Some wisdom about wheat

In a talk to the Forum of Financial Writers in the capital last week Mr Chavan claimed that the government had a plan for dealing with the urgent problems of the economy one by one and that it had in fact taken some major decisions already and would be taking more in the near future. There is some justification for this claim. For instance, the decisions taken on wheat (and cloth) within the last few days show both that the government is aware of the need for more effective management of the economy and that it is prepared to make an earnest attempt to try its hand at the job.

It is true of course that the country is facing so complicated a food situation that no single formula would offer an adequate way out. The problem is not only that domestic production of foodgrains is barely sufficient to feed the population but also that the country cannot afford imports, however marginal. Add to this the fact that chronic mass poverty and violent inflation have made it extremely difficult for large sections of the people to pay even for subsistence food and it becomes easy indeed to see that no immediate improvement on a substantial scale in the food economy of the country is either likely or possible. This brutal truth has to be borne in mind in discussing the new policy for prices, procurement and distribution which the government has formulated for the forthcoming wheat crop. It is too late in the day of course to be debating the scrapping of the ill-fated take-over of the wholesale trade in wheat. The take-over not only failed to improve the food situation but actually led to much popular distress through increases in prices as well as breakdowns in the system of controlled distribution. The government therefore really had no alternative to giving up monopoly procurement. This should be clearly understood because there is a confused feeling in some quarters that the government is doing a favour to the wholesale trade by permitting it to reenter wheat-marketing.

The extent to which the new policy for wheat succeeds in stepping up the marketed surplus and thereby promoting proper distribution of the grain at reasonable prices would depend primarily on the size of the wheat crop. There is a certain amount of pessimism in the country about these crop prospects, but the union Food minister seems to be rather hopeful. There is no warrant at this stage for discounting Mr Fakhruddin Ali Ahmed's expectations unduly and in any case the public interest will certainly not be served by exaggerating possibilities, of a shortfall in the *rabi* harvest. It is also to be taken note of that to the extent that the experiment in monopoly procurement of wheat had encouraged hoarding, the availability of wheat is likely to improve through liquidation of stocks which may be encouraged by the new scheme. The dual price system, in particular, should prove useful in this respect, especially as the government is sensibly refraining from imposing a ceiling on prices in the open market.

Having had to agree to an increase in procurement prices in response partly to the rising costs of agricultural inputs and partly to the necessity for improving the returns to the farmer, the government has had to take the unpopular but necessary step of increasing the issue price of wheat sold on ration or through fair price shops. The central budget has provided Rs 100 crores for food subsidy, but this is admittedly a nominal allocation. It should be surprising indeed if the actual expenditure on this account is not substantially more. This only makes it all the more necessary for the government to see that the increase over the budget provision is kept to the minimum.

The theoretical case for food subsidies rests on two assumptions. The first is that they promote social justice by effecting a redistribution of purchasing power in favour of the poorer sections of the community. The other advantage claimed for them is that they are anti-inflationary in effect. In practical terms, however, food subsidies have failed to serve either of these purposes effectively enough. In the first place the subsidies are not confined to the poorer sections of the community only; on the contrary, given the pattern of controlled distribution, it is the relatively better off categories of the population such as employed people in towns and cities and organized industrial workers who have been the principal beneficiaries. Food subsidies, again, are being financed to some extent by budgetary deficits involving deficit financing. This would mean that the anti-inflationary potential of food subsidies is considerably diluted. Finally, since the proportion of the population benefiting from food subsidies is a relatively small part of the total number of people in the country, the anti-inflationary impact of the subsidies must be limited *per se*.

It is however politically not practical for the government to do away totally with

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either controlled distribution or even food subsidies. The next best thing the government may do, therefore, is to limit its responsibility for controlled distribution to the expedient minimum. It must of course at all times be the first and foremost commitment of the government to relieve food scarcity whenever or wherever it is found but, so far as a regular system of subsidized food distribution is concerned, it is both proper and necessary that the government should cut down its ministrations as much as possible. It is therefore quite encouraging to learn that the government is in fact thinking along these lines.

The role of the governmental or semi-governmental agencies in the new scheme for wheat procurement and distribution is yet to be clarified. To the extent that controlled distribution continues and the wholesale trade is being asked to deliver a proportion of its purchases to public authorities or public agencies, a certain amount of state-trading must necessarily remain. But is it at all advisable to have the Food Corporation of India continue in its present inglorious state? The FCI has become a byword for corruption and incompetence, while the administrative expenditure incurred on it has avoidably added to the costs of the public distribution system. Indeed, unless the government winds up the FCI, it would be difficult for the public, the farmers or the traders to take seriously the giving up of monopoly procurement of foodgrains as a policy. During the second world war and in the immediate post-war years as well as subsequently the state governments were able to handle controlled distribution through departmental agencies. This arrangement was not without its drawbacks, but the attempt to improve on it by setting up the Food Corporation of India has proved a tragic failure. It seems to us that there is every reason for decentralizing food procurement and distribution and leaving that work to the administration at the state level.

The government has decided to maintain inter-state restrictions on the movement of foodgrains. Such restrictions have operated generally to the disadvantage of producers in the surplus states and consumers in the deficit areas. The checkpoints along state borders have also assisted in promoting political graft and administrative corruption. It would be reasonable to argue that the government should move towards the elimination of these restrictions and trade barriers and that, as a first instalment, it should at least allow trade movement of foodgrains within groups of states on the familiar zonal pattern. Meanwhile, such realistic modification of wheat policy as has been effected is nevertheless to be welcomed in spite of the limitations imposed on it by some of the individual government decisions that have gone into the making of this policy.

Foreign exchange puzzles

THERE is such a divergent discussion about the outlook for the foreign exchange budget for 1974-75 that the ordinary observer is confused in his mind and unable to figure out how the government will get over its difficulties arising out of the international oil crisis and imported inflation. A feeling of extreme despondency has been created by ill-informed and unhelpful criticism though it cannot be denied the oil crisis and the setback on the food front have imposed severe strains on the balance of payments position not to speak of the serious upsets in the calculations of the planners regarding the foreign exchange content of the fifth Plan. In all the discussions on this subject in the press and in Parliament the feeling has somehow gained ground that even in the current year (1973-74) an unmanageable situation has arisen and there will be catastrophic developments in 1974-75 if imports are not severely curtailed and massive foreign aid is not available.

The speculation in money market circles over the thinking of the government on these problems has been sparked off by the recent announcement relating to the use of the facilities provided by the International Monetary Fund under the compensatory financing scheme. This decision has been subsequently reflected in a significant rise in foreign balances held by the Reserve Bank in the Issue and Banking Department during the week-ended February 22, 1974 to Rs 431.90 crores from Rs 355.23 crores in the previous week. This big rise was achieved with the tendering of rupee securities of the equivalent of $ 71 million to the Reserve Bank to be kept in its custody on account of the International Monetary Fund. Following the withdrawal it was expected that there would be subsequent heavy payments.

However, with a fairly high level of balances in the Banking Department of the Reserve Bank there was a transfer to the Issue Department which resulted in foreign securities rising by Rs 40 crores to Rs 141.74 crores on March 15, 1974. Balances held abroad in the Banking Department stood at Rs 329.75 crores taking the total to Rs 471.49 crores. The action of the government in strengthening foreign securities in the Issue Department of the Reserve Bank should be taken to mean that no immediate payments for heavy amounts in foreign exchange were contemplated and only a satisfactory position in respect of foreign exchange reserves was being built up in anticipation of difficult days ahead.

It would facilitate a correct understanding of the prospects for 1974-75 if the trends in foeign balances in 1973-74 upto March 15, 1974, were analysed and some inferences also were drawn from the foreign trade figures for April-Sepember 1973. It is agreeably surprising to note that the decline in foreign exchange reserves held by the Reserve Bank, excluding gold coin and bullion, between March 30, 1973, and November 23, 1973, declined by only Rs 34 crores against a larger amount of Rs 79 crores in the corresponding period in 1972. The absence of any big drop in foreign balances in the first half of the current financial year is understandable because exports were quite satisfactory even with the setback in June last year on account of trouble in effecting shipments at Indian ports. The deficit on trade account for the half year under reference was only Rs 15.45 crores. The changes in the value of exports and imports indicated that foreign trade was being conducted at a higher level and no serious deterioration had taken place until Sepember last.

This is understandable as a big rise in oil prices took place only after October and the further spectacular rise under this head only from the beginning of January this year. With food imports on a commercial basis and oil imports on dearer terms being effected in the latter half of 1973-74 imports must have risen spectacularly with the value of exports lagging behind. In the absence of details relating to trade figures for recent months it is not possible to say what will be the net deficit for 1973-74. It may not however be formidable, being not more than Rs 200-250 crores. What is intriguing however is the absence of any net sizable decline in foreign balances held by the Reserve Bank after allowing for the revaluation during the week ended July 6, 1973 and the credit derived from the International Monetary Fund in February this year. The net drop has not been more than Rs 13 crores.

How then have the deficit on trade account and repayment obligations in the

latter half of the year been met? Has there been any deferment of payments against oil imports or have special credits been secured for financing food imports on a commercial basis? The confusion in this regard may be cleared by the adjustments that are likely to be effected on various accounts in the coming weeks. It will be safe to assume however that the problems of 1973-74 have been successfully overcome and there will have to be proper planning only in respect of 1974-75.

If the complications relating to oil and allied imports alone have to be tackled the addition to the import bill may be Rs 800 crores. The latest reports however indicate that there will have to be food imports also of even three million tonnes on a commercial basis. Taking into account the element that already exists in this regard in 1973-74 the additional bill will probably be Rs 200 crores. The cost of imports on the revised basis will therefore increase by an aggregate of Rs 1000 crores and it will be possible to offset this increase in foreign exchange expenditure only to the extent of Rs 500 crores through higher exports.

It should of course not be difficult to displace imports of steel, fertilisers and some other items with a higher level of indigenous production. The shortage of power and widespread disturbances, not to speak of the dislocation in rail traffic, have slowed down the growth in industrial production. Even now, the situation can be retrieved with the imaginative policies and tactful handling by the central and state governments. If there is no setback on the agricultural front and the best use is made of available food resources, the net trade deficit need not be more than Rs 300 crores which can be met by additional foreign aid and deferred payment facilities. The government has already taken credit for Rs 220 crores in respect of foreign exchange availability in 1974-75 from new sources while normal aid has been assumed at a higher level. The benefit derived by the capital budget of the central government for the next year (1974-75) as a result of the imports of wheat from the Soviet Union repayable in kind, for Rs 200 crores will be only in the form of Indian currency in the nature of PL-480 imports. The sale proceeds of this quantity of two million tonnes can be utilised for some years as the repayments have to be effected in equal instalments in kind in five years with a moratorium of two years.

The alarmist view taken by the World Bank in its report prepared for examination by members of the Aid India Consortium has naturally had an upsetting effect in this country. The precise details are of course not available and it is also not known what are the premises underlying the projections of the World Bank. There will certainly be difficulty in financing oil imports on the basis of $ 9-10 per barrel and also permitting imports of other items, without restrictions, on a costlier basis.

The import policy for 1974-75 will necessarily have to be curtailed. But its rigours can be considerably minimised if the output of coal, power, steel, aluminium and fertilisers are stepped up substantially with the existing capacity. As the saving arising out of additional production can be easily Rs 500 crores the government has to take a correct view and make the necessary adjustments in its pricing policies and control measures. There is no use feeling unnecessarily panicky when the new challenges can be met with a proper understanding of the issues involved and correct appreciation of our capabilities.

New developments in tea

IN HIS presidential address at the annual general meeting of the Tea Association of India held in Calcutta on the March 16, Mr K.M. Kidwai highlighted some significant developments in the country's tea industry. Of these, the most important has been the formation in February this year of the Indian Tea Industry Development Association. This is a limited company set up by the members of the Consultative Committee of Plantation Associations to manage the tea gardens which are sick or are not viable for some reason or the other. The working capital has been provided by the members themselves who have also agreed to give it their technical expertise and services. The objectives of this new body, in the words of Mr Kidwai, are "to ensure the continued employment of the workers on such units, the full and regular payment of their dues, and in the country's interest to preserve and develop the national asset represented by such units in this important export-oriented industry". Prof D.P. Chattopadhyaya, the union Commerce minister, who inaugurated the annual meeting of the Tea Association, commended the industry's initiative to deal with the problems of closure and sickness in tea estates. He said that if the industry could help to restore the economic viability of such units, the process of recovery would be accelerated and the responsibilities of the government in this regard would be reduced.

But in the meanwhile what is New Delhi going to do to prevent more tea gardens from falling sick and to improve the health of the industry? Mr Kidwai referred to the low profitability of the industry and pointed out that between 1958 and 1970 the excise duty on tea had been increased by 431 per cent. Prof Chattopadhyaya told the association that the entire matter of zonal classification and differential rates of excise duty was under the consideration of the high courts in different states and that the government would have to await the judgment. He pointed out that the fiscal structure on tea would have to embody, as effectively as posisible, the policy decisions adopted by the government in consultation with the other tea producing countries, for obtaining sizable increaese in the unit value. He referred to the discussion with Sri Lanka and to the talks proposed to be held with other tea producing countries and advised the association not to think of *ad hoc* measures to gain limited objectives in the short run.

In the meantime, the government should give proper attention to some of the difficulties which stand in the way of the efficient working of the tea industry. Mr Kidwai bitterly complained about the failure of the railways to provide the gardens with their requirements of wagons for moving coal. The industry in despair tries to move coal by road at double the cost but road permits can be got only if the inability of the railways to provide wagons can be proved to the full satisfaction of the authorities concerned. The prodcedure not only causes delay but also harms the industy. To quote Mr Kidwai, "Planters are forced to cut their shade trees for fuel, causing permanent damage to the plantations. If we cannot move coal a few hundred miles within Bengal from coalfield to tea garden without all this fuss and bother, can we really progress as a nation? Can we tolerate this state of affaris to continue?"

Another major handicap relates to shipping. Mr Kidwai regretted that the port of Calcutta was again drifting towards "chaos and disruption". He said that with the current tight situation in shipping the industry could not afford to have ships delayed or to have them sail empty while teas already sold lay in the warehouses and the customers abroad became increasingly dissatisfied.

Both the Commerce minister and the Chairman of the Tea Association commented on the working of the auction system. Prof Chattopadhyaya said that tea was perhaps the only commodity whose international prices had not moved up during the last decade or so while those of other primary products which were also subject to demand and supply fluctuations had gone up uniformly. He observed that the recent spurt in demand for tea would not have led to the sharp rise in the prices of end-season teas if there had been any substantial excess of supply over demand. He suggested that the only lasting answer to the stagnation in tea prices would be to ensure greater co-ordination among producing countries.

Mr Kidwai however felt that the auction system was "the fairest and the best way of obtaining better prices". He recalled that for the first time crude oil had been auctioned by the producers who had thus realised a much higher price. Mr Kidwai said that "this substantiates our contention that if the balance of strength between sellers and buyers is equitable, sale by auction is certainly the best way in which sellers can present their goods to the widest range of buyers and obtain the price they deserve". The various aspects of the auction system are now being examined in depth by a study team set up by the Consultative Committee of Plantation Associations and its findings will be awaited with interest.

The Commerce minister exhorted the industry to develop new forms of tea and market tea in new forms. He assured the association that the government would be ready to consider proposals for granting incentives for marketing of such non-traditional formulations of tea. India has already made a good beginning in exporting instant tea, package tea, and tea bags. Package tea is having an increasing demand in the Gulf countries, Russia and Yugoslavia while tea bags and instant tea seem to have good prospects in the USA, Canada, and west Europe. It is necessary to encourage the production and export of this type of teas.

It is worth noting in this context that the tea industry has been making commendable efforts to promote research. Mr Kidwai revealed that, for the first time, all tea producers in north-east India had joined the Tea Research Association. Since 1900 this association has been devoting a great deal of attention to research and the Tocklai Research Centre in Jorhat in Assam has been developed into "the largest and most comprehensive research centre in the world dedicated entirely to tea". In view of the vital role of research, the government should provide the association with such assistance as it may need so that our tea industry can adjust itself to the changing times and be able to co-operate effectively with the other tea producing countries. Incidentally, it is interesting to learn about the enthusiastic efforts being made by the Tea Association to promote family planning in the tea gardens. Within a period of 12 years the average birth rate in the gardens has been reduced from 44 per thousand to 24 per thousand while the national average birth rate is still above 39.

An industry which, apart from earning large sums of foreign exchange, has shown commendable initiative in many directions, certainly deserves much greater sympathy and support from the government. Mr Kidwai expressed satisfaction at the fact that there were now clear signs of a realisation that tea was "one of our best run and most important industries, that it belongs to the nation, and that it is not in the general interest to treat it like an unwanted step-child". Considering the fact that Mr Kidwai made these remarks at the 93rd annual meeting of the Tea Association, it seems that the government has taken a very long time indeed to appreciate the role of this great industry in the country's economy.

Disenchantment in Punjab

Mr Hans Raj Sharma, Finance minister of Punjab, presented in the state Vidhan Sabha the budget estimates for 1974-75 showing a deficit of Rs 38.39 crores. No doubt he proposed to cover the deficit to the extent of Rs 17 crores through various measures such as an increase in the market fee on foodgrains, economy in expenditure, better tax collection and an increased share in the existing or additional central taxes. But still a gap of Rs 21.93 crores remains uncovered.

It has become a regular practice of state governments to budget for such uncovered gaps to be closed through central assistance to the extent that additional revenue receipts, not budgeted for, fail to make up the deficiency. Punjab's budget for the year 1972-73, for instance, showed a deficit of Rs 12.27 crores but actually the year ended with a cash balance of Rs 3.96 crores. Similarly, the year 1973-74 was expected to close with a deficit of Rs 37.21 crores but actually the deficit declined to Rs 18.75 crores. The Finance minister, consequently, may have been encouraged to hope that the estimated deficit of Rs 21.93 crores might be covered to a considerable extent during the year.

The experience of the state of Punjab during the last two or three years has been quite different from what is likely to be the record of 1974-75. Punjab's agriculture responded quite hopefully to the increased demands of foodgrains by the country as a whole with the result that the state's income increased during the years 1971-72 to 1973-74. At constant prices (1960-61) it rose from Rs 704.4 crores in 1970-71 to Rs 740.1 crores in 1971-72 indicating an increase of 5.1 per cent. The state's income was expected to be around Rs 784 crores during 1972-73 and Rs 834 crores during 1973-74.

The prospects of 1974-75, however, appear quite dismal. Reports indicate that Mr Sharma's anticipations are likely to be hurt badly when the green revolution turns grey this year. The acute shortage of diesel oil has made it impossible for a large number of farmers to make the best of the valuable inputs already invested. The shortage of fertilizers also has affected the state's agriculture badly. Although it would be premature to guess the extent of shortfall, it can at least be stated that income generated in the agricultural sector is likely to be considerably lower than in the previous year. Consequently some sources of revenue including the enhanced market fee on foodgrains may not yield the expected revenue.

One reason for raising the market fee on sales of foodgrains from Rs 1.50 to Rs 2.25 per cent is that the state proposes to spend two-thirds of the receipts on this account on building rural roads and bridges. This does not mean that the state has not already given the rural roads programme the attention it deserves. For instance the government had spent a sum of Rs 41.36 crores in the construction of 9,521 km of roads during 1972-73 and 1973-74 and was making efforts to build the remaining link roads during 1974-75. Even otherwise, the state continues its endeavour to improve the agricultural sector. The Thein Dam with an irrigation potential of 861,000 acres has been included in the annual Plan for 1974-75 with a provision of five crore rupees. This is a new scheme proposed to be included in the fifth Plan. In fact the enhanced size of the annual Plan 1974-75 (Rs 126.59 crores) and additional liabilities on Plan schemes to the extent of Rs 17.5 crores have been responsible for excess of expenditure over revenue.

The payment of additional dearness allowance has earned for Mr Sharma the goodwill of the government employees. In fact the state Finance minister offered additional dearness allowance in appreciation of the decision of the government employees not to go on a strike. The government has also assured that there would be one hundred per cent neutralisation of the increase in the cost of living for those whose salaries are up to Rs 300 and 75 per cent neutralisation for those getting up to Rs 900. The increase of 9 per cent in pensions of those drawing Rs 300 or less will offer some respite to a section which had been hurt considerably by the recent price rise. The various concessions extended to the government employees since March 1972 will involve an additional annual commitment of Rs 20 crores.

The Finance minister stated that the climate of investment in the industrial sector had improved in the state and a number of new units in the large-scale sector had gone into production. He also took credit for the avoidance of retrenchment of any significance in the state. The provision of Rs 60 crores for power schemes during the year is likely to provide much wanted relief by eliminating recurring shortages of energy. In fact the Finance secretary's memorandum reveals that the state had been advised by the Planning Commission to revise electricity tariffs in order to raise additional resources. It remains to be seen how long the state can resist the implementation of this proposal. Any increase in power costs however is likely to dampen the industrial climate.

Eastern Economist 30 Years Ago

APRIL 7, 1944

The Atlantic Charter together with the economic philosophy of liberalism which undelies it, was adumbrated in a spasm of simple idealism and goodwill which are naturally generated during the more strenuous phases of a cruel war like the present. Yet it is clear that the situation of international disharmonies on the political as well as the economic planes, cannot be resolved merely by such declarations of simple idealism if it fails to take measure of basic factors and forces which move the real world. So far as the political basis goes, with the brightening prospects of the war, the Great Powers have already moved away from the essential postulates and it has already beeen possible for responsible organs of public opinion to declrre that "the Atlantic Charter is dead. Such a speedy and consummate denouncement of the Atlantic Charter is equally discernible on the economic plane. It has been taken as axiomatic that clause four of the Charter which assures to all States "access on equal terms to trade and to raw materials of the world which are needed for their economic prosperity," will be secured by progressive "freeing" of international trade and this alone can reconcile the economic interests of the various countries. Yet already the trend of economic thought in Great Britain as well as in the United States has put the emphasis on international control and even parcelling out of markets.

FROM THE CAPITAL'S CORRIDORS

R. C. Ummat

Power Prospects • Heavy Electricals • Wheat Strategy Controlled Cloth

A RECENT assessment by the union ministry of Iirrigation and Power has revealed that the power supply situation during the three months to June will remain difficult at least in 10 states systems because they are not only deficient in installed generation capacity but also supplies to them from the neighbouring areas cannot be augmented to meet their requirements fully. These 10 states/systems are Haryana, Punjab and Uttar Pradesh in the northern region, Andhra Pradesh, Karnataka and Tamil Nadu in the southern region, Goa in the western region, the DVC area and north Bengal in the eastern region and lower Assam in the north-eastern region. The deficits in generation capacity and in the energy availability in these areas up to June is expected to be of the order given in the table below.

ameliorative measures

Two states/systems, namely Gujarat and upper Assam, are expected to experience shortages of peaking load. Rajasthan, Madhya Pradesh, Maharashtra, West Bengal, (southern system) and Bihar are likely to suffer marginal shortages in supplies, but it is hoped that, as a result of steps being taken, the situation there will not remain very difficult. In Rajasthan and Madhya Pradesh, for instance, the marginal shortages would be made up by additional generation from the power stations in the Chambal system through the release of additional waters from the Chambal reservoirs (by overdrawing them). This increase in generation would help Madhya Pradesh even to make available some off-peak energy to UP. The maximisation of generation in Maharashtra is expected to obviate the marginal shortage in that state. The stabilisation of generation at the Santaldih power station would help in meeting the shortages in the southern system of West Bengal. In Bihar, too, there is said to be good scope for raising production from the existing facilities, which should make the supply position there comfortable up to the end of May. In June and thereafter, however, it may not be possible to avoid power scarcity in Bihar.

The power supply polition may be comfortable only in four states — Himachal Pradesh, Kerala, Orissa and Delhi. These states will have some surplus power which is proposed to be supplied to the neighbouring deficit areas. Himachal Pradesh is expected to have an average surplus of 18 to 24. MW capacity and 0.37 MU/day energy. This surplus is already being supplied to Punjab. The arrangement is proposed to be continued. Kerala has surplus to the extent of 158 MW capacity and 1.53 MU/day energy. It has agreed to make this surplus available to Tamil Nadu and Andhra Pradesh. Orissa's surplus, thanks to the recent commissioning of the third unit of the Balimala hydel station, is to be swapped with supplies from Andhra Pradesh's Machkund project.

The power outlook for the rest of the nine months of the current financial year, however, is not very certain as much will depend on the next monsoon and the additions to installed capacity out of the spill-over schemes of the fourth Plan. According to the above study, schemes aggregating to 4.25 million kw capacity are spilling over from the fourth to the fifth Plan. In the current financial year, several of these schemes are expected to materialise. The aggregate capacity of these schemes will be 2.01 million kw. Of the rest of the spill-over projects, schemes for a capacity of 1.74 million kw would fructify in 1975-76, 0.80 million kw in 1976-77 and 0.12 million kw in 1977-78.

Average Shortages of Power Anticipated in Various States up to June, 1974

	Deficit in capacity		Deficit in energy availability	
	MW	Percentage	MU/DAY	Percentage
Northern Region				
Haryana	245	41	1.7	24
Punjab	162	30	1.4	18
UP	715	45	5.36	21
Southern Region				
Andhra Pradesh	116	14.6	1.58	12.5
Karnataka	—	—	2.18	13.7
Tamil Nadu	229	14.7	3.58	14.8
Western Region				
Goa	—	—	0.1	20
Eastern Region				
DVC	132	18.5	2.18	17.9
North Bengal	1.4	5.2	0.05	14.5
North-Eastern Region				
Lower Assam	16	32	0.21	30

Of the 2.01 million kw additional generation capacity expected to materialise during 1974-75, 900,000 kw capacity — 270,000 kw hydel and 630,000 kw thermal — will be in the northern region, 530,000 kw — 290,000 kw hydro and 240,000 kw thermal — in the western region, 199,000 kw — 89,000 kw hydro and 110,000 kw thermal — in the southern region, 365,000 kw— 125,000 kw hydro 240,000 kw thermal in the eastern region and 40,000 kw — 10,000 kw hydro and 30,000 kw thermal — in the north-eastern region.

additional capacity

The schemes which will add up to this capacity include: Gurunanak thermal station at Bhatinda in Punjab — second unit (110 MW): Faridabad thermal station in Haryana — first and second units (60 MW each); Yamuna second stage hydel — four units (60 MW each)—, Yamuna fourth stage hydel — first unit (10 MW)—, and Obra thermal station — second and third units (100 MW each) — in Uttar Pradesh; Badarpur thermal station in Delhi — second and third units (100 MW each); Upper Sindh hydel station—second unit (11 MW)—and Chinani hydel station—fourth and fifth units (4.6 MW each) — in Jammu and Kashmir; Ukai thermal station — first unit (120 MW) — and Ukai hydel station — second and third units (75 MW each) — in Gujarat; Koradi thermal station — second unit (120 MW) — Koyana hydel station— first unit (80 MW) — and Vaitarna hydel station (60 MW) in Maharashtra; Kothagudem thermal station— second unit (110 MW)—in Andhra Pradesh; Sharavathy hydel station — ninth unit (89 MW) — in Karnataka; Kosi hydel station — fourth unit (5 MW)—in Bihar; Chandrapura thermal station — fifth unit (120 MW) — in the DVC area; Santaldih thermal station — second unit (100 MW) — in West Bengal, Balimala Hydel station — fourth and fifth units (60 MW each) — in Orissa and Namrup thermal station (30 MW) and Gumti hydel station — first and second units (5 MW each) — in Assam.

The first unit of the Faridabad thermal project, the first unit of the Yamuna stage II, the second units of the Obra, Badarpur, Upper Sindh and the Ukai (hydel) power stations are expected to be commissioned in June. The second unit of Yamuna stage II and the fourth unit of the Kosi project would be commissioned by September. The third unit of Yamuna stage II, the third units of Obra and Badarpur projects, the first unit of the Ukai (thermal) station, the second unit of the Kothagudem project, the ninth unit of Sharavathy, the fourth unit of Balimala, the first unit of Gumti and the Namrup schemes are anticipated to be commisssioned between October and December. The rest of the schemes will materialise in the last quarter of the current financial year.

The above anticipations, however, may be upset not inconsiderably because of the scarcity of cement and steel. There is also likelihood of financial constraints affecting the progress of some of these projects. If the rains fail, it is feared that the power supply position in most of the states may become extremely difficult.

An all-out effort, therefore, is being made to see that at least the thermal power stations are kept going at improving efficiency. This effort includes: (1) minimisation of the maintenance outage times; (ii) elimination/reduction of forced outages; (iii) daily monitoring of the working of all power stations by a cell set up in the Central Water and Power Commission; (iv) improving the quality of coal supplies; and (v) ensuring of adequate movement of coal to the power stations. A control room has been set up in the Railway Board for keeping a close daily watch on coal supplies and movement. Greater coordination between the different state electricity boards is also being attempted so that surplus power from some areas can be expeditiously transferred to the deficit ones. The central government is intervening in this arrangement much more effectively now than it has been doing in the past. Concerted efforts too are being made to reduce losses in transmission through installing balancing equipment wherever necessary

review imperative

Thanks to the sharp rise in prices last year, a review of the fifth Plan has become imperative So far as the power sector is concerned, it is feared that the current allocation in the Plan will be grossly inadequate for accomplishing the target set. Fresh exercises have been undertaken both in the Planning Commission and the ministry of Irrigation and Power to assess the financial requirements of the fifth Plan power schemes on a realistic basis.

If adequate finances become available to push through the fifth Plan power programmes, the generation capacity would be augmented by 1978-79 by 9.59 million kw in the northern region, 8.16 million kw in the western region, 8.55 million kw in the southern region, 6.84 million kw in the eastern region, and 0.48 million kw in the north-eastern region. The union territories will then have a generation capacity of 18,000 kw and the non-utilities 1.74 million kw. Of the total generation capacity of about 35.4 million kw at the end of 1978-79, 13.43 million kw will be hydel, 20.61 million kw thermal and 1.34 million kw nuclear.

In view of the expected difficult power situation during the current financial year in most states, curbs on consumption are not ruled out. They may be imposed even in the areas in which the supply position is easy, so that all are made to realise the gravity of the situation. In Delhi — a surplus area — restrictions have already been imposed on the consumption of electricity. These measure include (i) half-an-hour early closure of shops (ii) banning of all ostentatious use of power in marriages and other social functions, (iii) stoppage of power supply for neon signs, (iv) limiting of public lighting at night, etc. It is hoped to save nearly one lakh units of power this way for supply to the adjoining states, particularly Haryana.

manufacturing units

The four electrical machinery manufacturing units of Bharat Heavy Electricals in the public sector at Bhopal, Hardwar, Trichy and Hyderabad are understood to have recorded a very impressive improvement in their operations during 1973-74. The aggregate output of the four units during the year is estimated to have been of the order of Rs 230 crores — nearly 58 per cent more than the output in 1972-73. In terms of equipment, the production has been of the order of 2.5 million kw generation capacity. The target for the current financial year is expected to be fixed at about three million kw capacity equipment worth about Rs 310 crores. It is hoped to raise production to at least four million kw capacity per annum by the end of the fifth Plan period. The net profit of the four units for 1973-74 is expected to be in the neighbourhood of Rs 25 crores.

The biggest constraint which the fou. units are experiencing on their operations currently is understood to be the late payment for supplies by customers. The arrears of payment are said to be as high as Rs 70 crores — nearly Rs 60 crores from the state electricity boards and about Rs 10 crores from the central agencies. The Uttar Pradesh State Electricity Board alone is said to be in arrears to the extent of nearly Rs 30 crores.

While the equipment is said to be being made available by this giant electrical machinery manufacturing complex in the public sector to its various customers well in time, the progress of the civil works at some of the power plants are understood to be trailing much behind schedule. The state electricity boards, indeed, have their own problems, but they obviously cannot expect to remain in payment arrears for long if the equipment requirements of their power development programmes have to be catered for expeditiously by the suppliers of equipment.

* *

Even though in a statement in the Lok Sabha on March 28, the minister for Agriculture, Mr Fakhruddin Ali Ahmed, announced that the procurement of wheat out of the current rabi crop will continue to be effected by public agencies in all states, the government would allow wholesalers, both private and cooperative societies, to procure wheat under a sytem of licensing and control. The new policy, thus, virtually amounts to an abandonment of the state take-over of wholesale trade in foodgrains introduced last year.

Under the revised policy, the private wholesalers and cooperative societies in the surplus producing states of Punjab, Haryana, Uttar Pradesh, Madhya Pradesh and Rajasthan will have to surrender 50 per cent of the wheat procured by them to the government at the rate of Rs 105 per quintal. They will be free to sell the remaining 50 per cent within their states or outside against permits. There will be a ceiling on the prices which these wholesalers and cooperative societies would be allowed to charge for the levy-free wheat. This ceiling has not yet been decided upon. It will be fixed in the light of the prices at which purchases are made by the wholesalers and the cooperatives.

The public agencies will be procuring all varieties of wheat at Rs 105 per quintal, as against the rate of Rs 90 a quintal for the indigenous red variety, Rs 95 for the Mexican varieties and Rs 100 for the desi variety recommended by the Agricultural Prices Commission recently. The procurement price ranged between Rs 71 and Rs 82 a quintal two years ago.

Simultaneously, the issue price of wheat for states has been raised to Rs 125 per quintal for all varieties from Rs 90 to Rs 96 for the different varieties hitherto. The consumer prices at the ration and fairprice shops are being raised correspondingly.

The existing system of single state zones is being continued, but there will be no restrictions on the movement of wheat within the state by wholesalers and cooperative societies. Movements outside the state will be governed by a permit system.

The central government has been obliged to depart from the recommendations of the Agricultural Prices Commission owing to the fears that the output of wheat this yaer may not be as good as anticipated because of shortages of fertilizers and diesel oil, inadequate winter rains and the damage caused by frost in some areas, particularly Haryana. To some extent, the fact that the 'rust' menace has not been serious this time has helped the crop.

The chief ministers of the surplus wheat producing states had been vociferous in demanding a raise in the procurement prices at the last month's meeting of state chief ministers.

As a result of the revision in the policy, it is expected that nearly seven million tonnes of wheat would be procured by the government. It is proposed to maintain the distribution of foodgrains through the public distribution system from the last year's level of about 11.5 million tonnes. The raising of the issue prices to Rs 125 per quintal will reduce the subsidy provided by the government to about five rupees a quintal. Efforts are being made to bring down the handling and storage charges of the governmental agencies.

With a view to making the wholesalers part with the levy wheat expeditiously, the Essential Commodities Act is being amended to provide for deterrent punishment to defaulting wholesalers. Even the first offence will attract imprisonment and withdrawal of licence for business. The deficit states are expected to procure some wheat through levy on big producers. The decision in this regard will rest with the state governments.

* *

A new textile policy has also been announced. Making a statement on this policy in the Lok Sabha on March 30, the deputy minister for Commerce, Mr A.C. George, revealed that the prices of the controlled varieties of cloth are being raised with effect from April 1 by 30 per cent from the May 1968 levels.

The production of these verieties is being stepped up from 400 million metres to 800 million metres per annum. Henceforward, medium "A" category cloth would also be included in the controlled varieties, besides the five commonly new types of sources, dhoties, drill, shirting and longcloth.

To safeguard the interest of consumers, printing of the controlled prices on the selvedge of every metre would be progressively introduced. The distribution machinery is being streamlined. The distribution margin has been fixed at 20 per cent of the ex-mill prices to meet the currently increased costs of transport and distribution.

The penalty for the non-fulfilment of the controlled cloth obligation by manufacturers has been enhanced from one rupee a metre to Rs 2.50.

In the light of the enhanced obligation of the textile mills to produce controlled cloth, suitable provisions are being made in the scheme to sustain the requisite export. effort.

POINTS OF VIEW

Agriculture in the fifth Plan

Sir John Crawford

> This is the text of the fourth Coromandel Lecture delivered in New Delhi on March 29, 1974. Sir John Crawford, formerly Vice-Chancellor, Australian National University, is presently Senior Consultant to the World Bank on agricultural policy.

WHEN, IN December, last, I was honoured by the invitation to give the Coromandel Lecture for 1974, I chose, after some hesitation, "Agriculture in the Fifth Plan". It is clear that I didn't hesitate enough: "International Agricultural Research" would have been so much easier and safer! Masochism prevailed, even though the sub-title should possibly be: "Has the Plan any Meaning in 1974?". I have persevered because I believe the Plan has considerable relevance. Recent events have greatly affected its postulates (and even possibly destroyed some): but the current oil and fertiliser crisis gives more rather than less, significance to an even greater degree of priority for agriculture over the next five years.

Malthus' spectre

Much earlier than the Club of Rome[1] the Rev. Thomas Malthus in 1798 projected his spectre of population outstripping the relatively finite means of subsistence.[2] During the 19th century, the threat to Britain and Europe receded in the face of new agricultural lands in North America and Oceania and new agricultural advances; but in recent decades it has again appeared in force in India[3] and several other developing countries. What has saved India from Malthusian disaster, of which the Bengal famine of 1943 was but one earlier warning and the Gujarat riots a more recent one, has been a capacity sufficiently to increase the area under cultivation and the productivity of the total area in use. There are some signs of a check to population growth, but not yet nearly enough. Unfortunately it takes time at best to check population growth; it has been possible, although only just, to raise farm productivity enough in trend to match continued growth. Recent events make it clear that the situation — despite progress made under the fourth Plan — is not good enough: the "good" years have not effectively counterbalanced the below average years: and the annual addition of 12 or 13 million more mouths to feed have allowed little scope for overall improvement in diet in either quantity or quality per head. That food supply has nearly kept pace at all is thanks to the initiative of Mr Subramaniam and his colleagues in the mid-sixties — by the application of a complex range of policy measures including a higher level of technology than has typified traditional agriculture. The new technology is, however, increasingly dependent upon fertilisers and other forms of investment for which the outlook in the near future is grim indeed — both in terms of cost and availability.

a new twist

This is a new twist on Malthus. A great country like India is now confronted more directly than ever with his spectre — in his own words "famine, pestilence, vice and misery and strife" — simply because the ordinary avenues of import trade are not at present open to it on terms which enable it readily to secure either food or, preferably, those supplies of fertiliser, oil and chemicals essential to its planned agricultural programmes. Whether these current difficulties can be overcome or offset is a large part of this lecture. Unless they can be, the threat of famine and its attendant social miseries and political instability will loom too large for either stability or comfortable indifference anywhere in this Spaceship Earth—to borrow the title of Dr Swaminathan's 1973 lecture in this series.

