orientation, but they are to be operated ultimately in a co-ordinated manner to serve the best interests of the country.

A UNDP mission which visited India during May 1973 had the opportunity to review the overall computer situation in India and the detailed plans for the establishment of the above mentioned three centres. The mission concluded in its report that there was a demonstrated need for the establishment of some regional large-scale centres and a need for UNDP assistance to the government in its efforts to organize such centres, to prepare their utilization, to acquire the required computer systems and to operate these centres.

Asian Statisticians Meet

The twelfth session of the Conference of Asian Statisticians was inaugurated on December 10 by Mr D. P. Dhar, minister of Planning, in New Delhi. Sixty-five delegates from 20 countries are attending the two week conference in addition to observers from eleven UN agencies including United Nations International Children's Emergency Fund (UNICEF).

Save with grace

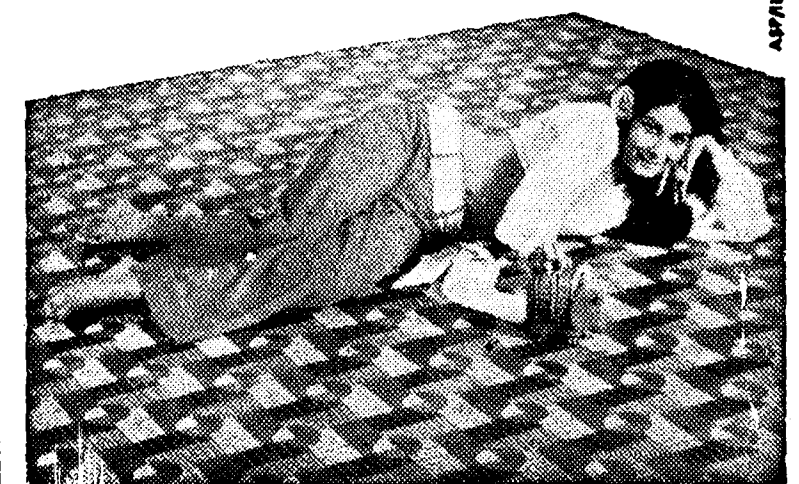
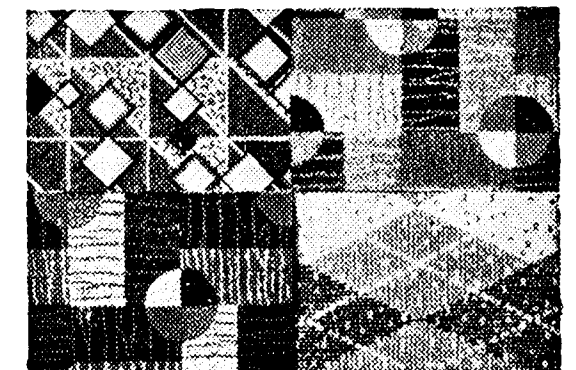
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United Nations Conference on Trade and Development (UNCTAD), International Labour Organisation (ILO), United Nations Educational, Scientific and Cultural Organisation (UNESCO) and International Monetary Fund (IMF).

The Conference will consider, among other things, evaluation of multi-subject sample survey system; measurement of employment; unemployment and under-employment; long-range programmes in agricultural statistics; and the report of the working groups on current demographic statistics.

1000th Boeing 727 Roll Out

The 1000th Boeing 727 rolled out of the factory on November 29, exactly eleven years and two days after the first T-tailed aircraft was unveiled in 1952. When the first 727 was being constructed in 1962, market forecasters predicted eventual sales of up to 300 aircraft. The total sales now stand at 1093 (79 sold during 1973).

Exports of Rayon Textiles

Exports of rayon and synthetic textiles registered a record figure of more than Rs 16 crores during the ten-month period Jan-Oct 1973, compar-

ed to Rs 7.19 crores during the corresponding period in 1972, an increase of 123 per cent. Out of these fabrics alone accounted Rs 12.67 crores, showing a rise of 107 per cent over the performance in Jan-Oct. 1972. Offtake of garments and made-up items too improved by 123 per cent (from Rs 24.54 lakhs in Jan-Oct. 1972, to Rs 54.82 lakhs in Jan-October 1973. Table below gives various items of export.

IPCL Board of Directors

The President has appointed the following persons as new Directors of the Indian Petrochemicals Corporation Limited with immediate effect: Mr L.R. Dalal, Chief Secretary, government of Gujarat; Mr N. Sivagnan, Secretary, Industries, Mines & Power Department, government of Gujarat; Mr Vinod Kumar, Joint Secretary, ministry of Petroleum and Chemicals, Mr N.C. Krishnamurthy, Adviser (Petrochemicals), ministry of Petroleum and Chemicals; Dr A. Satharamiah, Director General Technical Development, ministry of Industrial Development; Dr B.D. Tilak, Director, National Chemical Laboratory, Poona; Mr R.N. Bhatnagar, General Manager, Indian Oil Corporation, Marketing Division; Mr R. Narashiman, Deputy Secretary, ministry of Finance, Department of Expenditure; and Mr Ravi Matthai, Professor, Indian

Institute of Management, Ahmedabad; Mr J.J. Mehta, Managing Director and Mr A.J.A. Tauro, Finance Director of the IPCL, who had not retired from the earlier Board will continue on the new Board.

Reduced Exports of Manganese

The Steel and Mines ministry has decided to reduce progressively the export of manganese ore to conserve ore and to meet the growing demands within the country. The ministry has decided to reduce the export of ores containing 35 to 45 per cent manganese by 20 per cent of the 1971-72 level this year (1973-74) and by 40 per cent during 1974-75. The position of exports after 1974-75 would be reviewed before March 31 next year in the context of the indigenous requirements and production of manganese at that time. The ministry has decided to peg the exports of all grades of ores containing less than 35 per cent of manganese at the 1971-72 level until further review by the middle of next year. The ministry has decided to permit the export of ferro-manganese metal for the present.

New Business by LIC

The total new business of the Life Insurance Corporation of India in October, 1973 amounted to Rs 12,456 crores, involving 120,547 policies. This included foreign business worth Rs 87 lakhs. During the month, the western zone of the Corporation completed the highest amount of new business (Rs 44.10 crores) followed by the southern zone (Rs 32.69 crores) and the central zone (Rs 17.49 crores). The eastern and northern zones did business amounting to Rs 15.33 crores and Rs 14.08 crores respectively. The total business completed by the Corporation, including foreign business, during the first seven months of the current financial year amounted to Rs 828.40 crores compared with Rs 727.54

crores during the corresponding period of 1972-73.

Award for Hindustan Shipyard

The Hindustan Shipyard Limited, Visakhapatnam, has been adjudged one of the winners of the National Safety Award for the second year in succession for showing the lowest rate of accidents during the year 1971. Mr O.P. Moria, President Representative, received the award on behalf of the Shipyard, comprising Rs 2,500 in cash and a running trophy.

Trade Team From Yugoslavia

India and Yugoslavia had formal talks recently to give a new dimension to the flow of goods between the two countries during the first year of their trade in convertible currency. The talks were opened with a meeting between the Commerce minister, Mr D.P. Chattopadhyaya, and a 15-member Yugoslav trade delegation, headed by the Assistant Federal Minister for Foreign Trade, Mr Bovak Foleksic.

Sericulture Industry

The union government has announced its decisions on the Tariff Commission's Report (1973) on the Biennial Review of Sericulture Industry by a resolution issued in the Gazette of India recently. This is an interim review; a final review is expected to be made next year. Pending the final review, the Tariff Commission has recommended, and the government has accepted, continuance of protection to the Sericulture industry at the existing rates of protective duty, till December 31, 1974. The Tariff Commission has further recommended a number of measures for streamlining and strengthening the industry so that the industry can stand on its own legs without governmental support. These recommendations have been largely accepted by government.

Export of Rayon and Synthetic Textiles—(Item-wise)

	Jan-Oct. '72	Jan-Oct. '73	(Rs '000) % change over '72
Fabrics	61,104	1,26,752	+ 107
Garments	2,454	5,482	+ 123
Hosiery & knitwear	1,104	922	- 16
Tyre cord/yarn	4,828	4,175	- 14
Miscellaneous	2,416	22,709	+ 840
Total	71,906	1,60,040	+ 123

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COMPANY AFFAIRS

Kamani Metals

KAMANI METALS and Alloys has fared extremely well indeed during the year ended June 30, 1973, the turnover, profits and margins being all higher than in the preceding year. The equity dividend too has been enhanced from 11 per cent to 12 per cent. Besides the directors have revised their proposal for the issue of bonus shares. They have now proposed to issue bonus shares in the ratio of one share for every two share held instead of the earlier proposal of two-for-five which was rejected by the Controller of Capital Issues. Sales and other income of the company advanced from Rs 6.70 crores in 1971-72 to Rs 8.04 crores in 1972-73 while gross profit was up at Rs 77.79 lakhs as against Rs 62.02 lakhs in the preceding year. Out of the gross profit, a sum of Rs 17.73 lakhs has been allotted to depreciation reserve as compared to Rs 16.03 lakhs, while the allocation to development rebate reserve was reduced from Rs 5.18 lakhs to Rs 2.50 lakhs. After adjustments a sum of Rs 49.95 lakhs was transferred to general reserve as against Rs 40.75 lakhs in 1971-72. The proposed equity dividend will absorb Rs 6.60 lakhs, Rs 0.55 lakh more than in 1971-72 while preference dividend will claim Rs 2.85 lakhs, same as in the earlier year, and will be paid out of the general reserve.