I shall argue that much in the fifth Plan as it relates to agriculture—is both relevant and possible: on conditions. These conditions are that a meaningful priority — amounting to clear first preference in all investment, trade and policies — is given to the needs of agriculture. I will argue this point later largely in the sense that the cost in Malthusian terms or more simply, that the cost to the functioning of the economy as a whole is too great to contemplate. Even under favourable circumstances the challenge presented by the fifth Plan is formidable. But now, in addition, in a situation already difficult and critical, "the country has to absorb the shock and bear the backlash of portentous changes in the rest of the world"[4].

The draft fifth five-year Plan is an attractive document with its frank review of success and failure in the fourth five-year Plan matched by new ideas, proposals and challenge for the next five years. It takes two volumes of some 400,000 words or more to which my mere 6—7,000 words cannot pretend to do justice. In being necessarily selective of particular points I have striven merely to stress the complexity and urgency of the challenge to India and to its friends and to determine whether the fifth Plan approach is valid despite the exacerbation of the Malthusian threat.

What the Plan Promised

The overall goals of the Plan for the whole country are its constant theme: the removal of poverty and the attainment of economic self-reliance.[5] Provided that for the economy as a whole the central importance of increased agricultural production is recognized and provided that economic self-reliance is not literally interpreted as complete economic self-sufficiency, these aims are highly acceptable. In the plans for the agricultural sector a promising scenario is set. Since my lecture is based on a Malthusian text, I will refer predominantly to the foodgrain aims and policies relating to them. The same policies, for the most part, are applicable to the whole of agriculture.

A target of 140 million tonnes of foodgrains for 1978-79 is set — a growth rate of 4.2 per cent over the assumed base for 1973-74 of 114 million tonnes. This was thought to be less ambitious than that set in the fourth Plan; but not less difficult — if only because the fourth Plan target rate of growth of 5.6 per cent per annum was not achieved. We cannot ignore the high probability that the actual achievement in 1973-74 will be significantly less than the stated base for the Plan of 114 million tons for that year. For, in fact, this means that the difficulties and therefore ambition were indeed, even before the current world crisis, a good deal greater than conceded by the Commission. Much depends upon whether one regards 1973-74 as, after all, a below, rather than above, average season.

role of irrigation

The target was to be achieved by a highly significant increase in five years in gross cropped area for all agriculture of 11.2 million hectares (say 2.2 million hectares per annum) as against about 1.2 million hectares per annum in the sixties.[6] Of the total rate of growth of 4.2 per cent per annum in foodgrains about 3.2 per cent would come from rising productivity per hectare and 1.0 per cent from increase in gross area. Much of the latter would come from more irrigation, greater intensity of use of farm land, e.g. by multiple cropping, and from higher yielding seed varieties and their requisite technology. I am bound to admit that the area target presents difficulties to my mind and that, consequently, the productivity requirements necessarily would seem to me higher than stated in the draft Plan. I have had some difficulty in seeing much beyond an achievement of 130-135 million tons at best. I am no less bound to admit — as I explain later — that the costs to the objectives of the Plan of not achieving the target are great indeed. It is because of these costs — especially under the new world conditions now prevailing — that I believe that India cannot afford to fail to carry out and even better the programme for agriculture contemplated by the Planning Commission.

Even the summary of means to achievement of the Plan targets[7] is too long for me to read. The "main elements" (ten in all) are a "multipronged effort" to ensure more research and extension, quality seed, more and better use of fertilisers, more water and better use of it, more and better directed credit, more storage and better marketing, a relevant price policy for 'sustained and higher production' and execution of land reform measures. Plant protection materials were, oddly, not mentioned — but for good reasons I believe I should add them to those I select for later comment.

The fact that we have read these before in other plans is not proof of irrelevance, but simply that most, if not all, remain highly critical to target achievement. We should also stress the high degree of interdependence among them: many items crucial to the green revolution — such as high yielding seeds — cannot be effective without appropriate inputs, pricing policy, etc. etc. As Dr Borlaug remarked in his Coromandel Lecture[8], *"there is no magic seed"*—it is only a catalyst that requires inputs and care (especially water, fertiliser and pest control) of a high order.

Also not mentioned in the catalogue of "main elements" but highly important to the twin areas of production and social justice (reduction of poverty) are the special on-farm programmes at the village level for the small farmers, including the added attention to be given them under the regular credit, research and extension programmes. Among the most interesting special steps in my view, is the proposed development, under professional management, of the Farm Service Societies. Hopefully, these would develop as multipurpose credit and input-supplying organizations for small farmers and also serve as marketing agents.

minimum needs programme

Allow me to complete this all too brief resume of "What the Plan Promised" by reminding you that a critical part of the anti-poverty programme lies in the "National Programme of Minimum Needs" which is additional to the special on-farm or production programme designed to assist small farmers. Under this programme, incomes of the lowest 30 per cent of income earners will be enhanced, at least in real terms, by "programmes related to elementary education, rural health, nutrition, drinking water, provision of house sites, slum improvement, rural roads and rural electrification".[9] I suggest these items promise not only a decided lift in the quality of living open to the poor, but can also, by raising health, literacy, and morale, infuse a life in productive activities and give a keenness to village participation in agricultural policies much too absent in the past.

Were there no world energy crisis: no dramatic rise in oil prices: no world shortage of fertilisers or at least no reluctance to export them to India and no real shortage of foodgrains on world markets at less than famine prices to meet deficits in India, one could have settled down to a general critique of the Plan. It would have been constructively critical about targets in relation to planned inputs, and especially about the performance of the domestic industry. Nevertheless, the review would have been sympathetic and, on the whole, encouraging. But, instead, with perhaps only an increase in sympathy to offer, I must now ask the question: "can the Plan be preserved to the degree that the Malthusian threat of famine or deepening malnutrition, not to mention associated social and political tensions, will be averted?" Present threats to the Plan make the question a real one.

grim facts

The facts are grim. India is a major importer of oil and fertiliser and in price terms alone would be badly hit. The authors of the *Margin* review,[10] previously cited, estimate that "India will have to spend over 40 per cent of her export earnings merely to maintain import of crude oil at the 1973 level". We do not have to worry about the precision of the estimate when we realise that crude oil prices per barrel have increased some four to five fold. To maintain imports of fertilisers and material, if available, is perhaps no less frightening at 15 to 20 per cent of export earnings. If they are not available then the cost in grain which will have to be imported, while naturally conjectural, is even more frightening. Shortages of fertilisers would inevitably give rise to irregularity of supply and, accordingly, mistiming of its application. With demand in excess of supply black market operations can be assumed and the outlook for small and medium size farmers will be the more difficult unless government and private enterprise can take steps to assist, for I doubt if they can *ensure*, equitable distribution of both domestically produced supplies and such imports as can be procured. From the point of view of production one naturally hopes that a good share of supplies are channelled to the HYV programme where some 35 per cent or more of farm costs are probably already represented by fertiliser and plant protection materials.[11] The latter are no less vital to effective results in these programmes. On farm costs, unless further subsidized, will rise significantly — matter of high importance for policy as we shall also note shortly.

A sad element in the whole situation is the relative failure of the domestic industry to achieve production targets in the fourth plan or to raise effective utilisation of capacity above 60 per cent. The draft fifth Plan report is frank about this and one can only endorse its stated endeavours to raise this figure to nearer 70 per cent.

Since I have chosen to acknowledge the spectre of Malthus as the text of this Lecture, let us look more closely at some of the real costs of the current threats to agricultural production. I will not pretend to be precise, but indicative only of the nature and magnitude of the threat imposed — a threat in which both higher costs and absolute shortfalls of fertiliser availability are important but are not the whole threat. Power shortages and transport failures also have real costs in terms of farm production shortfalls.

Clearly, if we equate the draft Plan target of 140 million tonnes of foodgrain for 1978-79 and its associated growth rate of 4.2 per cent (dependent on the base of 114 million tonnes in 1973-74) with the inputs and other policies projected in the Plan, then any shortfall over the five-year period in a major input like fertilisers must lead to a shortfall in achievement. This is, of course, regardless of any earlier expressed doubts about the relationship of the target and the planned inputs. The result follows unless, of course, much better than projected results are achieved from the other elements in the Plan — such, for example, as irrigation, and pest control — or seasons are consistently better than past averages. We can agree that policies cannot be projected on such "unless" provisos: I doubt if the Planning Commission was able or would wish deliberately to conceal any "fat" in its projections.

conjectures about failure

Like you and many friends of India I have made and read many conjectures about the implications of failure to achieve targets (whether of foodgrains or other agricultural and animal produce). In the short-term one can limit the problem by asking the meaning of a shortfall in 1974-75: the problem may sound less forbidding that way! If nitrogen supplies were to fall say one million tonnes below the projection of 2.7 million tonnes for 1974-75, that is, remain only at the actual estimated for 1973-74 of 1.6 million tonnes, the shortfall below projections could, under average seasonal conditions (but without rust, we hope), amount to five to six million tonnes in foodgrains or foodgrain equivalents of losses in other crops normally sharing fertiliser supplies. The actual "marginal" impact on foodgrains naturally depends on the fertiliser response ratio assumed and the proportion of the nitrogen supply finding its way to foodgrain crops, not to mention the aggravating effect if plant protection chemicals are also in short supply[12]. On a five-year approach, if we assume or "guess at" a 2.5 per cent per annum[13] growth in foodgrain production instead of the 4.2 per cent rate, the 1978-79 production could be 129 million tonnes, not 140 million as projected in the Plan.[14] That 11 million tonnes if replaced by imports could easily cost in one year over US $2 billion or some Rs 1,750 crores — a figure equal to 43 per cent of the Rs 4,000 crores assumed in the Plan for total external assistance over the five-year period.[15]

This can be taken as an extreme and intolerable situation which no regular balance of payments budgeting could absorb. Although extreme it does indicate a potential problem for which answers have and, in significant measure I believe can be, found. On less pessimistic assumptions I, nevertheless, do not find it difficult to think of a total shortage of foodgrain production below need over a five-year period of some 30 million tonnes — if some answers are not found. On this, I repeat, *I do not despair*, but I have not yet finished the warning part of this address. For the implications for the Plan go far beyond the initial possible impact on food supplies.

implication of shortfalls

I will not pretend to present even illustrative arithmetic, but few will gainsay the following implications of a shortfall in foodgrain supplies; and many of the same inferences will hold if other agricultural output for similar reasons also fail to achieve planned growth.

(1) The real income of farmers will, in a controlled market situation, almost certainly fall as output falls. To the extent rising prices are allowed (e.g. for support or procurement) the loss of income may be offset — in part also depending on movements in farm costs. Fertilisers are already subsidised and it would be difficult to contemplate a further lowering of their costs to the farmer. On the contrary, an increase in costs is clearly indicated — although this could reinforce clamour for higher support and procurement prices. These are difficult decisions not to be taken without regard to their impact on the total economy. As I infer in a later remark I see political and social wisdom in measures which minimise costs of food publicly distributed to low income earners through the fair price shops.

(2) The loss in farm income will have an impact on employment and on incomes of farmer oriented small industries in rural areas such as those suppliers of essential materials and consumer goods.

(3) The shortage of foodgrains will, as I will argue later, place a severe constraint indeed on the feasibility of the Minimum Needs Programme and other highly desirable employment giving rural development programmes projected in the draft Plan. Wages paid out as a result of investment likely to increase employment — public or private — must, if only in the interest of social stability, be matched with extra food supplies to meet the high income elasticity of demand that can be expected.

greatest victim

(4) Perhaps the greatest victim of food shortage is any administration charged with procuring and distributing food to low income groups through fair price shops and in other ways. Recent experience (as also in 1966-67) makes it abundantly plain that procurement for public distribution systems not to mention buffer stocks is only adequately feasible when production is reasonably ample in enough years in every five or imports always readily (and cheaply) available. Recent history is not encouraging in either respect. I do not have to spell this point out to this audiencee any situation threatening the ability of governments to feed their peoples is costly in every senses of that word. The real victims are the people — possibly the majority — who have to be satisfied with diets quite inadequate to good health and peace of mind.

(5) Whatever happens and even if oil and fertiliser prices recede in another two years (and I think fertilisers may a little), the projected balance of payments situation over the fifth Plan period has been rendered unreal. Clearly, however, if fertilisers, oil and chemicals are available and food targets achieved the strain will be less than if foodgrains have to be imported on a large scale. The projected external assistance of Rs 4,008 crores, will nevertheless be inadequate even though exports continue to improve — and are likely to prove inadequate even if the possibly less essential investment programmes of the Plan are cut. I hold this view for the reason that the high priority which must be accorded agriculture, if meaning-

ful, will require large additional imports (at least in monetary terms). This is especially so under any likely continuing cost position for oil, fertilisers and because of the impossibility of expanding domestic production of nitrogenous and phosphatic fertilisers fast enough or of developing continental gas or new oil resources to enable rapid substitution of domestic production for very much of the oil, chemical and fertiliser imports required in the next two or three years.

priority for agriculture

You will not be at all surprised if I now suggest that the strongest case exists for affording the highest priority to agriculture even if this means an increase in the weight of the share of total investment going to this sector and to vitally related activities like power and transport. It is perhaps unncessary to remind you that the economic health of the economy and possibilities of meaningful growth are at stake. The Economic Survey for 1973-74 made this clear in its prosaic statement "that inadequacy of the rate of growth of agricultural production, and persistence of significant fluctuations in output from year to year, perhaps constitute the most basic challenges in the sound management of the economy". For me there is no *perhaps* about it. Without a buoyant agriculture it is practically impossible to avoid inflation let alone have stability, expand employment faster than the growth rate in the labour force, or be sure of social stability. Even the strongest monetary controls are no substitute. I agree with Professor K. N. Raj in a recent statement to this effect in which he sums it up by saying, "In a country so heavily dependent on agriculture for its supplies of food for domestic consumption, and of raw materials for manufacturing industry and exports, it is but natural that what happens in agriculture sets the pace for almost everything else."[15a]

There is no such thing as absolute priority, but in thinking of the Plan's total objectives it is important, in the adjustment that must necessarily be made, to give the highest degree of preference to the direct and indirect requirements of agriculture. Only in this way can the direct Malthusian spectre of food shortage be allayed; but also it is only in this way that the revised Plan can preserve to a significant degree its social objectives including, especially, its attack on poverty. Such an attack without adequate quantities and quality of food to work it is hardly assured of success. Nevertheless while in the new circumstances production is absolutely vital, it should not be assumed that all social objectives have to be cancelled on the false grounds of irrelevancy to the production objective.

Let us turn again to some of the elements in the agricultural part of the draft Plan for comment on a few aspects relevant to the view on priority I have just stated.

I have been tempted to take away some of the problem by arguing that on a relatively spartan diet basis (e.g. 3.5 kg foodgrains per capita per week) that a target of 130 million tonnes for 1978-79 would be adequate. However, this would not provide buffer stocks for below average to seasons. Nor would it allow for any significant response to higher average income elasticity to be expected if employment among low income earners is to increase as the result of the "Minimum Needs" and other programmes. Finally it would allow of little diversion towards animal husbandry development. Probably (and, indeed, I believe, considerable) reliance must be placed on international commercial markets and aid for the bad years to substitute for absent buffer stocks.

Policy Considerations

A target of 140 million tonnes in 1979-80 is not an over generous estimate of need to defeat hunger and make for good management of the economy as a whole. Accordingly I believe it is necessary to strive to get as near to it as possible. This can only be done by doing better than the Plan projects in some areas in order to overcome the feared deficiencies, at least in the short term, in key imports like fertiliser and the high cost of oil supplies. The question of appropriate understanding with the international community will be discussed later: an important element in their goodwill is bound to be the obvious further effort on India's part to maximise under the new and extremely difficult world trading conditions, its capacity for self-reliance. Scope for this is indicated in some degree in the brief observations which follow on a number of items in the complex of factors casually related to agricultural production. I will offer brief comment on inputs, incentives, research, extension, administration and the general programming of welfare-cum-employment giving off-farm activities.

(i) **Fertilisers**: The first of these to consider is obviously fertilisers: in the short run of the first two years of the Plan every effort must be made to raise the effective capacity of existing plants in India. This is a delicate subject, perhaps, but the Planning Commission is right: effective utilisation of stated capacity can and must be raised. If this calls for external credit and consultants to assist in renovation or alteration of plants, the call should be made. I have no doubt that it would meet with response.

hastening of construction

Similarly, one assumes that the construction of new plants due to come in stream during the fifth Plan will be hastened rather than delayed. Subject to these efforts the industry's need for the foreign exchange allocation needed for feedstock (oil) has a strong claim in view of the high costs of agricultural failure already outlined. Similarly, the fertiliser plants need priority access to other scarce inputs such as power, steel and transport as already stated this is a critical part of the meaning of "priority" for agriculture. In this connection it is certainly encouraging to read of the bright prospects for the most recent oil discoveries off Bombay. I suspect no one will dispute priority for this venture!

Although it is unlikely that fertiliser prices will fall back to those of two or three years ago, it can be hoped that as world capacity is expanded, they will not remain at present levels. Meanwhile, imported supplies must be secured if at all practicable. In my view every effort should be made to do better than a million tonnes of nutrients in 1974-75. I refer to this again later under the heading of international action: I will argue that international co-ordination and planning for adequate supplies of essential inputs for the modern farm technology in India is no less and possibly more important, in the short to medium term, than planning for emergency food stocks. It is, of course, highly probable that both will be needed.

Finally, for the medium and longer term, India must both raise its total domestic capacity and increase the security or reliability of its imports. It can do the former by not only confirming and completing the stated Plan intent to raise capacity significantly but giving attention also to the greater use of its indigenous energy reserves, notably coal, either in fertiliser production or in ways likely to release more oil feedstocks. On the import side it can certainly consider joint ventures with its neighbours on the sub-continent in the use of natural gas and possibly with Iran.

(Alternatively, Iran might perhaps be approached for development credits.

It is encouraging to see that joint ventures with Iran are already under consideration in other fields). The government of India can also offer some long-term contracts with friendly countries for the supply of fertilisers. These can properly have regard to possible falls in prices but need to be firm in the assurances of purchase.

(ii) **Plant Protection Materials**: One of the key facts in the new technology is that relatively-high inputs of fertiliser will enable HY varieties to give higher yields than old varieties. It is also true that failure to attend to the cultural practices required in all seasons, but especially in the Kharif for rice, will rob the promise of much of its feasible reality. The remark is particularly valid for plant protection against disease, but can be extended to things like consolidation of holdings for operational efficiency, rearrangement of irrigation reticulation systems, land levelling and preparation and so forth.

inputs required

For rice in eastern and southern India the promise of the green revolution can be brought nearer to reality even with the prevailing less than optimum fertiliser input and, at the same time, a great concentration of small farmers benefited, by group action in these matters. The draft Plan mentions this and provides for the development. I doubt if it hits hard enough at this or other aspects of plant protection. This must now be done if the investment of costly fertiliser is not to be wasted in large part. It could become a slogan for all villagers to participate in village action to improve water management (irrigation and drainage) but, most of all, to protect the crops from pests and disease.

Plant protection and fertiliser economy, soil and water management can be combined early in the form of community services. Healthier plants, high yielding varieties for all, earlier planting (and hence better variety) and better preparation of soil are all possible if this approach is used. It is a special form of operational demonstration which can gain village acceptance as the group advantage becomes clear. This is a commendable ICAR initiative. But village co-operation does not stop here, for once crops are planted under whatever system, villages can support a good early warning system and support also regular control measures. There is scope here for centre and state institutions, supported by ICAR, to encourage activity at the local level. Protection materials and guidance are essential. In a period when gradualism is not fast enough, a principle of enlisting ICAR state research centres and university personnel for special national service in this work of guidance has much to commend it. A further aid to morale and collaboration, would be to act with vigour to give security to tenants. This could prove to be a direct contribution to production.

Needless to say, the same principles of village or group action could extend to all crops dependent on the S.W. Monsoon (and not merely safe irrigated areas) — whether they be sorghum, legumes or rice.

use of pesticides

To be blunt about it, the Plan provides for an increase in use from 45,000 tonnes to 74,000 tonnes annually of pesticides. The increase in money costs will be more than proportional; it will be justified, and then magnificently, if applied with the enthusiasm and care which guided but self-interested group action could muster.[16] Group action could provide a form of village participation in economic development which is productive both for the farmer and for the nation.

(iii) **Irrigation**: On irrigation one could, if qualified, write a book, if only to review the, to me, wise and exciting approach postulated in the draft Plan. I will not try beyond confirming the high priority which it seems to me proper to give it. I need not remind you that water alone has a positive impact on production — possibly 0.5 tonnes per hectare.[17] This is part of the increased productivity called for under the Plan.

Irrigation and greater effectiveness in use of irrigation water are vital to the Commission's hopes of raising the gross area cultivated, e.g. by double cropping and to its hopes for extending the use of high yielding varieties in the interest of higher productivity.

External assistance, which must be sought for irrigation development, should continue to receive high priority by the government of India and institutions such as the World Bank. I believe the mixture of medium and major irrigation proposals and the policy for command area development deserve prompt support as a major factor in the development of economic self-reliance. Not least important is the need to ensure continuity of development so that long term schemes are being planned and initiated concurrently with the completion of major schemes launched as well as the improvement of operational efficiency of old or as yet ineffective programmes. India has taken the integration of all interested parties a good way since 1950, but much remains to be done: the agreed development of inter-disciplinary authorities in the states[18] is a welcome further step.

unfaltering policy

All told, irrigation policy must not falter and one hopes that this priority will remain intact in any revision of the Plan. It would be even better if the tempo of private investment in irrigation and of new construction and renovation in the public sector could be raised. My enthusiasm has not blinded me to the very great difficulties in the way of rapid tempo; but I hope the effort will be made. I will be forgiven if I remind you again how critical certain other sectors such as steel, concrete and power are to the whole programme. Without full co-operation between the sectors in this way, there is no hope of achieving the additional 20 million tonnes or more expected by way of the HYV programme in the fifth Plan.

(iv) **Seed**: Friends have seen me mildly apoplectic on this subject; for I have been unhappy indeed with the lack of development in India of a seed industry both comprehensive and adequate in quality of product. I will not enlarge on this. Suffice to say that no plant technology performs any better than the quality of its seed bases will allow. Certainly, the green revolution needs and it deserves seeds of the highest quality able, given the inputs, to achieve what the plant breeders have predicted for them. I have no ideology leaning to public or private enterprise; but right now I would enlist all universities, state farms or private enterprises willing to accept vigorous supervision of standards as well as the help of the vital resources available to the ICAR. It is a complex industry but the task of making it really efficient has to be tackled. I know the plant breeders have a part to play in being ahead of this and that disease which can be combated best by breeding resistance varieties. But they must also have a first class industry to back them.

(v) **Research and Extension**: As research was the subject I nearly chose for tonight I might be expected to speak at length. I can resist the temptation to say anything much beyond my basic philosophy about it.

The task of first-class national research is to provide improvements in plant and animal quality and in the cutural and husbandry management practices appropriate to the human and environmental ecology of the country. It can do its work on an original basis or in partnership with international and other relevant research bodies within the naton. India has a fine record of world standing and has made its contribution far beyond national boundaries.

severe challenge

The challenge to the national research system led by ICAR is severe. A new technology cannot be introduced without, e.g. plant breeders, being on the alert for problems such as rust which can be checked by new varieties continuously bred for the purpose whether by breeding or other forms of control. Pests have to be checked. Much of the work is dependent on farmer collaboration both directly and through the extension service. It is fair to say that the green revolution so far has not greatly depended on the extension service, yet for wide adoption of the new technology there has to be closer collaboration between research workers (whether in universities or government stations) and an upgraded extension service. Nowhere is the vastness and complexity of India more to be seen than in the task of upgrading a needed national service, especially in the efforts made to raise the standards of localised extension service. One can only commend the Planning Commission for its plans to try again.

The nexus between research and extension must be close and since the emphasis must be and is being given to applied research I see a strong place for national demonstration units as part of all-India co-ordinated research efforts. The draft Plan refers to extension as "an invisible agricultural input in any programme of agricultural development"; frankly I prefer more visibility, especially if it is of the quality the situation demands. I have been delighted to find that national demonstrations will be extended to show the economic benefits of village group activities of the kind I stressed a little while ago. This operational research and extension reaching right into the village not only teaches but gets its reward in feedback of problems and ideas for solution.

I referred to the great challenge confronting the natural research institutions headed by ICAR. It would be less than fair if I did not express the confidence I have in their work and in the reliability of the leadership now available. The green revolution is not a spent force; nor is it confined to rice and wheat. It is required to be continuously adaptive as new needs emerge: it has to have trucks for all crops adapted to local conditions including management skills available. Not least—and I stress again — it has to reach into the villages and especially into the needs of farmers operating under the far more erratic conditions of rainfed areas where irrigation is not available.

My confidence is considerable but I feel bound to register some disquiet that the apparent allocation to crop and animal husbandry research is so modest — about 11 per cent of the total Plan and non-Plan outlays on science and technology.[19] Unfortunately research on so wide a range of problems as are present in agriculture cannot be cheap — especially as so much for the economy and, more importantly for human welfare is at stake.

Incentives

(i) **Price Policy and Marketing**. The discussion in the draft Plan is of a high order of generality.[20] "The policy regarding agricultural prices is proposed to be carefully designed." It proposed guarantees of "substantially higher support prices for major agricultural products"—fortunately coupled although not strongly enough, with an affirmation of the need to overcome obstacles to taxing the agricultural sector along the lines of the Raj Committee proposals.[21] Again it refers to "the basic objective. . .to build up an effective public distribution system. . to function as an effective countervailing power."

There are many difficult and even harsh decisions called for by these objectives and by the new oil and fertiliser situation, not to mention the world trade position in respect of foodgrains. It would be impertinent for me to venture to guess the final answers which can only be given by the government of India. Nevertheless, it is clear that, on the one hand, farmers cannot absorb all the new cost impact without help of one kind or another. As already suggested, some combination of higher procurement prices and continued input subsidies is one course. On the other hand, the needs of the poor call for an effective public distribution system which however, cannot be assured if supplies are not forthcoming. For this, imports as well as local supplies are probably essential: yet in a deficit position both sources are costly and, I fear, uncertain This, indeed, is one of the really harsh aspects of the Malthusian situation and is of course, one of the imperative bases for according high priority to agricultura production.

(ii) **Credit**: There is little point in my reviewing the vital role of credit. I take the liberty of making one point only I believe the more input supply and marketing functions are integrated with credi especially for small farmers, the more effective is the use of credit and the bette the likely record of repayment. There are many forms this integration can take and there is no case of national uniformity in this regard. As already indicated, I an particularly interested in the proposed tria development of the Farmer Service Societies or guided co-operatives under pro fessional management, designed to inte grate credit and services – I hope botl in the input side and in marketing. Al told, I suggest that in return for the prio rity attention their needs receive, a toughe line than in the past on farmers' obliga tions would be justified.

(iii) **Land Reforms**: It can fairly be ar gued that some aspects of land reforr are casual in relation to production The draft Plan writes in somewha dispirited terms. Without trying to marshall evidence[22] I believe quit strongly that in a situation in which botl individual and group effort must be in creased, an essential incentive to smal tenant farmers and sharecroppers is to make their tenure secure and clear as to conditions to the degree that they ca safely borrow for farm development and production. The draft Plan does at leas give high place to these problems in th areas relating to rural development pro jects for small farmers.

(iv) **Small Farmers**: One of the mos welcome features of the draft Plan is in deed the very greatly enlarged attentio proposed to be given to programmes fo small farmers. This is done with an en couragingly practical frankness abou some of the disappointments in the pionee efforts of the fourth Plan period. Fortu nately, there have also been encouragin experiences on which much can be built —

especially if administrative capacity and interest are improved *pari passu*. The activities range from particular programmes such as the Drought-Prone Area Programme, the Whole Village Development Programme, special irrigation support efforts, and Farmer Service Societies to the more special emphasis within all general programmes (research, extension, credit. .) to be given to the needs of small farmers. One can only endorse these efforts as important aids to the relief of poverty but no less, in the present circumstances, to greater production of foodgrains by people. the degree of whose dependence in public food supplies may in this way be lessened. Hopefully, they will also increase their share of supplies to the market. It is probable that the roughly 60 per cent of the farmers occupying holdings under two hectares can increase their national contribution in both ways.[23]

Off-Farm Programmes: There are many activities which are embraced under this heading. I have stressed already that while a healthy agriculture is vital to the health of the economy as a whole, agriculture is dependent on non-farm sectors for the means to its success. I need not dilate again on the need for power, fertiliser etc. etc. I do wish, however, to comment on the relevance of the "Minimum Needs Programmee" in the new circumstances under review in this paper.

the lowest strata

One objective of the Plan is to raise the incomes of the presently lowest 30 per cent (in income terms). It is not the occasion for reviewing all the mechanisms involved. It is clear, however, that all the intended aids to increased productivity on small farms noted above would have a positive impact. But rural poverty extends also to the off-farm situation: the Minimum Needs Programme is intended to raise the quality of life in rural areas. It will be a tragedy if the necessities of national economic management by the central government or any shortage of food seriously curtail the proposed programme.

The programme, I remind you, embraces significantly the large activities in the provision of elementary education for children up to 14; a minimum uniform availability of public health facilities; drinking water to villages in need, all-weather roads to all villages of 1500 persons or more; home sites for landless labour in rural areas; environmental improvement of slums; and ensuring the spread of electrification to cover approximately 30 to 40 per cent of the rural population.[24] The direct contribution to the quality of life is obvious and, as a part of the anti-poverty programme, vital. It has a no less significant and welcome employment effect in the process — directly in construction and operation and indirectly through industries supplying materials, equipment and consumer goods for the new and higher income earners. I found it disappointing that the report of the draft Plan was apparently unable to give any quantitative analysis of this aspect of the programme.

healthy proposal

While I do not feel able to endorse Professor Dandekar's all-embracing concept of an immediate guarantee of employment *for all* in rural areas at minimum wages.[25] I regard the draft Plan proposals as a very healthy first instalment to this end, but also better because it allows employment to be the consequence of things which are desperately needed on a selective basis in rural areas. There are, however, constraints to be recognized in either approach.

I have always felt that fears of inflation expressed in the past by critics of public action of the kind proposed were exaggerated provided certain constraints were recognised. There are the obvious needs of certain skills in supervision: these ought not to be in short supply. There is need for careful planning and administration: experience so far is not discouraging according to observers of some of the fourth Plan programmes whose judgment I respect. Moreover, the commission is well aware of the need and has constructive ideas of the subject. The greatest, constraint rests in the availability of food and to a lesser extent other mass consumption goods. Clearly in years of abundance no problems exist. But under conditions in which the public distribution system (e.g. through fair price shops) is inadequate, it will be difficult to match the rising demand for food which will occur. I believe this constraint is serious and has to be specifically tackled in each area as the project proceeds. It is not merely a matter of recourse to national food reserves (whether procured domestically or by imports) but can also be perhaps a matter of localised action to ensure the necessary extra production of foods locally to match the enhanced employment situation. Needless to say, the programmes will have a valuable causal relation with farm productivity — through the better health standards prevailing and higher standards of literacy and numeracy achieved.

Administration: Not the least admirable thing about the draft Plan report is chapter 9 of Part I,[26] dealing with Plan implementation or administration. Again one must resist the temptation to review the subject matter in detail. As an old campaigner in this field.[27] one can only welcome the continual effort in this quite unusual chapter and throughout the report to find ways and means of placing responsibility for execution of the many programmes, on identifiable agencies and, even more important, people.

Planning is appropriate to the centre and, in the conditions reviewed in this paper, many purposes must be stated nationally and even imposed nationally. But it is especially necessary to note and welcome the Commission's efforts to encourage stronger planning and development agencies at state and local levels. Organisation at grass root (village) level seems to me presently to be more political and less economic in purpose than it should and could be. This, as I have tried to suggest, has particular relevance to agriculture where defective administration has been stressed by so many bodies in record time including, more lately, the National Commission on Agriculture, as contributing heavily to under performance. A large part of the failure is in fact failure of genuine local participation in achieving the changes that matter most to them—farming more productively and betterment of the quality of living in the villages.

organised will

We need not, for history warns us that we must not, underestimate the complex nature of the administrative task in a federal structure in a country so large in numbers and so varied in the social structure and customs in its half-million villages. We are entitled to hope that the Planning Commission will meet with full response from all executive administration. One will be forgiven for repeating one's own words and approach of 1965. I then regarded administration as the "organized will"[28] to a given end of policy. In this sense the term includes those politically responsible for policy direction and decision making as well as those who help devise and execute the detailed plans. Any plan requires to carry the conviction of those responsible for adopting it and no less those charged with its execution. Under conditions of extraordinary new and burdensome pressures now placed on the country by circumstances which at least in the short term, have been beyond its control, a sense of conviction an "organized will" must be achieved in a combined political and executive implementation of the Plan, modified or not in detail as it may be by those same new circumstances. Above all, none must expect easy solution: the problem is too difficult an too many-sided for this.

The International Scene

I come to my concluding question: "must India go it alone?" I have not tried to estimate the total impact of the energy-cum-fertiliser situation on the balance of payments. So much depends on the assumptions made — and I have given illustrations of the order of magnitudes involved. We can readily agree that the new burdens are more than severe in anyone's language. The governments, central and state, are clearly aware of them and have begun the difficult task of reaction and decision. In their deliberations I plead that they will for the reasons I have tried to stretch in this lecture, go all out in giving priority to the agricultural plans, for national ur-vival, let alone progress, depends upon :hem. In their decision making the central government is entitled to seek all the ex-ernal assistance, commercial and other-vise, that can legitimately be sought. My inal remarks relate to this view.

As I acknowledge early in this add-ess there is a strong desire expressed in he Plan for "the attainment of economic eliance". This, in practical terms, seems o imply freedom from external invest-nent assistance which is to be kept to "a mall fraction of the total investment ffort". This is a legitimate continuing objective. It could be assumed, more-ver, that a buoyant agricultural nd rural sector, responsible for p to 70 per cent of the work-force and bout 50 per cent of the total national in-ome, would contribute greatly to the ca-acity of the whole economy to raise in-estment resources. Nevertheless, it would e foolish to think that a country so avagely hit as India has been by the new ircumstances, and with so few resources bove the poverty line, could possibly inter-ret "economic reliance" in a narrow and lse autarkic sense of complete economic ndependence. In the "Space-Ship Earth" nter-dependence has to be recognised by ich and poor alike.

"Economic self-reliance" does not imply bolition of trading relations: indeed the draft Plan stresses that these are to be expanded as one of the principal engines of growth. Recent and highly significant improvements in export performance have been the more welcome for this reason. Nor, in my view, does self-reliance mean spartan but unnecessary denial of such help (whether for emergency or for medium and long-term investment) as can be marshalled through international agencies and bilateral aid bodies. Assistance of this kind, whether concessional in terms or not, need not conflict with the overall economic and social objectives of the people of India or with the integrity of their implementation.

I believe it well to stress this, for in the short-term at least, India now needs more not less assistance: it will continue to need constructive and agreed forms of assistance for some time to come.

To be more specific I wish, in concluding this Coromandel Lecture, to make a few remarks about the kind of international action which could be helpful. I assume, without question, that the World Bank through its IDA programmes and in such other ways as may be open to it, continue to support the medium and long-term investment programmes which are consistent with established priorities. My concern is with the immediate situation — especially those reflected in the difficult balance of payments situation — in which one hopes international action will be prompt and relevant.

lasting solutions

The long run and lasting solutions to the energy crisis, fertiliser and food shortages rests with the governments—centre and state — themselves. Fertiliser capacity has to be built up at a greater tempo than in the past; coal must be developed as a substitute for oil in many of its uses and the already encouraging search for domestic oil must continue. Scope exists for two-way relations with Bangladesh and Pakistan in developing natural gas. In these and in all the other ways outlined in the Plan and referred to in this address, agricultural prouctivity has to be built up. But in the meantime there are, for reasons quite beyond India's control, problems of dear oil and high priced and possibly unavailable fertiliser.

On the first it seems to me eminently reasonable, over and above IMF or other international resources which may be available as of right, to seek assistance of oil producers whether in the form of lowe priced oil producers term credits for thei purchase[29]. There are hopeful indication of response already including the Shah o Iran's imaginative proposal and the vari ous ideas now under examination in th Arab world. Oil prices were long overdu for review but the suddenness and th magnitude of the change call for co operative action where the damage i greatest namely, in major developin countries like India.

world food conference

On the question of fertiliser I want t refer to the potential importance of th World Food Conference — if its vari ous sponsors can really come to grips wit the situation in terms wider than long term planning of international or natio nal buffer food stocks.

TAC, the Technical Advisory Commi ttee on International Research (of whicl Dr Swaminathan and I are members) ha strongly urged, as has also, I note, th minister for Agriculture, Mr Fakhruddi Ali Ahmed[30], that the agenda include botl short-term arrangements and longer-tern understandings about essential input supplies for developing countries. It i pertinent to remark that ensuring stead and increasing supplies of fertiliser is on good way to reduce the variability in th production of foodgrains in India. An continuing situation of "each for each an God help us all, as the elephant said as h stamped among the chickens" is not policy: it is a potential disaster for us all I believe it is up to all members of th UN to unite in fact on issues of thi kind.

I conclude on a note of sympathy an understanding with the authors of th *Margin* review earlier cited[31]. Referring t the current economic problem in Indi they (or the author) said "Sometimes, th very enormity of the problem numbs one' senses and impairs the capacity to dea with it. The country has to guard agains this kind of paralysis. The only way t avoid being overwhelmed by a problen is to break it up into manageable smalle problems and deal with them separatel though simultaneously." I agree, for after all, this is the essence of effective planning, although I would add also the need to separate the parts into short and longer term and into national and international action. In neither the short terms nor th longer can we afford to neglect friendly international support for India's proper and urgent national efforts and aspirations.

References

(1) D.H. Meadows and others: *The Limits to Growth*, Universe Books, NY, 1972.

(2) T.R. Malthus: *Essay on the Principle of Population*, 1798.

(3) See author's A.N.Z.A.A.S. Presidential address (1968), *The Malthusian Spectre in India.*

(4) *Margin*, Vol. 6, February 1974, Special Number, p. 69.

(5) E.G. Part I, paras 1.1., 2.1, 3.5 and 8.1. Of these paras 3.5 is probably the best single short statement of objectives in the Plan.

(6) In all these references to figures I have followed the text of the Plan, especially Chapter I of Part II.

(7) Draft Plan, Part II, 1.43.

(8) "No Time to Relax", March 1971.

(9) Draft Plan, Part I, Chapter 8.3.

(10) *Margin, op. cit.* p. 90.

(11) Wm. H. Meyers: "Estimating Comparative Costs of Rice Production from Selected Studies".

(12) To apply the word "marginal" to variations in total fertiliser applications of the order of one million tonnes is an undoubted misuse of the term. Fertiliser applications have been less than optimal but we really do not have enough knowledge of the relevant production functions to be confident about predicting changes in output in response to substantial shortfalls in targeted supplies of fertiliser. The yard-sticks most widely quoted (e.g. 7.5 and 10.0 tonnes of grain output in response to one tonne of Fertliser" (NP) may or may not be relevant; I am not competent to judge. I have in fact followed the evidence of the IARS Sample Surveys and other work by Mr Naylor in relation to the actual impact of HYV. Both point to a lower ratio. Moreover, I have not always found it easy in dealing with aggregate yield data to differentiate between fertiliser and other parts of the package of inputs accounting for a given result. Nevertheless even an apparently relatively small response ratio of 5:1 gives rather frightening magnitudes in assessing the impact of a shortage of fertilisers.

(13) Some of my more pessimistic friends regard this figure as not unreasonable. I could have made it appear worse than I have, for I have in fact applied it to the same — non-unreal — base for 1973-74, 114 million tonnes as used by the Planning Commission.

(14) The simplest ready reckoner is to calculate the cost of fertiliser foregone (or lost in the sense of shortfall below target) is to assume certain yard-stick ratios for the purpose and certain costs for the grain to be imported. One can adjust the latter according to one's market projections or degree of optimism about aid!

(1)	(2)	(3)	(4)	
Assumed "food-grain" response in output to one unit of NP	Cost of "grain" imported $US per tonne	Cost of "grain" imported $US per tonne	Cost of shortfall of 1 million tonnes of N.P. (a) Col. 1×2 $ US million	(b) Col. 1×3 $ US million
5:1	200	250	1,000	1,250
7.5:1	200	250	1,500	1,876
10:1	200	250	2,000	2,500

(15) Draft Plan, Part I, 6.18—6.19

(15a) K.N. Raj: Planning and Prices in India: *Mainstream*, March 16, 1974.

(16) I have noted with interest and relief the implicit support given for this approach in the Plan, by the minister (his address to ICAR in December last), by Dr Swaminathan in many writings and by Mr A. A. Johnson of Ford Foundation (at the symposium on Transfer Technology at Kanpur in January, 1974).

(17) See e.g. Appendix IV on "Production co-efficients" (W.D. Hopper) to I.B.R.D. Report on Agricultural Policy in India, June 1965.

(18) Draft Plan, Part II, 3.42.

(19) *Science Today*, March 1974, p. 29.

(20) See, e.g. I:3.5; II 2.88-9; 5.39 and II 1:1.

(21) In a desperate resource situation I see no case for excluding from the tax system those farmers making good incomes as many will. The case is even less while fertiliser costs continue to be subsidised.

(22) See the writings of Wolf Ladejinsky, Professor Dantwala ("From Stagnation to Growth") and Professor K. N. Raj ("Some Question Concerning Growth, Transformation and Planning of Agriculture in Developing Countries").

(23) Figure derived from the National Sample Survey, Seventeenth Round, Report No 144. The data relate to 1961-62 but are likely to be relevant still.

(24) Draft Plan, Part I, Chapter 8.3.

(25) "Democratic-Socialist Path to Economic Development:—Presidential address to the Indian Economic Association, December, 1973.

(26) See especially, Part I, 9.96 — 9.118.

(27) See IBRD. report of June 1965, above cited.

(28) I then also acknowledge my indebtedness to Mr Ladejinsky for the term. IBRD report, June 1965, above cited, para 279.

(29) Many of these countries need technical assistance and no doubt India can play a significant role here.

(30) His address to ICAR, above cited.

(31) *Margin*, op. cit., p. 83.

WINDOW ON THE WORLD

A new "oildorado"

Jossleyn Hennessy

London

I

Greenland Springs into Life

A NEW Treasure Isle looms on the horizon, which, within a few years, is likely to moderate the exuberance of the Middle Eastern oil sheikhs, because, among an astonishing variety of minerals, it includes oil. This is Grreenland and when its production is added to that of the British wells in the North Sea, the world oil picture will be significantly changed.

The entry of Denmark on January 1, 1973, into the European Economic Community draws attention to Greenland, which is politically an integral part of Denmark, and therefore within the EEC, even though it is *de facto* the north eastern outpost of North America. Geographically, it belongs to the Arctic regions and is strategically so important that some Americans urge that the United States should buy it from Dennmark. Geographiclly, Greenland is close enough to the north-west territories of Canada to reveal that the mineral strata in the mainland extend to Greenland.

The Arctic climate and the presence of the ice cap are big obstacles to economic development but experience shows that such obstacles can gradually be overcome when the iron or oil strata are rich enough to outweigh the corresponding increased cost of production. This has been the case in Alaska, in the Yukon, in north-west Canada and in Siberia.

It may therefore be expected that in a future difficult to date precisely (and probably closer for oil than for minerals), Greenland will in its turn experience important economic developments and will become an "oildorado". Here therefore are some basic facts about the island.

Greenland is the biggest island in the world (827,300 sq. m.), with the exception of Australia. It is 1,560 miles long, and 720 miles wide at its broadest. Its extreme north is 420 miles from the Pole; its southernmost point, Cape Farvel, is in the same latitude as Oslo and Leningrad, i.e. 60 degrees north. Greenland's fundamental characteristic is the huge ice cap, which covers 86 per cent of its surface and at its thickest in the centre, is about 6,000 feet. From an altitude of about 9,000 feet the centre descends in a gentle slope towards the coasts, which are heavily indented. Towards the north-west (Melville Bay) the Ice cap reaches the sea over a length of 180 miles, causing huge glaciers to launch icebergs into the sea. The rest of the west coast, indented by numerous fiords, is on the whole free from ice. There are many islands, of which the biggest, Disko, is about the size of Ceylon. Godthaab, the capital, and the chief towns are on the west coast. The south coast is indented and mountainous and has many glaciers. Here the region free from the ice cap is about a hundred and twenty miles wide. Near Angmagsalik, the ice cap once more reaches down to the sea, but thereafter right up to the extreme north there is a coastal strip of between five to 25 miles free from ice and attaining as much as 150 miles in the great Scoresby Sound. This is the highest point in Greenland where Mount Forel 12,000 feet high is situated. The extreme north is for the most part free from ice, mountainous and includes big glaciers.

The glaciers which detach themselves from the central ice cap move fairly rapidly at an average rate of 90 feet per day. In general the movement of the northern glaciers is much slower than those of the south. The ice cap itself is virtually motionless and it is therefore possible to drill into it.

Icebergs are plentiful in Greenland seas, particularly on the north-west and on the south-east coasts, where a big glacier can generate icebergs of 6,000 to 15,000 cu. yards a year. The biggest measured so far is about three million cu. yards. These icebergs, constitute big risks for ships, but ever since the sinking of the Titanic their movements in the Atlantc have been watched and are nowadays picked up by radar. The oil companies have made special studies of the dangers that icebergs can cause to their deep sea rigs. The simplest solution envisaged is to harness those which approach too close and tow them away.

low temperatures

Temperatures are naturally low: on the ice cap they vary between 0 and —50 degrees centigrade on the coast. They can rise to about 20 or 25 degrees centigrade in summer. Precipitation is weak and always in the form of snow, comparable in volume to what is found in desert countries. The annual snowfall is about three feet. In contact with the icy surface the air chills and tends to blow from the centre towards the coasts, giving rise to extremely violent contrary winds, often pulverising the snow into dust, which makes access to the ice cap extremely difficult. On the coastal strip, the wind easily rises to gale force but in so doing warms and so becomes fairly comparable with the warm winds found over Switzerland. Other winds coming from the nearby Canadian continent are by contrast humid and rainy and help to make Greenland's south-west more inhabitable.

The vegetation is poor and sparse. In the south it barely extends outside the limits of the forests.

The surface of the sea is generally frozen, at least in winter, causing ice floes. Free from ice in all seasons is only that part of the Atlantic ocean which washes the south-west coast. By contrast, the coasts washed by the Arctic remain frozen even in summer. In the remainder of the coastal zones, i.e. the centre-west, north-east and south-east, the sea is frozen

in winter, unfrozen in summer. Many islands are thus temporarily linked to the mainland in winter and communicate by means of sleighs. When the wind comes, the ice floes melt in the south and movement towards the north is possible both for ships and for the sea mammals which need access to the surface to breath. In certain places, particularly in the Arctic ocean, the ice floes, split up and carried by winds or currents, constitute a chaotic area difficult to navigate. The pack ice is often 180 feet in height.

The waters of Greenland are, or were, full of fish; cod, herring, salmon, whales and seals abound. On land there are bears, foxes and reindeer.

The human population is small: 46,000 in 1968, but is rapidly increasing since it was only 21,000 in 1945. It is a striking fact that half of the 46,000 are less than fifteen years old. Ninety per cent live on the south-east coast and 60 per cent in localities of more than 1,000 inhabitants. Ten per cent live in villages of less than 100 inhabitants. The Danish government favours concentration in the towns in which it is easier to ensure a minimum standard of amenities. Godthaab, the capital, has 6,000 inhabitants.

Since the war the Americans have installed at Thule, north of Melville Bay, in the extreme north-west, a base for inter-continental missiles maintained by a staff of 6,000, the majority of whom are Americans. There are also four long-distance detectors on the ice cap. These installations cost more than 2,300 million Danish crowns.

Fishing, Greenland's main industry, depends closely on the temperature of the sea, which since 1960 has tended to go lower, which causes perceptible decrease in the shoals of cod near the coasts. In 1970, Greenland's imports were valued at 400 millions of Danish crowns, while exports were only 100 millions. Danish subsidies to Greenland have risen to 700 million crowns.

II

Geological Similarities with Canada

About half of that part of the surface of Greenland which is free from the ice cap is made of geological "precambrian" lands, similar to those in Canada. Since these lands pass almost everywhere under the ice cap, it is assumed that the greater part of Greenland's ice caps covers the same "precambrian" formations. It is only in the extreme north, where the visible rocks are aqueous, that it is certain that a substantial surface of these rocks lies under the ice cap. On the west coast of Greenland there are also found aqueous terrains dating from the end of the primary era down to the tertiary. These terrains are similar to those found on the neighbouring Canadian coast of Baffin Land and the Arctic Archipelago. The geological similarities between Greenland and Canada convince prospectors that Greenland is rich in minerals. The Canadian regions geologically similar to Greenland include Labrador, where very big iron mines supply the American iron and steel industry on the Great Lakes. This region also contains important beds of asbestos and copper. In Baffin Land there are vast reserves of iron ore which are easy to exploit and there is also zinc. In Cornwallis, an island in the Arctic Archipelago, important strata of lead and zinc have been found.

prospecting for oil

The Arctic Archipelago has been prospected for oil since 1960 throughout the whole of northern Canada including Hudson Bay right up to Alaska, where important discoveries were made a few years ago in Prudhoo Bay. The ten oil companies exploring this region are learning the hard way to work under incredibly difficult conditions. One of the chiefs of these companies said in 1969 "I am convinced that we shall learn to beat the ice obstacle and turn it to use". The efforts made since 1969 by the S.S. Manhattan, transformed into an ice breaker by the Humble Oil and Refining Corporation, to study the so-called north-west passage from Alaska across the Arctic ocean, have made history. The ship sailed to the middle of the Arctic Archipelago and then down the Baffin Sea between Baffin Land and Greenland. The object of this adventure was to find out whether oil from Alaska could be transported to the east coasts of the USA and Europe, and also to promote the exploitation of the strata discovered in the north-western territories, particularly the beds of iron ore in Baffin Land. The experts foresee twenty-five to thirty super-tankers, of 250,000 tons each, sailing the Arctic seas west of Greenland and even ultimately round the north of the island.

The American Engineering and Mining Journal described the north-west passage as the "Key to the wealth of the Arctic" and declared "Vast Arctic areas are known to contain enormous mineral riches. The use of the north-west passage would allow these strata to be exploited and their products despatched to all parts of the globe. This area could witness an extraordinary development". Greenland is likely to benefit from the spillover of the huge efforts of exploration being currently made in northern Canada, where new techniques are being pioneered in prospecting and in the exploitation of mining in Canada.

Exploration for oil is going ahead on the west coast of Greenland as well as on the central plateau. Up to the present the Danish government has granted no excessive rights to prospectors but is drawing up an oil code. By the end of 1970 a dozen oil companies had licences to prospect. In all 19 companies are taking part in these explorations either on their own or in consortia. The initial researches have been by aeromagnetic prospecting, others by seismic apparatus. Other studies are concentrated on combating the dangers from icebergs. Obviously it will only be after this vast preparatory work of building up special techniques for drilling in the Arctic seas, and for geophysical prospecting, will have been completed that the first drillings can be undertaken. It is likely to be some years before it can be ascertained whether the Baffin Sea is likely to be as productive of oil as the North Sea off the coast of Britain.

Although iron ore and coal mines have existed for many years in Greenland, hopes for the future developments are not as strong as those for oil, largely because the ice cap presents extraordinary difficulties to prospectors.

long-standing enterprises

Two mineral enterprises are of long standing in Greenland. The first is a cryolite mine (this is chiefly used in the manufacture of aluminium) situated at Ivigtut in the south of the island about 120 miles from Cape Farvel. This has been mined since the end of the eighteenth century. It is the biggest cryolite mine in the world. It was vitally important to the USA during World War II when it produced 65,000 tons.

The second enterprise is the coal mine on Disko Island, which produces 25,000 tons a year, which is entirely used in Greenland. The mine is in fact kept going to provide work for the miners.

Greenland's mineral potentialities attracted no attention until in 1964 the Danish government invited foreign companies to prospect. Several oil companies, mostly Canadian, quickly took advantage of this.

Since then prospecting, principally on the west coast, has revealed important possibilities, one of which is in production. The Danish Atomic Energy Commission has found uranium in Kvane mountain in the south-west, ten miles from Marsaq town. The uranium is low grade (320 grammes to the ton) but is near the surface, can be easily mined and is in sufficient quantities to ensure a production of 400 tons a year.

The existence of nickel has been known on Disko Island for ninety years, and a Canadian consortium is prospecting there. On the east coast at Erzberg the Artctic Mining Company, which is 80 per cent owned by American Metal Climax discovered molybdenum in 1966. On the west coast of Godthaab the Greenland Geological Service has discovered chrome in a fiord which is free of ice in the summer.

About 120 miles north-east of Godthaab, the Danish company, which is mining the cryolite, and the American Marcona company joined forces to explore important strata of iron ore, of which a part only has already been estimated to contain 500 million tons and the total area is estimated to produce 2,000 million tons. The grade is about 39 per cent and it may therefore be necessary to concentrate it on the spot. The ore could be shipped in the Godthaab fiord, which is navigable all the year round, and thence exported to the iron and steel industries of both Europe and the USA. Rotterdam and Philadelphia are each 1,900 miles away. Profitability studies are being actively pursued and the experts are impressed by the similarity of the Greenland ore with the strata in Labrador, which have long been in profitable exploitation.

Finally is should not be overlooked that Greenland is situated in a particularly important region of the globe. Strategically it is an American outpost. It is on the line of passage of several important air lines. It may well become a navigational centre for ships carrying to the east coasts of the USA and of Europe the minerals and the oil exploited in Alaska and the north of Canada.

In a world hungry for minerals and especially thirsty for oil, Greenland is likely in the years to come to cease to be an outlandish spot in an out of the way corner and to find itself a centre of international industry, trade, commerce and communications.

Sources and acknowledgements: The foregoing summarises a report published (in French) in the latest issue of the *Economic Review* of the National Bank of Paris, but the Bank is responsible neither for the emphasis of my summary, nor for my interspersed comments.

Whether our country

deserves the government it has got or it does not, the prime minister certainly deserves the cabinet she has got for herself. A more dispirited and demoralized lot it should certainly be hard to assemble at one place. No wonder there is continuous talk of Mrs Gandhi having to do something about it some time somehow. The question is whether there is after all anything much that she can in fact do. This is a situation which she has clearly brought on herself. She did not need to but nevertheless she has done it. Is it realistic to expect that she would change overnight and treat herself and the country to a new deal?

Mr Chavan was a reasonably effective Home minister, but the prime minister, for reasons of her own, converted him into an obviously indifferent Finance minister. To the Home ministry she brought Mr Uma Shankar Dikshit and he is functioning as a party hack in an office over which the great Sardar Patel once held majestic sway and in which the wise Pandit Pant functioned with such effortless ease. Defence no doubt is with Mr Jagjivan Ram, but it can hardly be claimed that his vast ability and experience are being made full use of in the counsels of the government. Mr D.P. Dhar has been a disaster, if not yet to himself, certainly to the country. What little credibility Yojana Bhavan had before he put his foot into it has now been irrevocably destroyed. It is going to be difficult indeed to persuade the people of this country to take planning seriously again.

About Mr Fakhruddin

Ali Ahmed the less said the better if only because there is nothing much to be added to what has been already said about him. Any competent prime minister should have been able to get much more out of Mr C. Subramaniam than what Mrs Gandhi seems able or willing to. It is sad indeed that he should be so listless in implementing his essentially sound ideas. Mr T.A. Pai no doubt has his problems. He raised great expectations, but he is not to be blamed wholly for this. His banker's background had been useful to him in dealing with some of the financial, particularly investment, aspects of life insurance, but what many people overlooked was that he had let discipline drift. On balance, however, he managed to produce an impression that he had been successful at the LIC. When he became a minister, quite a few thought that he would be dynamic and pragmatic. But it has surely become clear by now that Mr Pai is not a minister who can provide leadership to his ministry where large issues are involved. Currently he is attempting to take credit for some improvement in the working of some of the public sector undertakings in his charge. Heavy Electricals is fetching him a handsome bonus. It is however by no means clear that his personal contribution to the better performance of some of the public sector undertakings has been considerable. What is fairly obvious, however, is that he has yet to come out with a complete programme for the rapid growth of any of the major industries for which he has ministerial responsibility. In the case of the aluminium and automobile industries, for instance, his performance has been patchy.

Dr Karan Singh's position is unenviable. As minister for Civil Aviation he dodged asserting the authority of the management over the employees of Indian Airlines and was repeatedly giving in until the whole set-up threatened to cave in. He left that ministry just in time for an eleventh hour rescue operation to be set in motion for Indian Airlines. Ironically enough, more or less immediately after he became minister for Health and Family Planning, he found himself called upon to deal with a doctors' strike. At the time of writing he is still dealing with it. Mr Chattopadhyaya of the Commerce ministry is not in his best form these days. The other day I heard somebody talking nostalgically about the good old days of Mr Dinesh Singh at that ministry. Mr Chattopadhyaya has certainly done a good turn to Mr Dinesh Singh. In these circumstances, it is perhaps natural that almost every other person should be ready with his or her list of ministers whom the prime minister ought to or would like to drop. But very few of these people are of much help when it comes to naming who could be taken into her cabinet on merit. In any case, so far as the ruling party is concerned, there does not seem to be much to choose from. Perhaps this is also what the prime minister tells herself whenever she finds it necessary to quieten her conscience about her drifting.

In my view it would be

wrong to say that there is President's rule in Pondicherry. On the contrary, there is no 'rule' of any kind at all there. What has happened in that place is sheer political thuggery. Heavens would not have fallen had the ADMK, which was the largest single party in the dissolved assembly, been enabled to run the government under a gentlemen's understanding that the opposition parties would extend to it constructive cooperation so long as the ministry does not propose to do anything which is clearly not in the interests of the people of the state. After all, in the United Kingdom, these are roughly the lines on which the Labour party has been enabled to function as the government. It is true the Conservative and Liberal leadership is not quite happy about this, but it is equally true that the popular mood in Britain does not favour a new election being forced on the country for the purpose simply of some new inter-party equations being worked out.

In Pondicherry, however, Mrs Indira Gandhi and Mr Kamaraj, in their combined wisdom, had evidently decided that the people could have a government of their choice only if they would choose the Indira Gandhi-Kamaraj alliance for this purpose. The DMK had evidently joined them only as a gesture of revenging itself on the ADMK. It is not likely that Mr Kamaraj really believes that a new election in Pondicherry would restore his party to power. His, of course, is no happy position on any reckoning. If the alliance of the two Congresses succeeds in the new election, Mr Kamaraj will have been served notice that he will have to meet two major challenges to his authority in Tamil Nadu itself. I wish, however, that the people of Pondicherry return the ADMK to the assembly with an absolute majority if only because the prime minister deserves to be rebuked for her consistent indulgence in a kind of political conduct which is reeking of greed for power and which seems incapable of tolerating any other party in office anywhere in this country.

VB

MOVING FINGER

BOOKS BRIEFLY

Reviewed by
Academicus

Organisational aspect of scientific research

Management of Scientific Research: Edited by Jitendra Singh; Popular Prakashan, Bombay; Pp 311; Price Rs 50.

Fiscal Economics: K.P.M. Sundaram; Sultan Chand & Sons, Delhi; Pp 481; Price Rs 12.50

Taxes and People in Israel: Harold C. Wilkenfeld; Harvard University Press; Cambridge, Massachusetts; Pp 307; Price not given.

Managerial Economics: R.L. Varshney and K.L. Maheshwari; Sultan Chand & Sons, Delhi; Pp 411; Price Rs 15.

Crisis in Indian Judiciary: K.S. Hegde; Sindhu Publications; Pp 93; Price Rs 18.

Indian Consumers — Studies and Cases for Marketing Decisions: Subhash C. Mehta Tata McGraw-Hill Publishing Co. Ltd; Pp 336; Price Rs 39.

NATIONAL laboratories in India, physical, chemical and others, have come to be considered as so many white elephants supported by taxpayers' money and contributing practically nothing either to fundamental or applied research. Sir C.V. Raman had warned longago that this would be so and that bureaucracy and scientific research ill go together. Now that national laboratories have been in existence for about two decades or so, it would be instructive to study the problems which they have been facing.

objectives of seminar

The Administrative Staff College of India, in collaboration with the Committee on Science and Technology, organised a 'National Seminar on Management of Scientific Research Laboratories' at Hyderabad in October 1970. The objectives of the seminar were: (i) to create an awareness and appreciation at all levels for better management of research within the laboratory; (ii) to identify the environmental factors that affect the proper functioning of the laboratory; and (iii) to suggest means of making the relationship between the laboratory and its environment more effective. The working papers published in *Management of Scientific Research* cover topics such as organisation and decision-making within the laboratory, research planning and linkages in planning at the national, the laboratory and the individual project levels, purchase procedures and laboratory facilities, finance and budgetary process, personnel system covering such aspects as recruitment, salary, promotion and evaluation, relationship of the headquarters organisation with governmental decision-making, relationship of laboratory with other scientific research organisations and with professional scientific bodies in the country, and relationship between the national laboratories and the end-users. It would be extremely instructive to know the views put forward at the conference.

functional autonomy

As regards functions of headquarters organisation, the seminar was generally in favour of functional autonomy of the laboratory vis-a-vis its headquarters. At the same time it was thought that a headquarters organisation should undertake certain important functions such as providing common services and facilities to laboratories, planning the requirements and allocation of financial resources, determining inter-laboratory projects, helping in the collection and dissemination of information to laboratories and evaluation of major R & D projects given to laboratories. There was unanimity that headquarters should not concern themselves with day-to-day administration of laboratories or detailed planning, programming and implementation of research projects and that there should be a standing policy-making body at the headquarters consisting of about seven whole-time scientists selected from various laboratories who alone should decide policies.

On the internal structure of laboratories, it was felt that a single type of structure may not be suitable for all the national laboratories, since the history, objectives and conditions differ. But is was generally agreed that a laboratory should be run by scientists and there should be decentralisation of powers, the administration only providing necessary facilities for research work by scientists.

As regards laboratory directorship, there were differing viewpoints. But all, nevertheless, agreed that any outstanding scientist working in the laboratory should have the possibility to get as much salary as the director even while remaining a working scientist.

need based planning

There was unanimity that need-and resource based planning should be done at the three levels. The lower levels should draw their plans from the framework at the higher levels. Scientists at different levels should have a major role in preparing research plans. It was felt that even in mission-oriented laboratories (such as laboratories of the defence department), though the major task of scientists is to carry research on assigned projects, individual scientists should be allowed to use 15 to 20 per cent of their time to pursue research problems of their personal interest as this will help maintain a creative atmosphere in the laboratories. The opinion clearly emerged that in the case of mission-oriented research, users should be involved in problem identification. It was agreed that sponsored research is desirable as the chances of utilisation are brighter and as it brings finance. But acceptance of sponsored research should be discriminatory. It should be examined from the point of consistency or otherwise with the total objectives and programme of the particular laboratory.

The seminar was of the opinion that each laboratory should try to be generally self-sufficient in respect of equipment and other facilities. In regard to highly sophisticated and expensive equipment, it was felt that these facilities could be commonly shared on a regional basis by a group of laboratories as that would be more economical. It was also agreed that management should strive to strike a balance between expenditure on staff and that on facilities. It was found that present library facilities were inadequate and more funds need to be provided to acquire journals and books to create and

strengthen reprography facilities. The seminar also recommended that proper information system should be built in every laboratory. This should include proper documentation and recording of information in a form which is most suitable for further utilisation by other scientists. It was also felt that there is an urgent necessity to simplify the procedures and give maximum freedom to laboratories in regard to purchases. Within the laboratory also these powers should be decentralised among various levels of authority commensurate with the responsibility.

In matters of finance and budgetary process, it was recognised that the prevailing 'expenditure-oriented' approach should be replaced by 'activity-oriented' approach. The present system of allotment on an annual basis does not permit long-term planning which is essential for efficient execution of research projects. The seminar therefore was of the view that the director should be given complete freedom to operate the budget and points of financial control should be within the laboratory rather than being exercised from outside.

unsatisfactory system

As regards personnel system, the present system of recruitment through the UPSC or selection committees mainly consisting of outside experts was considered unsatisfactory by the seminar. A positive system of recruitment involving talent hunt was recommended. The rules and procedure should permit quick recruitment of talented scientists. As regards salary scales, it was agreed that there should be no distinction in status between scientists and technicans and they should all be judged according to their qualifications and competence within a graduated scale. It was also suggested that as far as possible remuneration should reflect ability rather than seniority. Pay scales should be of longer time-spans and less in number than at present. Status and salary should not be related only to the management content of the job and a brilliant scientist wanting to do only research should be allowed to rise up to or even higher than the salary of the director. Objective methods of evaluation of ability should be evolved as the present method of confidential reports is considered extremely unsatisfactory.

On the very important aspect of evaluation of R &D, the seminar was of the opinion that evaluation should be done at three stages — at the time of project formulation, internal evaluation during the course of research and thirdly after the completion of the project. Evaluation is a difficult job; but the seminar indicated various measurable and immeasurable parameters such as project efficiency, monetary returns, patents and know-how developed and utilised, research and other publications, interaction with industry, training of personnel etc., etc. It was suggested that scientists must accept responsibility for justification of expenditure on research.

The seminar regretted the lack of fellowship and a community of feeling among Indian scientists and recommended effective channels of communication between laboratories, universities and different scientific agencies.

important aspect

Relationship between research and the end-users is in a sense the most important aspect of research. In order to establish effective liaison between laboratories and the potential users, the seminar made the following suggestions: (i) full encouragement to undertake sponsored research, (ii) establishment of effective liaison units both at the agency and laboratory levels, (iii) holding of seminars, conferences and training programmes for user representatives, (iv) undertaking consultancy work, both on institutional and individual basis, (v) offer of technical services and facilities to industries, and (vi) appointment of senior scientists of laboratories as directors of public sector undertakings.

Perhaps the single biggest factor affecting the utilisation of indigenous technical know-how is the indiscriminate import of foreign technology. The seminar was of the view that it would be desirable to associate the national laboratories at the time of deciding questions of import of technology with a view to avoiding import of technical know-how already available in the country or which can possibly be made available.

There is no doubt that management and organisational constraints are hampering to a great extent the research work of the Indian national laboratories. But it must at once be admitted at the same time even within the existing framework, these institutions could have shown better results than their generally dismal performance all these years. Unfortunately the writers of papers in this book have not shown any awareness of their failures in this regard but on the contrary seem to be obsessed by problems of salary, status, promotion and authority. While efforts must be made to remove the organisational obstacles, the scientists and officials of the institutions must on their part do something worthwhile to justify the vast expenditure on them. At least until now the fears expressed by Sir C.V. Raman about these institutions becoming 'national museums' have come true. This is a sad reflection on them. They have gone the way of most other public sector undertakings!

Fiscal Economics

The controversy which was raised at one time over the issue of monetary versus fiscal policy appears to have become irrelevant at present. It is generally agreed that both the instruments will have to be used synchronously to realise the socio-economic objectives before a country.

In developing countries like India where monetary policy can operate only on a narrow and limited front, fiscal policy which can reach the vast mass of people and thus operate on a broader front assumes very great significance.

Fiscal Economics is an enlarged and uptodated second edition of the book first published in 1972. The author has discussed all the important theoretical topics such as private and public finance, principle of maximum social advantage in public finance, public expenditure theory, public debt, deficit financing and so on. Against this background, the author has analysed the various Indian problems. There is an elaborate analysis of distribution of resources between the union and states, trends in income, property and commodity taxation of both the union and state governments, the financial relations between the union and states, the various underlying causes of union-state financial conflicts and the report of the Rajamannar committee on centre-state relations. The author has included a chapter on budgetary procedures — preparation of the budget, budgetary controls, parliamentary control over public expenditure, the system of government accounting and the role of the Auditor-General of India.

The second edition has been made uptodate by adding a chapter on agricultural taxation in India in the light of Raj committee recommendations, chapters on tax evasion and avoidance in India, Wanchoo committee report, economic classification of the union government budget, capital market in India and so on. The author has done well to include chapters on local finance which is growing in importance, on the Indian railway finance which as usual is in doldrums and on corporate finance and financial institutions which have been playing increasingly important role in India, and on money market and capital market in India.

Since public finance has assumed great importance in recent years, this book containing the analysis of theory and Indian public financial problems will be found useful by undergraduate students of Indian universities.

Taxes in Israel

There are only a few critical and historical studies of the administration of an entire tax system of a country. *Taxes and People in Israel* is written by Harold C. Wilkenfeld, a tax professional from the USA who served as an adviser to Israel ministry of Finance for some years. He sees the tax administration in Israel as a critical observer rather than as a participant.

This study of the tax administration in Israel is particularly revealing because Israel has been in a period of continuing transition and repeated crisis during its short life. It would be instructive to know how the tax system in Israel is operating and whether we can learn something from the experience of Israel in this field.

We all know that since its establishment in 1948, Israel has been engaged in an ambitious programme of economic development while absorbing a vast mass of new immigrants. Unfortunately Israel has also been compelled to equip and maintain a military establishment which had to fight four wars since its establishment. The heavy revenue needs have been met by increasing demands upon the taxpaying public in the form of steady increases in the rates of existing taxes and in the enactment of additional revenue measures. Thus in 1971-72 revenue collection (taxes and compulsory loans) accounted for 40.2 per cent of the gross national product. Although the burden of taxation has been quite high, the declared policy from the inception of the state has been that taxes should be democratically enacted, equitably distributed and fairly administered. It is extremely revealing to note that the same people whose patriotic fervour at times reached the highest pitch of willingness to sacrifice everything for the common good, at other times seemed to have no compunction about engaging in tax evasion on a considerable scale!

It may be noted that Israel's tax system incorporates almost every form of tax which the ingenuity of man could think of. Although Israel has to some extent resisted the tendency towards fiscal experimentation, it has however not been averse to changing its tax structure when some possible advantage could be seen. This is obvious from the value-added tax effective from the fiscal year 1972-73. A gift tax is also being considered more as a potential aid in administering the income and estate tax than as a regular source of revenue. Many of the prevailing taxes in Israel have their origin in statutes enacted during the British mandatory regime. Generally the trend of the rates has been steadily upwards. We meet in Israel the usual taxes such as customs duties, excise duties, stamp duties, real property taxes, income tax, luxury tax, land betterment tax, estate and an unusual tax i.e. like foreign travel tax which is imposed on residents of Israel travelling abroad. From 1966 there have been substantial increases in rates of most of the taxes and especially so since 1970. By this Israel has catapulted itself into the forefront of the most heavily taxed nations in the world!

Israel's revenue collections have increased steadily from 39 million Israeli pounds in 1949-50 to over 2,700 million pounds in 1967-68. Revenue collections have risen even more precipitously since 1970. It is obvious that revenue collection of such a magnitude would have been impossible without an effective revenue administration. It must however be noted that at times the administration had to engage itself in activities specifically designed to improve taxpayer compliance such as the public relations programme, the criminal prosecution programme and introduction of book-keeping requirements. All these measures have helped to achieve substantial improvements both in administration and in the level of voluntary taxpayer compliance.

innovation introduced

Tax administration does not function in a vacuum. It is responsive to other governmental agencies within the executive, legislative and judicial branches as also to organisations outside the government and to the taxpaying public. The author has analysed how in Israel the tax administration interests with various institutions such as Knesset, the cabinet, ministry of Finance and various segments of that ministry, courts, professional societies and the taxpayer. As regards the last one, it may be useful to note that in Israel opportunities are provided for taxpayers to meet with top officials and to hear explanations of policies and programmes which are of public interest. Also, since 1968 another innovation introduced is that groups of taxpayers are invited to visit local income tax office for purposes of getting acquainted with officials who would deal with their files and receive instructions as to their rights and obligations. Since the fiscal year 1968-69, the programme of rendering assistance to taxpayers in preparation of income tax returns has been considerably expanded. Tax information offices, explanatory booklets and telephonic service are some of the devices used to help the taxpaying public. The 'Museum of Taxes' exhibiting specimens of systems of taxation of various Jewish communities in the past centuries attracts vast number of people. The major purpose of the museum is "to develop among the general public a better understanding of the role of the tax system and of the relationship between proper taxpaying and good citizenship." It may be noted that at present there appears some doubt in administrative circles as to whether prosecutions and penalties are the most effective or desirable means of achieving voluntary compliance. The current trend appears to be towards offering financial inducements by way of tax reductions to those who comply with tax laws.

One remarkable feature of the tax system in Israel is that there is no self-assessment system. The function of determining the amount of income liable to tax belongs to the income tax assessing officer. The tax payer's annual return supplies the assessing officer with the information which will serve as the basis for assessment. Along with the techniques of assessment, the author has also analysed the problem of tax evasion in Israel. It should be noted that in 1960 the maximum prison sentence for frauds such as concealing income etc. has been raised from two years to four years. Also since 1960 courts began to send people who committed this 'white collar crime' to prison, a practice which was generally avoided till then. Israeli enforcement programme may be summed up as being founded on the premise that criminal prosecution is essential to maintain acceptable level of voluntary compliance.

This excellent book comes as a welcome addition to literature on taxation system of different countries. The author has provided practical guidelines for countries interested in advancing the effectiveness of tax administration. The book will be of great interest to public administrators in general and tax administrators and students of public finance in particular.

Managerial Economics

A number of universities in India have introduced 'Managerial Economics' as compulsory subject for MBA and some other applied economics and business management courses. Though a few foreign publications such as that excellent book entitled *Managerial Economics* by Joel Dean are available, they do not unfortunately meet the entire need of the Indian students. Nor are those books very satisfactory as they are written against the highly developed background of western countries. The joint authors of the *Managerial Economics* have rendered real service therefore to the Indian student world by bringing out this textbook. Though based on the works of such well-known author as Joel Dean, Spencer and Siegelman and McNair and Meriam, the book is primarily designed to meet the needs of Indian students and in this regard the authors have succeeded beyond measure.