Standard Batteries

Standard Batteries has reported encouraging working results during the year ended June 30, 1973, with sales and profits outstripping the previous year's performance by a handsome margin. Equity divi-

dend too has been stepped up from 10 per cent to 12.5 per cent. The current year holds out promise of further improvement, the sales during the first five months being Rs 50 lakhs ahead of at Rs 274 lakhs the level achieved in the same period of last year. With a smart rise in sales from Rs 6.57 crores in 1971-72 to Rs 7.80 crores in 1972-73, gross profit moved up sharply from Rs 39.04 lakhs to Rs 57.09 lakhs. Out of the gross profit, the directors have appropriated a sum of Rs 19.82 lakhs to depreciation reserve, Rs 3.55 lakhs to development rebate reserve and Rs 22 lakhs to taxation reserve as against Rs 16.99 lakhs, Rs 1.64 lakhs and Rs 12.60 lakhs provided respectively in 1971-72. This leaves a substantially higher net profit of Rs 11.72 lakhs as compared to Rs 7.81 lakhs in the previous year.

Consolidated Coffee

The directors of Consolidated Coffee Ltd after careful consideration have decided to invest a sum of Rs 30 lakhs out of the company's surplus funds in the equity capital of Vikrant Tyres Ltd, an enterprise with a capital of Rs 18 crores, engaged in the manufacture of tyres and tubes in the district of Mysore. As Vikrant Tyres is under an obligation to export at least 10 per cent of its production and as consolidated Coffee has an experienced export organisation at Mangalore, Messrs Vikrant Tyres Ltd has agreed to appoint the company as its export managers. In the opinion of the directors of Consolidated Coffee, this investment in a new, dynamic and promising industrial venture, is quite sound and profitable. Moreover the expected total return on the investment by way of dividends and management

remuneration is also considered as quite attractive.

Travancore Rayons

The equity and preference shareholders of Travancore Rayons Ltd have approved a scheme for amalgamating the erstwhile Indian Overseas Bank Ltd (IOB) with Travancore Rayons Ltd (Trayons), as required under the provisions of the companies Act. The scheme which is now subject to the approval of the Kerala High Court will come into effect from January 1, 1974 when all the assets and liabilities of IOB will vest in the Trayons.

Central India Spinning

The Central India Spg. Wvg. & Mfg. Company Ltd has received a letter of intent from the central government, for the manufacture of kraft liner, corrugated medium, poster paper and tissue paper, up to an aggregate annual capacity of 2000 tonnes. The paper plant will be installed at the present premises of the mills at Nagpur. The project is expected to go into production within a period of 12 to 18 months.

Calcutta Electric Supply

The Calcutta Electric Supply Corporation Ltd during 1972-73 has not only maintained the performance of its power plant at the previous year's level but has actually improved up on it. The power stations of the company delivered 115 million units, about six per cent more for distribution than they did in previous years, despite severe handicaps such as the aging plant and deteriorating quality of coal. This is indeed

a remarkable performance by any standards especially in a situation where a five per cent decline of output per year is accepted as normal for plant comparable age. The disquieting feature, however, of this performance is that it has meant an amount of strain to plant in the expectation of relief with the commissioning of Santaldih power station in June this year. Unhappily this expectation has not been fulfilled. The strain calls for greater and more intensive maintenance during the current year and this is bound to be reflected in a lower output as compared to the year under review. These observations are contained in the Chairman, Mr Sachindra Chaudhuri's statement circulated to the shareholders of the company. The clear profit for the year as computed under the Electricity (Supply) Act 1948 was Rs 157.67 lakhs, falling short by Rs 71.27 lakhs of the reasonable return which the company is entitled to earn under the Act. This profit includes Rs 55.0 lakhs by way of withdrawal from the contingencies reserve permitted by the state government, partially to offset the loss of profit during the year. This is clearly indicative of a further erosion of the company's financial position as a result of the continuing delay in implementing a comprehensive revision of its rates designed to bring the clear profit more in line with the reasonable return.

Engineers India

The performance and achievements of Engineers India Ltd since its inception were highlighted by the Chairman and Managing Director, Mr M.S. Pathak in his annual statement circulated to the shareholders of the company. A modest beginning was made by the company in the field of petroleum refining in 1966 with the initiation of the Madras Refinery project. Thereafter the company has made rapid strides and has carried out successfully several giant ventures and difficult assignments. Over the years, it has

gained such varied and rich experience that it is now in a position to take the full responsibility for the design and construction of complete petroleum refining plants. It stepped into the field of petrochemicals in 1968 by undertaking to execute 90 per cent of the engineering of the Koyali Aromatics project. Now it is engaged in the engineering of the Koyali Petrochemical Complex, a project of major complexity being engineered for the first time in the country. As regards the fertilizer field the company has completed its engineering work for Indian Farmers' Fertilizer Co-operatives' ammonia plant and Southern Petrochemical Industries Corporation's urea plant. Currently it is engaged in the engineering of SPIC's acid complex plant. The Central Service Organisation, which was set up as a cell for providing specialised consultancy services in the maintenance and materials problems of process plants, has rendered valuable services to Indian Oil Corporation Ltd, Indian Petrochemicals Corporation Ltd and the Ceylon Petroleum Corporation. EIL's technical collaboration with overseas companies in respect of the design of heat exchange equipment (including air coolers and waste heat boilers), process heaters and distillation trays has enabled it to save for the country a considerable amount of foreign exchange, and simultaneously to develop a technological capability that would otherwise not have developed in the country within such a short period. In the area of ocean engineering EIL has made a start with sea-bed investigations, collection and analysis of meteorological and oceanographic conditions and hydrographic, shallow seismic profiling and shallow coring surveys. The EIL has also made significant progress in the sphere of systems engineering.

In the field of non-ferrous ore processing plants, EIL is fully capable of undertaking engineering, procuring and constructing these plants based on process know-how furnished

to it. It has set itself up to cater to the requirements of Hindustan Copper Ltd and Hindustan Zinc Ltd. The EIL already has an engineering cell for designing affluent treatment systems for petroleum refining, petrochemical and fertilizer plants. A comprehensive array of programmes has also been developed by the company to optimise the design of the plant and equipment and to assist in effective project management, including project scheduling and cost control. More effective use has also been made of scale modelling to optimise plant layouts and to aid in expeditious construction work.

The EIL has long graduated from a position of secondary responsibility to that of prime responsibility for putting up facilities in its areas of specialisation. It offers the full range of technical services—feasibility studies, basic design engineering, equipment procurement expediting inspection, construction, supervision, commissioning assistance and overall project management. Of the known design companies in the country, EIL, though youngest, has emerged, it seems, as the largest of its kind in this specialised field.

Warner Hindustan

The original bonus issue proposal of Warner-Hindustan was approved by the shareholders at the ninth annual general meeting for one new equity bonus share for every two existing equity shares held, has been turned down by the Controller of Capital Issues. The reason communicated by the government for such rejection is that the proposal does not meet 33-1/3 per cent residual reserve requirements as laid down in the Bonus issue Guidelines. The government, while computing the residual reserve requirements, has considered 'claims not acknowledged as debts' appearing in the Notes to Accounts as contingent liabilities having a bearing on the net profit of the company. The company's representation on this point, however, did not alter the stand taken

by the government. Accordingly, the Board of Directors of the company at their meeting held on December 6, 1973 have decided to revise the proposal to make a bonus issue on the basis of three new equity bonus shares for every 10 existing equity shares held. The revised ratio will meet the residual reserve requirement even after deducting the total amount shown as 'claims not acknowledged as debts' from the reserves as per government's decision. At this meeting, Mr Kharshedji Hormasji Bhabha was appointed the new Chairman of Warner-Hindustan Limited, in place of Mr N.B. Vakil, who expired last month. Mr Bhabha, a well-known advocate, has been associated with this company as a Director since 1966 and is also on the board of several leading companies.

News and Notes

(Expansion and Diversification)

ACC's proposal for expansion of its works at Bhupendra and Wadi by two lakh tonnes and 3.3 lakh tonnes per year respectively and for setting up a new cement unit at Pali in Rajasthan with an annual capacity of 6.6 lakh tonnes have been approved. The company at the same time will also continue to concentrate on rehabilitation and modernisation of its factories. Besides it is also engaged in expanding the existing capacity of its cement unit. Thus phase one of technical improvement at Bhupendra Works has been in progress under which the company would obtain a marginal increase in the production capacity and a better fuel consumption. The installation of balancing equipment at Wadi would lead to larger production and a better fuel efficiency. Additional production has been planned also at Jamul by installing balancing equipment. The successful implementation of these proposals which presupposes fair incentives and reasonable cement retention prices, will, however, have to rely heavily on funds from public financial

institutions to meet the increased capital costs.

New Issues

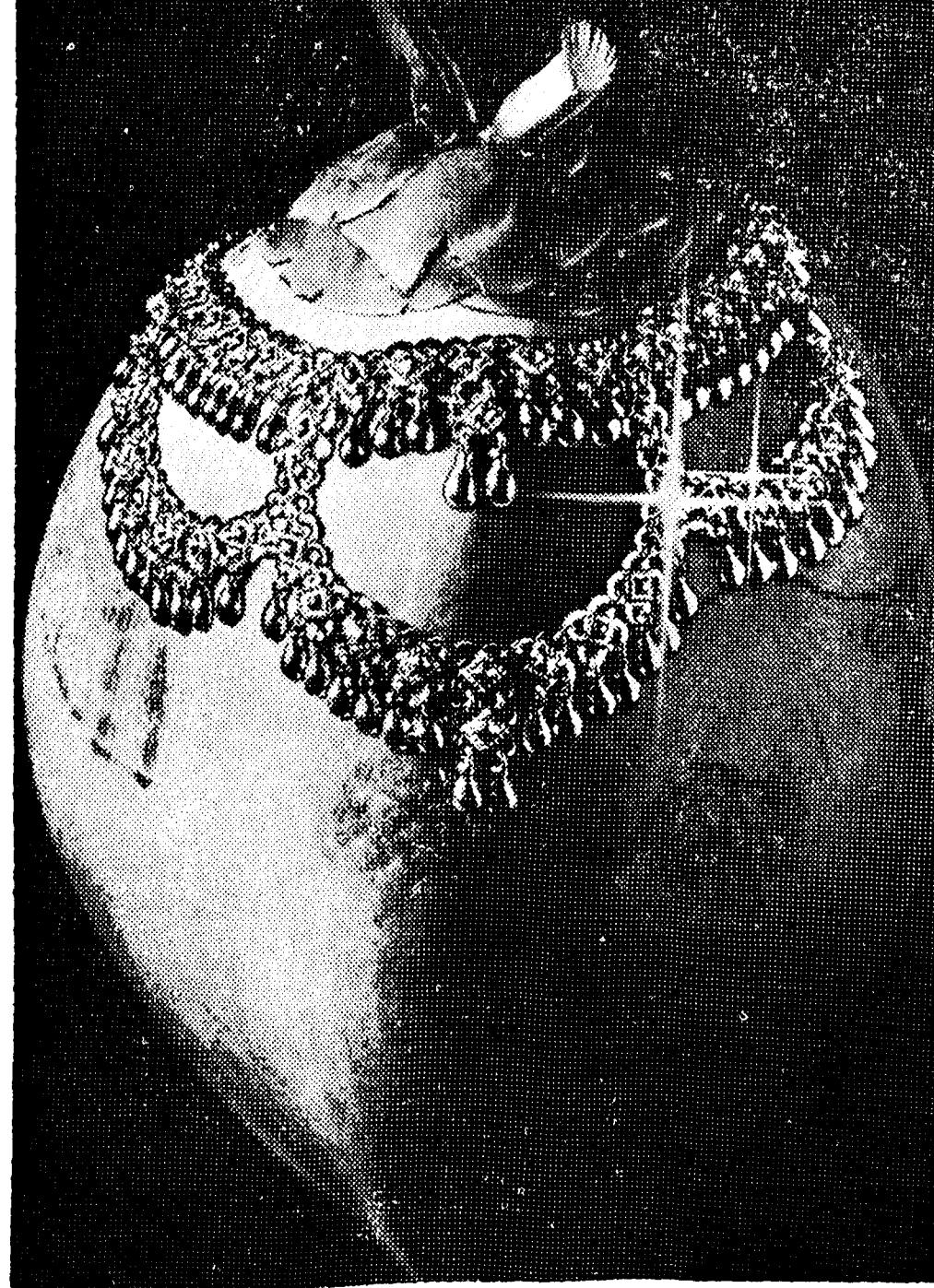
Mysore Petro Chemicals, promoted by Mysore State Industrial and Development Corporation (MSIDC) and the Dhanuka group of Calcutta, is setting up a project at Deosugur, a backward area in Raichur district for the manufacture of 6000 tonnes of phthalic anhydride. The company has entered into technical collaboration agreements with two well-known West German firms for the supply of basic and special equipment and for know-how and supply of catalyst. The plant is expected to go on stream in the third quarter of 1975. The company hopes to achieve a turnover of Rs 2.21 crores and earn a gross profit of Rs 69 lakhs in the very first year of its operations. Its sales are expected to go up to Rs 2.74 crores in the second year of its production and further to Rs 3.30 crores in the third year. Gross profit, likewise, is anticipated to move up to Rs 1.02 crores in the second year and further to Rs 1.33 crores in the subsequent year. These estimates are based on a conservative market price of Rs 5,500 per tonne as against the manufacturers selling price of Rs 8,000 per tonne. Thus the actual profitability of the project might be much better than as estimated now.

The directors hope that the company will be able to pay a maiden equity dividend of 10 percent in the second year of its production and raise it to 15 per cent in the following year. To raise part of the resources required for the implementation of the project the company is entering the capital market with a public issue of Rs 103.7 lakhs, comprising 6,37,000 equity shares of Rs 10 each and 40,000 (9.5 per cent) redeemable cumulative preference shares of Rs 100 each at par. The capital cost of the project is estimated at Rs 4.45 crores and it will be financed by the share capital of Rs 1.70 crores and loans of Rs 2.75 crores from financial institutions.

Baldev Steels Ltd is putting

SISTAS CB 6/73

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The unique qualities of Coir have made it a popular export material. It is rot-proof, moth-proof, water-resistant and resistant to damp and mildew. It's also cool and extremely durable. Available in pleasing pastel shades. As a floor covering it's plush and bouncy. Can be easily cleaned—no hard beating or expensive dry cleaning.

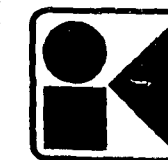
And most important of all, it's very, very reasonably priced. That makes it the most economical material to cheer up your home with.

The West is discovering Coir. And Coir is discovering the West. Earning valuable foreign exchange for the country. In 1954, the Government stepped in to help the Coir Industry develop on proper lines.

It serves the industry from the time the husk is removed from the coconut to the time the products are marketed. It promotes exports of Coir yarn and Coir products, and undertakes and assists technical research. Collects and publishes statistics relating to the industry. Fixes grades and standards and arranges for inspections of Coir products. Promotes cooperative organisations within the Coir industry and prevents unfair competition.

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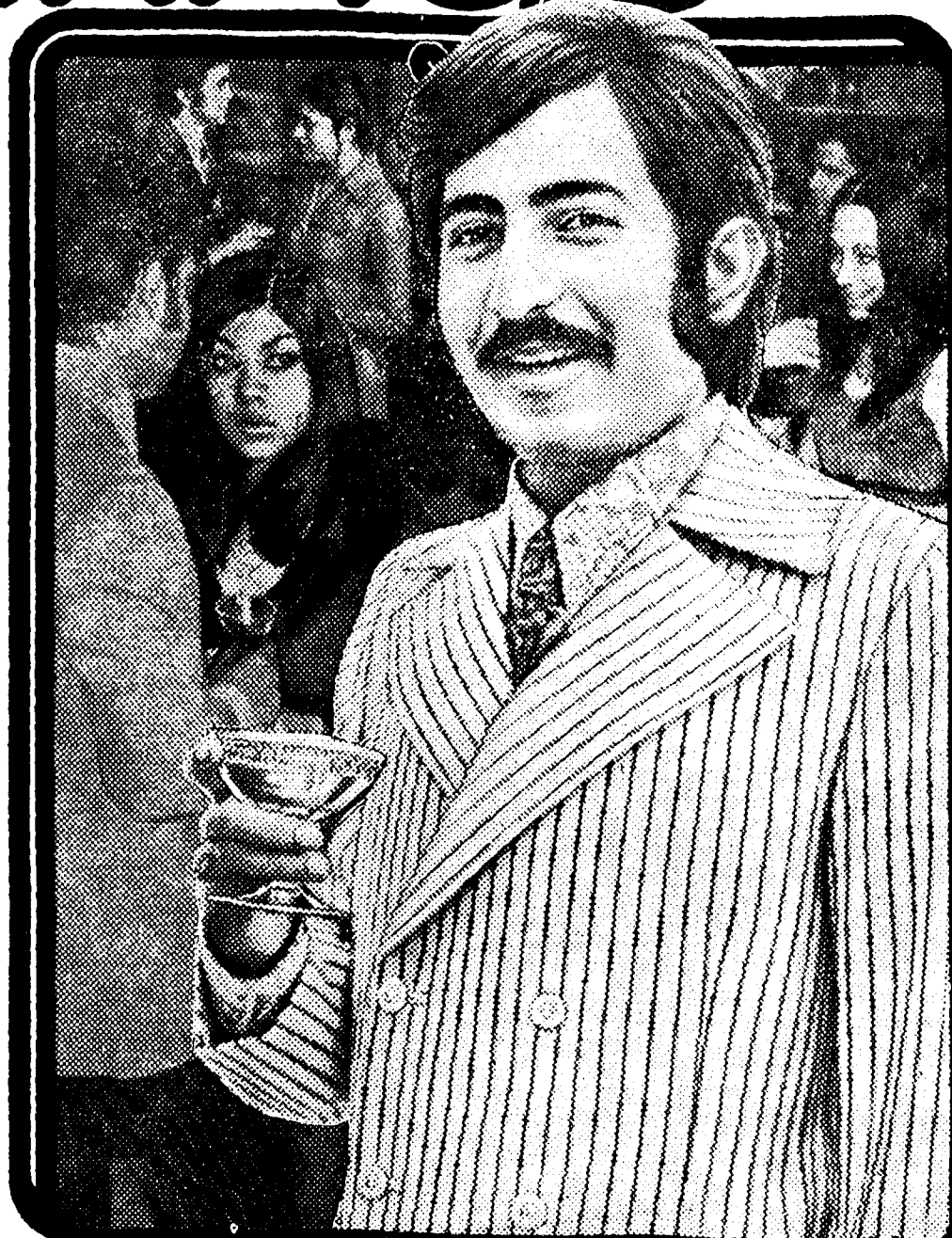
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NPS/GR-339

up a mini steel plant at Kesar near Bahadurgarh, Haryana. The company has already placed orders for the electric furnace with GEC, cranes with Garlick and other requisite machinery with reputed firms. The plant will have a production capacity of 23,000 tons of steel ingots per annum and is expected to go on stream by the middle of 1974. The company has an authorised capital of Rs one crore and a paid-up capital of Rs 42 lakhs. Out of the paid-up capital the directors themselves will subscribe to shares worth Rs 17 lakhs while the remaining capital of Rs 25 lakhs will be offered to the public for subscription. The directors are confident of declaring a maiden dividend of not less than 15 per cent.