Though the knowledge of theoretical economics is necessary for business and management executives, that by itself is not adequate. They have therefore to study managerial economics which is "the integration of economic theory with business practices for the purpose of facilitating decision-making and forward planning by management." *The main emphasis in managerial economics is on 'decision-making and forward planning.'*

new subject

Managerial economics is a comparatively new subject and as yet there is no definite demarcation of its subject-matter. But generally it includes demand analysis and forecasting, cost and production analysis, pricing decision, policies and practices, profit-management and capital-management. There is also tendency to integrate managerial economics with operational research and hence techniques such as linear programming, inventory model, theory of games etc., have come to be regarded as part of managerial economics. While dealing with demand analysis which is done in traditional neo-classical way, the authors have included topics such as factors determining advertisement outlays. While determining advertisement outlays, there are various approaches open to the management such as (i) percentage sales approach, (ii) all-you-can-afford approach, (iii) competitive parity approach, (iv) return on investment approach, (v) objective and task approach, and (vi) the marginal approach. Demand forecasting is another topic which is generally not found in traditional theoretical economics but is of great significance for management. The authors have analysed various methods of demand forecasting: survey of buyers' intentions, trend projects and controlled experiments.

While analysis of cost and production is along traditional lines to be found in any standard textbook of economics, pricing method is something new and is dealt ably by the authors. The traditional pricing theory seems to have only little relevance to actual marketing environment. Some of the pricing methods employed by managements are: (i) cost-plus or full-cost pricing, (ii) going-rate pricing, (iii) customary pricing, (iv) pricing for a rate of return, (v) marginal pricing, and (vi) statutory pricing. This analysis as also the analyses of some specific pricing problems such as pricing of new products, pricing by retailers, team pricing, automatic pricing, resale price maintenance and export pricing gives an idea as to how actual price fixation takes place in the market. One is surprised that the actual theory as propounded in standard books on the theory of price has hardly any relevance to the actual determination of prices in the real world. Equally significant and realistic is the description of product-line pricing, pricing of spare parts, pricing products which differ in size, and pricing of complementary products and price forecasting.

Profit management is another topic that is not met in books on theoretical economics and which is dealt in an excellent way in this book. While theoretical economics assumes profit maximisation, what we find in the real business world is something different. Profit policies do not necessarily aim at profit maximisation but have several objectives in view such as attainment of industrial leadership, forestalling potential competition, preventing possible governmental intervention, maintaining consumer goodwill, restraining demand for wage increases and avoiding risk. On these accounts management may stabilise its business at a level of less than maximum profit.

capital management

Capital management is another topic peculiar to managerial economics. How is capital budgeting done? Capital becomes necessary for expansion of the enterprise and for replacement. Capital budgetting involves problems such as how much money will be needed, how much will be available and how should available money be allocated among competing projects. The authors have also dealt with problems such as calculating capital cost, appraising project profitability and risk, profitability and investment decisions.

In the last section, the authors have analysed purely from the business point of view, business cycles, business recession in India, anti-cyclical policies to be followed and economic forecasting. Chapter on input-output analysis gives a clear idea as to how these tables are formulated.

The analysis throughout the book is clear and lucid and wherever possible and necessary the authors have given concrete illustrative examples. In some universities the topic of national income accounting is included in their syllabus and it is a must for the students of managerial economics. That is an important lacuna in this which the authors will do well to fill in the next edition.

Study of only pure economic theory is not sufficient to explain or understand the actual phenomena in the real economic world. The book is certainly very useful to the students of commerce and management; but even the students of pure economics will do well to read this book to gain a better understanding of the economic world around them.

Crisis in Judiciary

Though apparently the dust of controversy over the appointment of the Chief Justice of the Supreme Court of India seems to have settled down at any rate for *the time being, the matter is of such supreme importance for the survival of democracy in this country* that it requires lively awareness of the issues involved on the part of all lovers of democracy. It would therefore be instructive to review the incidents and issues involved at this distance of time when passions of the moment seem to have cooled down and when therefore more dispassionate analysis is possible. K.S. Hedge who was a party to the controversy has examined in detail this controversy in his *Crisis in Indian Judiciary*.

The Supreme Court of India delivered its judgment on the 'Fundamental Rights Case' on April 24, 1973; Chief Justice S.M. Sikri retired on April 25; the name of his successor was not announced till the evening of April 25. It appears that the retiring chief judge's recommendation made as per the convention was not accepted and government announced the name of Justice Ray as the next Chief Justice superseding the claims of three senior judges who had not agreed with some of the contentions advanced on behalf of the government in 'the Fundamental Rights Case'. There was a spontaneous and almost unanimous outburst against government's decision. The decision was characterised as 'the most shocking display of executive arrogance' and the Supreme Court Bar Association called it 'politically motivated' and feared that attempt was being made to make judiciary subservient to the executive and subject to political pressures and dependent on government patronage and influence. It was feared that damage was done to the independence of the judiciary and to the cause of democracy and that the confidence of people in the independence of judiciary was undermined. It was 'a communist style tactic'. The Supreme Court was caught into the vortex of political controversy. The first postulate of democracy is the rule of law and the first postulate of the rule of law is an independent judiciary. The government's action amounted to violation of the above principle and 'packing' of the judiciary.

The late Mohan Kumarmangalam of the famous 'Torjan Horse Thesis' and not

H.R. Gokhale, minister of Law and Justice, spoke for the government contending that appointment of the Chief Justice was within the absolute discretion of the government and was the prerogative of the executive and that the Chief Justice must be one who would give leadership to the team and who would see that there is no confrontation between the Supreme Court and the executive and the Parliament and who would respond to the winds of change.

Hedge begins by examining the aims and objectives of the Indian Constitution. He has drawn attention to the underlying philosophy and goals of the Constitution. He has examined why even the very best of parliaments need some checks, how power corrupts, the need for balancing process between the individual rights and social needs and the problem of minority rights. Against this background, the author has explained how the Supreme Court is the guardian of the Constitution, guarantor of the fundamental rights of the citizens and balancing wheel of the Constitution and how therefore to discharge its onerous functions, the Suprem Court must necessarily be independent of the government, its independence not being compromised in any manner either in the matter of appointment of judges or in regard to conditions of their service. The author has then analysed the question of appointments to the Supreme Court quoting copiously from a number of authoritative sources. He has explained how by article 124 of the Constitution the Chief Justice of India must always be consulted in this matter, how in the constituent assembly eminent jurists and constitutionalists like Sir Varadachariar, Sir Alladi Krishnaswamy, Sir B.N. Mitter, Dr K.M. Munshi and Sir B.N. Rao had all opined that it would not be "expedient to leave the power of appointing judges of the Supreme Court to unfettered discretion of the President of the Union", how it was a matter of practice over years for the seniormost judge to succeed to the post of Chief Justice and the conventions established so far here and abroad.

points to be noted

Mohan Kumaramangalam in his book *Judicial Appointments* has greatly relied on the recommendations made by the Law Commission in its fourteenth report. It must however be noted that report was submitted in 1958. According to the author of this book two things need to be noted in this connection. The Law Commission report was never put before Parliament, nor was its formal acceptance by the government ever made known. The convention of appointing the seniormost judge as the Chief Justice of the Supreme Court was continued even after the submission of that report. What is more damaging to the government, excepting Wanchoo and G.S. Pathak who expressed no opinion on the appointment of justice, Ray, all other members including the chairman of that body (M.C. Setalvad, Chagla, Sikri and N.A. Palkhivala) have condemned the suppression of the three judges. Also "Nowhere in that report the commission suggested that the political philosophy of the judge or his capacity to avoid confrontation with the executive or the legislature, or his ability to respond to the changing winds would be some of the reuired qualifications."

Golaknath case

K.S. Hedge has also referred to the decisions of the Supreme Court in the Golaknath case, the bank nationalisation case, the privy purses case and the fundamental rights case and the controversy which arose in those cases. The author has pointed out that reversal of previous decisions is not an uncommon thing as new facts or new interpretations come forth. What is important is that similar controversies have arisen and still arise in several democratic countries; but in none of those countries the executive has gone to the length that the Indian government has gone to denigrate the judiciary.

If these trends towards authoritarianism on the part of the executive continue, the future of judiciary in India is very bleak. As M.C. Setalvad has observed, every judge of the Supreme Court when making a decision will have to bear in mind what the government's philosophy is and if he wants or not to be in the good books of the government. This trend will travel down further to lower courts. Judges will have to interpret law according to the philosophy of the government. Commitment will become the badge for promotion. Viewing these developments an impartial observer like Jayaprakash Narayan had to observe... "if establishment of socialism necessitates the abrogation of the people's fundamental freedom, what remains of democratic means? It should be realised that the extinction of these rights might lead to the extinction of free platform and press, of opposition parties, of all trade unions, except the official ones, of all such institutions and organisations as do not agree with the ruling party." Should anything more be added?

Though Hegde was a party to the controversy being one of the judges whose claims to the post of Chief Justice of the Supreme Court of India were set aside, he has written the book with great amount of objectivity and scholarship. The book deserves close study by people who are the ultimate arbiter in a democracy.

Consumer Behaviour

The main purpose of *Indian Consumer—Studies and Cases for Marketing Decisions* by Prof S.C. Mehta is to familiarise the students and practitioners of marketing in India with research findings of some selected consumer behaviour studies as also with the analysis of live business problems often faced by Indian organisations in their marketing operations.

It is well-known that "the essence of the modern marketing concept is that all elements of business should be geared towards the satisfaction of consumers." "Naturally this requires thorough analysis and understanding of consumer behaviour. As Prof Mehta has pointed out, it is not enough for marketing organisations to just react suitably to given wants of consumers in a passive way. That concept of marketing has become obsolete long ago. At present marketing organisations are expected to play "a more active role in anticipating consumer needs and wants, in shaping their desires and aspirations, and in aiding them in the solution of their numerous day-to-day problems." This has become the modern marketing philosophy. This does not mean that business is to be run on purely benevolent lines or that profits are just an incidental or secondary consideration. Far from this! The modern business philosophy just means that "guaranteed route to profits is through consumer satisfaction."

This realisation of the importance of consumer satisfaction has led to "research into consumer motivations, cognitions, beliefs, attitudes, learning, perceptions, emotions and opinions" during the last decade. This is particularly so in competitive marketing conditions. Researchers in this field are deploying concepts from various behavioural and social sciences like economics, psychology, sociology and even anthropology, in order to develop insight into consumer behaviour. Different varieties of sophisticated research tools and techniques from both quantitative and behavioural are as have been evolved in this field during recent years.

It is recognised that for various reasons consumer understanding will never be complete and to a certain extent resort to trial and error method will always be inevitable. This is so because consumer behaviour is not always 'logical'; the consumer himself is often not consciously aware of his motivations and reasons for his responses which are often the result of his needs, drives, past experiences, personality, value system, beliefs, attitudes and the surrounding conditions. Other difficulties are that often buying decisions are joint decisions where motives of many members of a family get mixed. Often the buyer is different from the user. Also the act of purchasing a commodity or service is only an insignificant part of the total decision process where many and diverse factors precede and influence. It should therefore be clear that understanding consumer behaviour is an extremely difficult task requiring specialised skills. There is no doubt that this is a developing science and "the effective marketing strategies are only rudimentary and have yet to reach the stage of take-off."

The author has described the three models developed so far in the field of consumer behaviour study. The model of Nicosia considers buying behaviour as involving several inputs like attitudes, motivations and experiences which result in output by way of actions (i.e. purchases) by the consumers. The model of Engel is also developed in terms of decision-making process and includes perceptions, values, attitudes, past experience etc., as major inputs. The third model of Harward and Sheth consists of input and output variables, hypothetical constraints and exogenous variables. All the three models have as their basis certain factors internal to the consumer (such as learning, personality, attitudes and perception) and certain other factors external to the consumer (such as group, cultural and interpersonal influences, advertisement etc.). Much of the consumer behaviour analysis that is being conducted today is connected with "relating the internal and external consumer factors and their interrelations to the decision-making process of the consumer."

consumer behaviour

What about the state of research on consumer behaviour in India? It is well-known that marketing environment in India is characterised by "sellers" market'. Indian consumers are suffering from shortages of various commodities which has necessitated 'demarketing' rather than 'marketing'. Yet a change is taking place and many enterprises are realising the pressure of competition. For example, the recession of 1966-68 hit many engineering units and led them to realise the importance of effective marketing. Thus some of the significant symptoms which have developed in India during recent years are gradual emergence of 'segmentation' as an approach to marketing, phenomenal growth of advertising industry, increasing penetration in rural markets, provsion of servicing facilities, high mortality of new products, demand for improved customer service, emergence of consumer power and organisations, change in attitudes of executives towards value of market information, increasing importance of market data, over-all increase in marketing expenditure and growing concern for improving marketing productivity. Though many of the changes are in their infancy, they are indicative of the future trends in India. This means that researchers in India have an important contribution to make in the exploration of marketing theory and practices. Much of what was being done in India so far was mostly non-Indian pointing out to the lack of "fuller understanding of the behavioural dynamics of the Indian consumer."

S.C. Mehta has also dealt in this book with various aspects of the problems of Indian consumer behaviour such as the general background of Indian marketing and environment and some of the research studies already conducted on different behavioural aspects of Indian consumers. All these studies are based on extensive field researches for which the author has made use of various techniques and methodologies such a scaling techniques, attitude measurements, experimentation, simulation, psychological testing, mail surveys and personal interview and so on.

Indian environment

Analysing Indian marketing environment the author has pointed out that only 20 per cent of the people live in urban areas which means that Indian rural markets have not been properly exploited yet. Though India's industrial sector has grown fairly fast, agricultural sector along with the industrial sector needs careful attention and nursing. Analysing segmentation of Indian markets, the author has shown how Indian markets are segmented on rural/urban basis as also on the bases of education and literacy, ethnic origin, language, sex, age, income and consumption patterns. On the whole the author finds Indian consumers very heterogeneous and traditional. In the light of this, the author is of the opinion that bulk of advertising in India is totally non-Indian and primarily geared to influencing the small sophisticated westernised urban segment of the market. Marketers in India need to develop a clear understanding in terms of their values, beliefs, attitudes and changing pattern of lifestyle and behaviour of the vast rural population in India. The author has analysed the various segments of the Indian markets with authoritative statistical tables.

Analysing the impact of price and brand on consumers' choice, the author has concluded that (i) in view of the poor judgment ability of the Indian consumer, a marketer does have considerable flexibility in pricing his product, provided he can create a psychological image of quality; (ii) the consumer attaches considerable importance to the brand image; (ii) a marketer would be better off by having a sufficient number of models priced close to each other, rather than having a limited range of products priced apart; (iv) the Indian consumer is in need of considerable assistance in his buying decisions and therefore adequacy of trained salesmen becomes an essential part of marketing strategy.

brand names

The author also found that brand names exert considerable influence and therefore he is of the opinion that there is "need for selecting a suitable brand name which would create the right kind of image in the consumer's mind.."

Regarding the role of opinion leaders, the authors findings are that (i) opinion leaders were found to be more sociable than their followers; (ii) they were observed to be more effective in their immediate neighbourhood; (iii) the hypothesis that their sphere of influence is limited to individuals of lower status was disproved; (iv) the leadership influence was polymorphic and no one person was found to be particularly influential in motivating the purchase of any single product; and (v) for all products, the impact of certain other forces like outside friends, relatives and dealers was quite significant.

Prof S.C. Mehta has done well in bringing out this excellent book on Indian consumers and marketing in India. For long we have been dependent even for things like marketing of Indian goods on irrelevant material from Regent Street or Madison Avenue, instead of seeking our guidelines in the market environments of Ahmedabad or Kumbakonam. It is therefore extremely gratifying that there are signs of emergence of a truly indigenous school of marketing thinking. This is a book which must be read by students of business administration and management and above all by marketing practioners and company executives in charge of training programmes for their marketing personnel.

Trade Encyclopaedia

The Calcutta Stock Exchange Official Year Book 1973: Published by the Calcutta Stock Exchange Association Ltd, 7 Lyons Range, Calcutta 700 001; Pp 882; Price Rs 50.

Calcutta Stock Exchange Official Year Book 1973 gives complete details and latest information about all companies listed on the Calcutta Stock Exchange and also of almost all the leading companies listed on other stock exchanges. In fact the scope and contents of the Year Book has been thoroughly revised and enlarged to meet the increasing interests of the investing public spread all over the country. Further every effort has been made to furnish latest details so as to enhance the utility of this annual compilation as a reference volume throughout the year.

The Year Book attempts to present within a span of about 900 pages facts and figures of all leading companies pertaining to their management, capital structure, analysis of balance sheets, working results for the past one decade and other valuable data. This apart it gives interesting background materials about all major industries to help assess the prospects of shares in various companies. Besides it provides details regarding central and state government loans, schedule of income-tax, wealth-tax, capital gains, estate duty, stamp duty on shares and debentures and other useful information. In brief, this encyclopaedic work will serve as a source of ready reference and reliable guide to investors and entrepreneurs as well as to those engaged in research work on company finances.

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Tales of Two City-States: The Development Progress of Hong Kong and Singapore: Theodore Geiger assisted by Frances M. Geiger; National Planning Association, 1606 New Hampshire Avenue, N.W., Washington D.C. 20009; Pp. 239; Price $3.50.

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TRADE WINDS

Deposit Rates

THE RESERVE Bank of India has announced an increase in rates of interest on savings accounts and fixed deposits of scheduled banks with effect from April 1. The bank simultaneously announced a hike in interest rates of post office savings deposits and Treasury Bills from the same date. According to a press release, the rate of interest on savings accounts will be increased from 4 per cent to 5 per cent a year. The increase in the case of other categories of deposits varies from 0.25 per cent to one per cent. For term deposits up to nine months, the increase will be ¼ per cent, and for deposits for longer periods, the increase is ¾ per cent. The rate for one-year deposits has been increased from six per cent to 6.75 per cent and for two year deposits from seven per cent, to 7.5 per cent. The maximum interest rate payble on deposits by large commercial banks has been raised from 7.25 per cent to eight per cent. This rate will be payble if the deposit is for periods exceeding five years.

The rates of interest on post office savings bank deposits, post office time and recurring deposits and taxable savings certificates have been increased to a corresponding extent. Interest on cumulative time deposits and public provident fund balances has been raised by ½ per cent. The central governments Treasury Bill rate, which was increased from 3.50 per cent to 4 per cent, from May 31,1973 has been further increased to 4.25 per cent. The interest payable by the Reserve Bank to commercial banks on additional deposits is increased from 4.7 per cent to 5.25 per cent. The Reserve Bank has revised its rates for buying and selling central government securities, effective from April 1. The following are the revised rates on deposits with Indian scheduled banks having demand and time liability of Rs 50 crores and above and foreign banks with the prevailing rates within brackets: Savings accounts 5 per cent (4 per cent). Deposits for 15 days to 45 days and deposits subject to withdrawal or repayment by notice for a period not exceeding 45 days 3 per cent (2.75 per cent) Deposits for 46 days to 90 days and deposits subject to withdrawal or repayment by notice for a period not exceeding 90 days 3.50 per cent (3.25 per cent). Deposits for 91 days and above but less than six months 5 per cent (4.75 per cent). Deposits for six months and above but less than nine months 5.50 per cent (5.25 per cent). Deposit for nine months and above but less than one year 6.25 per cent (5.25 per cent). Deposits for one year and above but less than two years 6.75 per cent (6 per cent). Deposits for two years and above but less than three years 7.50 per cent (7 per cent). Deposits for three years and above but upto and inclusive of five years 7.75 per cent (7 per cent). Deposits above five years 8 per-cent (7.25 per cent.)

Crude from Iraq

An agreement was signed recently for an Iraqi loan of £110 million to this country for the import of crude. Iraq has also agreed to give credits for setting up plants to produce alumina and pelletised iron ore in India. These products will then be exported on a long-term basis to Iraq. There is a similarity between these credits and those offered by Iran in February for the very same purpose. The oil credit will be repayable in 10 years with an initial grace period of five years during which no re payment will be called for. Interest will be levied at 2.5 per cent. These terms are identical to those of the Iranian oil loan.

Iraq will supply 2.8 million tonnes of crude to this country in 1974-75. Of this, 0.8 million tonnes is the balance from an earlier agreement to supply 1.95 million tonnes by March 1975. The remaining two million tonnes has been contracted for recently, and about two-thirds of the import cost of this quantity will be covered by the credit. An understanding on this credit was reached some months ago when the Planning minister, Mr D.P. Dhar, visited Iraq. The agreement was signed recently by the Petroleum minister, Mr D.K. Barooah, and the head of the Iraqi Economic Bureau, Dr F. Qaddouri, . An agreement has been reached on further cooperation in trade, industry, science and technology. The trade plan for 1974-75 between the two countries has also been finalised.

Rise in State Trading

The State Trading Corporation has set new records for sales and profit in 1973-74 and, for the first time in its history, has made a profit on exports. This was disclosed by the STC Chairman, Mr Vinod Parekh, recently. The total sales of the STC and its subsidiaries rose from Rs 416 crores in the previous year to Rs 550 crores. Most of the increase was due to canalisation of exports of semi-processed leather. As a result, the leather exports of the STC shot up from Rs 75.97 crores to 162.62 crores. Other exports went up by only Rs 7 crores or so. Next year the STC hopes to push up exports to Rs 444 crores, while imports are estimated at Rs 330 crores. No less than Rs 108 crores worth of sugar exports are contemplated, and will constitute the biggest element in the projected export rise.

In spite of a sharp rise in world prices, the imports of the STC in 1973-74 came to only Rs 236 crores against the anticipated Rs 253 crores. This means the physical volume of imports was much less than expected. Exports were about 10 per cent higher in value than expected, which again probably means that there was a shortfall in physical sales. The STC achieved a profit of Rs 5.6 crores on exports. This was due to the rise in the export prices of several items, like basmati rice. The profit on basmati rice alone was around Rs 6 crores, which means other exports put together resulted in a marginal loss.

During the year, the export price of basmati rice rose by 96 per cent, of coffee by 59 per cent, of castor oil by 89 per cent, lemongrass oil by 58 per cent, dried fish by 33 per cent, semi-processed leather by 30 per cent, and tobacco by 28 per cent. The STC managed to find export outlets for several new items, such as rubber, small tools, resins, paraffin wax, garlic and long playing records.

Assistance from Britain

Agreements for three loans totaling approximately Rs 75 crores (£40 million) to this country were signed recently by the British High Commissioner, Sir Michael Walker, for the British government and Mr M.G. Kaul, Secretary in the department of Economic Affairs, ministry of Finance, for the government of India. The first agreement amending the UK-India Maintenance Loan, 1974, signed on February 1, 1974, provides additional aid of Rs 18.968 crores (£10 million) in recognition of the special balance of payment problems that now confront India. This loan will finance the imports of raw materials, spare parts and components from the United Kingdom required to service India's agricultural and industrial production. It will be recalled that on February 1 1974, a maintenance loan agreement for Rs 47.42 crores (£25 million) had already been signed for the current financial year 1973-74.

The second agreement pertains to the UK/India Mixed Project Loan, 1974 and is for an amount of Rs 34.14 crores (£18 million) for meeting the foreign exchange requirements of mutually selected large value projects. British project aid is extended to India on a 'partial funding basis" whereby the aid-giver instead of committing years in advance the total provision of the project, commits only part each year related to the requirements for that year but with an assurance to cover the remaining requirements in later years. During the five year period ending March, 1973 the government of the United Kingdom extended five mixed project loans aggregating Rs 58.80 crores (£31 million) and the following projects whose foreign exchange requirements are Rs 105.19 crores (£55.46 million) are presently being financed under these loans: (a) Setting up of three fertilizer projects — (i) The Kandla/Kalol project of the Indian Farmers Fertilizer Cooperative Ltd. (IFFCO); (ii) the Tuticorin project of Southern Petrochemical Industries Corporation (SPIC); (iii) the Mangalore project of Mangalore Chemicals and Fertilizers Ltd. (MCFL); (b) The Naphtha Cracker project of Indian Petrochemical Corporation Ltd. (IPCL) at Koyali, Gujarat; (c) Construction of four ships for the Indian Merchant Fleet; and (d) Assistance to AVB in the manufacture of three boilers for Madhya Pradesh and West Bengal.

With the signing of the present agreement the total availability of funds under mixed project loans would be Rs 92.94 crores (£49 million). The expansion of Shriram Chemical Works fertilisers' plant at Kota is one of the prospective projects for being financed under this line of British credit.

The third agreement, the UK-India Capital Investment Loan 1974 is for an amount of Rs 22.6 crores (£12 million) and will be allocated in part to meeting the capital goods requirements of public and private sector industry in India and in part to providing foreign exchange resources for the Industrial Credit and Investment Corporation of India and the Industrial Finance Corporation of India. With the signature on the capital investment loan and the mixed project loan, Britain has fulfilled its pledge made at the Aid-India Consortium last year to provide Rs 120 crores (£ 63 million) of new aid to India in 1973-74. The additional Rs 18.968 crores (£ 10 million) brings Britain's total commitment to India in the current financial year to Rs 138.5 crores (£73 million). These loans, like all British loans to India since 1965, are free of interest and service charges and are repayable over a period of 25 years with an initial grace period of seven years.

Oil Prices Committee

The present pricing arrangement for petroleum products which has been in force from June, 1970 is based on the recommendations of the Oil Prices Committee set up in 1968 under the Chairmanship of Mr Shantilal H. Shah. In the light of the developments in the petroleum world over the last three years, it is necessary to examine in depth the question of pricing of petroleum products and of indigenous crude oil. A committee has been set up by the union government to recommend a practicable and flexible pricing policy, in the light of developing world trends in the availability and pricing of crude oil and petroleum products, also taking into account the impact of product prices on the critical areas of industrial and agricultural sectors. A period of eighteen months has been specified for the committee to submit its report. The recommendation. of the committee as accepted by the government of India will be applicable from the date of the termination of the existing arrangements.

Dr K.S. Krishnaswamy, executive director, Reserve Bank of India, is the chairman of the four-member committee. Other members are Mr N Krishnan, officer on special Duty in the department of Mines and Prof. Ajit Das Gupta of the Institute of Economic Growth. Mr M. Ramaswamy, officer on special duty in the ministry of Petroleum & Chemicals will be the member secretary of the committee.

The committee has a comprehensive set of terms of reference. Among other matters it will examine and report upon: (a) The determination of ex-refinery prices of refined petroleum products including Paraffin Wax, MLO, LDO etc., whether on the basis of import parity as hitherto, or any other appropriate method. (b) The determination of the price of indigneously produced crude oil. (c) Determination of shrinkage allowance on MS/HSD at high altitudes. (d) Need for reimbursement of inland transportation cost of imported crude for the use of inland refineries. (e) The mode of determination to be followed for the monthly freight variations on crude oil/products. (i) The feasibility of introducing uniform price on an all-India or on regional basis; (ii) the determination of landed price of imported products; (iii) the need for additional pricing points and a review of the existing pricing zones. (iv) the determination of marketing and distribution charges on profits on the marketing operations and their allocation to the petroleum products. (v) determination of ceiling selling prices of lubricating oils etc. (vi) the need for continuance or steamlining of the Freight Surcharge Scheme; (vii) the determination of the rate of commission to dealers' and agents etc. The committee will ascertain and take into consideration the views of the state governments and other interests concerned as may be found desirable.

The committee is expected to submit its report by September 15, 1975 or ealier, if possible. It may also submit interim reports, if considered necessary and if and when desired by government.

Boilers for Malaysia

A Rs 100 million contract for supply to Malaysia of three high pressure boilers and ancillary plant to match 120 MW turbosets was signed at Bharat Heavy Electricals recently. Raja Tan Sri Zainal Bin Raja Sulaiman, Deputy Chairman and General Manager, National Electricity Board of the States of Malaya, and Mr P.V.K. Achan, General Manager, Tiruchy factory of BHEL signed the contract. Mr V. Krishnamurthy, Chairman, BHEL, was also present. These three boilers of 8,40,000 lbs/hr capacity are for Stage III extension of 600 MW Tuanku Ja'afar power station at Port Dickson, Malaysia. Two boilers supplied earlier for Stage II extension of the project are already in commercial operation. Yet another order for supply of one boiler and ancillary plant for Sultan Ismail power station (final extension) in Malaysia has also been secured by BHEL. The total value of all these orders is Rs 130 millions. These orders were secured by BHEL against international tenders and stiff competition from leading boiler manufacturers of the world including those from the UK, West Germany and Japan. Acceptance of India-built boilers to match turbosets manufactured in the UK, France and Japan is indicative of recognition of Indian technology by leading manuacturers of power equipment in the world.

Sterling Guarantee

Britain has informed this country of its decision to renew the sterling balance guarantee in a modified form until the end of this year. India's sterling balance with Britain is understood to be a little over Rs 310 crores. The Finance ministry is studying the effects of the new guarantee scheme on India's sterling balances, it is learnt. It has asked the British government for certain clarifications on the scheme. Under the guarantee scheme, first announced in 1973 and extended last September, Britain undertook to pay compensation to the countries holding sterling with them, if the exchange rate fell below a particular minimum because of exchange fluctuations. The new guarantee will be expressed in terms of the "effective exchange rate of the sterling", rather than a fixed rate.

Britain's Raises Loans

Britain's Labour government has announced the raising of a $ 2,500 million foreign loan to help the nation cope with the worst international trade debt in history. The loan was described by Mr Denis Healey, Chancellor of the Exchequer, as possibly the highest ever raised in world capital markets. At the same time Mr Healey, presenting a crisis national budget, raised pensions and old age social security benefits as promised in the election manifesto that helped bring Labour back to power.

Britain suffered its worst monthly trade deficit in its history. The department of trade pointed out that the country lost £42.9 million in its trade with the rest of the world in February. The worst previous deficit was recorded in January when the government had announced a trade loss of £ 383 million.

Rayon Yarn Prices

The prices of rayon yarn, which is yet to be delivered against the voluntary agreement that expired on December 31, 1973, have been revised upward as a result of the award given by two arbitrators appointed by the Central Committee. At the last meeting of the Central Committee, the spinners had initially demanded that they should be given a price increase of Rs 4.43 kg to meet various escalations in costs. Subsequently, they came down a little and asked for a minimum increase of Rs 3 per kg. The Central Committee, thereupon, decided that the matter should be examined and decided by an arbitration board comprising Dr R. Rossi and Mr Maganlal H. Doshi. The arbitration board has now allowed, subject to certain conditions, a price increase of Rs 2.50 per kg in respect of A.U. allocation for the July-December 1973 period and Rs 1.25 per kg in respect of export allocations for October-De-tration board has stipulated that the entire backlog of rayon should be cleared by July 31, 1974 and that each individual spinner should give an undertaking to this effect to the Central Committee.

Industrial Delegation to West Germany

To attract German companies to enter into licence and know-how agreements with Indian companies, a delegation of industrialists from this country will visit West Germany in May this year. The Secretary-General of Indo-German Chamber of Commerce will accompany the nine-member delegation. The delegation will take the opportunity of informaing German companies about investment possibilities in India. They will also asssess the possibilities of establishing export-oriented joint ventures in India.

Grindlays in Tokyo

National and Grindlays Bank Limited has announced that a branch of the bank is to be established in Tokyo which is scheduled to open in June 1974 and will replace their Tokyo representative office. Mr Moritada Kumashiro, formerly financial counsellor with the Japanese ministry of Finance and an alternative executive director of the International Monetary Fund and the World Bank, has been appointed counsellor to National and Grindlays new establishment in Japan.

Tea Council of USA

Food store tea sales rose by seven per cent in 1973 to a record high of 140 million pounds, states the annual report of Tea Council of the USA Inc. Adjusted for population, this is a nine per cent increase in per capita consumption. Taking into account a conservative estimate of 30 million pounds of tea utilized by food service outlets, the USA has now become a 170 million pound tea market. Tea has proved to be the most versatile of all beverages, according to the Council. Soft drinks now have surpassed coffee in the USA as the number one tea is highly competitive with soft drinks — sweet flavored or natural — as a powder or in cans. Mr W. Gardner Barker, Chairman of the Council pointed out that population changes were working in their favour. By 1975 one-sixth of the total 40 million people will be in the 20-29 married category. Young families with children were good prospects and should become more so in the future as family budgets get tighter, he added.

Fertiliser Fund

Inaugurating the thirtieth session of the UN Economic Commission for Asia and Far East (ECAFE) recently, Sri Lanka's prime minister, Mrs Sirimavo Bandaranaike, suggested the creation of "a world fertiliser fund" as one of the "short term devices" to meet the grave situation created by the global food crisis. She added that the fund be financed by countries, which had benefited by the rise in prices of their major exports. She mentioned in this connection countries with rich oil resources and said "increased oil revenues are an obvious source for the fund". She also suggested to make the fund "truly international," a tax on exports of all countries, which could be designated as "food tax" and which might be fixed at half a per cent of the value of exports. The fund could be channelled to provide medium term credits for the purchase of fertilisers and could be a useful instrument to mop up surplus currency holdings, she stated.

Names in the News

Mr M.M. Muthiah, Managing Director, Carborundum Universal Ltd, has been elected Chairman of the Madras Chamber of Commerce & Industry for the year 1974-75.

Mr S.V. Pillai, Managing Director of Pfizer Ltd., has been elected President of the Organisation of Pharmaceutical Producers of India, Bombay, for the year 1974-75. **Mr G.A. Medley**, Managing Director of Glaxo Laboratories (India) Ltd. and **Mr K.J. Divatia**, Executive Director of Sarabhai Chemicals Pvt Ltd, have been elected Vice-Presidents.

COMPANY AFFAIRS

Hindustan Aluminium

LABOUR UNREST, acute power shortage, and sharp rise in costs of production without any revision in selling prices have adversely affected the working of Hindustan Aluminium Corporation in 1973. Production, sales and profits are all appreciably lower than in 1972. Under these circumstances the directors have been obliged to skip the equity dividend for the year. In 1972 the company paid an equity dividend of 12.5 per cent. During 1973 gross profit nosedived from Rs 7.14 crores to Rs 2.99 crores while sales recorded a steep fall to Rs 32 crores from Rs 38.04 crores in 1972. Production of ingots, rods extrusions and rolled products dropped from 78,503 tonnes to 63,470 tonnes in the previous year. After providing Rs 3.6 crores for depreciation, the year's working shows a deficit of Rs 64.91 lakhs which has been transferred to the general reserve. In 1972 the directors have provided Rs one crore for taxation, Rs 88.50 lakhs for development rebate reserve, Rs 354.77 lakhs for depreciation and Rs 3.66 lakhs for contigencies, leaving a net profit of Rs 1.67 crores. On account of the non-availability of power the new expanded capacity of 15,000 tonnes which was commissioned in August 1972 at a very high cost remained unused throughout the year. The power supply position has worsened further this year with the supply having been completely cut off from January 24. The programme of raising the installed capacity from 95,000 tonnes to 120,000 tonnes has come to standstill, in the absence of necessary clearance from the government regarding import licences and also due to the uncertain position of power supply. The expansion of Renusagar Thermal station has also been held up.

Century

The Century Spg & Mfg Co. Ltd, has received a letter of intent for the establishment of a cement plant at Mahihar, with an installed capacity of 7.50 lakh tonnes per annum. Efforts are being made to get the mining lease for limestone and the project will be executed on the acquisition of these rights. Meanwhile the company has made considerable progress in the implementation of its six-lakh tonnes cement plant at Tilda. This project is expected to commence production in the next few months provided there is no further delay in the receipt of main cement manufacturing equipment. Although no progress has been possible in respect of the pulp project, the management is exploring possibilities of further diversification. Considerable progress has been made in the implementation of the project to set up a textile spinning mill in Indonesia under the joint venture named as P.T. Elegant Textile Industry. Steps are also being taken to start trial production within a year. Century's participation in that company's equity capital will be of the order of Rs 38.5 lakhs and the total value of plant and machinery to be shipped from India, including the equity participation, will be about one crore of rupees.

The working of the rayon plant continues to be satisfactory and constant measures are taken to ensure efficient and economic working. Operations of the tyre cord plant will depend on the availability of raw materials, mainly pulp, and if the situation does not improve, production may have to be curtailed this year.

Bharat Commerce

Bharat Commerce and Industries Ltd has reported excellent working results during the year ended December 31, 1973, with sales, profits and margins recording further impressive improvements over the previous year's encouraging performance. This has enabled the directors to enhance the distribution to Rs 2 per equity share including a bonus dividend of 50 paise per share as against Rs 1.50 per share declared for 1972. With a jump in net sales by about 20 per cent from Rs 21.53 crore to Rs 27.01 crores, gross profit recorded a phenomenal rise from Rs 1.83 crores to Rs 4.64 crores, registering a gain of as much as Rs 2.81 crores or 154 per cent over 1972. Out of the gross profit, the directors have appropriated a sum of Rs 50.40 lakhs to depreciation reserve as against Rs 53.04 lakhs in the preceding year while the allotment to development rebate reserve was reduced by Rs 1.45 lakhs to Rs 3.35 lakhs. Directors remuneration and travelling expenses claimed Rs 4.64 lakhs, Rs 1.54 lakhs more than in 1972. The liability for taxation for 1973 amounts to about Rs 2.74 crores for which no provision has been made but will be paid out of the general reserve as and when required. In 1972 taxation absorbed Rs 66.00 lakhs. The net profit after the allocations amounted to Rs 4.05 crores as compared to Rs 56.55 lakhs in 1972. After other adjustments a sum of Rs 4.14 crores was transferred to the general reserve as against Rs 0.60 crore in the previous year. The dividends — equity and preference — will absorb Rs 34.24 lakhs and will be paid out of the general reserve.

Molins of India

Molins of India has declared a higher equity dividend of 10 per cent for the year ended December 31, 1973 as against eight per cent paid for 1972. During the year sales including revenue from other sources, went up from Rs 1.81 crores to Rs 2.25 crores while profit before tax improved to Rs 58.58 lakhs from Rs 49.52 lakhs in 1972. Out of the gross profit, he directors have earmarked a sum of Rs 40 lakhs for meeting tax liabilities as against Rs 35.30 lakhs in 1972 while the appropriation to development rebate reserve was stepped up from Rs 21,000 to Rs 1.73 lakhs. General reserve was allotted with Rs 6.85 lakhs as against Rs 6.68 lakhs in 1972. The recommended dividend will absorb Rs 10.00 lakhs, Rs 2.66 lakhs more than in 1972. The proposed dividend will be paid on or after May 29 to those members whose names appear on the company's register of members as at the close of business on May 14.