The Pondy Brewery Co. Ltd. is entering the capital market in January with an issue of equity capital in three lakh shares of Rs 10 each. The company is setting up a plant for the manufacture of beer with a capacity of 25,000 HL per annum in the union territory

of Pondicherry, which has been notified as a backward area. The company has entrusted the job of supply and erection of the brewery to Larsen & Toubro Ltd, Madras, who would be guided by M/s. Cerekem, the world famous Food Technologists of Denmark for technical advice. In this brewery the "Steinecker" — the latest brewhouse design — will be incorporated which Larsen & Toubro alone can execute in India. Brewery shares are in general quoted at fairly high premium and some of the old established companies have issued bonus shares out of the high profits earned. There is scarcity of beer at present and exports too are made. It is felt the breweries have a good scope and bright future.

Capital and Bonus issues

Consent has been accorded to 11 companies to raise capital. The following are the details.

Hoechst Pharmaceuticals Ltd., Bombay, has been grant-

ed consent, valid for three months, for issue of bonus shares worth Rs. 16,499,068 only.

Shavo Norgren (India) Pvt. Ltd., has been accorded consent, valid for three months, to capitalise Rs. 3.50 lakhs out of its general reserve and issue fully paid equity shares of Rs. 100 each as bonus shares, in the ratio of one bonus share for every two equity shares held.

Sutlej Cotton Mills Ltd., has been granted consent, valid for three months, for issue of bonus shares worth Rs. 52.50 lakhs only.

New Shorrock Spg. and Mfg. Company Ltd., Ahmedabad has been accorded consent for the issue of Rs. 25,262,500 in the form of 2,02,100 equity shares of Rs. 125 each credited as fully paid up to the shareholders of Mafatlal Gajalbhai and Co. Pvt. Ltd., pursuant to the scheme of amalgamation approved by the high courts of Bombay and Gujarat. The consent is valid for a period of 12 months only.

The Industrial Credit and In-

vestment Corporation of India Limited, Bombay, has been accorded consent for the issue of Rs. five crores in equity shares of Rs. 100 each, for cash at as rights shares. The object of this issue is to make the capital of the corporation broad based. The consent order is valid for 12 months only.

Gujarat Industrial Investment Corporation Ltd., Ahmedabad has been given consent, valid for a period of 12 months, for issue of bonds of the value Rs. 100 lakhs (with permission to retain up to 10 per cent of the over-subscription, if any).

West Bengal Industrial Development Corporation Ltd., Calcutta, has been accorded consent for the issue of 800 bonds of Rs. 25,000 each, carry interest of 6 per cent per annum and redeemable after 12 years for cash at an issue price Rs. 99.75 per cent. The Corporation will have the right to retain additional subscription to the extent of 10 per cent of notified amount of Rs. 10 lakhs. The proceeds will

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CALCUTTA: Tata Centre, 10th Floor, 43, Chowringhee Road, Calcutta 700016
NEW DELHI: Chaudhri House, 10-A Kasturba Gandhi Marg, New Delhi 110001
MADRAS: Indian Bank Building, 1st Floor, 17, North Beach Road, Madras 600001
COCHIN: Chaturvedi Bldg., 1st Floor, Mahatma Gandhi Road, Ernakulam, Cochin 682011

AIYARS. ECGC. 664

utilised for augmenting the resources of the corporation. The consent order is valid for 12 months only.

Oriental Hotels Limited, Madras, a new public company, has been accorded consent for the issue of capital of Rs. 145 lakhs (including equity shares worth Rs. 15 lakhs already allotted for consideration other than cash) divided into 13,50,000 equity shares of Rs. 10 each and 10,000 in 9.5 per cent redeemable cumulative preference shares of Rs. 100 each. Out of this, equity shares worth Rs. 120 lakhs and preference shares worth Rs. 10 lakhs will be issued for cash at par. The proceeds will be utilised for setting up a new five-star hotel at Madras.

The Hooghly Flour Mills Co. Ltd. Calcutta, is to issue bonus shares worth Rs. 4.50 lakhs.

X-ray Engineering Co. (India) Pvt. Ltd., Bombay will capitalise Rs. 1.50 lakhs out of its free reserves and issue fully paid equity shares of Rs. 100 each, as bonus shares, in the ratio of 3 for 1.

Sen and Mettenheimer (Pvt.) Ltd., Ahmedabad is to capi-

talise Rs. 1 lakh out of its general reserve and issue fully paid equity shares of Rs. 100 each as bonus shares in the proportion of 1 for 3.

Company Meetings

Bharat Sugar Mills Ltd; 9/1, R.N. Mukherjee Road, Calcutta-1; December 26; 3.15 P.M.

New India Sugar Mills Ltd; 9/1, R.N. Mukherjee Road, Calcutta-1; December 26; 3.30 P.M.

The Associated Cement Companies Ltd; Birla Matushri Sabhagar, 19 Marine Lines, Bombay 400 020; December 27; 4.00 P.M.

Interim Dividend

The directors of **Goath India Shipping Corporation** have recommended an interim dividend of 10 per cent for the year ending December 31, 1973. The company paid a total dividend of 15 per cent for 1972. Besides the directors have proposed to issue bonus shares in the proportion of 1:1. The issue is, however, subject to the consent of the Controller of Capital Issues.

Dividends

Name of the Company	Year ended	(Per cent)	
		Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Laxmichand Bhagaji	June 30, 1973	7.0	6.0
Madhavagar Cotton	June 30, 1973	7.0	Nil
Loyal Textiles	June 30, 1973	20.0	15.0
Sri Vallappa Textiles	June 30, 1973	12.0	10.0
Same Dividend			
Nonsuch Tea Estates	June 30, 1973	10.0	10.0
Anapara Estates	June 30, 1973	20.0	20.0
Kasthuri Mills	March 31, 1973	Nil	Nil
Vellore Electric Supply Corporation	March 31, 1973	15.0	15.0
India Forge Drop Stampings	June 30, 1973	Nil	Nil
Reduced Dividend			
Indian Organic Chemicals	March 31, 1973	Nil	12.0
Khatu Maknaji	June 30, 1973	10.0*	12.0
Hindustan Sugar	June 30, 1973	9.0*	10.0

*On enlarged capital

DIRECTORATE GENERAL OF SUPPLIES & DISPOSALS

TENDER PROGRAMME FOR THE MONTH OF DECEMBER, 1973 IS AS UNDER

S. No.	Tender No.	Location	Stores	Date of opening	Offers remain open upto
1.	DGS & D MMH: 537172 40	Salvage Section Q. D. Shakurbasti	Cable Quad MK 1 Condition : Unserviceable	26-12-73	26-2-74
2.	DGS & D MMH: 537173 79	Ambala Cantt.	Bolts and Nuts. Condition : Serviceable	27-12-73	21-2-74
3.	DGS & D MMH: 537098 20	India Govt. Mint, Alipore Calcutta-53	Aluminium Magnesium Drums (85 M T) and Aluminium Magnesium Ashes (39 M T)	28-12-73	28-2-74

Tenders should reach this office to the above named by 2-30 P.M. to be opened at 3-00 P.M. in public on the respective dates mentioned above.

Each tender must be accompanied by two Deposit-at-Call Receipts one representing 5% of the tendered value as Earnest Money and other representing 5% of the tendered value as Security Deposit subject to maximum AMOUNT of Rs. one lakh. Tender forms containing particulars of stores, conditions of sales and permit to view the stores at site etc. can be had @ Rs. 5/- per set payable in cash or by money order from the Cashier DGS & D, New Delhi; Director of Supplies & Disposals, Calcutta, Bombay, Madras and Kanpur.

Tender fees are not refundable and tender sets are non-transferable.

All sales are strictly on the basis of 'AS IS WHERE IS'.

OFFER WILL BE CONSIDERED STRICTLY ON THE TENDER TERMS. IF THERE IS ANY DEVIATION OFFERS SHALL BE IGNORED.

D.G.S. & D. RESERVE RIGHT TO REJECT ALL OR ANY OFFERS WITHOUT ASSIGNING REASONS THEREOF.

Parliament Street, New Delhi

dayp 73/474

RECORDS AND STATISTICS

redit squeeze

A follow up of the credit policy announced on November 16, 1973 the Reserve Bank has the following measures November 30, 1973 :

Scheduled commercial banks have been asked to raise their minimum lending rate on advances from the present level of 10 per cent to 11 per cent with effect from December 1, 1973, except in respect of the categories that are even now exempted from a minimum lending rate. Also, the present minimum rate of nine per cent on bill finance has been refixed at 9.5 per cent.

The minimum of assets that constitute the liquidity requirement under Section 24 of the Banking Regulation Act is being raised from 30 per cent to 32 per cent of total demand and time liabilities of scheduled commercial banks with effect from December 8, 1973.

Borrowings of scheduled commercial banks from the Reserve Bank will not ordinarily be allowed to exceed the amounts as specified under :

a) 1.5 per cent of a bank's total demand and time liabilities as on September 28, 1973 for the period between December 8, 1973 and January 11, 1974;

b) Two per cent of a bank's total demand and time liabilities as on September 28, 1973 for the period between

January 12 and April 5, 1974; and

(c) One per cent of a bank's total demand and time liabilities as on September 28, 1973 for the period between April 6 and May 31, 1974.

It had been announced on November 16, that borrowings from the Reserve Bank should not be regarded as automatically possible. The eligibility to borrow from the Reserve Bank within the limits now indicated is intended to take care of peaks in the demand for credit in advance of the accretion to the deposits of the banking system. The Governor of the Reserve Bank Mr S. Jagannathan, in a letter to scheduled commercial banks has stressed that the eligibility to borrow from the Reserve Bank within the limits now indicated does not affect the broad limit to credit expansion as already indicated, i.e. a credit expansion of not more than 10 per cent between end September 1973 and end April 1974 in sectors other than public food procurement. Scheduled commercial banks' borrowings from the Reserve Bank within the limits now indicated will be at rates determined with reference to a bank's net liquidity ratio. Borrowings in excess of the formula now indicated, if any, will be subject to detailed discussion with the Reserve Bank.

In a letter setting out the follow up measures now being taken, the Governor has referred to his letter dated November 16, 1973 in which it has been mentioned that it was expected that the resources of the banks from deposit accretion were likely to exceed the

limits that had been indicated for the expansion of credit during the current busy season. He has stated that the measures announced today may assist banks to take a clear view of their resources position and limits to expansion of credit in the coming weeks.

Letter of R.K. Hazari to Commercial Banks

Please refer to Governor's letter dated November 30, 1973, advising you of the steps being taken to deal with the present monetary situation. With a view to enforcing the maximum possible restraint upon expansion of credit during the current season, we advise you to tighten your lending norms immediately in all cases, other than those (i) already covered by our selective credit control directives, (ii) categories exempted from application of the minimum lending rate of 11 per cent, and (iii) relating to export credit.

We would suggest that as far as practicable, credit against receivables may be given by way of purchase/discount of bills. However, in cases where it is not possible to do so for valid reasons, the margins on advances against book debts may be fixed as under :

(a) In the case of existing advances the margin may be raised by 10 percentage points in respect of book debts arising out of sales to Government and semi-Government bodies and by 20 percentage points against other book debts.

(b) The margin in respect of fresh credit limits may be fixed at least 10 percentage points higher than the usual margin on advances against book debts arising out of sales to Government and semi-Government bodies and at least 20 percentage points higher than the usual margin on advances against other book debts.

The margin on all types of existing advances against inventories (raw materials,

goods in process and finished goods) may be raised by 10 percentage points. The margin in respect of fresh credit limits against inventories may be fixed at least 10 percentage points higher than the usual margin against such advances.

It is important for the effective implementation of the above measures that parties affected by them should not be allowed any other facilities which would directly or indirectly defeat their purpose.

In the present conditions, it is also desirable that lending against multani hundies is not increased but is on the contrary minimised.

(R.K. HAZARI)

Deputy Governor, Reserve Bank of India

Letter of S. Jagannathan to Commercial Banks

I wrote to you last on November 16, 1973, immediately after my meeting with the chief executives of major banks, stressing the need for monetary restraint. I had indicated that measures would have to be taken to contain credit expansion by the banking system within the limits specified in that letter and that the pace of deposit accretion would permit this order of expansion, as also further investments in Government and approved securities. I had also indicated that even within the ambit of the net liquidity ratio system, borrowings from the Reserve Bank should not be regarded as automatically possible. As a follow up of what had been outlined to you and in order that you may have a clear idea of your resources position in the ensuing weeks to determine the growth of credit, an intimation is given to you of the following measures that we have decided to take:

(i) The minimum of assets that constitute the liquidity requirement under Section 24 of the Banking Regulation Act will be raised from 30 per cent to 32 per cent of total demand and time liabilities, with effect from December 8, 1973.

(ii) Borrowings of schedul-

ed commercial banks from the Reserve Bank of India under the various sub-sections of Section 17 of the Reserve Bank of India Act will not ordinarily be allowed to exceed the amounts as specified under:

(a) 1.5 per cent of a bank's total demand and time liabilities as on 28th September, 1973 for the period between 8th December, 1973 and 11th January, 1974;

(b) Two per cent of a bank's total demand and time liabilities as on 28th September, 1973 for the period between 12th January and 5th April 1974; and

(c) One per cent of a bank's total demand and time liabilities as on 28th September, 1973 for the period between 6th April and 31st May 1974.

The eligibility to borrow from the Reserve Bank within

the limits indicated above does not affect the broad limit to credit expansion within the current busy season as already indicated and is only intended to take care of peaks in demand for credit in advance of the build up of deposits. Such borrowings will be at rates determined with reference to the bank's net liquidity ratio. The minimum net liquidity ratio will continue to remain at 40 per cent. Borrowings in excess of the formula indicated above, if any, will be subject to detailed discussions with the Reserve Bank. Recourse to the Reserve Bank of India for rediscounting of bills under the New Bill Market Scheme (Section 17(2)(a) of the Reserve Bank of India Act) will continue to be available at Bank Rate in addition to the borrowing formula indicated above.

The borrowing limits indicated above will include entitlements of refinance against export credit and lending to primary cooperative and farmers' service societies. As already announced, there will be no special refinance facility at present for advances granted for public procurement operations; borrowings from the Reserve Bank for this purpose also will be within the limits mentioned above.

Accordingly, all the existing limits sanctioned under various sub-sections of Section 17 of the Reserve Bank of India Act, 1934 (except those sanctioned under Section 17(2)(a), i.e. under the New Bill Market Scheme) stand cancelled with effect from 8th December 1973. A separate letter is being issued specifying for each bank the exact limit of eligi-

bility for borrowing and the procedural arrangements under the new formula.

As a measure of restraint the minimum lending rate of advances currently prescribed at 10 per cent per annum is raised to 11 per cent with effect from December 1, 1973 except in respect of the exempted categories. The prescribed minimum rate of nine per cent on bill finance will be refixed at 1.5 per cent below the minimum lending rate for advances, i.e. at 9.5 per cent. A directive to this effect is being issued separately.

We are also advising you separately on other suitable measures to restrain the growth of credit.

(S. JAGANNATHAN
Governor,
Reserve Bank of India)

Colombo plan and development aid

THE BASIC concept of the Colombo Plan is that the primary responsibility for economic and social development rests with the peoples and the governments of the countries of South and South-East Asia.

External assistance, though substantial, can only supplement, and not substitute for, the efforts of the countries themselves. As a matter of fact, the regional member countries of the Colombo Plan have been producing by far the greater portion of the resources required for the implementation of their national plans for socio-economic development.

Assistance under the Colombo Plan comes, for the most part, from member countries outside the region, although intra-regional assistance has also increased considerably since the Plan came into full operation in July 1951.

This assistance reflects international co-operation which the Colombo Plan embodies. And, its extent may be gauged from the fact that since the inception of the Plan the six major donor countries—Australia, Canada, Japan, New Zealand, United Kingdom and the United States—have given till the end of 1971 over \$35 billion in capital aid and technical assistance to the 20 member countries of the region, i.e.—

Afghanistan, Bangladesh, Bhutan, Burma, Fiji, India, Indonesia, Iran, Khmer Republic, Republic of Korea, Laos, Malaysia, Republic of Maldives, Nepal, Pakistan, the Philippines, Singapore, Sri Lanka, Thailand, and the Republic of Vietnam.

Till the end of 1961, the total aid extended by these six countries amounted to \$12 billion. Thus in the ten years, from 1961 to 1971, the quantum of aid has registered an increase of over 23 billion dollars. A study of the nature of assistance shows that a notable portion of the aid has been in the form of grants.

Capital aid and technical assistance has been extended in support of over 1,100 major

projects covering various facets of development in the region.

The total expenditure on technical assistance since the inception of the Plan has amounted to US \$ 1,697.8 million till the end of 1971, spent in the proportion of 18 per cent on trainees and students, 51 per cent on experts and 31 per cent on technical equipment. Training and student awards were provided to 81,156 persons from the region to acquire specialised training in donor countries. This has been supplemented with the services of 15,310 experts, consultants and advisers in key areas of activity. Total disbursements on technical assistance under the Colombo Plan rose to \$174.2 million in 1971 from \$154.6 million in 1970.

Contributions Made by Each of the Six Major Donors

	(in US \$)
Australia	410,010,000
Britain	2,213,000,000
Canada	1,292,000,000
Japan	3,200,100,000
New Zealand	55,500,000
United States	28,658,000,000
Total	35,828,610,000

Capital aid and technical assistance of each of the major donor countries, during 1970-1971 are briefly described in the following chapters.

Australia

Australia's bilateral aid to the region under the Colombo Plan has amounted to \$410,010,000 up to the end of 1971. Of this, \$213,083,000 were spent on economic development, \$88,815,000 on technical assistance, and \$108,113,000 on food aid.

Australian aid has been constantly rising over the years: from \$35.9 million in 1969, for instance, to \$40.02 million in 1970 and \$47.83 million in 1971.