Asian Cables

Asian Cables Corporation has raised the equity dividend to 10 per cent for 1973 as against 7.5 per cent paid for 1972. While sales dropped from Rs 7.08 crores to Rs 6.54 crores, distributable surplus was significantly higher at Rs 30.86 lakhs as compared to Rs 17.46 lakhs in 1972. Considering the difficulties that the cable industry has had to put up with on account of critical shortage of raw materials such as copper, aluminium and PVC and continuous rise in manufacturing costs, the company could not perhaps have fared better. While dometic sales were adversely affected by last year's power shortage, and drought all over the country, the company did well on the export front. Export sales in 1973 amounted to Rs 78 lakhs as against Rs 48 lakhs in the preceding year, the major buyers being the USSR, Singapore and Kuwait.

Parrys

Parrys Confectionery Ltd has reported considerable improvement in its working results during the year ended December 31, 1973. During the year it earned a higher gross profit of Rs 9.13 lakhs as compared to Rs 8.90 lakhs in 1972. The profit after tax too was substantially higher at Rs 4.12 lakhs as compared to Rs 2.43 lakhs in the preceding year. The board of directors have recommended a dividend of 14 per cent, the same as in 1972. This will absorb Rs 3.92 lakhs. Although sales amounted to a record figure of Rs 4.41 crores as compared with Rs 3.31 crores in 1972 the margin of profit remained low owing mainly to frequent increases in the prices of the major raw materials and packing and wrapping materials. Only a partial increase in selling prices to offset the higher cost was possible to prevent any adverse reaction on sales. The power cut imposed by the government of Tamil Nadu from October 1972 affected the working of the factory to its full capacity until the company went in for it own generators at a cost of Rs 3.06 lakhs. Further in the central budget for 1974-75 the duty on confectionery has been raised from 30 paise per kg to 10 per cent *ad valorem* equivalent to an average of Rs. 1.15 per kg. This steep impost on the top of an ever-increasing cost of raw and packing materials, will push up the price of sweets to a level at which, it is feared, there will be consumer resistance. It is also apprehended that this might even lead to a fall in offtake affecting the fortunes of the industry as a whole. This observation is contained in the Chairman, Mr H.V.R. Iengar's annual statement circulated to the shareholders of the company.

Golden Tobacco

Golden Tobacco Company Ltd has entered into collaboration agreement with Jammu and Kashmir State Industrial Development Corporation for setting up a cigarette factory in Jammu. A new company J&K Cigarettes Ltd has been formed for this purpose. The capacity of the plant will be 4,500 million cigarettes a year and the turnover on achieving the full capacity will be approximately Rs 25 crores. Golden Tobacco will be investing Rs 25 lakhs i.e. 25 per cent the equity capital of the company, with a right to nominate a competent person with professional and managerial experience to act as the managing director of the company. J & K SIDC would invest 26 per cent of the capital and the rest would be subscribed by the public and financial institutions. The company will provide technical know-how for a period of 11 years and will get by way of know-how fees one per cent of the sales turnover or 25 per cent of the profit before tax, whichever is lower. Golden Tobacco will have one non-rotating director on the board.

Golden Tobacco has also entered into a collaboration agreement with Assam Industrial Development Corporation Limited and a new company is being formed for putting up a cigarette factory in Assam. The capacity of the plant will be 3,000 million cigarettes per year. Golden Tobacco will get know-how fees at the rate of 25 per cent of the profit before tax or 1.5 per cent of the sales turnover whichever is lower. It will amount to about Rs 12/15 lakhs. All other provisions are the same as in case of Jammu and Kashmir unit.

Golden Tobacco is expected shortly to finalise an agreement with the Madhya Pradesh Audyogik Vikas Nigam Ltd who have got a licence for putting up a cigarette factory with a capacity of 4,500 million cigarettes. The basis of know-how fees will be 50 P. per 1000 cigarettes sold after providing for minimum profit of 10 per cent on the subscribed capital of the company out of the profit after tax. It will amount to about Rs 15/22 lakhs. Golden Tobacco will have one non-rotating director on the Board for the duration of the agreement which will be 10 years from the starting of commercial production.

CAFI

Chemicals and Fibres of India's working in the current year would not be encouraging as its plant was closed for several weeks due to the non-availability of DMT, a basic raw material. The company's plant was shut down at the end of September 1973 but was recommissioned in the middle of November at a lower level of capacity. The plant was again closed down towards the close of December and has remained shut down since then. The government's reaction to the company's proposal to raise exports and provide foreign exchange for the purchase of DMT from the international market is awaited. The company has been forced to give up its project for the manufacture of polyester film and photographic films as the government has decided to place the project in the public sector.

Walchandnagar Industries

Walchandnagar Industries which has diversified its activities considerably in the past two years now proposes to undertake the manufacture of paper and pulp machinery, boilers and gear boxes and rolling mills for aluminium coils. It has already received licences for expansion of its capacity to manufacture sugar machinery, gear boxes and boilers.

Firth India

Firth India Steel Co. is setting up an alloy steel plant to manufacture high speed and special alloy steel billets at Nagpur. Commercial production in this plant is expected to commence by May. The alloy steel plant at Nagpur has a capacity of 6,000 tonnes of billets per annum by the new electro slag remelting process which gives ingots of high purity and 10 to 20 per cent. higher yield than the conventional process. The estimated project cost of Rs 310.35 lakhs is proposed to be met by issue of rights shares at par (Rs 49.61 lakhs), additional equity shares (Rs 77,000), preference shares (Rs 30 lakhs) and term loans (Rs 2.30 crores).

Perfumes & Flavours Association

Perfumes and Flavours Association of India, a body representing the interests of the perfumery and flavour industries celebrated its Silver Jubilee on March 30 at the Oberoi Intercontinental, New Delhi, Mr C. Subramaniam, union Minister of Industrial Development and science and Technology, inaugurated the proceedings. On this occasion a Seminar on Perfumes and flavours was also organised. Export of perfumey materials and recent trends in flavours and fragrances, among others, were discussed at the seminar. About 250 delegates participated in the Seminar. The Association serves as a common platform for mutual consultation and discussion in solving the business problems of its members and encouraging them to work with a team spirit for the common good. With a view to making it a more representative and bringing within its fold the manufacturers and dealers in both perfumery and flavour trade and industry throughout the country, its constitution was amended and it started functioning under its new name "PAFAI". Mr G.D. Kelkar is the Vice-President and Mr Y.J. Gore is the Honorary Secretary.

Unit Trust

The sale and repurchase prices of the units of the Unit Trust of India were raised by ten paise each to Rs 11.05 and Rs 10.75 per unit respectively with effect from March 30.

News and Notes

(Expansion and Diversification)

Rajasthan Spinning & Weaving Mills Ltd is taking effective steps for setting up a new factory in Madhya Pradesh for the manufacture of graphites electrodes in collaboration with the world renowned French industrial complex of Pechiney Ugine Kuhlmann. A new company styled Hindustan Electro-Graphites Ltd had already been incorporated for undertaking this project. The company's new mill at Kharigram in Bhilwara District is expected to go into full production shortly and hence the sales turnover of the company in 1973-74 is expected to rise by Rs 11 crores and with a complete year's working of the new mill, the turnover in 1975 is expected to reach Rs 15 crores. It is proposed to instal additional 8000 spindles and 48 automatic looms. On utilisation of the entire additional licensed capacity of 25,000 spindles and 300 looms the company's sales turnover will reach a substantial scale of over Rs 25 crores.

New Issues

Deccan Farms Distilleries Ltd is offering 300,000 equity shares of Rs 10 each to the public for subscription. The subscription list opens on April 8 and will close on April 22 or earlier but not before April 15. The company has been incorporated with the object of setting up an agro-based chemical complex to manufacture open-pan sugar, alcoholic beverages and beer. Besides it will manufacture Sarbitol and Manitol, cattle and poultry feed, potash (fertiliser) and carbon-dioxide. At the outset it is proposed to manufacture ten lakh litres of alcoholic beverages (Indian made foreign liquors), 25,000 hecto litres of beer and 3000 tonnes of open-pan sugar. The company is setting up a plant at Kagwad in Belgaum district to manufacture the above mentioned products. The factory is located on the state highway of Miraj-Bijapur-Belgaum and is thus in the heart of sugarcane growing areas of Mysore as well as in the vicinity of sugarcane growing areas of Maharashtra. The relaxation of prohibition in most of the states has expanded the market for alcoholic beverages and beer by manifolds. By keeping scrupulously to the highest standards of quality the company aims at capturing a major share of the market. Besides, the agro-based products of the company will find very high demand in the country which is still agriculture-oriented. These factors foretell an assured and increasing market for the company's products. Going into production in September 1974, the management hopes to pay a dividend of 12 per cent from the first year of full production and 20 per cent after the third year of production. The turnover is estimated at Rs 220 lakhs after the first year of production, rising to Rs 350 lakhs in the fifth year. The company is estimated to earn a gross profit of more than Rs 390 lakhs in the first five years. The total project cost is estimated at Rs 165 lakhs and it will be financed by the equity capital of Rs 50 lakhs, term loans of Rs 60 lakhs, short term loans of Rs 40 lakhs and sundry creditors of Rs 15 lakhs.

Shimoga Steels Ltd., a mini-steel plant, has secured industrial licence for manufacture of 18,000 tons of steel ingots per annum. The plant will be located at Mysore a backward district in the State of Karnataka. The plant is expected to go in production in the first quarter of 1975. The directors estimate that, the company will start earning profits from its financial year 1975-76, i.e. from the first year of production. The company proposes to enter into capital market by middle of this year.

Vidarbha Organic Chemicals Industries proposes to enter the capital market in the third week of April with a public issue of 1.40 lakh equity shares of Rs 10 each at par. The proceeds will be utilised for meeting a part of the finance required for its Rs 50 lakhs project for manufacturing 900 tonnes of oxylic acid with ain and arjuna trees. The process has been standarised by National Chemical Laboratory, Poona, exclusively for the company. The plant to be located at Chanda near Nagpur, is expected to go on stream by the end of August 1974. The management is confident of declaring a dividend after the second year of production.

Capital and Bonus Issues

Consent has been accorded to nine companies to raise capital amounting to over Rs 5.66 crores. Following are the details:

Indo Burma Petroleum Co. Ltd., have been granted consent, valid for three months for issue of bonus shares worth Rs 60 lakhs.

Indian Carbon, Assam, have been granted consent valid for three months for issue of bonus shares worth Rs 30 lakhs.

Consolidated Coffee Ltd., Pollibetta-Coorg, Karnataka, have been granted consent valid for a period of three months, for for issue of bonus shares worth Rs 71.54 lakhs.

Chowgule Steamships Ltd., Mormugao Harbour, Goa (India), has been granted consent, valid for a period of three months, for issue of bonus shares worth Rs 49 lakhs.

The Sandesh Ltd., Ahmedabad, have been accorded consent valid for three months to capitalise Rs 2.05 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 five equity shares held.

Sudarshan Chemical Industries Pvt. Ltd., have been accorded consent, valid for three months to capitalise Rs 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 one equity share held.

Ramacast Ltd., Calcutta, have communicated to government of their proposal to issue capital uner Clause 5 of the Capital Issues (Exemption) Order, 1969, to the value of Rs 40 lakhs (inclusive of Rs 10 lakhs already raised) in 4,00,000 equity shares of Rs 10 each for cash at par, out of which shares worth Rs 25 lakhs will be offered for public subscription by a prospectus to provide a part of the finance required for the expansion of the company for the manufacture of of small sized ingot moulds and bottom plates.

Assam, Petro-Chemicals Ltd., Gauhati (Assam), have been given an acknowledgement to their statement of proposal, valid for a period of 12 months, for issue of equity shares worth Rs 2.25 crores and preference shares worth Rs 50 lakhs. The proceeds of the issue are to be utilised to meet a part of the finance required for implementing a petro-chemicals project to be up at Namrup (Assam).

Mercury Brewery Ltd., have been granted an acknowledgement for issue of equity shares worth Rs 38 lakhs, for setting up a brewery to be located at Nahan district, Sirmur (HP).

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Rolcon Engineering Co.	Dec. 31, 1973	15.0†	Nill
Balrampur Sugar Co	June 30, 1973	10.0	8.0
South India Steel & Sugars	June 30, 1973	12.0	9.0
Rohit Mills	Dec. 31, 1973	13.0	11.0
Aruna Mills	Dec. 31, 1973	20.*	16.0
Asoka Mills	Dec. 31, 1973	20.0*	16.0
Saraspur Mills	Dec. 31, 1973	24.0	18.0
Same Dividend			
Bharat Fertiliser	Oct. 31, 1973	10.0	10.0
Amitabh Textile Mills	June 30, 1973	Nil	Nil
Mysore Cements	June, 30, 1973	12.5	12.5
Indian Hume Pipe	June 30, 1973	12.0	12.0
Star Paper Mills	March 31, 1973	10.0	10.0

*Inclusive of two per cent by way of cash bonus

†Maiden dividend.

COMPANY MEETING

BINNY LIMITED

Address By

MR. N. S. BHAT, Chairman to Shareholders

At the Fifth Annual General Meeting of the Company held on 29th March 1974.

Ladies and Gentlemen,

I have great pleasure in extending to you a warm welcome to the Fifth Annual General Meeting of the Company.

The Directors' Report and Accounts for the year ended 31st December, 1973 have been circulated in the prescribed manner and, with your permission, I shall take them as read.

We are meeting at a difficult time. The major problems facing the country are severe inflationary pressures, precipitous decline in industrial growth, massive poverty and ever-increasing unemployment, at a rate estimated at around 10,000 per day, and the world energy crisis. The silver lining is a stable administration at the Centre and in this State, although the situation in some of the other States is unsatisfactory.

When I addressed you in 1972 I said that the road to success is not always smooth, being prone to difficult and unpredictable problems, but I ventured to submit that your company would nevertheless take its rightful place on the industrial map of our country. My assessment of the company's future has materialised to a substantial degree.

I am pleased to report a significant increase in the company's operating profit to Rs 250 lakhs in 1973. By the end of 1973 we had recouped the entire past losses and provided for the payment of the preference dividend up to that date.

In 1973 turnover improved by Rs 5.77 crores over 1972 and the net operating profit by Rs 1.55 crores despite an increase of Rs 5.08 crores in manufacturing and other expenses, a major portion of which is beyond our control. For the first time after some years we have achieved a reduction in the levels of borrowings and liabilities.

Although the current year has started with neither past losses nor prior charges, namely arrears of preference dividend, it threatens to be a year dominated by the major economic problems to which I have already made reference. Results in 1974 will be seriously affected by the strike in the B&C Mills, wage increases throughout the industry, enormous price increases of major inputs, especially cotton, and the uncertainties in regard to the availability of such important inputs as power, coal and even water. Very recently the Commerce Minister has been quoted as saying that the obligation of Weaving Mills to supply controlled cloth will shortly be doubled, and the penalty at least doubled. This is to put an enormous burden on mills such as ours, which are not organised or equipped for the economical production of cheap cloths. Last year we met our controlled cloth obligation in full, but it cost us Rs 50 lakhs to do so. This year cotton prices are up by more than 25% over last year's average. It is to be hoped that Government will recognise the need to raise cloth prices correspondingly if they intend to increase the already burdensome obligation. If they do not do so the burden may become more than we can carry while continuing the recovery which so far has gone so well.

Although the adverse factors to which I have just referred are serious, nevertheless the company is much stronger and safer now than it was three years ago. I am confident that, having regained its strength in a period full of gloomiest forebodings, the company will, with your support, continue to progress.

Organisation Structure and Personnel Policies and Procedures

Early in 1973 the company appointed A.F. Ferguson & Co. to carry out a management consultancy assignment involving a comprehensive review of its organisation structure and personnel policies and procedures. The review covered all management staff from the Executive Board downwards. It included areas such as organisation structure, preparation of formal job descriptions, job evaluation, salary structure, salary grades, performance appraisal and related personnel policies and procedures. A substantial part of the work has been completed and implementation of changes in organisation has already begun.

The above changes are an important though modest step towards more systematic management in the company. A great deal more requires to be done to create the right framework and environment for management to optimise their performance. In particular there is need for greater formal planning in our company and I hope this will receive attention during the current year.

It must be realised, however, that these modern management concepts are only tools for better performance. In the final analysis it is the people we have, especially in key posts, who will determine the extent to which we reach our goals. I am confident that our managers will continue to improve the company's performance.

Textile Division

Production in 1973 increased by 7.6 million metres and offtake improved by over Rs 5 crores. In fact we were able to sell more than our production and reduce the stocks accumulated as at the end of 1972. Rehabilitation and re-equipment of the two mills carried out in various departments as far as possible contributed to higher production.

Last year I referred to our decision to strengthen our representation and distribution arrangements in the market by opening regional sales offices in Delhi and Bombay and by strengthening our existing sales office in Calcutta. This decision has been implemented and a regional sales office for South India will also be opened in Madras. I am happy to say that this step has been well received by our dealer net-work

Exports

In 1973 the company whic had been registered as a recog nised Export House was ap proved as an eligible Expor House. Including exports t Nepal and supply of fabrics t Export Garment makers whic together accounted for Rs 26.5 lakhs the company's exports fo the year amounted to Rs 329.1 lakhs and we fulfilled our ex port obligation for the year The outlook for 1974 for th export of textile piecegoods an readymade garments is satis factory provided costs can b controlled.

Controlled Cloth

I have already reported tha

in 1973 we fully met our controlled cloth obligation and that it cost us Rs 50 lakhs. I would like to reiterate that the obligation to supply controlled cloth bears unduly harshly on Coarse Mills as compared to Fine and Superfine Mills. This is because we are expected to recover the heavy losses we incur on controlled cloth on the remainder of our production — from which our export obligation of 15% may safely be excluded. But in the case of a coarse mill, such as B & C for example, the loss has to be recovered from cloth sold at an average price of less than Rs 5 per metre. It therefore requires a much larger percentage increase in the cost of such coarse cloth than in the case of a fine or superfine mill whose average realisation per metre will be very much higher. This creates marketing problems which can be serious.

During the past few months there has been a steep rise in wages in the textile industry in addition to a steep increase in the cost of various inputs. The total cost has gone up by at least 100% over the 1968 multipliers used for the pricing of controlled cloth. At the present control prices even the price of cotton is not covered. I hope Government will agree to a price increase to cover at least the actual cost of production.

Modernisation

The need for radical modernisation of machinery in both Mill units is recognised. Limitations are finance and availability of machinery, for which protracted deliveries are being quoted. Within these parameters the company is modernising as fast as possible.

Future Product Pattern

For at least the next four or five years we do not see the need drastically to revise the company's product pattern as the bulk cloths which form approximately 80% of its production are in good demand and likely to remain so. However, we do recognise the need for more flexibility and quicker responses as regards the more fashionable end of the trade. The modernisation programme will take account of this need.

Research & Development and New Projects

The Directors accept that a large manufacturing organisation has a duty as well as an interest in maintaining a vigorous and progressive research and development programme. Your company intends to increase its Research & Development activities and to this end R & D has been made the direct responsibility of a Director.

The objectives formulated and mentioned earlier in this statement include diversification, which is certainly necessary in the long term interests of the company and the shareholders. To ensure that this important subject receives the attention it deserves, it will also be handled by the Director who will be responsible for Research & Development. These two activities will constitute his full-time work portfolio.

Engineering Division, Madras

The Directors' Report gives a brief review of the operations of this Unit in 1973.

During the year, a second order for a ferro-silicon furnace was received under the Binny/Elkem collaboration. There is good prospect of securing further orders for calcium carbide furnaces.

In the field of leather processing machinery we have been able to develop new and more sophisticated equipment. This work continues.

The Harbour Works had a very successful year and its turnover increased by 100% from the previous year.

Trading & Agency Division

The Directors' Report provides a review of the operations of this Division which has made a valuable contribution to the profits of the company. The expansion of this division is subject to the provisions of the Foreign Exchange Regulation Act 1973.

Labour

Although 1973 was a relatively peaceful year from the point of view of industrial relations, the problem of irregular absenteeism, especially in the Madras Mills, was acute. The average absenteeism in the mills for the year was about 14% but during the period July-October absenteeism was abnormal and on many days the rate was as high as 30% in key departments. This had a serious impact on mill efficiencies and production. The average absenteeism for 1973 in the Bangalore Mills was about 16%. I am afraid this intractable problem cannot be solved unless Labour Unions and Government support management in tackling it.

The Madras Mills had an unsatisfactory start to 1974 with a strike which commenced on 1st February and ended only on 11th March. Apart from the heavy loss of production, the company will have to bear the burden of substantial increase in wages for the next four years.

The Prime Minister in her New Year message called for heart searching on the part of workers who are inclined to go on strike and said that it was only those who were better off who complained and not the poorest. She deplored the support given to strikes which were illegal and appealed to the workers to give a holiday from strikes at this juncture. Despite this appeal it is clear that the strike weapon is still far from being used only as a last resort after exhausting constitutional methods of settlement. Indeed we know of cases where constitutional methods have been boycotted. This is a dangerous trend.

It should be clear to everyone that only if opportunities to increase production are created will the management be able to satisfy the reasonable aspirations of labour. Unfortunately this simple truth does not seem to find acceptanc among those who suppo strikes.

Inflation which grows out c scarcities and shortages can b attacked only by increasing pro duction. We cannot progres in this direction unless Goverr ment and labour acknowledg the need to check wage ir creases unaccompanied b commensurate increase in pro duction.

In the two textile mills of th company, wages increased b about 23%. The burden of th wage increase in 1974 coul well be as heavy. Unless a increases in wages are matche by productivity increases w will not be able to reduce th unit cost of production whic at present is much higher tha the cost in comparable mill in the industry. In the longe term this is a situation whic threatens employees' interest just as much as it does share holders.

I hope the recent settlemen reached with the recognise union in the Madras Mills wil lead to the speedy acceptanc of various rationalisation pro posals which have been undc negotiation over a long perio and to better utilisation o existing and new equipment i the mills.

Central Budget 1974

As anticipated, the Textil Industry has again been selec ted by the Union Financ Minister for collection of reve nue to the tune of Rs 36 crores The additional excise dutie will certainly stiffen consume resistance.

In the face of uncertainties al over the world in regard to th delivery of machines, I fee the benefit of the Developmen Rebate should have been ex tended for much longer than year if it could not be retaine permanently. The extensio of the period by one year i respect of machines for whic orders had been finalised be fore 1st December, 1973 wil however, benefit your com pany to some extent.

Reduction in the levels c

personal taxation is a sensible step towards encouraging savings and investment and it is my hope that those assessees who benefit will respond wholeheartedly to Government's gesture. Unfortunately this relief which, as regards salaried employees especially, was overdue, will be eroded by the revised methods of assessing perquisites to an extent which in many cases where potential for savings exist, will more than wipe out any gain.

Excise duty relief given to industries which convert boilers from oil firing to coal firing is welcome, but having regard to the non-availability of conversion equipment the time allowed for securing the relief is totally inadequate. Your company is unlikely to be able to get this relief.

The Foreign Exchange Regulation Act 1973

With the non-resident interest in the company's equity being over 40% your company is subject to the limitations and restrictions imposed by the Foreign Exchange Regulation Act, 1973 which came into effect on 1st January 1974. Apart from the fact that the company needs the approval of the Reserve Bank of India to continue its trading, commercial and industrial activities, any expansion of its operations in terms of new agencies or ventures will require the prior permission of the Reserve Bank.

Necessary applications have been or will shortly be made to the Reserve Bank to secure its approval for the company to carry on its present activities and prior permission will be sought for any expansion/development which comes within the purview of the Act.

Judging from the guidelines which have been issued it seems to me that the company's long term interests lie in remaining outside the restrictive provisions of the Foreign Exchange Regulation Act, 1973. You will recall that one of the objectives of the amalgamation of the Binny Group of Companies in 1969 was to opt out of the restrictive provisions of the Foreign Exchange Regulations which at that time applied to companies whose non-resident equity holding exceeded 50%. It was not then expected that the Act would be amended so soon to bring companies with more than 40% non-resident equity within its restrictive provisions. Your Board will give this subject careful consideration bearing in mind the company's long term interest.

Dividends

Having regard to the company's obligations towards Medium Term Loans and Debenture Redemption, coupled with the heavy financial requirements for modernisation and rehabilitation, I am sure you will appreciate the need for the strictest financial discipline. Although last year's results were satisfactory, and in the light of your company's strength future prospects look good, the Directors cannot overlook the grave uncertainties of the economic climate, especially as yet unknown effects of the oil crisis, the extraordinary recent increases in the price of cotton, which have gone far beyond the record levels of 1971, and the effects of the strike in the B & C and Mills and the very heavy wage increases which have taken place this year throughout the textile industry. In the circumstances it was considered prudent not to recommend an equity dividend for 1973. I realise this means the company has been unable to pay an equity dividend for four successive years, and it was a most painful decision to take.

As regards the future, I can say with confidence that left to itself the company is capable of trading at such levels of efficiency as would enable reasonable equity dividends to be paid. Whether or not extraneous circumstances beyond our control will allow the textile industry in general, and your mills in particular, to continue to operate at reasonable levels of profitability is more than I can tell.

Future Outlook

The performance of the company in the last two years was remarkable considering the magnitude of the overall problems faced and overcome. We have survived and recovered, but I cannot say that we will have no difficulties in future. Nevertheless, the achievements of the recent past give everyone concerned with the company the hope that the future is brighter and more promising. I would, however, add that the future of this company as indeed the future of our country, is dependent upon the foresight, firmness and fairness with which its affairs are handled without attempting to find short-term easy solutions. I am sure your Board will not forget the lessons from the past when shaping its policies and strategy for the future.

Having made a recovery in the Textile Division, it is only right that we should have a close look at all our operations with a view to assess the activities which are profitable and those that are not giving us adequate return on our investment. Your Board will, therefore, carry out this exercise during the current year and take steps to ensure that the return on total investment in each line is satisfactory.

Directorate

Consequent upon the decision to separate the posts of Chairman and Managing Director and to rationalise the organisation under each wholetime director, it was decided to reconstitute the Board so that the wholetime directors may have the benefit of advice from those who are actively associated either with the industry outside the company or with professions concerned with corporate management. Recognising the need to reconstitute the Board, all non Executive Directors other than the nominees of the State Bank, the L.I.C. and the Karnataka Government, tendered their resignations from the Board in the third week of December 1973. It is only right that I should say how grateful we are to them for being so understanding and for so readily falling in with our plans in this connection.

In pursuance of our decision to reconstitute the Board, Mr. A.M.M. Arunachalam and Mr L.K. Ratna were re-appointed as Directors of the company and the proposal to elect Mr. K. Sreenivasan is before you.

On 3rd October, 1973 Mr. Chandappa Patel tendered his resignation from the Board on his retirement and in his place Mr. V. Venugopal Naidu, Secretary to the Industries Department, Karnataka Government, was appointed. I would like to express on behalf of my colleagues and myself our high appreciation of Mr. Chandappa Patel's service to the company.

Mr. R.B. Pradhan, Executive Director of the Life Insurance Corporation of India and Sir Michael Parsons were appointed as additional directors since the last Annual General Meeting. Mr. Pradhan's appointment will come up for your approval at this meeting. Sir Michael Parsons is not seekig re-appointment. On behalf of the Board I would like to express our appreciation of Sir Michael's services.

Acknowledgements

I joined the Binny Group in 1947 soon after a 100 days strike in the B&C Mills had ended and I shall be retiring at the end of a 38 day strike in the same unit. During these years I have seen the company operating under many and various stresses and strains, but the pressures of the last few years were perhaps the worst the company has ever experienced. Nevertheless, I feel it has been a privilege and a challenging experience to serve this company as Chairman and Managing Director during one of the most difficult periods in the history of the House of Binny.

Our sages have taught us to perform our duty not for reward but for the mere satisfaction of serving a good cause. It was in this spirit that I accepted this assignment in the company's darkest hour; I am relinquishing it with the thought that in the discharge of my duties I have been extremely fortunate to have had the unstinted support of men and Institutions on whom I relied. I would like to quote what I said in my statement in 1972.

"The Company has built its

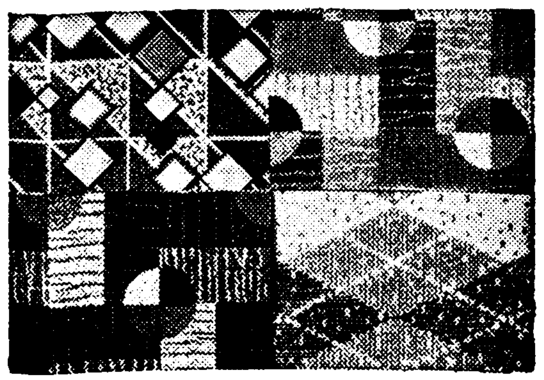
strengths over a long period, and I believe we enjoy the confidence and goodwill of our customers, bankers, Financial Institutions, Government and the public. We have a team of loyal, dedicated and technically competent Management Staff and an experienced and self-disciplined labour force. We are fortunate to have a single strong trade union in each Unit to represent labour and another to represent staff. Our distribution system has, in the past, worked well even in difficult times. We are also aware of our weaknesses and are receptive to new and constructive ideas. Our products enjoy a reputation for quality and durability and we now offer a wider variety than in the past. Above all, the company's financial position is basically sound."

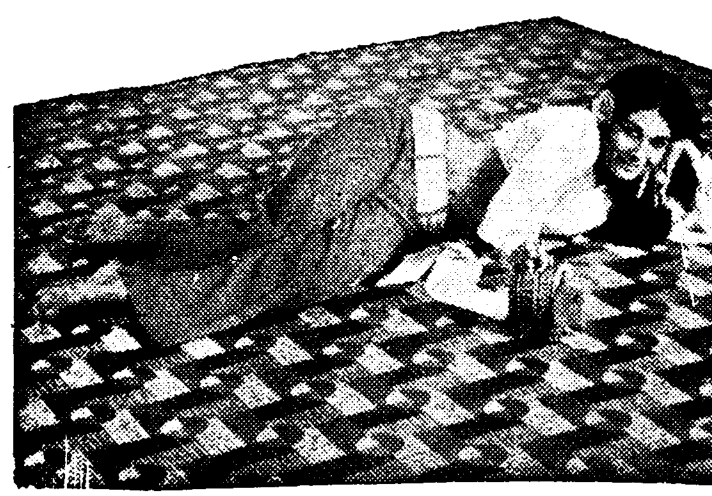
I believe with the continued support of all those associated with the company we have accomplished what was expected from us and I am happy to acknowledge the unfailing help we received from our customers, suppliers, the company's bankers, Financial Institutions and Government. I am also grateful to our Management Staff and other employees for their excellent work and to our guarantors, wholesalers, retailers and exclusive shop owners for their co-operation and untiring efforts. I am confident that the company can rely on their continued support.

Although I shall be laying down my office in a few days, I shall have the privilege of serving the industry during the next year in a wider area in my capacity as President of the Associated Chambers of Commerce and Industry. I am grateful to the various Chambers of Commerce for the confidence they have reposed in me.

In conclusion I would express my gratitude to my colleagues on the Board who always gave me valuable advice and unfailing support throughout my present tenure.

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





RECORDS AND STATISTICS

Industrial production and policies : 1973-74

INDUSTRIAL production during the calendar year 1973 has been stagnant, although there has been a welcome increase in the output of many public sector undertakings, particularly in the area of equipment manufacture. The official index of industrial production (prepared by the Central Statistical Organisation) recorded a marginal decline of 0.8 per cent during the first six months of 1973 (January—June), as against a growth rate of 7.4 per cent achieved during the first six months of 1972. Shortage of power has been a major factor in the decline in industrial production with severe power cuts in force in many parts of the country, affecting production in a wide range of industries. In terms of major industrial groups, production in the first half of 1973 indicates a marginal increase in respect of mining and quarrying (+1.4%), relatively stagnant conditions in the entire group of manufacturing industries and a decline of 6.2 per cent in electricity generated.

Apart from the pervasive impact of power shortage, industrial production has also been hit by other factors, such as the development of transport bottlenecks that affected the movement of essential inputs such as coal, pig iron and cement; and a combination of several other factors such as poor plant maintenance, a temporary flagging of demand for certain items and disturbed industrial relations situation in a number of industries.

Major Changes

Major changes in the international economic scene have also added further to the difficulties faced by industry. International inflationary trends were compounded by fluctuations in exchange rates, and there has been a steep increase in the prices of crucial and inescapable imports of industrial raw materials such as petroleum products, steel and non-ferrous metals. The difficulties faced by industry have increased due to delays and uncertainty in the delivery dates quoted for balancing equipment as well as industrial raw raw materials required to be imported. The recent steep increase in oil prices poses further problems for the Indian economy in the coming year. The situation in regard to industries based on petrochemical raw materials has been particularly difficult and the future outlook continues to be uncertain. These factors have combined to under-score the need for increasing self-reliance in the balance of payments, through increased emphasis on export production, and import substitution in the crucial sectors of the Indian economy so as to ensure balanced and sustained industrial growth.

On the domestic front, the overall picture that emerges is a mixed one of some production gains and some losses. An adequate and timely monsoon has presaged a welcome revival in the production of a number of agriculture-based industries such as cotton textiles, jute manufactures, sugar and vanaspati. There has also been a significant increase in the output of a number of important public sector undertakings, especially those manufacturing power generating equipment, machine tools, structurals and heavy fabricated materials. These increases can be ascribed in part to the implementation of reorganisation programme, to better management practices and to increasing emphasis on achieving higher levels of production and productivity and utilisation of existing production capacity.

On the other hand, industrial production has been adversely affected by continuing as well as emerging shortages of some crucial raw materials like steel and aluminium respectively during the year 1973 and by the significant increase in the prices of a wide range of industrial raw materials, particularly imported ones. Shortages on the supply side have been accentuated by a sharp expansion in the demand for a wide range of goods and services, reflecting inflationary pressures. A number of vital items such as steel, coal, cement, automobile tyres and tubes, paper, sugar and Vanaspati have not been freely available in adequate quantities; and certain industrial raw materials like caustic soda, soda ash, calcium carbide and industrial gases have also been in short supply. These developments highlight the need for increased efficiency of production and fuller utilisation of existing capacity, preventive maintenance and, in some directions, increased industrial investment to overcome production constraints. The last mentioned calls for long term steps to speedup investments to provide for the expansion of production capacity, together with both long-term and short-term measures to expand the availability of basic infrastructure facilities such as transport and power.

With the present uncertainties in regard to crude oil prices, prices of other imported raw materials and currency and other uncertainties facing the world community, any projections of industrial production during the year 1974 must necessarily be subject to several assumptions at this stage. Fortunately, the current prospects for the availability of agriculture based raw materials are good. Current expectations hold out promise of a continuation of the good crops realised in respect of raw cotton, raw jute, sugarcane and oilseeds. To the extent that much of the industrial production in the country depends on the availability of these basic agricultural raw materials, 1974 industrial production prospects appear, assuming a normal monsoon in 1974, to be better than in 1973.

Scarce Inputs

Coal, steel and power are three other important input for industry and in this area also, the prospects for 1974 are better than during the last year. A significant increase in coal production, from some 79 million tonnes to around 95 million tonnes is being planned; and steel production is expected to improve from the low levels reached in 1973, by anything between half a million to a million tonnes. The increase in power generating capacity is expected to go up by nearly 1½ million KW; and barring a bad monsoon which may affect hydro-electric power generation, the overall availability of power is also likely to improve, even though demand will continue to outstrip supply.

A large number of industries, however, continue to depend on crucial imported inputs of raw materials and components; and the outlook in respect of these industries would depend on the extent of foreign exchange availability to meet their production requirements. Furnace oil availability may also have to be somewhat less during 1974 (than in 1973), but the latter constraint is likely to be obviated with increased supplies of coal, for which movement links are being worked out, to ensure availability of coal in areas where furnace oil is to be replaced. With steeply increasing prices of many imported raw materials, particularly those based on petrochemicals, the production of some industries could suffer. But on the whole, the outlook on industrial production during 1974 appears at this stage to be better than in 1973. The production plans of some of the major public sector undertakings—particularly in the area of power generating equipment manufacture, machine tools, structurals and heavy fabricated materials and, most importantly, fertilisers—together with the better availability of agricultural raw materials, encourages the expectation that industrial production during 1974 may show an improvement over production in 1973.

Industrial Approvals

The total number of letters of intent and industrial licences issued during 1973 were 899 and 596 respectively. This was at about the same level as in the year 1972 in which the corresponding figures were 877 and 563. Of the 596 industrial licences issued in 1973, 224 were direct industrial licences and the balance of 372 were conversions of letters of intent in to industrial licences. Out of the 899 letters of intent, 473 were for new undertakings and the balance were for new articles and/substantial expansions. The major industrial sectors for which letters of intent were issued are chemicals (182), electrical equipment (98), industrial machinery (84), metallurgical industries (79), transportation equipment (63) and textiles (57).

The number of industrial licence applications received in 1973 was the highest in the last four years. 3280 applications were received in 1973, the corresponding figures being 2851 in 1972, 2932 in 1971 and 3033 in 1970.

There was a significant step up in the progress of disposal of pending industrial licence applications in 1973. A total of 3540 cases were disposed of in 1973 as compared with 2252 disposals in 1972. The Licensing Committee held 55 meetings in 1973 and took final decisions in 2566 cases as compared to 33 meetings held 1624 cases decided in 1972. These figures constitute more than 50 per cent improvement in disposal.