Australia has also been contributing significantly to

multilateral organisations benefiting the Colombo Plan region.

Bilateral Aid

In 1971, Australia spent in the region \$47.83 million on bilateral aid and technical assistance, all in grant form comprising food aid: \$10.11 million; Indus Basin: \$2.54 million; technical assistance: \$6.65 million; and development assistance for other projects: \$5.53 million. Australian aid in these very projects was \$5.88 million in 1969 and \$1.38 million in 1970, recording an increase of about \$12 million since 1969.

Multilateral Aid

Besides this bilateral aid to the region, Australia contributed \$17.23 million in 1971 to multilateral organisations benefiting the Colombo Plan region, notably the International Development Association, Asian Development Bank, UNDP, World Food Programme and the UN High Commission for refugees.

Private Investment

As a net importer of capital, Australia has not been in a position to make a substantial contribution to the investment requirements of the developing countries. Nevertheless, Australian private investment in Papua New Guinea, the South Pacific and South-East Asia has been growing in recent years. In 1971, investment rose from \$0.8 million in 1969 to \$280.6 million in 1971, mainly because of the investment in the Bogaim-Copper mining project.

Technical Assistance

Since the inception of the Colombo Plan till the end of December 1971 Australia had spent \$88,815,000 on technical assistance—Malaysia, Indonesia, Thailand and the Republic of Vietnam being the major recipients.

Technical assistance during 1971 amounted to \$9.56 million. Of this, \$6.21 million were spent on training, \$1.34 million on projects and \$2.00 million on equipment.

From the beginning of the Plan till the end of 1971, over 30 trainees and students of

the region had benefited from the technical assistance programmes of Australia.

Volunteers

Australia also continued to contribute to the costs of sending volunteers to the region under the Australian Volunteers Abroad Scheme. Government expenditure on Australian volunteers in Colombo Plan countries rose from \$36,000 in 1969 to \$36,500 in 1970 and \$42,000 in 1971. In addition, proportionate contributions from voluntary sources amounted to approximately \$24,000 each year. The estimated host government expenditure was \$37,000 in 1969, \$39,000 in 1970 and \$41,500 in 1971.

Aid to Indonesia

A major development during 1970-71 was the announcement of a three-year aid Programme to Indonesia whereby \$53.8 million were pledged for the period July 1970 to June 1973. A further pledge of \$69 million was made in June 1971 to apply in the period July 1973 to June 1976.

BRITAIN

Since the beginning of the Colombo Plan in 1950, Britain has provided financial aid and technical assistance to the countries of the region amounting to about \$2,213 million. The amount spent in 1971 was \$250.64 million, while it was \$195.44 million in 1970.

Of the total expenditure in 1971, \$234.36 million (\$180.19 million in 1970) was on financial aid, bringing the total of such expenditure since 1950 to about \$2,062 million. Expenditure on technical assistance was \$16.27 million in 1971 and \$15.25 million in 1970. Private direct net investments in the area for 1970 and 1969 were \$63.1 million and \$35.8 million respectively.

Financial Assistance

Of the global total of \$471.44 million of bilateral financial aid disbursed by Britain in 1971, the Colombo Plan region received \$234.36 million. Of this amount \$24.80 million was in the form

of grants and \$209.56 million was in loans. Of the loans in 1971, 93.5 per cent (\$196.01 million) was provided as interest-free loans, repayable within 25 years, with, in most cases, an initial grace period of seven years. The corresponding figure for 1970 was 91.1 per cent (\$150.78 million).

During 1970 and 1971, agreements for new interest-free loans were signed with Afghanistan, India, Indonesia, Pakistan and Sri Lanka. The programme of Special Aid to Malaysia (\$60 million) and Singapore (\$120 million) was inaugurated in 1968; this aid is 25 per cent grant and 75 per cent interest-free loan in both cases. About \$767 million in interest-free loans has now been disbursed to Colombo Plan countries from Britain since their introduction in July 1965. The area continues to receive more aid of this type than any other geographical area.

Technical Assistance

During 1971, out of total British official expenditure of \$16.27 million on technical assistance to Colombo Plan countries, \$10.6 million was under Colombo Plan arrangements. The corresponding figures for 1970 were \$15.25 million and \$9.3 million respectively, bringing the total of such expenditure since 1950 to about \$93 million.

Training

In 1970, 2,009 study fellows were financed in Britain under the Colombo Plan and 1,923 in 1971. The number of new places provided was 883 in 1970 and 856 in 1971, bringing the total since 1950 to just over 11,400. The main fields of study for 1970 and 1971 were: medicine (136 and 120), administration (83 and 97), engineering (84 and 83), economics (35 and 51), labour administration (33 and 35), transport and communications (17 and 31), agriculture (55 and 28), broadcasting (38 and 28), social welfare (17 and 21), and police (20 and 19).

The cost of this training

amounted to \$3.94 million in 1970 and \$4.06 million in 1971, bringing the total since 1950 to about \$41 million. British industry continues to provide, at its own expense, a wide variety of training facilities for Asian students. Britain is also making a contribution to third-country training by providing scholarships for Asian students to study at the Asian Institute of Technology (AIT) in Bangkok. Eight new scholarships, each for 21 months in duration, were provided under these arrangements in both years 1970 and 1971, the holders of the awards coming from India, Pakistan, Philippines, Malaysia and Vietnam.

The Institute of Development Studies' Seminars at the University of Sussex provided 23 participants at Seminars from Colombo Plan countries in 1970 and 57 in 1971.

Experts and Consultancy Services

Britain appointed 214 technical assistance experts in a wide variety of fields to the Colombo Plan region in 1970 and 1971, bringing the total since 1951 to 1,422.

Continuing use was made of the services of firms of consultants and other British organisations to provide technical assistance to developing countries.

Under the Colombo Plan, equipment for training and research, costing approximately \$1.55 million (including small capital grants for equipment and buildings amounting to about \$233,000), was provided in 1970, and in 1971 supply of equipment amounted to \$1.29 million and \$169,000 respectively, bringing the total to about \$16.8 million, since 1950.

Education

Educational assistance to Colombo Plan countries was provided under regional technical assistance, under Commonwealth Education Co-operation Schemes and indirectly through subventions from Overseas Development

Administration (ODA) to the British Council, the Inter-University Council for Higher Education Overseas, the Centre for Educational Development Overseas and the Council for Technical Education and Training for Overseas Countries.

Books Presentation Programme

Under the revised policy of the Books Presentation Programme, books presentations totalling approximately \$605,000 (including nearly \$204,000 for institutions in Colombo Plan countries) were approved.

British Council

The British Council continued its educational and English language teaching assistance to Colombo Plan countries in 1970 and 1971, both directly and in partnership with the Overseas Development Administration.

South-East Asia Ministers of Education Organisation (SEAMEO)

Three British experts in various aspects of English language teaching served at the Regional English Language Centre in Singapore during 1970 and 1971 under arrangements for assistance to the Institution.

CANADA

Since the inception of the Colombo Plan in 1950, Canada has provided assistance to members of the region to a total of \$1,292 million, of which \$373 million, or 29 per cent, was provided during calendar years 1970 and 1971. During the 22-year period, some 5,550 persons from the region have received training in Canada. Canadian assistance has taken four principal forms, namely: capital projects, industrial and agricultural commodities and equipment, foodstuffs, and technical assistance. India has been the largest single beneficiary in dollar terms, but, on a per capita basis, many other members of the Colombo Plan have received assistance comparable to that received by India.

Canada's programme of

assistance first began in 1950 with a contribution of \$400,000 under the Colombo Plan. During the first decade of its development assistance programme, Canadian assistance was, with minor exceptions, limited to Colombo Plan countries. However, because of the dramatic growth of the Colombo Plan programme during that period and the decision in the late 1950s to extend assistance to other regions, an agency known as the External Aid Office was established in 1960 to undertake responsibility for the overall Canadian programme. In 1968, the name of the Agency was changed to the Canadian International Development Agency (CIDA). In order to maximise the development impact of its assistance to recipient countries, CIDA uses wherever possible sophisticated techniques of development planning and modern methods of management. The Canadian programme attempts to match Canadian capabilities with the needs and capabilities of recipient countries, providing assistance in as flexible a manner as possible for efficient utilization.

Aid Programme for 1971 Flow of Resources

In 1971, the total net flow of Canadian official and private financial resources to the developing countries and multilateral agencies amounted to 758.3 million. This compares with \$630.1 million in 1970 and \$390.1 million in 1969, and represents an increase in 1971 of \$128.2 million or 20 per cent over 1970, and an increase of \$368.2 million or 94 per cent over 1969.

Aid to the Region

Bilateral Overseas Development Assistance disbursements, together with export credits to Colombo Plan countries totalled \$177.7 million in 1971, exceeding those of 1969 (\$135.1 million) by some \$42.6 million or over 31 per cent.

During the two-year period, 1970-71, official development assistance to India increased by \$35.1 million or by over

50 per cent from a 1969 level of \$69.8 million to \$104.8 million in 1971. At the same time, the increase in assistance to Pakistan amounted to almost 55 per cent from \$22.4 million in 1969 to \$34.7 million in 1971. Increased assistance was made available to the majority of other Colombo Plan countries during the period and where decreases did occur these were, in most cases, marginal only.

During the period, allocations to Colombo Plan countries of funds appropriated for official development assistance continued to increase. These amounted to C\$129.09 million in 1969/70, but increased to C\$148.95 in 1971/72 exclusive of some C\$22 million allocated in the latter year for International Emergency Relief for the sub-continent.

Over the years, technical assistance has represented a minor component only of overall Canadian contributions to development assistance to Colombo Plan countries. In 1971, Canada received 703 students and trainees and sent to regional countries 49 experts in education and 37 technical advisers.

Regional Programme

In addition to its bilateral aid under the Colombo Plan, Canada has contributed to a number of regional programmes. Major contributions have been made to the Indus Basin Programme which has received till the end of 1971 \$24.2 million in grant-aid funds and the Mekong River development where disbursements have totalled some \$2.7 million. Canada is providing two advisers and 25 scholarships to the Asian Institute of Technology.

Japan

Japan has contributed \$3,200.1 million, under the Colombo Plan, to the regional members in South and South-East Asia since she joined the Plan in 1954.

Japan's bilateral aid in 1971 amounted to \$715 million, registering a substantial increase over the previous year. Official

development assistance, out of this amount, was \$426 million, while technical assistance amounted to \$13.7 million.

Bilateral Grants

Japan's official bilateral grants amounted to \$113.4 million on a net disbursement basis and \$137.5 million on a commitment basis. Bulk of this amount was made available for development projects in Korea, Burma, Singapore, Malaysia, Laos and Khmer Republic. A sum of \$16.8 million was granted for the supply of food.

Development Loans

The gross disbursement of Japan's bilateral development loans to the regional countries amounted to \$356.2 million in 1971, taking into account the Japanese rice credit to Korea, Pakistan, the Philippines and Indonesia amounting to \$116.7 million. The commitments of bilateral development lending to the regional countries stood at \$548.8 million.

Contribution to International Agencies

Japan contributed \$33.75 million to international agencies benefiting the region which included the Asian Development Bank, Asian Productivity Organisation, South-East Asian Fisheries Development Centre, and Food and Fertilizer Technology Centre.

Investments and Export Credit

Net amount of official and private direct investment and export credit to the Colombo Plan countries amounted to \$151.8 million. Bilateral lending by monetary institutions amounted to \$76.5 million.

Technical Assistance

Japan's technical assistance under the Colombo Plan in 1971 was \$13.7 million.

Scholarships were awarded to 488 students and training fellowships granted to 1,350 persons from the region. Main fields of training were agriculture, fisheries, forestry, works, communications, health, public administration and com-

merce. Apart from these training facilities, Japan provided to countries of the region 724 experts in the almost the same fields so that they could assist on the-job training. To buttress these efforts, 441 Japanese volunteers also served mainly in the Philippines, Malaysia, Laos, India and Nepal. The Philippines received the largest number (133) of these volunteers.

Technical equipment and materials worth \$4.5 million was granted to member countries in the region, a programme designed to enhance the cumulative effect of technical co-operation.

Private Sector's Assistance

The Association for the Overseas Technical Scholarships awarded 635 scholarships for training. The International Co-operation Committee of Japan sent 14 management advisers to Korea, India, Indonesia and Thailand, while various surveys on economic development projects in the region were also conducted by Japanese private organisation.

New Zealand

New Zealand's total expenditure under the Colombo Plan since the inception up to the end of 1971 had amounted to NZ\$45.6 million (US\$55.5 million).

Several important developments took place in New Zealand's aid policies during 1970 and 1971. While in 1969 the government of New Zealand had accepted the aid target of one per cent of GNP and had started moving towards that objective, in September 1970 the government also accepted the 0.7 per cent target for official development assistance enunciated in the Pearson Commission Report. Although no date has been fixed for achieving these targets, New Zealand has been fast moving towards them. Consequently the expenditure on Colombo Plan assistance in 1970/71 rose by 26 per cent and by a further 12.5 per cent in 1971/72.

While in 1969 New Zealand

had spent under the Colombo Plan NZ\$2,759,900, her expenditure rose to NZ\$4,286,500 in 1970 and to NZ\$4,316,100 in 1971.

An important feature of New Zealand's official development assistance is that all aid is given in grant form.

In addition to the expenditure under the Colombo

Plan, New Zealand contributed in 1970 and 1971 NZ\$1,007,000 to the Asian Development Bank, NZ\$150,000 to the Bank's Technical Assistance Special Fund, NZ\$500,000 as Trade Credit to Indonesia, NZ\$315,000 in bilateral aid to Thailand and Vietnam, NZ\$20,600 to SEATO Aid Fund and NZ\$259,000 in disaster relief.

Capital Aid

New Zealand's capital aid to countries in the Colombo Plan region was NZ\$2,357,900 in 1970 and NZ\$1,325,300 in 1971. Major projects comprised trade training equipment for Burma and the Philippines; dairy and farm assistance for India, Republic of Korea and the Philippines;

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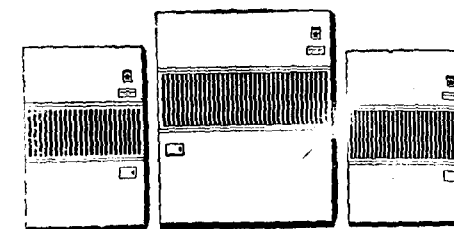
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road and aviation equipment for Thailand; jet barges for the Khmer Republic, aviation equipment for Indonesia and grants to the Ngam Ngum Dam in Laos and the Indus Water Scheme.

Technical Assistance

New Zealand's expenditure on technical assistance amounted to NZ\$1,928,500 in 1970 and NZ\$2,991,200 in 1971. Ninety new experts and advisers were assigned to the countries in Asia during these two years. A large number of short-term consultants also undertook assignments in the Colombo Plan region. Throughout the period there was an average of more than 500 Colombo Plan students and trainees in the country.

United States of America

The United States, which is the major donor under the Colombo Plan, has since 1951 provided \$28,658,000,000 in economic assistance to the regional members in South and South-East Asia. The United States contributed \$1,558 million in direct government appropriated funds, during fiscal year 1972, about 30 per cent of her worldwide economic programme. Official development assistance totalled \$1,492 million; \$750 million was in the form of loans, of which \$218 million was supplied by AID and \$532 million under PL 480. Grant assistance amounted to \$742 million, which included for AID \$541 million, of which \$401 million went to support the programmes in Vietnam; \$188 million for PL 480 programmes; and nearly \$14 million for Peace Corps volunteers. Other official assistance consisted of Export-Import credits of more than five years duration and reached \$66 million in fiscal year 1972 for Colombo Plan countries of the region.

The United States also contributed about \$200 million in 1971/72 to international organisations and programmes, such as the United Nations Development Programme (UNDP) and international financial institutions which provide assistance to

Colombo Plan as well as other countries.

United States assistance fell into five broad categories; PL 480 assistance: development loans; technical assistance; grants; supporting assistance to countries with stabilisation and balance of payments problems; and the stimulation of private investments.

Development loans, supporting assistance, and technical assistance represented the largest component of United States official development assistance to Colombo Plan countries. In 1972, gross new aid totalled \$759 million, consisting of development loans \$218 million, supporting assistance \$499 million, technical assistance \$26 million, plus grants for Population Programmes \$14 million and \$3 million for drug-abuse control. Development loans were primarily for financing of commodity imports, notably fertilizer, rice and tallow, for power projects, to assist education, and for feasibility studies. Nearly forty per cent of all development loans went to Colombo Plan countries, primarily, Indonesia, Pakistan, Korea and the Philippines.

Private Enterprise

During FY 1972, the United States continued to promote increased local and foreign private investment in the less developed countries of the Colombo Plan. As of 30 June 1972, all but three of the 18 developing countries in the Colombo Plan had signed agreements to participate in the AID investment insurance plan: Afghanistan, India, Indonesia, Iran, Republic of Korea, Laos, Malaysia, Nepal, Pakistan, Philippines, Singapore, Sri Lanka, Thailand and the Republic of Vietnam.

Loans

As of 30 June 1972, outstanding foreign currency (PL 480 Cooley) loans made to private enterprises in India, Iran, Korea, Pakistan, Philippines, Sri Lanka and Vietnam totalled approximately \$130.1 million. During FY 1972, there were two loans in India totalling \$2.5 million and three in Korea totalling \$2.3 million.

Dollar loans authorised to private borrowers in FY 1972 were \$7 million to the Korea Capital Corporation and \$2.0 million to the Private Investment Company for Asia (PICA).

The investments supported under the above programmes in 1972 covered a wide-range of industries and ranged from very large projects such as a \$240 million nickel mining and refining facility in the Philippines to small agricultural enterprises. Other types of projects covered included a tyre manufacturing plant, lumber operation, pharmaceuticals, production of small motors, glass products, paper products, fabrication of offshore mobile oil drilling platforms, tractor assembly plants, chemical fertilizer, and dry-cell batteries.

Training of Participants

The United States continued to give strong emphasis to third-country training to participants from Colombo Plan countries. During 1972, the United States sponsored 1,323 participants from 14 Colombo Plan countries (Afghanistan, India, Indonesia, Iran, Korea, Laos, Malaysia, Maldives, Nepal, Pakistan, Philippines, Singapore, Thailand and Vietnam). The Colombo Plan participants trained in 1,644 training situations of which 1,017 were in Colombo Plan countries (India, Indonesia, Iran, Korea, Malaysia, Pakistan, Philippines, Singapore, and Thailand) and 627 were in non-Colombo Plan countries. The number of participants from Colombo Plan countries for training in the United States was 14,03.