Streamlining Procedures

With a view to streamlining industrial approval procedures, government announced certain decisions which took effect from November 1, 1973. The object of the reform is to issue clearances within prescribed time-limits. The general time-limit for all cases is 90 days. Wherever simultaneous applications are made, the objective is to give simultaneous clearances in 120 days. Where a clearance under the MRTP Act, 1969, is involved, the time-limit will be 150 days. A unified Secretariat for Industrial Approvals to deal with industrial licensing, foreign collaboration approvals and capital goods clearances has been set up from November 1, 1973, as a division in the ministry of Industrial Development. It is functioning under the overall supervision and guidance of a high-level inter-ministerial committee known as the Project Approval Board. In order to deal with licensing and MRTP aspects in a coordinated manner a Licensing-cum-MRTP Committee has been formed.

In order to assist small and and medium entrepreneurs in identifying investment opportunities and to acquaint them clearly with government's policy and procedures, a publication entitled 'Guidelines for Industries 1973-74" was brought out by the ministry. This publication covered 110 industries. It is proposed to bring out a similar publication every year with the information being updated, enlarged and improved from time to time.

Procedures in the delicensed sector of investments upto one crore of rupees have also been simplified with a view to assisting small and medium entrepreneurs who alone are eligible to participate in this sector. It would not be possible for such entrepreneurs to apply directly for a capital goods clearance without having to obtain an industrial licence in advance provided that certain other conditions are satisfied.

At the time of enacting the Industries (D&R) Act, 1951 it was provided in the Act that the owner of every industrial undertaking which existed at the commencement of the Act, shall get the undertaking registered with the central government. Such undertakings seeking registration were required to furnish information regarding monthly installed capacity, the number of shifts, the number of working days in a month etc. but the form of registration certificate issued to the undertakings, which was prescribed under the rules, did not, contain ony column for specifying the productive capacity. The productive capacity of the undertaking was, therefore, not specified in many cases in the registration certificates.

Unlicensed Increases

It came to the notice of the government that certain registered undertakings belonging to this class increased their production to a much higher level than what was indicated by them at the time of registration. It was felt that such increases in production would be detrimental to the growth of small and medium units. This ministry, therefore, introduced a Bill in the Parliament in August, 1973 empowering the government to call for registration certificates from any class of undertaking for entering therein the productive capacity of the industrial undertaking. The Bill was passed by the Parliament and has become Act No. 67 of 1973.

500 applications for foreign collaboration were received and 478 applications were disposed of in 1973. The total number of foreign collaboration cases approved during 1973 was 265, of which 34 involved financial participation and the rest were purely technical collaborations. This compares with 257 approvals in 1972, of which 36 cases involved financial participation.

A simplified procedure has been introduced for the import of designs and drawings in respect of industrial machinery, machine tools, printing machinery and rubber machinery so as to promote import substitution in these industries and achieve fuller utilisation of capacities in engineering industries. Under this facility, import of designs/drawings for a value of upto Rs 5 lakhs will be allowed to those industrial undertakings which are licensed or registered for any of the items covered under industrial machinery, machine tools in the schedule to the I (D&R) Act, or for rubber machinery or printing machinery which are currently non-scheduled items.

Improved Investment

In 1973, capital goods approvals accorded by the Capital Goods (Main) Committee amounted to Rs 118.4 crores as compared with Rs 98.1 crores involved in such approvals in 1972, representing an improvement in investment intentions. The major industries for which capital goods imports were allowed included automobile tyres and tubes, engineering industries, electrical industries and commercial vehicles.

With a view to promote import substitution as well as to expedite the clearance of applictions for the import of capital goods, government have published an illustrative list of capital goods, which were cleared for import for 1973 after ascertaining indigenous non-availability. The objective of publishing this list is to draw the attention of indigenous machine manufacturers to the demand for these items so that they can formulate importsubstitution programmes which will result in the manufacture of such machinery within the country. After ascertaining whether indigenous manufacturers have already established capacities in any of these items or are liskle to establish such capacities in the near future, the list will be finalised. Thereafter, it will not be necessary to advertise for these items before applying for imports for a period of one year. It is hoped that this procedure will achieve the twin objectives of import substitution as well as streamlining of capital goods clearance procedures.

Production of Industries in 1972 and 1973

Sl. No. No.	Name of the Industry	Accounting Unit	1972 No. of units	1972 Installed capacity	1972 Actual production	1973 No. of units	1973 Installed capacity	1973 Actual production	Remarks
1	2	3	4	5	6	7	8	9	10
	ELECTRICAL INDUSTRIES								
1.	Electric Motors	H.P.	33	3.1 M.H.P. (as on 1-4-72) 5.45 M.H.P. (as on 31-12-72)	3.042 m.h.p.	33	5.46 m.h.p.	3.03 m.h.p.	Production has been maintained at the same level as in 1972 but the installed capacity been increased under fuller utilisation capacity.
2.	Dry Battery Cells	M/Nos.	7	539	637.0	11	1,144	720	
3.	Storage Battery	Lakh Nos.	7	12.8	11.07	11	14.0	12.0	
4.	Indl. Air Conditioning Refrigeration & Air Control Equipment.	Rs. lakhs	19	2,530.0		19	2,520	1,150	One firm was under lock-out for four months.
5.	Domestic Refrigerators	Th. Nos.	6	175.8	92.3	6	175.8	110.0 Rs. 1,350	Do.
6.	Room Air Conditioners	Th. Nos.	7	35.78	25.13	7	44.78	22.0 (Rs. 550)	One firm was under lock-out for four months.
7.	Indl. Cooling Towers	Rs. lakhs.	3	220.0	142.4	3	220.0	180.0	
8.	Indl. Fans & Blowers	Rs. lakhs	11	550	231.4	14	650	300	
9.	Flashlight Cases	M./Nos.	3	12.08	10.97	3	12.08	6.0	Demand gone down
10.	GLS Lamps	M./Nos.	11	128.70	127.89	11	128.7	140.0	
	Fl. Tubes	M./Nos.	9	12.30	12.35	9	15.3	10.2	
	Miniature Lamps	M./Nos.	7	56.60	41.03	7	56.6	33.0	
11.	Electric Fans	M./Nos.	17	2.75	22.89	18	3.05	2.3	
12.	Stampings/Laminations	M./T.	4	71,097	23,421	10	89,000	36,000	
13.	Cinema Arc Carbons	M. Pairs	2	8.0	8.04	2	8.0	8.10	
14.	Midget Electrodes	M. Nos.	1	250	348	1	250	320	
15.	Graphite Electrodes Anodes	Tonnes	1	54,000	3,781	2	10,850	4,000	
16.	Electrodes Paste	,,	3	35,000	10,256	3	35,000	3,000	
17.	Carbon Blocks	,,	1	80	34	1	80	60	
18.	AAC/ACSR Conductors	MT	40	106,850	80,466	40	106,850	58,000	Shortage of aluminium and power has affected the production of AAC/ACSR and aluminium cables.
19.	Winding Wires								
	(*a*) Enamelled Winding Wires	MT	26	18,313	13,280	27	20,194	15,000	
	(*b*) Paper Covered Winding Wires	MT	18	10,579	5,043	18	15,579	5,200	
20.	PILC Power Cables }	KM	11	20,379	18,995	11	21,309	15,000	
21.	PVC Power Cables }								
22.	PVC/VIR Cables	MCM	28	961.23	731.29	28	1,213	620	
23.	Dry Core Cables	KM	1	4,000	2,468	1	4,000	3,000	
24.	Coaxial Cables	KM	1	4,250	488	1	4,250	800	
25.	Aluminium Wire rods	MT	12	67,800	62,864	12	67,800	51,000	
26.	Bare Copper Conductors	MT	4	14,200	926	4	14,200	1,000	

1	2	3	4	5	6	7	8	9	10
	PAINTS, ENAMELS AND VARNISHES								
1.	Paints, Enamels & Varnishes	Tonnes	16	1,14,300	69,015	17	1,19,200	71,000	
2.	Wire Enamels/Impregnating Varnishes.	,,	1	4,500	3,833	1	4,500	4,000	
3.	Titanium Dioxide	Tonnes	1	6,500	6,886	1	6,500	5,000*	
4.	Zinc Oxide	,,	4	19,000	5,000	4	19,000	4,700**	
5.	Lead Oxides	,,	3	18,000	7,516	3	18,000	8,300	
6.	White Lead	,,	1	3.048	745	1	3,048	600***	
7.	N.C. Lacquers	Million Litres	4	2,736	2,074	4	2,736	2,500	
8.	Aluminium Powder/Paste	Tonnes	3	3,100	2,210	3	3,100	2,500	
9.	Brake Fluid	K/Litres	6	3,390	1,395	6	3,390	1,500	
10.	Printing Inks	Tonnes	6	11,000	7,020	6	11,000	7,500	
11.	Beneficiated Ilmenite	,,	1	25,000	18,098	1	25,000	10,000****	
	INSTRUMENTS								
1.	Industrial Process Control Instruments.	Rs. Millions	9	137.5	81.2	9	149.9	70.75	
2.	Scientific & Surveying Instruments.	Do.	12	44.5	38.4	12	54.5	43.00	
3.	Water Meters	Lakh Nos.	6	3.2	1.32	6	3.2	.68	
5.	Medical & Surgical Instruments	Rs. Millions	9	37.5	20.1	9	37.5	24.30	
5.	X-Ray & Electro-Medical Equipment	Do.	6	38.0	30.2	6	45.0	35.00	
6.	Photographic & Photo-Copying Instruments.								
	(i) Box Cameras	Lakh Nos.	1	4.00	2.75	1	4.00	3.80	
	(ii) Photocopying Machine / and	Nos.	1	214 Nos.	150 Nos.	3	1,721	500	
	(iii) Photo Scanning Machine	Nos.	2	1,500 Nos.	200 Nos.				
7.	House Service Meters								
	(i) Single-Phase	Lakh Nos.	15	16.27	15.27	15	16.27	10.35	
	(ii) Poly-Phase	Lakh Nos.		4.30	3.2		4.30	3.39	
8.	Electrical Measuring Integrating Recording Instruments.	Rs. Millions	10	48.00	36.00	11	55.5	43.5	
	MECHANICAL & ENGINEERING INDUSTRIES								
1.	Air & Gas Compressors (excluding refrigeration/ air-conditioning ones).	Nos.	10	8,700	5,200	12	12,000	6,000	Increase in demanc
2.	Agricultural Implements (Manual hand-operated).	MT	28	36,873	28,500	53	47,673	30,000	
3.	Aluminium Collapsible Tubes	Million Nos.	6	152	276	6	282	325	

*M/s Travancore Titanium Products Ltd., Trivandrum—a Kerala state industrial undertaking are the only manufacturers ‹ titanium dioxide. They have indicated that fall in production during 1973 was due to repairs in their calciners/digestors. A sub tantial expansion of their capacity, earlier licensed is expected to materialise by the end of this year. The firm anticipates that the production will increase substantially from Jan., 1974 onwards. According to their programme they expect that theis producfic of anatase grade of titanium dioxide would increase to nearly 9,000 tonnes during Jan.—June, 1974.

**Of the four units on the rolls of DGTD one unit was closed during 1973 upto July, 1973 due to labour problems. With tl development of indigenous capacity for the manufacture of titanium dioxide (another industrial white pigment), most of the coı suming industries of zinc oxide have switched over to the use of titanium dioxide. In the circumstances, the output of zinc oxid by the units on the DGTD rolls have remained almost steady during the last nearly 5 years.

***Production of white lead is mostly linked with demand. The use of white lead as a white pigment has become obsolete an consuming industries have been using titanium dioxide which is better in pigmentary properties as compared to white lead. Presentl the major use of white lead is in the PVC industry.

****There is only one unit for the manufacture of beneficiated ilmenite. The firm have reported that the shortfall in productio during 1973 has been on account of power cut in the State of Tamil Nadu.

1	2	3	4	5	6	7	8	9	10
4.	Ball & Roller Bearings	Million	7	20.7	21.6	7	22.6	28.0	
5.	*Castings—*								
	C.I. Castings (including alloy Iron).	MT	51	350,800	137,000	53	351,430	183,000	
	Steel & Alloy Steel castings	,,	43	148,300	70,600	44	150,000	70,000	
	M.I. Castings	,,	12	28,900	19,000	12	28,900	19,000	
	S.G. Iron Castings	,,	10	7,800	2,700	10	7,800	3,500	
6.	*Containers—*								
	Tin Containers	,,	28	77,140	75,950	28	95,126	80,000	
	Drums Barrels	,,	29	81,400	46,421	12	93,352	46,800	
7.	Coated Abrasives and Bonded Abrasives.	Rs. Million	10	92	89	10	95	90	
8.	Grinding Media	,,	10	26,405	13,034	10	26,025	14,000	
	MECHANICAL & ENGINEERING INDUSTRIES								
9.	*Industrial Fasteners—*								
	H.T. Bolts & Nuts	Rs. Million	9	12,670	5,610	9	12,670	6,240	
	M.T. Nuts	,,	19	48,099	26,470	19	50,599	27,800	
	M.T. Machine Screws	Million Nos.	5	59.29	25.26	5	59.29	52.50	
	M.S. Machine Screws	,,	4	523.64	499	5	523.64	506	
	Wood Screws	,,	5	1,284.55	1,467	5	1,284.55	1,447	
10.	Welding Electrodes	MRM	19	474	406	20	506	360	
11.	*Office Equipment—*								
	Typewriters	Nos.	4	86,400	41,971	4	86,400	34,836	Labour trouble and power cuts
	Duplicators	,,	1	10,100	4,229	1	10,100	5,296	
	Addressing machines	,,	1	870	849	1	870	840	
	Calculating & Adding Machines.	,,	1	12,500	10,476	1	12,500	10,500	
12.	Weighing Machinery	Rs. lakhs	5	450.00	318.00	4	450.00	360.00	
13.	Construction Machinery	,,	18	557.73	302.83	13	557.73	284.28	
14.	Reduction Gears	,,	15	643.00 +1,700 No. of Marine Gears	670.00	16	1,250.00	930.00*	
15.	Cutting Tools	Rs. lakhs	46	2,800.00	2,490.00	85	2,850.00	2,600.00	
16.	Hand Tools	,,	14	1,350.00	1,230.00		1,400.00	1,290.00	
17.	Precision Measuring Tools	,,	3	180.00	150.00		200.00	180.00	
18.	Bonded & Coated Abrasives	,,	10	920.00	890.00		950.00	900.00	
19.	Jigs and Fixtures	,,	8	250.00	230.00		250.00	230.00	
20.	Complete Bicycles	Lakh Nos.	11	36.54	22.73	13	38.49	25	
21.	Cycle Parts		37	**	Rs. 1,421.182 lakhs	40	—	Rs. 1,500 lakhs	**Since there are number of parts it is not possible to indicate the installed capacity.
	GLASS INDUSTRY								
1.	Bottles and Vials (including semi automatic)	Tonnes	23	265,500	178,600	23	265,500	180,000	
2.	Sheet glass	Mill. Sq. Mt.	6	22.0	19.1	6	22.0	19.0	

*16 units are engaged in the manufacture of different types of gears and marine gears. These units are in a position to manufacture reduction gears using variety of gears such as spur, helical, double helical, bevel, worm and worm wheels; P.I.V. gears for power transmission as well as speed reduction. Heavy Duty Gears and gear boxes, as are required by heavy machinery industries such as cement mills, sugar mills, steel plants etc. are also being produced indigenously. The units engaged in the manufacture of gear boxes are in a position to export them.

1	2	3	4	5	6	7	8	9	10
3.	Glass Shells	Mill. Pcs.	7	170	176	7	170	150	Low due to lock out and strike i two factories.
4.	Vacuum Flasks	Mill. Pcs.	3	4.5	5.3	3	4.5	5.5	
5.	Lab. glassware	Tonnes	1	7,200	1,840	1	7,200	2,081	

PAPER INDUSTRY

1	2	3	4	5	6	7	8	9	10
1.	Paper & Paper Boaid	M. tonnes	59	9.62 lakhs	803,543	59	9.62 lakhs	760,730	
2.	Newsprint	,,	1	75,000	42,048	1	75,000	43,847	
3.	Rayon Grade Pulp	,,	3	118,500	88,538	3	118,500	72,164*	*Estimated.
4.	Paper Grade Pulp	,,	1	22,254	26,541	1	22,254	16,923**	**M/s. Gwalior Rayon & M/s. Central Pulp Mills suffered in production due to strike lock-out.

CERAMICS, GLASSWARE & ALLIED INDUSTRIES

1	2	3	4	5	6	7	8	9	10
1.	Glazed Tiles	Tonnes	5	32,884	25,000	5	32,884	30,000	
2.	H. T. Insulator	,,	7	21,510	20,000	7	21,510	24,000	
3.	L. T. Insulator	,,	13	8,800	450	13	8,800	400	
4.	Stoneware Pipes	,,	13	76,464	85,520	13	76,464	87,000	
5.	Sanitaryware	,,	9	18,170	16,000	9	18,170	18,500	
6.	Stoneware Jars	,,	8	8,546	5,815	8	8,546	6,000	
7.	Crockery	,,	17	29.340	17,000	17	29,340	18,000	
8.	Enamelware	Th. pcs.	7	30,030	21,500	7	30,030	22,000	
9.	Synthetic Stones	Kg.	1	21,600	24,810	1	21,600	25,000	
10.	Frits	Tonnes	1	4,020	1,550	1	4,020	1,800	
11.	Colouis	,,	1	60	20	1	60	35	

LEATHER INDUSTRY

1	2	3	4	5	6	7	8	9	10
1.	Vegetable Tanned Hides	Cow Hides	9	21,66,000	9,26,406	9	21,66,000	6,13,000	
2.	Chrome Tanning of Hides	Hides	10	21,40,000	14,93,231	10	21,40,000	23,71,000	
3.	Western Type of Leather Footwear.	Pairs	8	13,84,700	75,24,906	8	1,38,47,000	77,21,000	
4.	Indian Type of Leather Footwear	Pairs	8	95,67,000	64,99,123	8	4,67,000	52,47,500	
5.	Picking Bands	Kgs.	5	5,01,360	83,461	4	5,01,360	1,05,500	
6.	Leather Beltings	Kgs.	5	2,10,000	55,267	4	2,10,000	62,000	
7.	Glue	Tonnes	4	4,020	3,069.9	3	4,020	2,950	
8.	Myroblan Extracts	Tonnes	2	7,704	8,961.16	2	7,704	700	
9.	Cotton & Hair Belting	Tonnes	2	216	33.04	2	216	23	

RUBBER GOODS

1	2	3	4	5	6	7	8	9	10
1.	Automobile Tyres	Lakhs Nos.	8	50.55	49.78	9	54.55	48.40	There is marginal fall in production. This is due to power shortage and labour unrest in tyre factories.
2.	Automobile Tubes	,,	8	47.63	37.36	9	47.63	46.85	
3.	Bicycle Tyres	,,	17	280.47	216.50	17	280.47	186.60	
4.	Bicycle Tubes	,,	16	271.07	144.02	16	271.07	136.60	
5.	Carbon Black	M.T.	2	40,600	52,916	2	40,600	50,000	Due to fall in production of tyres the demand has come down.

1	2	3	4	5	6	7	8	9	10
6.	Reclaimed Rubber	,,	6	16,820	13,295	6	16,800	15,037	
7.	Rubber Contraceptives	Million Nos.	2	325.00	171.2	2	325.00	153.1	The fall in production is margial. This is due to power cut in Tamil Nadu.
8.	Rubber Conveyor Belts	M.T.	4	3,702	3,620	5	4,702	4,000	
9.	Fan & V Belts	Lakhs Nos.	9	49.29	67.28	9	49.29	56.55	The fall in production is due to power cut and labour unrest.
10.	Hoses	Mill. Metres	9	8.85	5.88	9	8.85	4.63	
11.	Rubber Footwear	Mill. Pairs	11	55.00	42.72	11	55.00	37.00	

FOOD PROCESSING INDUSTRIES

1	2	3	4	5	6	7	8	9	10
1.	Cigarettes	M. Pc.	16	59,488	62,014	16	67,200	63,800	
2.	Biscuits	M.T.	32	97,200	69,031	31	94,200	66,600	
3.	Confectionery	,,	23	37,152	18,100	24	37,752	21,600	
4.	Flour Milling	,,	146	44,77,956	29,21,000	149	45,79,296	19,96,000	
5.	Bread	,,	14*	78,020	69,187	15@	89,684	80,000	
6.	*Breakfast Food*								
	(i) Pearl Barley	,,	3	5,328	1,250	4	6,589	1,200	
	(ii) Corn Flakes	,,	1	2,100	325	3	2,548	300	
	(iii) Oat Flakes	,,	1	900	325	1	2,100	50	
7.	Aerated Water	Million Bottles	36	1,790	1,965	36	1,790	987	
8.	Malt Extract	M.T.	2	4,800	2,664	2	4,800	1,547	
9.	Gaur Gum	,,	5	26,100	15,300	5	26,000	15,000	
10.	Fruit & Vegetable	,,	27	79,507	24,738	27	97,869	25,600	
11.	Meat Products	,,	4	1,600	428	4	1,600	500	
12.	Sorbitol	,,	1	2,250	1,450	1	2,250	1,770	
13.	Protein Isolate	,,	1	1,500	240	1	1,500	110	
14.	Filter Rods	,,	1	900	1,037	2	1,800	1,600	
15.	Infant Milkfood	,,	6	20,983	10,543	8	21,583	20,048	
16.	Milk Powder	M.T.	12	18,253	12,899	13	25,784	12,350	
17.	Condensed Milk	,,	6	18,800	8,959	6	13,800	6,150	
18.	Malted Milk-food	,,	8	14,667	11,977	8	14,562	11,800	
19.	Starch	,,	9	1.68,600	1,06,744	2	1,68,600	92,000	
20.	Dextrose	,,	2	30,600	10,726	2	3,600	11,230	
21.	Liquid Glucose	,,	5	54,500	33,352	7	80,000	29,972	
22.	Enzymes	,,	1	7,300	553	1	7,300	680	
23.	Drinking Chocolate	,,	3	1,500	1,007	3	1,500$	1,050	
24.	Chocolate	,,	4	3,960	1,301	3	3,960	1,610	
25.	Cocoa Powder	,,	3	642	51	3	642	35	
26.	Instant Coffee	,,	2	2,139	1,590	2	2,139	1,950	
27.	Instant Tea	,,	2	850	194	2	850	215	
28.	Ice Cream	000 ltrs.	6	7,995	4,177	6	7,995	3,850	
29.	High Protein Food	,,	1	1,500	1,012	5	1,960	1,800	

MISCELLANEOUS CHEMICALS

1	2	3	4	5	6	7	8	9	10
1.	Sulphuric Acid	Tonnes	67	19,75,405	13,01,949	68	21,07,405	14,00,000	
2.	Hydrochloric Acid	,,	26	1,14,714	89,000	26	1,28,314	90,000	

*Consisting of 9 units of M.B.
3 units of B.C.
2 units of Others.

@Consisting of 9 units of Modern Bread.
4 units of B.B.C.
2 units of Others.

$Covered in Cocoa Powder licence.

1	2	3	4	5	6	7	8	9	10
3.	Nitric Acid	,,	10	12,640	20,188	10	19,751	21,000	
4.	Phosphoric Acid	,,	3	13,000	21,226	3	13,000	22,000	
5.	Chloro-sulphonic Acid	,,	3	20,800	12,967	3	20,800	14,000	
6.	Phosphorous (Yellow)	,,	2	5,000	1,907	2	5,000	2,000	
7.	Alum	,,	4	1,790	206	4	1,790	250	
8.	Aluminium Sulphate	,,	8	14,120	3,782	8	14,210	4,000	
9.	Alumina Ferric	,,	14	1,29,100	1,19,887	14	1,47,610	1,25,000	
10.	Sodium Sulphate	,,	13	57,615	61,484	13	48,815	50,000	
11.	Copper Sulphate	,,	3	3,330	2,414	3	3,330	2,500	
12.	Ferrous Sulphate	,,	4	6,700	5,817	4	6,700	6,000	
13.	Magnesium Sulphate	,,	8	5,040	2,359	8	5,040	2,500	
14.	Sodium Sulphide	,,	4	6,015	1,998	4	6,015	2,000	
15.	Zinc Chloride	,,	2	656	603	2	656	600	
16.	Calcium Chloride	,,	3	2,410	2,410	3	2,410	2,500	
17.	Magnesium Chloride	,,	1	7,500	4,528	1	7,500	5,000	
18.	Bichromates	Tonnes	4	10,240	8,824	4	10,240	9,000	
19.	Ammonium Nitrate (Explosive grade)	,,	1	6,342	16,845	1	6,342	17,000	
20.	Sodium Nitrate	,,	—	—	—	2	3,700	2,500	
21.	Sodium Nitrate	,,	—	—	—	2	12,000	2,750	
22.	Zinc Sulphate	,,	3	4,350	453	3	4,350	1,300	
23.	Calcium Carbide	,,	5	69,500	68,799	5	69,500	62,000	
24.	Sodium Hydrosulphite	,,	4	12,288	7,662	4	12,288	6,600	
25.	Sodium Sulphoxylate	,,	1	1,800	196	1	1,800	20	
26.	Oxygen Gas	Million cu. metres	59	75.1	60.0	60	80.7	58.5	
27.	Dissolved Acetylene Gas	,,	38*	14.9	6.6	39	15.2	6.2	
28.	Argon	,,	4	0.46	0.32	4	0.586	0.5	
29.	Nitrous Oxide	Million litres	3	300	249.9	3	300	250	
30.	Vanadium Pentoxide Catalyst	Kilo litre	1	154	222	1	154	400	
31.	Platinum-Rhodium Catalyst	Kgs.	2	200	319	2	200	350	
32.	Hydrogen Gas	Million cu. metres	5	1.43	0.90	6	1.84	0.7	
33.	Nitrogen Gas	Do.	20	21.60	10.68	20	21.6	14.38	
34.	Carbondioxide	Tonnes	24	17.985	10,555.6	24	17,985	11,800	
34.	Potassium Chlorate	M.T.	3	5,574	6,649	3	5,574	5,000	
35.	Calcium Carbonate	,,	4	16,620	15,121	4	16,620	14,000	
36.	Hydrogen Peroxide	,,	2	4,550	3,212	2	4,550	3,400	
37.	Bromine	,,	1	380	335	1	380	400	
38.	Bromides (Inorganic)	,,	1	400	198	1	400	300	
39.	Sodium Thiosulphate	,,	6	3,084	2,219	6	3,084	2,300	
40.	Synthetic Cryolite	,,	4	5,370	3,910	4	5,370	3,000	Production regulated as per demand.
41.	Aluminium Fluoride	,,	2	2,490	2,916	2	2,490	3,000	
42.	Borax	,,	1	17,000	11,165	1	17,000	12,000	
43.	Boric Acid	,,	1	3,000	1,812	1	3,000	1,600	Production regulated as per demand.
44.	Sodium Chlorate	,,	1	1,400	1,258	1	1,400	1,500	
45.	Fluorocarbon Refrigerant Gases	,,	2	2,700	1,347	2	2,700	1,600	
46.	Aluminium Chloride	,,	2	8,700	5,124	2	11,000	6,500	
47.	Sodium Perborate	,,	1	625	670	2	725	700	
48.	Sodium Silico Fluoride	,,	4	824	356	4**	824	200	Bye-product recovery from superphosphate fertil8-zer plant.
	INDUSTRIAL EXPLOSIVES AND ACCESSORIES†								
1.	Commercial Explosives	Tonnes	2	28,600	32,666	2	28,600	30,360	
2.	Detonators	M. Nos.	2	168	116	2	168	143	
3.	Detonating Fuse	M. Metres	2	8.89	6.2	2	8.89	0.80	
4.	Safety Fuses	M. Coils	2	14.1	8.83	2	14.1	8.70	

*The total number of units engaged in the production of D.A. Gas increased to 39 towards the end of 1972.

**One of the units M/s. Adarsh Chemical & Fertilizers Ltd., Udhana, Dist. Surat are licenced for production of 360 tonnes of synthetic cryolite/Sodium Silico Fluoride. This capacity has already been accounted for cryolite.

†There was an explosion in the Tally mixing plant of M/s. Indian Explosives Ltd., Comia during 1973 and also labour trouble which partly affected the production.

Time to fight back

IN AN interview to *NewSweek* Mr Piloo Mody has just stated quite resignedly that India, which had survived the Moguls and the British, was unlikely to succumb to Mrs Indira Gandhi. Given the parlous state of the Swatantra party at the present time, the president's philosophical reflection may perhaps possess the virtue of practicality so far as he or his partymen are concerned. Fortunately, the Swatantra party does not make up the entire political opposition to the ruling party.

The UP, Orissa and Pondicherry elections have shown that in terms of direct voters' support the prime minister's party is by no means in comfortable command of either the support of the electorate or the trust and confidence of the public. Mr Mody himself has referred to the widespread agitations and demonstrations in the country against the corruption and incompetence which have come to characterize the Congress administration at the centre and in the states. He has rightly pointed out that these popular movements are not by any means in the nature of a revolt against the legality of the state as such but are rather of the character of massive protests against the economic policies, particularly policies relating to production and prices, of the governments which rule in the name of the prime minister's party in New Delhi and several state capitals. This clearly implies that the people are ready and willing to demand and work for the redress of their grievances.

When this is the case, only a truly demoralized opposition group can look to the stars to save the country. If Mr Mody has decided that the Swatantra party should thus opt out of effective politics at least for the time being, so much the worse for that party. There is however no reason why this counsel of despair should guide the thinking of other opposition parties which may not be as willing as Mr Mody is to take a view of India's capacity for survival in purely historic terms. From this point of view the leadership of Congress (O) deserves to be congratulated on its decision to fight for and maintain a separate political identity as an uncompromising opponent of the policies and administration of the prime minister and her party.

It has become fashionable to speak of hardliners in Congress(O). However, given the circumstances of the split in the now defunct Indian National Congress, it is clear that there can be no hawks and no doves in Congress(O). Anyone in the Congress organization, be it Mr Kamaraj, or some others, such as Mrs Tarakeshwari Sinha, who could think in terms of a merger or even a more limited political understanding with the prime minister's party, simply cannot have a place at all in Congress(O). It may be presumed that it is not only Mr Morarji Desai and Mr Asoka Mehta who could see this clearly. Nevertheless, it is on them that the grave responsibility has fallen of relentlessly spelling out the implications of the situation and restating their party's objective of and determination to preserve its identity and function as an independent political expression of a recognizable and necessary opposition point of view. It may be that, in asserting their leadership in this unequivocal fashion, both Mr Morarji Desai and Mr Asoka Mehta are running the risk of serious dissidence. This risk, however, may well be a calculated one.

When all is said and done Mr Kamaraj cannot be in love with Mrs Gandhi's policies or her means or methods of running the government or the country. It is on record that he has condemned as strongly as any other opposition leader the corruption and maladministration tainting the central and state governments. It is no secret either that he firmly believes that the prime minister and her party are largely responsible for the economic and social mess in which the country now finds itself. Holding these opinions as he does it should certainly be very difficult for him to ally himself in any way or under any pretext with Mrs Gandhi's government or her party, notwithstanding his current preoccupation with rescuing Tamil Nadu from the DMK or saving it from the ADMK. Even if he were to continue to attach considerable importance to the local context, he should by now have learnt the lesson of Pondicherry that in Mrs Indira Gandhi's party he may not necessarily have a winner for an ally. It is therefore more than probable that Mr Kamaraj may ultimately come to the conclusion that it may not be prudent for him to cut his present political moorings and drift towards an ambiguous alliance with a political leader who has already demonstrated her vast capacity for making convenience of her collaborators.

The decision taken by the Congress(O) working committee that this party should have no truck with the ruling Congress in any state has therefore much to commend itself. If India is to continue as a parliamentary democracy based on the party system, the prime minister's tactics of using the authority and the resources of the government to weaken or destroy all political forces opposed to her will have to be resisted and this is a

eastern ECONOMIST

APRIL 12, 1974

mined to stand up and speak for themselves are in a position to render to the country. It will no doubt be a cosy state of affairs for Mrs Gandhi if, with the connivance of the CPI, she could lay down the law for each and all parts of the country, but it would certainly not be the kind of political system which the people of this country opted for when they constituted themselves into the sovereign, democratic Republic of India. Events in Gujarat and Bihar have shown that nothing provokes extra-constitutional mass action so much as the failure of the electoral process to on the part of the politicians in power. Opposition parties have an obligation to redeem parliamentary institutions from this impasse and this they can do only if they are prepared to fight pressures and influences seeking to destroy and dilute their respective political identities. Sooner or later there will have to be an election for the state assembly in Gujarat, while, in 1976 at any rate, the people must go to the polls to elect a new Lok Sabha. Will it be good for the country if the electorate were to see its options steadily narrowed?

Cloth: prices and policy

IN THE case of cloth, as in the case of food, the government has been good enough to try to come to terms with realities. The industry has at last been allowed to pass on some part of its increased costs of production to the consumer in an open and legitimate fashion. Whether the increases in prices allowed for controlled categories of cotton textiles are adequate will continue to be debated between government and industry, but to the extent that the industry's demand for more reasonable returns has been conceded at all, the mills should be more favourably disposed towards increasing the output of the controlled varieties of cloth.

The government has extended the area of control to cover certain medium cotton textiles of popular descriptions. There can be no quarrelling with this measure since the less affluent sections of the people certainly need some relief from rising prices of clothing of daily wear. Inevitably, the industry will have to look for the greater part of its profits in the area of the uncontrolled varieties of cloth. The prices of fine and superfine varieties of cotton textiles, however, are already quite high and further increases in them might at least discourage the growth of consumption. At the same time, since the prices of synthetic textiles are also going up, fine or superfine cotton textiles may not be at as great a disadvantage as they would otherwise be. All this apart, the cotton textile industry is fortunately in a position to take an expansionist view of the export trade. Even if the offtake of fine or superfine cotton textiles in domestic trade is affected by increases in prices, the mills may be in a position to divert profitably more of this production to overseas markets. Provided power and fuel are sufficiently available and transport ceases to be a serious bottleneck either in the movement of raw materials or finished goods, the cotton textile industry should be in a position to work fairly well within the limits of the new policy.

It remains to be seen whether the government would be realistic also in dealing with prices and production in certain other major industries, particularly steel and aluminium. It is unfortunate of course that the public sector steel plants particularly are unable to produce at their optimum capacity. It is however a fact that they are in this regrettable position and that there are no early prospects of much improvement. This brutal truth has therefore to be taken note of as an argument for an increase in steel prices so that the plants do not accumulate losses further. We do not suggest that an increase in steel prices is the best thing that could happen to the economy at the present time. Far from it. The engineering serious handicaps even as it is, but so long as the total power position in the country does not improve, there is little chance of engineering or other industries producing at their maximum capacities. In the circumstances, mere subsidisation of the steel requirements is not going to help very much in the particular economies of the engineering industries themselves or the general economy of the country including its export sector. On balance then, a realistic view has to be taken of the steel price issue.

Similarly, it is indeed open to question whether aluminium should be controlled at all. Thanks to a variety of circumstances including government irresponsibility in UP, the output of this vital industry has been steadily depressed and an avoidable scarcity of the metal has been created. Given these circumstances, it is, whether one likes it or not, most natural that there should be a black market in this metal. This means that unauthorized profits are being made at the expense of manufacturers, consumers and the public exchequer. It is not at all reasonable that the government should turn a blind eye to this obstrusive situation. Decontrol of aluminium, besides assisting in the rationalization of the use of the metal under conditions of scarcity, should also help in mitigating the financial hardship at present being experienced by the manufacturers due to rising costs and the curtailment of output because of the power shortage or labour trouble.

Eastern Economist 30 Years Ago

APRIL 14, 1944

One of the unhealthy features in the food crisis which overtook this country last year was the disintegration of an all-India price structure in so far as it could have been attained under relatively free trade conditions. Since the restoration of free trade in foodgrains was ruled out as outside the realm of practical politics, the Gregory Committee emphasized that the mitigation of the abnormal degree of dispersion of prices which then prevailed was an important public desideratum. The committee recommended statutory control of foodgrain prices and laid down as minimum conditions (a) adequate procurement machinery, (b) rigorous and drastic enforcement of the Foodgrains Control Order, and (c) effective control over transport. It was also recommended that statutory prices should not be fixed in provincial areas without the consent of the Central Government which should also have the right to suggest changes of prices both upwards and downwards. The first step towards implementing these recommendations was taken when following the Kharif Grains Conference held by the Government of India in January last statutory all-India prices were fixed for bajra and jowar. Owing to marked differences in provincial recommendations the question of statutory price of rice was postponed then, but provincial administrations were instructed to reduce current prices preparatory to statutory price fixing.

West Asian oil squeeze

THE DECISION of the members of the Organisation of Petroleum Exporting Countries (OPEC), at their last month's meeting at Vienna, to freeze the posted prices of West Asian crude oil for the April-June quarter at the level fixed about three months ago for the January-March quarter has more to it than meets the eye. This compromise, reports suggest, has been effected owing to the violent reaction of the majority of the 12 members of the OPEC, particularly Iran, to the proposal of Saudi Arabia—the premier oil exporting country of west Asia whose crude oil forms the basis of the fixation of the posted prices in the region—that the last year's price hike should now be reversed to some extent. It is too early to say whether this is a pointer to a rift developing among the members of the OPEC. But it is a clear enough indication of the fact that the majority of the oil exporting countries are not yet in a mood to relax their squeeze, even though it has very adversely affected the world economy.

Those opposed to the proposal of Saudi Arabia are reported to have pointed out at the above meeting that, not to speak of lowering the posted prices, there was, in fact, a case for a further about 12 per cent hike because of three factors. These were: (i) increasing cost of both capital and consumer goods imported by oil producing countries; (ii) rise in retail product prices in western countries; and (iii) increasing profits of international oil companies.

There can be no denying the fact that the above arguments of the opponents of the Saudi Arbian move are quite valid. In fact, these were the very arguments which helped in a reversing about three years ago the downtrend in the prices of crude oil that had persisted throughout the sixties. The members of the OPEC can legitimately claim—as they did towards the close of the sixties—a fair price for their crude oil which is a depleting asset not easily replacable. But the question that has to be faced squarely at the present juncture is how far crude oil prices can be raised further without a grievous blow to the world economy in general and the economies of the developing nations in particular.

It cannot be denied that nearly 400 per cent increase in the posted prices of west Asian crude oil in just about 10 months has accentuated the global inflationary tendencies. Even though fuel costs constitute only a small proportion of the total cost of an end-product, the rise in crude oil prices has significantly added to the pressures on the prices of capital as well as consumer goods. This is because apart from the direct increase in production costs, output itself has been affected as a result of difficult fuel supplies in many countries.

It is also indisputable that product prices have been raised in almost all the oil importing countries. In some countries—the USA and the Netherlands, for instance—consumption had to be curtailed as supplies were affected by the embargo on shipments imposed by the OPEC. In most other countries, including the developing ones such as India, the sheer necessity of containing the oil import bill led to the devising of ways to reduce consumption. The most appropriate method of doing so that could be thought of in the short run was to raise product prices.

The international oil companies, similarly, have made good fortuous gains out of the hike in crude oil prices. But this apparently could not be obviated in the short run. A squeeze on their profits, of course, has now been clamped by several west Asian countries.

All this should suggest that the oil exporting countries, though justified in asking for a reasonable price for their crude, cannot totally ignore the interests of the consumer countries. The role of a watchdog assumed by them in respect to the domestic policies of the oil importing countries, in so far as the prices of petroleum products are concerned, incidentally, is bound to be resented widely. The oil importing countries have to look after their balance of payments position; they cannot be denied the freedom of suitably adjusting their domestic policies to meet the unprecedented situation just because some of the measures taken by them do not appeal to some members of the OPEC.

Time, therefore, appears to have come for constituting a study under the auspices of the United Nations to find out how a new equilibrium can be established between the hike in crude oil prices and those of the capital and consumer goods which are imported by the oil exporting countries. Unless this is done, the global inflationary tendencies cannot be contained. Pending this study, attempts at further hikes in the prices of crude oil ought to be held back lest they should fuel the cauldron of inflation.

The lifting of the embargo by the OPEC on shipments of crude oil to the USA—the decision to this effect was also taken at the above mentioned Vienna meet—however, is welcome. It should help in the stabilisation of the US as well as the world economy at least to some extent.

Equally welcome is the decision—though delayed—of the OPEC at its this week-end's meeting at Geneva to set up a special fund out of the increased oil revenues of its members, for providing assistance for the economic growth of the developing nations. The assistance, reports suggest, will be in the form of soft loans repayable over a period of 25 years.

So far as India is concerned, as a sequel to the recent oil strike in the Bombay High area—oil has been discovered in the very first well drilled on the highest structure in this area in three layers and there are possibilities of finding oil in fourth layer also—the long-term outlook, indeed, has brightened up significantly. The tentative decision to produce one million tonnes of oil from coal too is a welcome step in this direction. But more significant for the immediate future is the decision of the Oil and Natural Gas Commission to tone up the sick oil wells in Assam to yield somewhat higher output. The on-shore exploration efforts of the ONGC, however, leave much to be desired as is evident from the progress in the Tripura area. This region is understood to be quite promising for the prospecting of oil. Elsewhere too in the country, except in the Rudrasagar area in Assam where a new reserve of oil has been found recently, the progress is too slow. The tempo of activity on-shore has to be stepped up a great deal, especially when the oil strike in the Bombay High area has thrown up the possibilities of finding crude oil in miocene rocks. An early decision on the granting of off-shore concessions on the Indonesian model to foreign explorers could also be helpful.

A solution to the current energy crisis in India, however, has to be found primarily in the stepping up of exports to the maximum extent possible so that imports of oil can be kept up, and in raising the production of coal and electricity. Our coal production during 1973-74 is estimated to be around 78.5 million tonnes. In 1974-75, it is envisaged to be raised to 95 million tonnes. Though an ambitious task, it is not beyond accomplishment as potential to produce about 85 million tonnes of coal is said to exist already. A major bottleneck that needs to be broken expeditiously, however, is the movement of coal. If adequate coal supplies can be ensured to industry, it is felt that the requirements of furnace oil can be brought down by nearly 30 per cent in about a year's time.

With a view to containing the demand for kerosene, the union government is understood to have conducted feasibility studies for the provision of coal gas in the metropolitan cities of Calcutta, Bombay and Delhi (and possibly in Hyderabad also). An energetic follow-up action in this direction is called for.

The generation of electricity at present leaves much to be desired. No doubt, the difficult coal and furnace oil supplies are having an adverse effect on thermal generation, the output can be raised to no small extent if the maintenance of these plants is properly taken care of. Hydel generation should show improvement shortly with the onset of the summer season resulting in increased melting of snow. Much, however, will depend on the next monsoons. Their behaviour obviously cannot be predicted. Wasteful use of power, therefore, has to be curbed with a heavy hand.

Image of jute

THE INDIAN Jute Mills Association has reacted strongly and bitterly to the decision of the government of India to increase the export duty on jute goods. With effect from March 23 the government has raised the export duty on primary and secondary carpet backing by Rs 450 per tonne, on hessian by Rs 400 per tonne, and on sacking (cloth and bags) by Rs 150 per tonne. The association has said that the industry has been "shocked" that the government should have reimposed the export duty on sacking and raised it on hessian and carpet backing so soon after the abolition of the former and the drastic reduction of the latter in the second half of 1973.

How far is government of India justified in giving this shock treatment to the jute industry? It is true that the prices of jute goods in recent months have shown a sharp upward trend and that, as a result, the industry has been earning more profits. But the government seems to have ignored the long-term interests of the jute industry and has been influenced solely by the desire to augment its revenue. The yield from the export duty on jute goods was Rs 30.02 crores in 1972-73. The budget for 1973-74 estimated it at Rs 24.00 crores but the revised figure is Rs 18.50 crorers. The budget estimate for 1974-75 is Rs 15.00 crores. Mr Chavan, the Finance minister, will no doubt succeed in enriching the exchequer for the time being but in doing so, he seems to have handicapped the jute industry's efforts to maximise the earnings of foreign exchange.

The IJMA has pointed out that since prices are already ruling high, the further inflation of the landed cost of jute goods to importers by the inclusion of the new rates of export duties "is sure to set in motion a strong buyer resistance to the detriment of the future of Indian jute goods". It has observed that the importers' confidence in the professed Indian objective of stimulating the consumption of jute by every possible means will be "shaken to the roots". Mr Chavan may argue that his ministry will closely watch the trends in exports and that it will not hesitate to adjust the export duties suitably when necessary. But past experience has shown that the Finance ministry has always needed prolonged and persistent pressure and persuasion to make it revise or remove the export duties.

Indian jute goods have to face stiff competition from other countries and substitutes. This will be clear from the fact that the export of jute goods declined sharply to Rs 250 crores in 1972-73 from Rs 265 crores in 1971-72. In 1973-74 (April-August) these exports were valued at Rs 102 crores against about Rs 115 crores in the same period of the previous year. Our export performance in certain important markets had been a source of considerable anxiety. For example, the export of carpet backing to the USA had dropped from 181,000 tonnes valued at Rs 82.35 crores in 1971-72 to 129,000 tonnes worth Rs 67.17 crores in 1972-73. In the same period the export of hessian bags to the USA fell from 840 metric tons to 188 metric tons valued at Rs 21.10 lakhs and Rs 4.13 lakhs respectively. Our exports to Canada also declined in 1972-73 in relation to the previous year—carpet backing cloth from 11,222 metric tons to 9724 metric tons and other hessian cloth from 26,266 metric tons to 9202 metric tons. In several other markets also our jute goods have suffered a set-back mainly due to the competition from Bangladesh and from substitutes.

In particular the export of hessian and sacking had suffered seriously due to uncompetitive prices. India's export of hessians fell from 4,48,000 tonnes in 1965 to 270,000 tonnes in 1972. The export of sacking dropped from 284,000 tonnes in 1965 to 48,000 tonnes in 1969. In the next two years there was some improvement in exports due to the suspension of supplies from Pakistan but in the subsequent period there has been severe setback. In 1972 Bangladesh exported 157,000 tonnes of sacking goods compared to only 83,000 tonnes in 1971 and its prices were cheaper by about five per cent than those of India.

With the onsetting of the oil crisis in the last year, the outlook for our jute exports has brightened to some extent but the export duties are likely to make it more difficult for the jute industry to exploit this favourable situation fully. Shipments of Indian jute goods in recent months had become irregular due to severe and persistent power cuts, labour troubles, and inadequate shipping space; and New Delhi's latest decision regarding export duties will create more uncertainty among foreign buyers.

The following extract from the latest annual report of the IJMA reveals to what extent the US importers resent the imposition of export duties on jute goods:

"US importers of carpet backing were highly critical of Indian price control and tax authorities who were considered too slow to face the facts, a deficiency which in their opinion had served to help fund the tremendous development budget on synthetics. If there had been a more realistic approach to this over the past few years, it would have acted as a deterrent to the very large investment already in synthetics. Resentment was so strong that, while importers had done their best at government level for India by removing the import tax in the US, the Indian government, on the other hand, with strong reasons for tax-needs now abating, was persisting in an extremely high export tax, which set well with no user who must pay the tax and gave a dangerous override to the market as the day would come when action must be taken to reduce it. It was contended that no one wanted an unsold or long position facing a lower market after the tax was paid on shipment, which could not be recovered before lower-priced goods were again made available".

The Finance ministry does not seem to have properly appreciated the financial position of the jute industry. In recent years, the industry's profitability had suffered due to various causes and it had not been able to plough back sufficient resources to expedite its programme of modernisation. The oil crisis had given the industry an opportunity to improve its profitability but the decision on export duties, in the words of the IJMA, will act as "a brake on the operation of the principle of a fair return on capital employed and turn-over in a free market".

The union Commerce ministry has been recently taking more interest in implementing the jute industry's modernisation programme. It feels that the spinning and weaving capaciy is not properly matched, which has been affecting the production of jute goods. It has asked the industry to provide for an investment of Rs 120 crores in the next five years so as to facilitate the expansion of production from the current level of 1.3 million tonnes to 1.7 million tonnes a year. It has suggested that the industry should plough back as much as possible of its profits; and in order to make sure that this is done, a joint committee has been set up with the representatives of the industry and the Commerce ministry. Mr S.N. Chakravartee, the Jute Commissioner, is the chairman of this committee which will administer the funds to be kept in the banks. These accounts will be jointly operated by the committee and the mills. According to the Jute Commissioner, about Rs 50 crores will be needed for the modernisation of the existing mills and an equal amount is to be invested to balance production. He recently said that if the industry failed to secure the necessary funds, additional money would to have to be arranged from loans from the financial institutions. But he pointed out that both government and industry felt that money would not pose any problem.

However, in view of the changes in the export duties, it remains to be seen to what extent the industry will be able to raise the necessary funds for modernisation without excessive reliance on the financial institutions. Besides, the industry also needs more money for research, publicity and other essential purposes. A joint government-industry delegation which last year visited the USA, Canada, the UK and Belgium under the leadership of Mr Y.T. Shah, the Commerce secretary, reported that the current levels of inputs in research and development were "grossly inadequate". It strongly recommended "a well-thought-out public relations programme to improve the image of jute". But apart from the financial aspect, will the frequent changes in export duties help to create a favourable impression abroad about our jute industry? The IJMA has said that the government's latest decision is likely to be interpreted abroad as "a move to capitalise on the short-term advantage arising from the scarcity of synthetics by holding jute buyers to ransom" and that such a reaction will "hurt the image of jute and accelerate the quest for new viable substitutes other than synthetics". Incidentally, it will be interesting to know if the Commerce ministry fully agrees with the decision of the Finance ministry regarding the levy of export duties. Mr Chavan told the Rajya Sabha on March 26 this year, "whatever decisions I take, I take them on my own". Does this mean that Prof. Chattopadhyaya had no say on the decision regarding the revision of export duties?

Haryana's accent on agriculture

ALTHOUGH NO new taxes were proposed by the Harayana Finance minister, Mr Ram Saran Chand Mital, while announcing a Rs 18-crore deficit budget for 1974-75, his intention to fill the gap not merely by economy in expenditure and improved tax realisation but also through some additional tax measures in the course of the new financial year was explicit. The Finance minister, however, hoped that the deficit for 1974-75 might be lower than that proposed in the budget because the estimates furnished in the budget documents had been based on tentative estimates of items such as the central assistance for the state Plan and market borrowings. The figures for these items had been assumed at the current year's level as the final discussions with the Planning Commission on the formula to be adopted for these were yet to take place.

Haryana, like neghbouring Punjab, had experienced some improvement in the financial position depicted by the revised estimates for the year 1973-74 as against the budget estimates so that the anticipated deficit of Rs 14.17 crores was reduced to Rs 5.19 crores. The improvement in the receipts was partly due to the additional tax measures which were expected to yield around Rs 5 crores. The collections of the excise and other taxes also increased by nearly Rs 6 crores over the budgeted figure.

The revenue budget revealed a surplus of Rs 7.8 crores and the overall deficit for 1974-75 was primarily due to increased investment on capital account. Power and irrigation continue to receive high priority. Various power projects require a non-recurring contribution of Rs 13 crores during 1974-75. The Faridabad thermal power plant is coming up according to schedule. Similarly, substantial expenditure is being incurred on the Panipat thermal project. Works on Western-Jamuna Canal hydro-electric project with an installed capacity of 45 MW is proposed to be started soon. The Finance minister hoped that with the commissioning of the Faridabad unit and the Beas project in 1975, power situation in the state would improve considerably.

The expenditure on irrigation and allied projects to the extent of nearly one-third of the total capital outlay outside the revenue account revealed the importance attached by the state to increased agricultural output. Only expanded irrigation facilities can encourage the adoption of the latest agricultural technology and the use of high yielding varieties of seeds and fertilizers. Mr Mital felt that it was necessary to extend irrigation facilities to rainfed areas, mostly through lift irrigation schemes or through suitable dry farming techniques. Towards this end the state had already completed the Jui lift scheme and the work on all phases of the Indira Gandhi canal system was nearing completion. The work on the first three phases of the Chakravarty canal was likely to be completed in the near future and work would continue on the feeder and the fourth stage of the project started in October, 1973. Priority was also to be given to the carrier system for transportation and utilisation of Ravi-Beas waters. Another important project on which work was likely to start shortly was the Jawhar Lal Nehru canal project envisaging the utilization of flood waters and surplus Ravi-Beas waters for extending irrigation to the drought prone and backward areas of the districts of Mahendragarh, Bhiwani and Rohtak.

By way of short-term policy, the development of minor irrigation potential had played a significant role in the achivement of increased agricultural production in the state. Shallow tubewells and pumping sets had been installed in large numbers under the programmes of the land mortgage banks and the Agricultural Refinance Corporation. Provision of Rs 70 lakhs has been made by way of the state's support to the debenture programme of the land mortgage banks and another provision of Rs 20 lakhs has been made for the Minor Irrigation Tubewells Corporation.

The state proposed to diversify its economy by encouraging the industrial sector. A number of projects in the public sector and the joint sector were proposed to be established in the near future. Mr Mital stated in his budget speech that the Haryana Breweries was likely to go into production soon with an annual capacity of 50,000 hectolitres. Efforts were being made to set up projects such as those for steel billets, nylon filament yarn, synthetic detergents, processed skins, rice husk boards, cigarette paper, tissue paper and television sets. The state government was also paying special attention towards dispersal of industries and in that context the development of industrial estates and industrial development colonies were being established at Bhiwani, Karnal, Gurgaon, Murthal, Jind and Ambala. The Haryana Financial Corporation was being encouraged to provide loans ranging from Rs 20,000 to Rs 30 lakhs and the corporation had already disbursed loans amounting to Rs 18 crores since 1967-68. Mr Mital also announced a provision of Rs 4.50 crores for the improvement of communications including a rail link between Rohtak and Bhiwani.

FROM THE CAPITAL'S CORRIDORS

R. C. Ummat

Fertiliser Outlook and Plans • New Vistas for Engineering • Consultancy Exports • MRTP Act Revision

After detailed discussions with state governments, the union ministry of Agriculture is understood to have assessed the total requirements of fertilizers during the current financial year around 4.42 million tonnes in terms of plant nutrients. The demand for nitrogenous fertilizers has been estimated at 2.97 million tonnes N and that of phosphatic fertilizers at 0.94 million tonnes P_2O_5. The requirements of potassic fertilizers have been assessed at slightly over half a million tonnes K_2O.

Of the above, slightly over a million tonnes N, 0.34 million tonnes P_2O_5 and 0.2 million tonnes K_2O, it is felt, would be required for the next kharif crop.

projected requirements

The meeting of the above projected requirements is not going to be any easy task. Last year, when the country had an installed capacity to produce 1.94 million tonnes N and 0.56 million tonnes P_2O_5, the actual production was just about 1.05 million tonnes N and 0.35 million tonnes P_2O_5. This year, with the fruition of nearly 0.82 million tonnes N new capacity and 0.3 million tonnes P_2O_5 capacity, the indigenous production, even if all goes well, is not expected to exceed 1.6 million tonnes N and about half a million tonnes P_2O_5.

It is estimated that power cuts and labour trouble alone last year resulted in a loss of nearly 100,000 tonnes N production. Several other factors, including the sharp rise in the prices of naphtha, phosphoric acid, rock phosphate, sulphur, etc., and disruption in railway operations also led to a considerable shortfall in production from the targeted level of about 1.4 million tonnes N and slightly over 0.4 million tonnes of P_2O_5. Several of these constraints can be expected to continue with unabated rigours during the current financial year. The proposed targets of productin, thus, it is feared in knowledgeable circles, may prove to be beyond reach. So far as the requirements of K_2O are concerned, they are met through imports.

bridging the gap

It is proposed to bridge the gap between indigenous availability and requirements through imports to the extent of nearly three million tonnes of all types of fertilizers. Firm contracts till now, however, have been entered into only for the import of about half a million tonnes. Vigorous efforts are being made to arrange supplies particularly from the rupee payment areas, but it is extremely difficult to say how far the government will succeed in importing the requisite quantities of the three plant nutrients. The official sources are reticent to express any opinion on this. They, of course, acknowledge that the proposed imports may not materialise not only owing to the hike in fertilizer prices in the world markets but also due to the extremely tight physical supply.

Energetic action, however, is being taken to expedite the execution of the fertilizer plants which are under construction currently or which have been approved. By the end of the current financial year, the installed capacity to produce fertilizers is expected to go up to about 2.76 million tonnes N and 0.86 million tonnes P_2O_5.

The schemes that are expected to materialise this year with their capacities indicated in brackets are: (1) Barauni (152,000 tonnes N); (2) Namrup (152,000 tonnes N); (3) Khetri (90,000 tonnes P_2O_5); (4) Kota stage II (42,000 tonnes N); (5) Visakapatnam expansion (3,000 tonnes N, 31,000 P_2O_5), (6) Tuticorin (268,000 tonnes N, 51,000 tonnes P_2O_5); and (7) Kandla and Kalol projects of IFFCO (215,000 tonnes N, 127,000 tonnes P_2O_5). The first three schemes are in the public sector, the next three in the private sector and the last two in the cooperative sector.

existing capacity

The existing capacity to produce 1.94 million tonnes nitrogen and 0.56 million tonnes P_2O_5 is spread over the following projects: (1) Sindri (90,000 tonnes N, 44,500 P_2O_5); (2) Nangal (80,000 tonnes N); (3) Rourkela (120,000 tonnes N); (4) FACT—Alwaye (62,000 tonnes N, 36,500 tonnes P_2O_5); (5) Trombay (81,000 tonnes N, 36,000 tonnes P_2O_5); (6) Neyveli (70,000 tonnes N); (7) Gorakhpur (80,000 tonnes N); (8) Namrup (45,000 tonnes N); (9) Madras (184,000 tonnes N, 85,000 tonnes P_2O_5); (10) Durgapur (152,000 tonnes N); (11) Cochin (152,000 tonnes N); (12) by product from public sector coke oven plants (12,000 tonnes N); (13) Gujarat (216,000 tonnes N, 50,000 tonnes P_2O_5); (14) Ennore (16,000 tonnes N, 10,300 tonnes P_2O_5); (15) Visakhapatnam (80,000 tonnes N, 73,000 tonnes P_2O_5); (16) Kota (110,000 tonnes N); (17) Varanasi (10,000 tonnes N); (18) Kanpur (200,000 tonnes N); (19) Goa (170,000 tonnes N, 42,000 tonnes P_2O_5); (20) by product from private sector coke oven plants (80,000 tonnes N); (21) DMCC (11,200 tonnes P_2O_5). Besides these, 171,500 tonnes single superphosphate is produced in the private sector. The first twelve of the above projects are in the public sector and the remaining nine in the private sector.

The installed capacity would go up by about 1.4 million tonnes N and 0.36 million tonnes P_2O_5 when 11 other projects currently under implementation are commissioned between 1975-76 and 1978-79. These are; (1) Trombay—debottlenecking (32,000 tonnes N, 18,000 tonnes P_2O_5); (2) Talcher (228,000 tonnes N); (3) Ramagundam (228,000 tonnes N); (4) Haldia (152,000 tonnes N, 75,000

tonnes P_2O_5); (5) Gorakhpur expansion (51,000 tonnes N); (6) Cochin Stage II (50,000 tonnes N, 114,000 tonnes P_2O_5) (7) Korba (128,000 tonnes N); (8) Sindri rationalisation (156,000 tonnes P_2O_5); (9) Nangal Expansion (152,000 tonnes N); (10) Sindri Modernisation (129,000 tonnes N); and (11) Mangalore (169,000 tonnes N). Of these, only the Mangalore project will be in the private sector. All the remaining projects are in the public sector. Three of the above projects, namely Talcher, Ramagundam and Korba are coal based.

Capacity to the extent of another 2.12 million tonnes N and 0.46 million tonnes P_2O_5 has been approved, but the work on the projects forming this capacity is yet to gather momentum. Some of the projects included in this capacity have been approved in principle only.

This above approved capacity is to be spread over 10 projects: (1) Mathura (235,000 tonnes N); (2) Bhatinda (235,000 tonnes N); (3) Panipat (235,000 tonnes N); (4) Paradeep (345,000 tonnes N, 300,000 tonnes P_2O_5); (5) Trombay IV (75,000 tonnes N, 75,000 tonnes P_2O_5); (6) Trombay stage V (130,000 tonnes N); (7) Kota expansion (345,000 tonnes N); (8) Kakinada (228,000 tonnes N, 82,000 tonnes P_2O_5); (9) Maharashtra Cooperative Fertilizer and Chemicals project in the Bombay region (51,000 tonnes N) and (10) Phulpur project in UP (228,000 tonnes N). The first six projects are in the public sector, the next two in the private sector and the last two in the cooperative sector.

If all these schemes materialised by the end of 1978-79, the fifth Plan targets of raising installed capacity to six million tonnes nitrogen and 1.7 million tonnes P_2O_5 can be accomplished. An allocation of Rs. 1,150 crores has been included in the fifth Plan to cater for both the continuing schemes which are at different stages of implementations and the new projects.

In addition to the Fertilisers Corporation of India, the union government is understood to have decided to set up another public sector undertaking to manufacture fertilizers. This undertaking will handle the Bhatinda, Panipat and Mathura projects. The Paradeep project in the public sector is being taken up by the Fertiliser Corporation of India.

In view of the need for containing imports of rock phosphate and sulphur for the manufacture of phosphatic fertilisers, owing to the rise in world prices, steps are understood to have been taken to raise the output of rock phosphate at Udaipur in Rajasthan and Maldeota in Uttar Pradesh. An expert committee has been appointed to evaluate the technical aspects of developing the deposits at Udaipur and for suggesting a suitable organisation for exploiting the mines expeditiously. The Pyrites, Phosphates and Chemicals Ltd—a public sector concern—has been entrusted the task of exploiting the rock phosphate resources at Maldeota and for locating and exploiting other mineable deposits in the country along with its continued mining of pyrites at Amjhore (Bihar) for the production of sulphuric acid at Sindri.

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Although some studies made recently by the Railway Board have shown that no drastic changes by the railways in the traction programme of the fifth five-year Plan are called for, because the need to contain the dieselisation of railways owing to the global oil crisis has already been taken into account in drawing up this Plan's traction scheme, yet the railways propose to undertake rehabilitation of nearly 2,000 steam locomotives being operated by them at present. These locomotives have a normal life of about 40 years. It is proposed to extend their useful life by another 20 years. This has become necessary because the electrification programme cannot be stepped up further than what has been envisaged during the fifth Plan period. The avilability of power and the capacity in the country to manufacture equipment for electric traction are the main constraints on stepping up the electrification programme beyond 1,800 kilometres.

The manufacture of steam locomotives by the railways captive works has been stopped from this year; the capacity available for their manufacture is already being utilised for other purposes. There is also only a limited capacity available with the railway workshops for the manufacture of steam boilers and various other equipments needed for the rehabilitation of the existing steam locomotives. The task of making available equipment for this rehabilitation programme is proposed to be handed over to the other engineering units both in the public and the private sectors.

* *

With a view to encouraging Indian consultancy organisations to export their consultancy services, a scheme has been recently introduced under which assistance from the market development fund is to be made available to the consultancy units registered with the Federation of Indian Export Organisations. The assistance is envisaged to be provided for the following activities at the rates indicated against them.

(a) For undertaking market studies abroad at 60 per cent.

(b) For opening foreign offices at 25 per cent of the expenditure on accommodation and staff for the first year and 20 per cent for the second year.

(c) *Publicity Campaign* : (i) 50 per cent of the net expenditure, after taking into account the revenue from sales and advertisements, for bringing out publications for use abroad including journals, directories, brochures, phamphlets, folders etc.; and (ii) 25 per cent of the expenditure on brand publicity.

The procedure for registration of consultancy firms with the Federation of Indian Export Organisations has also been laid down. Consultancy organisations shall submit applications to the Federation of Indian Export Organisations, which along with its comments, shall forward them to the ministry of Commerce without delay. The ministry of Commerce shall examine their requests with reference to the applicant's specialisation, past experience and the annual turnover. The applicant consultancy organisations should normally have a minimum annual turnover of Rs 10 lakhs with foreign exchange earnings of Rs 2 lakhs. But there shall be no bar on considering the deserving proposals from the consultancy organisations even if they do not satisfy the above mentioned turnover limits. Registration shall be allotted by the FIEO to consultancy organisations on clearance by the ministry of Commerce. Requests for MDF assistance received from such registered consultancy organisations shall be sponsored by the FIEO to the ministry of Commerce. The entitlements for the export of consultancy services will be over and above the above assistance from MDF.

* *

The union minister of Law and Company Affairs, Mr H. R. Gokhale, revealed in the Lok Sabha this week that the government was seriously thinking of recasting the Monopolies and Restrictive Trade Practices Act so that the functioning of the Monopolies Commission could be made more effective. The major amendment is likely to be to empower the government to appoint not only two government directors on a company board, but many more. Through another amendment, the Monopolies Commission would be facilitated to effect the delinking of certain undertakings from the monopoly houses. The concepts of "same management" and the definition of "group" were also envisaged to be redefined.

Some changes, Mr Gokhale further stated, were also proposed in company legislation. The present voting rights would be denied to preference shareholders. It was also envisaged to put restraint on the use of unclaimed dividends accumulating in the hands of companies.

RBI and parliamentary accountability

A. Ramaiya

It is a remarkable feature of the Reserve Bank of India that, as regards its functions and working, it is not accountable to Parliament. Unlike in the case of enactments relating to other public corporations and the nationalised banks, there is no provision in the Reserve Bank of India Act requiring its accountability to Parliament, except that Sections 21 and 21-A provide for laying before Parliament (1) the agreements, if any, entered into by the bank with the central or state governments as regards the bank's transacting any agency business for them, and (2) in case the bank's central board is superseded by the central government, a full report by the government on taking of such action. Neither the bank's weekly account of its issue department or banking department nor the annual accounts and report on the working of the bank nor any other reports or documents published by it are required to be laid before Parliament. The bank is only required to submit its reports and other papers to the central government which may cause them to be published in the Gazette of India.

board of management

In view of the fact that the bank's governor, deputy governors and other directors constituting the central board of management are all appointed by the central government and the bank's functioning is regulated by decisions and directions given by the central government as provided by section 7 and other provisions of the act, it is obvious that the bank's policies and working are completely under the control and dictation of the central government while there is no provision in the act requiring the furnishing of any information to Parliament or affording Parliament an opportunity to go into or have an idea of the performance of the bank or the working of the monetary system.

The audit of the Reserve Bank's accounts by auditors appointed annually by the central government extends to more than an arithmetical verification of the figures in the balance sheet with the accounts and vouchers maintained by the bank and their report which is merely a verbatim adoption of the language of section 52(2) of the act, does not even mention that as regards the assets of the issue department the value of these assets, especially the government of India rupee securities which constitute more than 90 per cent of the total assets have been valued in accordance with the requirements of the statute (Section 33(4) viz. "at rates not exceeding the market rates for the time being obtaining", and that the liabilities of the department were never during the year of account in excess of the total of the amount of the notes for the time being in circulation as required by section 34.

artificial distinction

Again, neither from the bank's annual report nor from the auditors' report on the accounts is it evident, and there is also no other means of knowing whether the mandatory provisions of section 23(1) which insist that 'the issue department shall be separated and kept wholly distinct from the banking department and the assets of the issue department shall not be subject to any liability other than the liabilities of the issue department' are being complied with by the bank. On the other hand, there is reason to suspect that the bank's authorities have been deliberately acting in disregard of this provision as it is unequivocally stated in a recent official publication of the bank entitled 'A History of the Reserve Bank' that "the distinction between the issue department and banking department which was modelled on the bank of England pattern, is quite artificial and informed opinion in UK supports this view" (p. 103). That this statement as regards opinion in UK is factually incorrect is clear from the evidence of Governor Cobbold of the Bank of England before the Radcliffe Committee on the Working of the Monetary System of England, wherein he has stated that "the assets of the two departments are managed on different principles, their profits, although all within the public sphere, are ascertained and disposed of in different ways" (Evidence Vol. IV page 44 Q 748). He also stated at a later stage of the committee's proceedings that the profits of the two departments are separately ascertained by a system of cost accounts and those of the issue department are as required by section 3(2) of the Currency and Bank Notes Act, 1939 paid into the exchange equalisation account as a reserve which can be drawn on week by week to cover any depreciation in value of the assets and into which receipts from appropriation in value of the securities will be paid.

Further, the notion that the distinction between the two departments is artificial is wholly untenable in view of the fact that, if really the distinction is not material, why, when there have been several amendments of the act during the past 25 years after the bank's nationalisation, should Parliament have thought fit to retain the provision.

effectiveness of audit

When the authorities of the Reserve Bank are obsessed with the idea that the distinction between the two departments is articial and unnecessary how can it be reasonably expected that they would care to respect the distinction and act in compliance with the section. In fact it is clear from the published annual accounts (balance sheet and profit & loss account) that the distinction between the two departments is not being observed at all, as the expenditures and profits of both the departments of the bank are treated *en masse* and worked out and shown together. The mandatory provisions of section 23(1) that the two departments should be kept wholly distinct, would therefore seem to be wholly disregarded. If the audit of the bank's accounts was more real than formal, surely the auditors would have ascertained whether and to what extent the distinction between the two departments has or has not been observed.

There is one other defect in the audit report detracting from its value, if it has any value at all. It says nothing about the profit and loss account which allocates the surplus profits to be paid to the central government after making provision for bad and doubtful debts, depreciation on assets, etc. In omitting to report on the profit and loss account, the auditors would seem to have taken a narrow view of the scope of their duties as there is no specific mention of the profit and loss account in section 52 (2) which contains a description of their duties. But they have apparently ignored the fact that they are enjoined to 'make a report upon the annual balance sheet and *accounts*'. The words 'and accounts' certainly indicates that the profit and loss account also comes within the scope of their duties. But a reading of their report shows that it is confined to the balance sheet and extends to nothing more.

test scrutiny

It will be seen from the above that there has been no satisfactory audit of the Reserve Bank's accounts, much less "an efficiency-cum-propriety audit" familiar in the case of audits conducted by or under the direction of the Comptroller and Auditor General of India. There is a provision in section 50 of the Reserve Bank Act under which the central government may at any time appoint the Comptroller and Auditor General to examine and report upon the accounts of the bank. Though it is now 25 years since the bank was nationalised, the central government has not thought fit to appoint the C & AG to make even a test scrutiny of the regularity of the bank's accounts and transactions. The inference is irresistible that because the central government is itself directing and controlling as well as deciding the policies and working of the bank, the central government is afraid, that any audit by the Comptroller & Auditor-General may contain possible adverse remarks against itself which it will have to face.

So far as Parliament is concerned, some attempt was made in 1968-69 to bring the Reserve Bank within the jurisdiction of the Public Undertakings Committee of the Estimates Committee but it was put down by the Finance minister raising a bogey that the bank's activities were so intimately connected with the fiscal, monetary and credit policies of the country that any adverse comment or criticism might seriously affect the position and creditworthiness of the bank, and further, the examination of the bank's policies and working would require expertise of a very high order not easily available to a parliamentary committee. Are these valid reasons for screening from enquiry or investigation the bank's working as well as the central government's decisions and direction of the policies relating to the monetary system, by an accredited committee of Parliament, with the help, if necessary, of one or more experts? If the policies or matters connected with the operation of the monetary system are wrong or misguided, how are they to be corrected? Is the economic system to be abandoned to fate?

It would seem that the present Finance minister is allergic to any attempt to have an enquiry into the working of the monetary system either by a parliamentary committee or an expert high-powered committee or commission like the Radcliffe Committee in the UK, which was suggested by several members of the parliamentary Consultative Committee (Mr Babubhai M. Chinai and others) some months ago.

lack of balance

Some time last year, an ex-governor of the Reserve Bank, Mr H. V. R. Iyengar, expressing grave concern over the inflationary trend in the country having reached dangerous proportions and total lack of balance between money supply and the supply of goods which is largely responsible for the present intolerable price situation also suggested both a debate in Parliament and an "inquiry commission to go into the extent of advice given by the Reserve Bank and accepted by the government". That also has not been heeded to. From the stiff resistance shown by the Finance minister it can only be inferred that he is extremely nervous that his ministry's bungling, wrong decisions and misguided directions in the handling of the money and credit situations from time to time presented in the course of the country's economic growth, would be fully exposed in case a parliamentary committee or a commission of inquiry should be appointed.

When the Reserve Bank of India Act was passed in 1934 and the bank entrusted with the power to issue notes. It was thought that, for safeguarding the monetary system from possible abuse of the power by the bank and/or the government, some restrictions should be imposed on the note issue, viz. that the total notes issued should be covered by assets of equal value, that at last 40 per cent of the cover should consist of gold and foreign securities and that the assets held in the government of India rupee securities should at no time exceed one-fourth of the total assets value (sec. 33). These requirements which had to be suspended during emergency conditions created by the second world war, were subsequently completely removed when, after the country attained independence, the bank was nationalised by the Amendment Act 62 of 1948 and it was thought that for the rapid economic development of the country, adequate supply of money and credit would be needed.

ad hoc securities

The result of this was that it enabled the government of India, whenever it required money, to resort to the device of simply creating *ad hoc* securities and either presenting them to the Reserve Bank and receiving notes in exchange or selling them to the banking system which in turn could pass them on to the Reserve Bank and receive notes in return. In this way the central government has, in the course of the past 25 years, been financing itself to get over its annual budget deficits and also meeting extra-budgetary expenditure of varied dimensions without any need to seek parliamentary sanction or approval for the issue of fiduciary notes without any limit or restriction except what the government itself thought fit. Nor has the government cared to apprise Parliament of the ways in which it has been making use of the Reserve Bank's issue department to meet its needs for money. And the Reserve Bank for its part, being a mere "creature" of the Finance ministry of the government could not, of course, be expected to divulge its own reactions as regards the decisions, directions or policies coming from the government.

The extent to which the central government has indented upon the Reserve Bank's issue department will be evident from the following figures :

(Rupees crores)

	1950-51	June 30 1973
Total notes issued	1235.00	5735.40
Notes in the bank-ing dept.	17.19	36.45
Notes in circulation	1217.81	5698.95
Total assets	1330.89	5735.40
Gold coin etc. and foreign securities	872.42	368.28
Govt. of India rupee securities	458.47	5367.12

It will be seen from these figures that the total notes in circulation has risen from Rs 1217.81 crores to Rs 5698.95 crores, and the rupee securities have increased from 458.47 crores to 5367.12 crores, the entire expansion of the note issue being backed by the central government's 'promise to pay' rupee securities: and the whole expansion has gone on without a semblance of approval or approbation by Parliament, or the laying before Parliament of any information whatever about the process or procedures adopted for the expansion.

This is in remarkable contrast to the position in the UK where the Currency and Bank Notes Act of 1954 has provided a limit to the fiduciary note issue at £1575 millions, any expansion beyond that limit for a period of more than two years requiring the authority of a statutory instrument being laid before Parliament and acquiesced in by that sovereign body. The object of this procedure was, as explained by the Chancellor of the Exchequer, that in the view of Parliament there should be some provision against the eventuality of the government possibly misusing its powers as regards the note issue, that is to say, Parliament thought that there should be some check over the government misusing its power and increasing the money supply by a deliberate inflation of the note issue and that therefore Parliament should have periodical

opportunities of seeing what the government was doing in the matter. (Extract from the evidence of treasury officials before the Radcliffe Committee).

As Mr Hugh Gaitskell (an ex-Chancellor of the Exchequer) told the Radcliffe Committee, if there is one major thing which leads the bank's officers and the treasury officials to be excessively cautious, and careful, it is the fear of the parliamentary question. But this is avoided in India by reason of there being no statutory provision requiring the annual accounts and directors' and auditors' reports of the bank being laid before Parliament.