Food for Peace—PL 480

Since the initiation of the PL 480 programme in 1954, over \$9 billion in wheat, cotton, rice and a few other agricultural commodities has been made available through concessional sales and donations to the Colombo Plan countries. During 1972, the United States programmed nearly \$720 million in PL 480 assistance to combat hunger and malnutrition in the Colombo Plan countries; in

fiscal year 1971 it was \$8 million.

In 1972 the United States authorised \$120 million PL 480 donations through bilateral agreements, contributions to international organisations such as the World Food Programme, UNICEF, and to United States voluntary agencies such as Catholic Relief Service and Church World Service operating in Colombo Plan countries. In addition, emergency and refugee relief amounting to nearly \$1 million in 1971 helped enable victims of civil strife and natural disasters to re-establish themselves.

Peace Corps

In 1971 and 1972, Peace Corps volunteers were working in eight Colombo Plan member nations: Afghanistan, India, Iran, Korea, Malaysia, Nepal, Philippines and Thailand. In 1971, of the 2,244 volunteers assigned to these countries 1,879 were overseas and 365 were in training. In 1972 there were 1,269 volunteers assigned to Colombo Plan countries of whom 864 were overseas and 405 in training.

Export-Import Bank

Export-Import Bank loans to Colombo Plan countries totalled \$66 million during 1972. The new loans were made to Burma, India, Indonesia, Iran, Korea, Malaysia, Philippines, Singapore and Thailand. More than 70 per cent of these loans were concentrated in three countries: Malaysia with \$20 million, India with \$15 million and Singapore with \$12 million.

US Voluntary Agencies

During 1971, voluntary agencies registered with the United States Government provided \$100.8 million in cash supplies and PL 480 foods to Colombo Plan countries.

Asian Development Bank

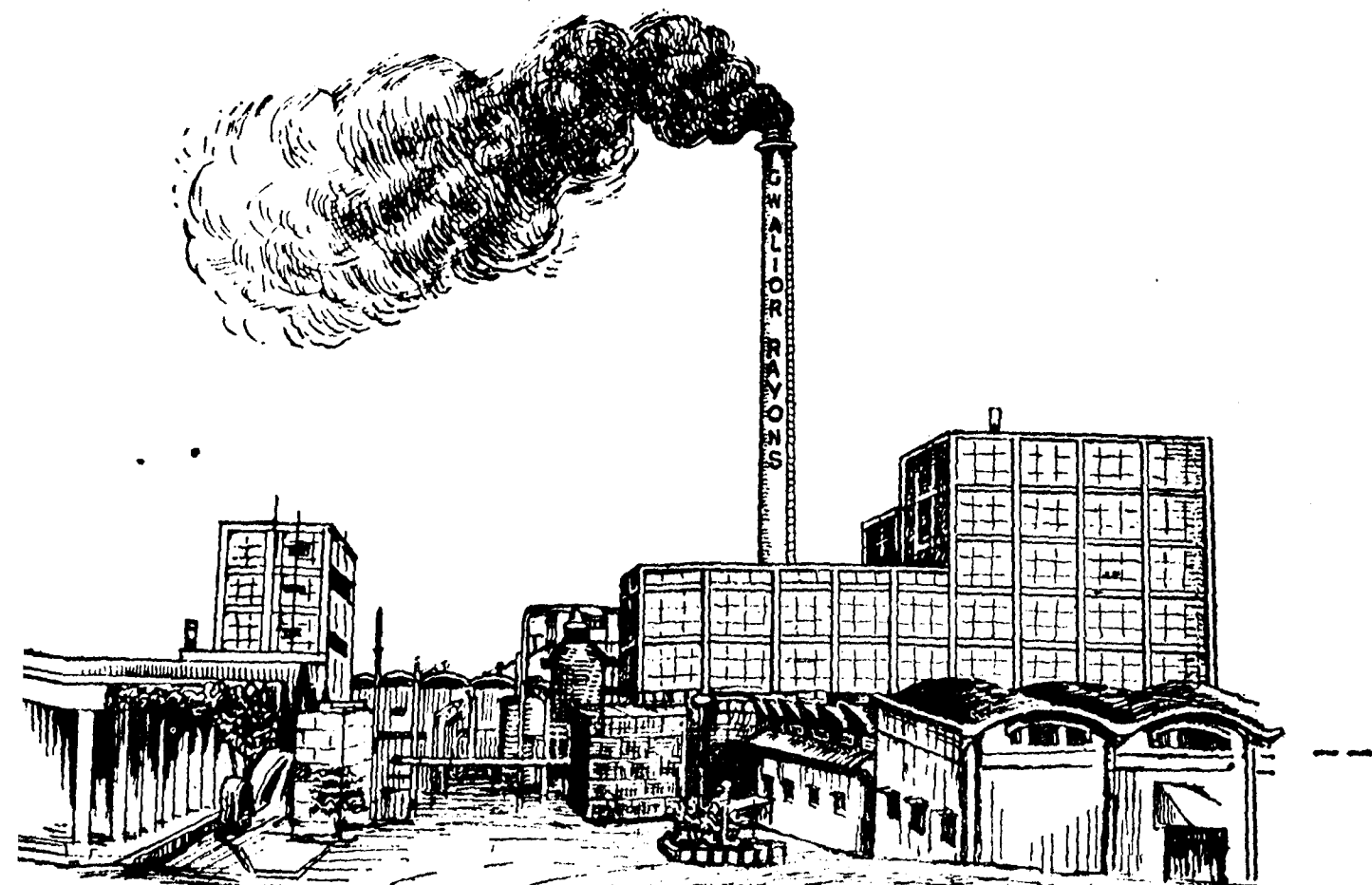
The United States Government firmly supported the work of the Asian Development Bank, paying during 1971, the last of the five \$200 million annual installments of the paid-in portion of the \$200 million capital subscription to the Bank.

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Printed and Published by R. P. Agarwala on behalf of the Eastern Economist Ltd., United Commercial Bank Building, Parliament Street, New Delhi, at the New India Press, Connaught Circus, New Delhi
Editor : V. Balasubramanian Registered at the GPO, London, as a newspaper.

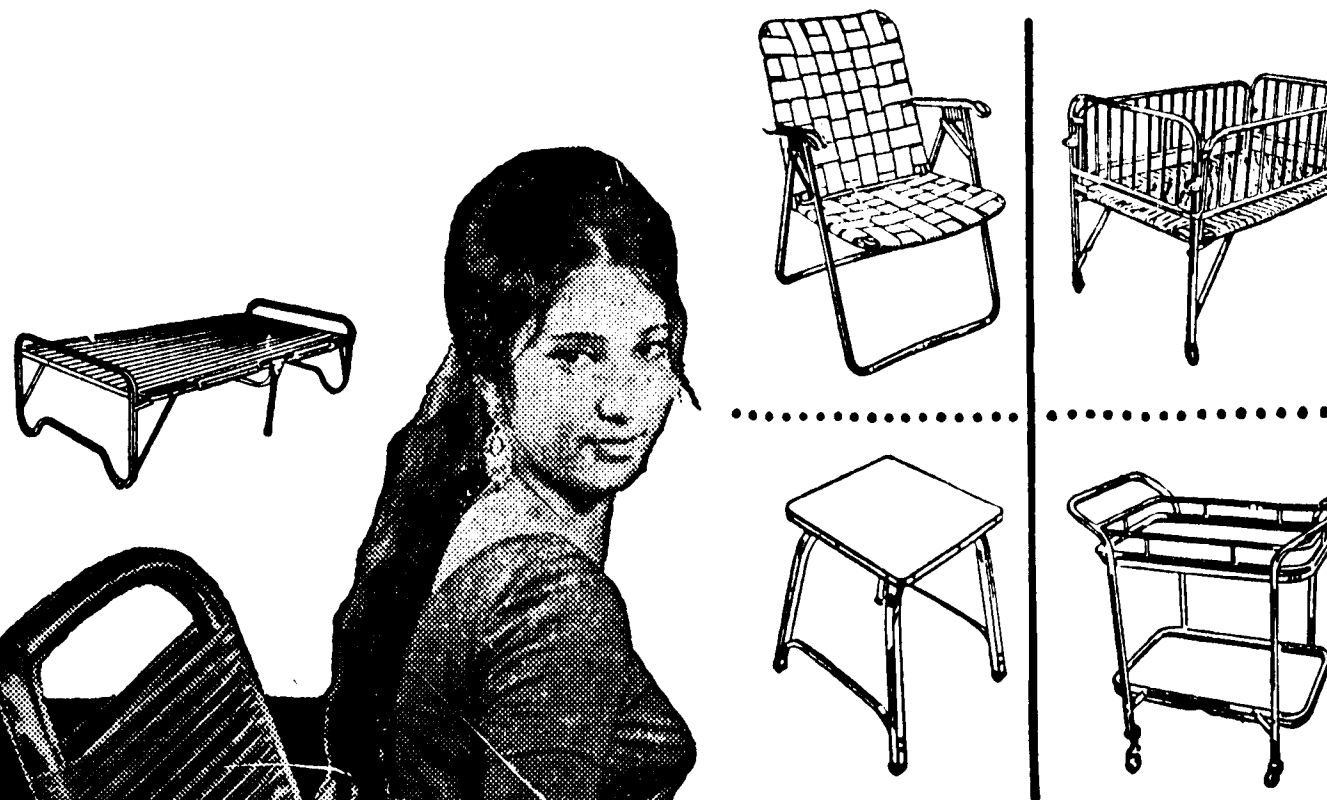
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