If, as in the UK, there was a provision fixing an upper limit for a bank's note issue and requiring approval by parliamentary debate or a resolution of Parliament for any further expansion, that would have brought all monetary expansion under parliamentary observation, and there would probably not have been such easy expansion of the fiduciary note issue on such a stupendous scale, and the expenditures of the government would also have been more prudent and less wasteful, especially as regards the huge investment in public corporations of doubtful utility.

The progress of small-scale industries

M. Venkata Reddy & D. Vasudeva Rao

SOPHISTICATION in the quality of goods from small and cottage industries, specially textiles and handicrafts had always attracted admiration and these goods had established their reputation in the international markets. However the significance of small industry in economic development was not realised for long. Small industry flourished without much hindrance as the economy was simple and the production was based on known needs of the consumers who were in close touch with the producers.

The economic transition has altered the situation and brought in its wake a new wave of developments in the country. The importance of large-scale industrialisation in the economic development of India has been recognised. It cannot however be denied that the role of small industry sector is still important in raising the standard of living of masses as it is less capital intensive, has large employment potential and advantages of decentralisation in rural India.

The industries with capital investment upto Rs 7.5 lakhs in plant and machinery, irrespective of the number of persons employed, come under the small-scale sector. In the case of ancillary industries the investment limit is Rs 10 lakhs.

The development of small-scale sector was haphazard prior to the planned era. It has undergone a welcome change since the inception of planning. In the light of experience gained through developments in the first five-year Plan, the importance of small industry was realised by the planners. In the successive Plans small industry was thus given its due place. A rural industrialisation programme was launched in 1962 which further facilitated its decentralistion.

However, the outlay on small-scale industries in the five-year Plans was not at all adequate. It never exceeded 1.31 per cent of the total Plan expenditure (first Plan 0.26 per cent, second Plan 1.21 per cent, third Plan 1.31 per cent and fourth Plan 0.79 per cent). In spite of this meagre outlay small industries registered significant growth in the last decade (1961-71). The number of small industries, with an average growth rate of 22 per cent (per annum), increased from 35,783 in 1961 to 3.18 lakhs in 1972.*

In the factory establishments, small scale units accounted for 93 per cent of the total number, providing 45 per cent of the total factory labour (Annual Survey of Industries, 1967). The share of fixed capital of small industries to capital of all factories was around 11 per cent and the corresponding production was 33 per cent of the total factory production. The most striking feature of this sector was the encouraging capital output ratio i.e. (0.18: 1.00), onefourth of that for the large scale sector*.

* Directory of Industries—all states and union territories.

Table I gives the picture of annual addition of units to the small-scale sector.

TABLE I

Annual Additions

year	per cent
1962	53.2
1963	35.9
1964	23.5
1965	13.7
1966	14.9
1967	15.3
1968	22.9
1969	16.6
1970	19.5
1971	18.2
1972	12.9 (provisional)

A further break-up into different categories reveals the importance of each type of industry and the overall comparative picture *vis-a-vis* the large sector throws light on the importance of small-scale sector as a whole (Table II).

Though the growth of small industry was limited in comparison to that of large industries, the number of small units to total units was always more than 90 per cent excepting the rubber and plastic-based industries. Mineral based units recorded a high growth rate followed by leather products. The importance of mineral-based industries is indeed great with their contribution to high employment, output, value added etc.

The following indices show the importance of small industry in our economy: small industry, apart from its 11 per cent contribution in fixed capital to total factories and with the high employment ratio of 46 per cent, maintained gross output and the value added at 33 per cent and 27 per cent respectively. Gross output per rupee of fixed capital was Rs 5.34 (corresponding figure for large industry = Rs 1.38); Fixed capital/employment per person was Rs 2799 (large industry = 19,128); and value added/fixed capital was 0.99 (large industry = 0.34)

* Handbook of Statistics, 1973.

Taking the growth of small-scale industres in some states during 1967-72: it was highest in Bihar with 58 per cent, followed by 44 per cent in Karnataka, 39 per cent in Andhra Pradesh, 37 per cent in Chandigarh, 28 per cent in Madhya Pradesh, 25 per cent in Uttar Pradesh and 12 per cent each in Maharashtra, Haryana and Gujarat against the all-India figure of 18 per cent. Except in a few states such as Haryana, Gujarat and Maharashtra, a large proportion of small units was located in backward districts of the respective states which helped in the opening up of backward regions and promotion of balanced development. Various incentive schemes, such as establishment of industrial estates, liberal credit facilities, price preferences, subsidies etc. will go a long way in boosting the growth of small industries in backward states, as well as

backward regions in other states and result in a harmonious regional development.

The share of small-scale units in our export is significant. Small industries are producing import substitutes starting from 'table lamp to TV' sets. The comparative picture of export contribution by different categories helps to identify more profitable types of industries which require to be given assistance and the less profitable types which need encouragement to have their due share in exports. Here are figures of performance of various industries in our export effort:

Agro-based 57 per cent, leather and leather products and woollen goods 51 per cent, paper and paper products 25 per cent, rubber and plastic 26 per cent, mineral based (glass and ceramic) 37 per cent, metal based 60 per cent and chemicals and chemical based 27 per cent as

TABLE II

Category-wise Importance of Industry

	% increase during 1966-67		Proportion of small industries in the total industries	
	Small industry	Large industry	1966	1967
Agro-based	2.2	23.6	93.8	95.0
Leather & leather products	5.2	54.5	78.1	97.0
Paper & paper products	1.0	5.2	92.5	92.2
Rubber & plastic based	4.5	14.0	84.6	83.5
Mineral based (glass & ceramic)	6.6	10.0	92.9	93.1
Metal based	4.9	14.1	91.8	92.4
Overall	3.5	3.8	92.6	92.6

(ASI 1960-67)

TABLE III

Financing of Small-Scale Industry

(Number of units)

	SBI & its subsidiary banks	14 nationalised banks	Other sch. banks	Total
1966-68	18,715	15,652	4,560	38,927
1968-69	25,902	24,948	6,133	56,983
1969-70	40,921	40,459	9,927	91,307
1970-71	49,744	50,544	8,349	1,09,637
1971-72	55,674	60,372	9,021	1,25,067

against 44 per cent for all types of (small industry as a sector) industries.

Ancillary industries occupied pride of place by assisting large industry through the manufacture of various components. These units also deserve encouragement by providing a healthy liaison between large industries (public as well as private) and the small-scale units. Encouragement by way of credit supply, raw material and timely payment of dues by the large concerns will boost the growth of small-scale units.

Small industry was able to get some financial assistance under the "State Aid to Industries Act". The quantum of this assistance has not substantially increased since its inception (around Rs 3 crores) over the period 1956-57 to 1969-70. Banks also have played their due role though not significant, in financing small industries. (Table III, p. 749.)

credit guarantee scheme

Apart from banks, the government has taken several steps such as the credit guarantee scheme, to boost the credit facilities to small industries. A comparative picture of the applications received under the credit guarantee scheme *vis-a-vis* the number of guarantees issued was quite encouraging over the last decade. The amount of outstanding guarantees went up from Rs 716 crores (1970) to Rs 844 crores (1971). Some 240 claims for an aggregate of Rs 34 lakhs were paid to the credit institutions by December 1971. Out of the total claims paid, Rs 5.3 lakhs (15 per cent) have been recovered in full.

The recent self-employment scheme has opened new vistas in the development of small industry. It is fulfilling both the economic and social objectives by helping in the growth of small industry and boosting employment opportunities.

In view of the importance of the small industry sector in the development of Indian economy there is urgent need for providing assistance to this sector to help it surmount hurdles that come in the way of its development. Some of the problems that small industry is facing are in regard to the provision of capital, raw material, adequate infrastructure and skilled labour. These are the fields in which government can take effective measures to mitigate the difficulties faced by this important sector of our economy which plays a significant part in the industrial development of the country and in providing employment much in excess of the proportion of capital invested in this sector in comparision with large industry.

WINDOW ON THE WORLD

Socialist planners on the job

London

Jossleyn Hennessy

I

News from East Germany

INDIA although not, of course, a totalitarian state politically, enjoys or—according to your viewpoint—endures pretty tight planning control over the greater part of the economy. Since planning in India has been fiercely criticised by some and as fiercely upheld by others, I have thought it useful to provide a detailed analysis of another planned economy—that of the "German Democratic Republic" or, in plain English, East Germany. Planners and anti-planners alike will doubtless find in it material to support their opposing viewpoints. First I cover the background, next I look at the 1974 plan.

To analyse the GDR's economic situation has rarely been more difficult, not only for the western observer, but, it seems, for the GDR's economic leaders themselves.

There has been a vast profusion of different and contradictory statements about the GDR's economy in the past year. True, the assessment given in the official plan fulfilment report claims that 1973 was a good year for the GDR economy. But there are nuances showing through, ranging from inappropriate jubilance ("Highest growth rate of our national income since 1959") to exaggerated optimism ("Thus 1973 brought a big upswing in the economy") to cautious reserve ("We estimate that the economic plan targets for 1973 will be easily met. National incomes is likely to grow by 5.5 per cent").

The assessments given before the SED Committees and the People's Chamber during the discussions on the 1974 economic plan might just be explained because they had to rely on provisional results. At the time, complete figures were available only to October, 1973, at best, and corrections of the 1972 production data seem to have been only partially taken into account.

The report on plan fulfilment in some of its details is a perfect example of how to suppress important information and thereby change a generally good result which, however, contains a number of flaws, into an upswing exceeding many estimates.

There were several opportunities for such an interpretation because:

1. The plan estimates for 1973 were based on the 1972 plan targets, which in turn were exceeded in many cases.

2. A second reference basis was available in the five-year plan's target figures, some of which were given for individual years.

3. The faulty balance of the 1973 economic plan had necessitated plan corrections and selective plan overfulfilments—euphemistically known as "counter-plans". It is difficult to gauge to what extent this has prompted misapprehensions about the GDR's potential which might have had an adverse effect on the consistency of the 1974 economic plan. The outside observer, at any rate, cannot help feeling that the points of reference for a number of estimates in the 1974 plan are less clear than ever.

II

Trends in 1973

The GDR's economy had to start 1973 with an imperfectly balanced plan: the projected increase in industrial production of 6.5 per cent would not have been enough to ensure the intended overall growth (+5.7 per cent) and to provide for the planned distribution of national income (gross fixed investment +9 per cent), (retail trade turnover: +6.2 per cent), although an import surplus that had apparently been planned and a fall in stocks closed part of this planning gap.

The economic leaders therefore launched a campaign to mobilise all productive reserves to try to encourage enterprises to over-fulfil their plans. As I have repeatedly said on previous occasions in this column the question is "When is a plan not a plan?" and the answer surely is "When it is overfulfilled", because over-fulfilment in one sector, or factory, must dislocate the supplies and the outputs of all others economically linked with it. The productivity of labour in manufacturing (plan: +5.7 per cent) was to be raised by one per cent, increasing industrial production by eight per cent.

This did not come off. Produced national income went up by 5.5 per cent, marginally below the planned target, and at 126,000 million marks was probably roughly in line with original expectations. The GDR leaders are dissatisfied because after a good first half, manufacturing ran into rising difficulties. The production increase of 6.8 per cent in 1973 not only means a slowdown on 1972 but was probably due to a fall-off, or even reversal, in the growth of production in the last quarter. This trend is particularly worrying because its likely cause is trouble in the metal working (electrical engineering and electronics, mechanical engineering and vehicle building) industries, which are important producers of rationalisation and of export goods.

Labour productivity in manufacturing, with a growth rate of 5.8 per cent, was only marginally higher than the target, even though three quarters of the centrally directed industrial enterprises exceeded targets by at least one per cent. This is further proof that the GDR's problems are concentrated in a few key industries.

The statement in the plan fulfilment report that 98 per cent of centrally directed enterprises and 95 per cent of locally run manufacturing enterprises fulfilled, or over-fulfilled their plans therefore does little to help a sober and realistic assessment of the GDR situation.

Thanks to favourable weather conditions throughout 1973, and to a very great deal of overtime, production at first rose fairly continuously. Specific material consumption was reduced by three per cent and enterprises' profitability improved. However, the slowdown towards the end of 1973 clearly shows that new difficulties emerged:

—Despite some improvements, subcontractors' deliveries occasionally fell below requirements for the planned output of finished products.

—The machine tool industry, vital producer of export and rationalisation goods is increasingly overloaded.

—New plant, e.g. in chemicals and in light industry, is not producing as much as expected, partly because of delays caused by insufficient investment preparation.

—Capacity utilisation is adversely affected by difficulties in obtaining raw materials, by technical troubles and by labour shortages.

—The average quality of production is falling, the cost of rejects and maintenance rising.

—The transfer into production of new products and processes is falling behind.

—Consumer goods are often produced which cannot be sold because there is no demand (particularly in outer wear clothing) for the types produced. This is because the planners allow producers too little scope to adjust to changes in demand and because in a controlled market, producers have no incentive to change the range of goods stocked.

—The permanent strain caused on blue and white collar workers by the continuing shortage of labour.

The shortage of supplies and raw materials has also hit the construction industry, so that a number of building projects were not completed on time. Even so, total output rose by 6.1 per cent, helped along by good results in house building: 80,700 flats (+15 per cent) were newly built, another 45,000 modernised. Good weather and an eight per cent increase in building materials both helped this result.

In agriculture, livestock and output of animal products continued to increase, partly thanks to the good harvest of 1972. By contrast, crops fell below the high 1972 yield, partly because of a long dry spell. Nevertheless the production of grain (35.8 quintals per hectare), root fodder crops (529 quintals per hectare) and oil crops (1960 quintals per hectare) exceeded the 1966-72 average.

On the whole agricultural results were good in 1973. Even so, agriculture has serious problems, particularly with the supply of agricultural machinery, inadequate maintenance, lack of spares, and insufficient protein fodder for the increasing numbers of livestock.

Once again there were increasing difficulties in the transport sector. The volume of goods carried grew only half as fast (+2 per cent) as in the previous year, not least because of transport capacity shortages and inadequate supplies of spares. Insufficient capacities and bad time-keeping in passenger traffic, which have been provoking complaints for years, persisted in 1973.

The imbalances in the 1973 economic plan showed up in the distribution of national income: although the plan estimates for manufacturing and agriculture were generally exceeded, and there probably was an import surplus, the target for investment and private con-

Indicators of Economic Development in the GDR

(Real increase on a year ago in per cent)

	Actual			plan	actual	plan
	(1966/70[1])	1971	1972	1973		1974
Produced national income	5.3	4.5	5.8	5.7	5.5	5.4
Manufacturing						
Goods production	6.5	5.5	7.2	6.5	6.8	6.7
of which: Building materials, gross produet	6.8[5]	6.1[5]	3.5[8]	8.1[8]	8.0	7.2
Labour productivity	5.7[6]	5.4[6]	4.5[6][9]	5.7[10]	5.8[10]	6.0[11]
Building and construction	8.3[7]	5.5[7]	6.4[7]			
of which: building industry, gross output	7.0[7]	6.0[7]	.	7.6[11]	4.7	5.4[11]
Construction and installations by the state-owned building industry	7.2	6.1	4.3	4.4	.	5.1
Agriculture						
State procurement of						
Animals for slaughter	3.8	3.2	8.8	0.9[12]	5.3	5.6[13]
Milk	2.7	1.3	6.1	—3.3[12]	4.1	3.3[13]
Eggs	3.8	3.6	0.2	0.1[12]	4.8	2.3[13]
Transport						
Goods transport, output	10.2	4.7	0.4	4.5	.	4.1
Goods transport, volume	4.0	5.5	6.0	.	2.0	
Gross fixed investment[2]	9.9	0.6	3.9	9.0	8.5	5.3
Retails trade turnover, total[3]	4.6	3.9	6.0	6.2	5.9	5.2
of which: food, drink and tobacco[3]	4.4	2.9	4.1	4.2	3.4	.
manufactures[3]	5.0	5.1	8.3	8.7	8.9	
Foreign trade turnover[4]	9.9	6.7	10.8	14.0	14.0[14]	10.0
Exports	8.3	10.8	12.2	.	.	.
Imports	11.5	2.8	9.2	.	.	.
Net money receipts	4.0	3.4	6.1	5.3	5.6	4.5

[1] Average annual increase. — [2] Excluding general repairs. — [3] Increase at current prices. — [4] Total imports and total exports, incl. intra-German trade, excl. services: in valuta marks at current prices. — [5] Gross production of the main product group "building materials". — [6] Gross production per employee, excl. apprentices. — [7] Construction and installations, incl. the value of steel and light metal construction etc., at 750 m marks a year, included since 1968. — [8] Industrial production of the state-owned building materials Industry. — [9] Estimate. — [10] As covered by the ministries for industry/basis: output of goods). — [11] Construction output. — [12] Changes based on production volumes fixed for 1973 compared with actual results in 1972. — [13] Based on the 1973 plan estimate (incl. additional output). — [14] Calculated on the basis of the plan fulfilment report for 1973. According to this, foreign trade turnover with the Comecon countries increased by 11 per cent, with the developing countries by 22 per cent.

Source: Economic Plans, reports on plan fulfilment, GDR statistical yearbooks, economic plan 1973: Gesetzblatt der DDR, Teil 1/1972, No. 20, December 20, 1972; economic plan 1974: Gesetzblatt der DDR, Teil 1/1973, No. 58, December 21, 1973; Bulletin of the state central administration of statistics on the implementation of the 1973 economic plan: Neues Deutschland, January 18, 1974, p. 3 et seq.

Production of Industrial Goods in the GDR's Centrally-directed Industry

(Percentage increase on a year ago)

Enterprises	actual			plan	
	1966/70(1)	1971	1972	1973	1974
Coal and energy	3.2	3.0	1.2	6.4	6.6
Ore mining, metallurgy and potash	6.4	7.0	5.9	4.8	6.7
Chemical industry	8.0	5.6	8.0	8.4	9.1
Electrical engineering and electronics	9.6	8.4	10.0	8.6	8.5
Heavy plant and machinery	4.4	5.0	6.0	6.9	6.4
Machine tools and processing plant(2)	8.2	6.7	5.6	6.9	7.7
General and agricultural machinery and vehicle building(2)					7.1
Light Industry	5.4	5.3	6.2	7.7	8.3
Glass and ceramics(3)			6.1	8.0	9.3
Regionally-directed industry and food manufacturing	5.7	5.6	5.2	5.6	5.4
State secretariat for geology(4)	—	—	26.0	.	12.1

(1) Average annual increase. — (2) In the autumn of 1973, the ministry for processing plant and vehicle building was divided into the two new ministries for "machine tools and processing plant and "general and agricultural machinery and vehicle building"; of. Neues Deutschland, September 29th, 1973, p. 2, —(3) Until the ministry for glass and ceramics was set up at the end of 1971, this sector was part of the ministry for light industry. —(4) Including the VVB petroleum and natural gas.

Source Reports on plan fulfilment, economic plan 1973: Gesetzblatt der DDR, Teil 1/1972, No. 20, December 20, 1972, economic plan 1974; Gesetzblatt der DDR, Teil 1/1973, 58, December 21, 1973.

GDR Budget Income and Expenditure, 1972 to 1974

(Plan estimates, excluding enterprises' own finance)

	1972	1973	1974	1973	1974
	billion marks			change on a year ago in per cent	
INCOME					
Levies paid by the VEB. VVB and state-owned integrated plants	44.2	51.3	57.2	16.1	11.5
Levies paid by the agricultural cooperatives	1.1	1.1	1.1	0.0	0.0
Social Insurance contributions by workers and salaried employees	8.8	9.2	9.6	4.5	4.0
by co-operative members(1)	1.4	1.3	1.3	—7.1	0.0
Other income	26.8	27.4	30.4	2.2	10.8
Total Income	82.3	90.3	99.6	9.7	10.3
EXPENDITURE					
Transfers to social funds	22.7	24.8	26.7	9.3	7.5
Social insurance subsidy	5.7	8.1	8.9	42.1	10.3
Building investment in education and public health institutions	1.0	1.0	1.0	1.0	0.0
Research projects and industrial investment	3.9	5.2	6.7	33.3	28.8
Assistance for agriculture	2.2	2.1	2.2	4.5	4.6
Military spending	7.6	8.3	8.9	9.2	7.3
Other spending	39.1	40.7	44.2	4.1	10.7
Total Spending	82.2	90.2	99.5	9.7	10.3

(1) Incl. self-employed.

Sources: Gesetzblatt der DDR, 1/1971, p. 197; 1/1972, p. 288; 1/1973, p. 570.

sumption were only just reached.

For the first time since 1970, gross fixed investment rose at an above-average rate: by 8.5 per cent to 37,200 million marks. Again, manufacturing probably accounted for more than half of this. The biggest increases were achieved in the consumer goods sectors, e.g., in light industry (+51 per cent). By contrast, coal and energy, a bottleneck sector, which had been badly neglected in the sixties, did no more than keep its share in industry's total investment volume, with a growth rate of 9 per cent (1972: 31 per cent).

Although many deadlines were missed, largely because of insufficient preparation of investments, a large volume of new capacity was nevertheless completed.

The increase in private consumption was smaller than had been expected during the economic plan's preparatory stage in November. The volume of retail trade, thanks to a-near-9 per cent increase in the purchase of industrial consumer goods, went up by the same amount as the year before, about six per cent, and reached 74,700 million marks. Most of this expansion was due to social policy measures, the bulk of which came into force in the autumn of 1972, particularly a 20 per cent rise in pensions. Net incomes increased by nearly 2,000 million marks compared with 1972 because of this increase in social benefits alone; total net money incomes went up by 4,900 million marks (+5.6 per cent), again faster than planned.

unplanned demand

Once again, the supply of goods could not cope with this unplanned extra demand. In basic foodstuffs, fruit, vegetables, and fish were in short supply. In industrial consumer goods there were complaints about short supply and bad quality of furniture, leather goods, shoes, electric cookers, and other items, although improvements were made in domestic china, hosiery and wall paper.

The quantity and quality of repairs and services failed to keep up with the increase in demand, e.g. laundries increased output by only four per cent. Foreign trade probably increased more or less according to plan; with total turnover up by 14 per cent, exports were slightly over-fulfilled, which (naturally!) entailed a corresponding shortfall of planned imports.

The regional pattern continued to change: the Comecon countries' share fell from 68 per cent in 1972 to 66 per cent; the western industrial countries' share increased from 26 to over 27 per cent. The above average expansion in trade with the west is due to the continuing expansion of credits for imports financed by the west. But at the same time the USSR is always striving for "Socialist Economic Integration" with the Comecon countries.

Not unexpectedly, trade in 1973 between East and West Germany stagnated in real terms. Trade turnover in money terms rose by only six per cent to just under DM 5,600 million. East German deliveries to West Germany rose by 10 per cent to DM 2,600 million, but imports from West Germany once again exceeded them by DM 350 million.

All in all, the GDR's economic development in 1973 followed the growth path begun in 1972, although the priorities in the distribution in national income shifted from consumption towards investment.

As in 1972, four-fifths of the increase in production was due to increased productivity, which once again meant a large amount of overtime, which caused increased absenteeism from sickness.

tremendous pressure

The government has laid tremendous pressure on the workers by means of "couner plans" (see above) intended to mobilise the last ounce of the workers' morale. It now looks as if the limit to any extra human efforts has been reached, particularly since last year's results met or even exceeded most of the targets for 1973. The messages from some plants "that output per working day in January would fall considerably below that in December", which were criticised by the SED central committee, are a oleac pointer. The committee emphasised that "the performance-orientated development of our economy is more than ever turning into the central problem in the implementation of the eighth Party Congress's main task "and" any slowdown in the pace of our developmnent is therefore not acceptable". One guesses that this means that some heads are going to roll. Even so, it seems that these demands are not fully reflected in the 1974 plan, because almost all i's targets are lower than the increases of 1973 and some are actually below the 1973 targets.

III

The 1974 Plan

So far I outlined the progress of East Germany's economy in recent years and gave the background to the 1974 plan. I hope that India's planners, enterprises planned and unplanned, and PBC (Poor B--y Consumers) may be interested to hear how they do it in the Communist world.

Although the basis of reference for many planned increases in East Germany is once again unclear, the overall economic target is known: produced national income in the year of the GDR's twenty-fifth anniversary is supposed to grow by 5.4 per cent to 133,000 million marks. To reach this target, the overall productivity of labour must somehow be pushed by a massive 4.5 per cent.

shifted emphasis

The individual targets of the 1974 economic plan demonstrate that it aims for the "increase in the standard of living", which has been the main task of economic policy since the VIIIth Party Congress—though once again the emphasis has shifted. It is said that the planned increase in manufacturing industry's gross production (+6.7 per cent) in 1974 is to be of direct benefit to the supply of finished consumer goods in the chemical industry, light industry, and in glass and ceramics, which are due to rise by about another tenth (1973: a fifth). But for most of these products the planned increase in supplies falls well below the previous year's estimates, e.g., furniture and upholstery (+11 per cent; 1973: +26 per cent), wall paper (+9 per cent; 1973: +48 per cent), household china (+8 per cent; 1973: +31 per cent). The commissioning of new plant for certain consumer goods eased supplies last year but for the moment there is little more to come, although there are plans to invest another 1,700 million marks in light industry, mainly in rationalisation.

The 1974 plan seeks an increase in the GDR's ability to export. Measures to achieve this aim at "fitting the planned production profits even more closely to demand at home and abroad, which requires particular help for certain export intensive enterprises (e.g. mechanical engineering)". As a result of insufficient capacities, the planned expansion rate of engineering production is lower than in 1972: the production increases expected in the other industrial sectors are the same as for 1973, but well above them in basic metals.

Ancillary industries are told to continue their rapid development in 1974 so that the remaining bottlenecks can be removed. So ancillary enterprises in the metal-working industry must produce eight per cent more, while final output is planned to be 6.3 per cent up.

Strong impulses for industrial growth are expected:

—A faster application to production of scientific and technical discoveries.

—A reduction in specific material consumption of 2.5 to three per cent.

—A fuller utilisation of existing plant.

—More emphasis on rationalisation investment from own production.

Even so, the target for total output has probably been set too high. In view of the strain on all available resources that already prevails, another six per cent increase in labour productivity in manufacturing hardly seems possible.

building industry

The planned six per cent increase in construction output will be more easily achieved. Again, housebuilding is to go up by 6.8 per cent; 86,500 flats are to be newly built, 30,300 others modernised, rebuilt, or extended. To improve the maintenance of existing homes and installations, repair work is scheduled to increase by 10.6 per cent. The building materials industry is expected to push up its output by seven per cent to allow for this extra production.

Clearly there are hopes that 1974 will be spared the shortfalls in agricultural machinery, fertilisers and fodder which have caused much trouble recently. Despite the scheduled investment of 5,700 million marks, the planned increase of nearly seven per cent in the output of agriculture and the food industry still assumes that a rapid solution to the present problems can be found, especially because setbacks caused by bad weather can never be foreseen.

The targets for the distribution of national income confirm the impression that the emphasis is once again shifting, this time towards exports. Gross fixed investment is scheduled to go up by 5.3 per cent, most of the growth being concentrated on basic industries. The planned increases of 1,050 MWs in power stations will be insufficient to prevent new supply bottlenecks, nor does it fit in with the five year plan targets: to reach a power output of 19,000 MWs in 1975, the last year of the five year plan, would have to see an increase of no less than 2,900 MW. Total manufacturing investment is planned to increase by less than average (+3.2 per cent). But the 1974 estimates for agriculture, foodstuffs, service and repairs industries, health and social services are well above average.

Priority is still being given to boosting rationalisation—over 54 per cent of all investment is allotted to this.

Private consumers have the lowest priority. Measured by retail turnover, private consumption is to increase by only 5.2 per cent, again below average. A stable and continuous supply of staple goods and of goods for children and adolescents is, however, being advertised. The increase in net incomes, which will mostly benefit blue and white collar workers, is put at 4.5 per cent.

Stockpiling is to rise by more than average. So is public consumption, even though this is well down on the year before. Expenditure from social funds is to increase by only 8.2 per cent (1973 plan: +16 per cent). Expenditure on military purposes is due for a rise by 7.3 per cent (1973: +9 per cent).

The planned 10 per cent expansion in foreign trade turnover will, therefore, have to rely mainly on exports. The planners seem to expect an above average increase in exports to the Socialist countries. Export efforts in Western markets are also being stepped up, but there is still no sign that the current trade policy with the west—reliance on credit-financed imports—is being corrected.

IV

Summary and outlook for East Germans

All in all, 1973 was a good year for the GDR. Real economic growth at 5.5 per cent equalled that of West Germany, although, of course, the distribution of income and surpluses between workers, employees and investment is totally different in the two countries. Thanks to good weather and what the West German Institute of Economic Research describes as the "unusually high morale of the workers", the large planning gap at the beginning of 1973 was at least narrowed although not closed. Officially it is claimed that the plan was overfulfilled, but since the plan estimates were inconsistent, production had to exceed the original plan if the growth target was to be reached and if the planned allocation of national income was to be achieved.

A favourable overall result, then—not least in agriculture—but there are still enormous problems in energy, transport, ancillary industries and in mechanical engineering. Raw materials remain scarce, capacity utilisation—even of new plant—is unsatisfactory. Labour is short everywhere, the range of goods on offer continue to show gaps, and some are still shoddy.

In all probability, all this was at the root of the troubles which caused a marked slow-down in growth in the last quarter of 1973 and the same difficulties are likely to persist in 1974.

The published targets are once again set high. The 1974 growth target (produced national income: +5.4 per cent) depends on whether another large increase can be achieved in the productivity of labour, which is already at a high level. Workers and salaried employees are expected to push socialist competitiveness even further and commit themselves to plan over-fulfilment, and therefore to overtime, to celebrate the GDR's twentyfifth anniversary. New "counter-plan working rules" were set up, based on government decision to produce one per cent more than required in honour of the twentyfifth anniversary. "socialist competition" means that when the estimates for the 1974 plan appear, the plants are simultaneously given guide lines for working out counter-plans (i.e. selective over-fulfilments). The managers of the works have personally to explain these counter-plans to blue and white collar workers. The GDR leaders are clearly aware that despite continuous economic growth and rising living standards, the big and ever more worrying question is: How much more strain can an already hard working people stand?

V

The GDR budget for 1974

Both government income and expenditure will go up to 113,000 million marks in 1974, which is 11,000 million marks (10 per cent) more than last year.

Government income and expenditure include the funds for state-owned enterprises and integrated plants—amounting to 13,000 million marks in 1974—which are allocated to enterprises for particular purposes (investments, premiums). These funds come out of the state-owned sector's profits and are included in the government accounts, but they are not part of the budget in the more restricted sense. The budget (including local authorities and social insurance) proper this year,

both on the income and the expenditure side, runs to 100,000 million marks, or 10,000 million marks more than 1973.

The budget's continuous expansion is a result of the resolute implementation of the centralisation of economic power over the past few years, in an increasing concentration of decision-making power and of financial resources at the centre, and in the nationalisation of a large part of such enterprises as had remained private or semi-state-owned up to now.

On the income side, there are only two main items: the levies paid by the state-owned sector and the agricultural cooperatives, which together make up nearly 60 per cent of total income, and the social contributions, totalling 11 per cent of all income. The levies on the state-owned sector are mainly quasi-tax payments, made by enterprises, whose volume depends on profits (net profit levy), turn-over (prodcution and trade levy) or on the value of the capital invested and the working capital (production fund levy).

The total increase in these levies expected for 1974 (11 per cent) is smaller than in 1973 (an exceptional 16 per cent, thanks to 11,000 new VEBs starting business). But it is still of a side that suggests an optimistic view of economic trends this year.

The remaining income is scheduled to go up by 3,000 million marks (+11 per cent). This category is a residual item on the income side, made up of all the taxes and levies paid by the economy's private sector; the wage and income tax paid by individuals; fees; contributions; and customs duties. The size of the individual items in this category is unknown, as is their rate of change.

More than a third of budget expenditure, or 35,600 million marks, (+6.5 per cent) is earmarked for "social funds" and the social insurance subsidy this year. This means that once again "government services and transfers" take first place in budget spending, even though they are to go up much more slowly than last year. The "social funds" are used to finance social and cultural expenditure, assist house building and subsidise consumer prices.

Sources and acknowledgements: The foregoing summarises a report in the latest issue of the **Economic Bulletin**, of the West German Institute for Economic Research, Koenigin Luise Strasse 5, Berlin 33, but the Institute is responsible neither for the emphasis of my summary nor for my interspered comments based on a variety of sources.

The real value of money

E.B Brook
Vienna

West Europe's deepest preoccupation remains inflation and the real worth of money. Cosy little tax havens, islands specializing as select retirement areas for the well-to-do are all feeling the pinch. The prosperous German is as hardly hit, if not more hardly, by rising prices as the allegedly less prosperous Briton. Even the canny, hard-working, shrewd Swiss are no longer secure from the curse of inflation and those thinking to settle in the one world area where money holds its worth and prices remain stable will need to think again about their Swiss retreat—although many well-heeled people are still retreating there.

It has long been difficult to believe that both Sweden and Switzerland were desperately hard up, their people emigrating or hiring themselves out as workers or soldiers abroad, a century ago. Careful husbandry in every department, neutrality in two world wars and a world-wide reputation for exact workmanship have raised these two formerly poor countries to two of the richest and most stable that can be found. Sweden learnt its lesson of the folly of wars two centuries ago and Switzerland, after a reluctant religious civil war in the last century, constitutionally remains neutral whatever happens.

But Sweden is only just beginning to recover from an unprecedented bout of inflation and the radiant sun of Swiss prosperity is beginning to gleam less brightly. Last year the Swiss price index rose at the unprecedented rate of 11.9 per cent. This was partly accounted for, as elsewhere, by the sharp upswing in oil prices pushing up the cost of heating and lighting by over 29 per cent. But the more stable articles of food and clothing went up by 6.1 per cent and 10.3 per cent. Inflation worries the Swiss more than most people since it is seen there not only, as elsewhere, as a private financial perplexity but as a threat to the most valuable of all Swiss assets, the immutable stability of the Swiss franc.

blow to faith

The first blow to this faith was the Swiss federal government's decree last year that its franc should be allowed to "float". Being a strong currency, it at first floated upwards by 24 per cent but has since fallen by 10 per cent in international value and last year's Swiss trade deficit was 6,665 million francs, nearly 500 million worse than in 1972. The famous hotel trade suffered its first recession in eight years and all Swiss industries fell off except of machinery and watches. The Swiss are inclined to take these recessions as portents of worse things to come but the Swiss economy remains the copybook of west Europe with no major strike since 1935 and enjoying the continued skill of its industrial leaders and the discipline and level-headedness of its workers. The other "copybook", Sweden, had a long, obstinate strike in its famous steel industry three years ago and suffers from an experimentalism in politics and social affairs that makes it an object of envy to some and of irritation to others.

These two cautious and neutral states apart, the country that has so far withstood inflation best is France. Here, again, one has only to think back to the twenties to recall the time when the French franc was much sicker than the pound is today, even though the French had just emerged victorious from the first world war. But latterly French industry has had more industrial unrest than Britain and socially, has begun to rival Italy in unrest. While the world knew all about the British miners' refusal to work overtime and their later short strike it is not so aware that the coalminers of Lorraine have been on strike for some eight weeks. The strike of the French airport staffs unavoidably got more publicity. The long sit-in at the watch factory at Lot—in which at one stage the notorious riot police were called in—has been followed by the still continuing strike of the employees of the Banque de France and of the nationalized Credit Lyonnais. Work has also stopped at a number of big industrial plants and there have been demonstrations in Paris and many French cities by students, an unpleasant reminder of the university strikes of 1968.

The cost of living in France is going up at an annual rate of 18 per cent and energy will present difficulties for the next six years—consumption has been frozen for the next two years and will be allowed to increase in three years' time by not more than three per cent. The French government is seeking to hold inflation by following a policy of deflation. In the short term the deflation will be sharp, to be achieved very largely by speeding up the collection of income tax. Public domestic buying is being discouraged by dangling the carrot of cuts in the value-added tax later in the year and the abolition of the two-tier exchange rate should reduce inflationary pressure until the end of May when French economists, alone in being optimistic, consider that world prices will fall and inflationary pressures lessen. The French government is exercising the elementary tactic of preventing the French from buying too much and sending inflation still higher by taking their money away from them, gathering all taxes earlier, giving credit facilities only to help exporters.

A pay-as-you-earn form of taxation is being considered but is so widely unpopular that very little is being said about it in advance. As elsewhere, in Austria for instance, private cars are being quietly discouraged, in favour of public transport (the British budget will also send people to spend their week-ends in the parks instead of in their cars) and there will be no oil-heating of French buildings, by law, before October 15. French wits expect their premier to introduce a law informing God of the date when next winter will start. Instead of oil, France is developing natural gas sources, domestic and foreign, and nuclear energy at almost breakneck speed. The French at least know what they want and exercise brutal logic in getting it.

It is this Gallic ability to see clearly and act on this vision that has enabled France—to the frequent annoyance of others—to keep all essential industrial supplies in French hands. They have adapted to the oil crisis of October by becoming the Arab's best apologist in the west, by establishing the best links with Arab banks and adapting to the Arab desire to control their own oil. The French oil companies more than any other have managed to give the Arab states the incentives to produce the oil France needs for its industries.

With these many national problems and the individual methods in meeting them and the common foe of inflation it is interesting to remark the result of a public opinion survey conducted by the European Commission in Brussels recently of the Common Market's popularity with the peoples of its member states. The member needing most from the Market, Italy, returned the highest percentage (69 per cent) of popularity of the Market. The French, who gain most from the Common Agricultural Policy, were slightly less enthusiastic than the West Geremans who pay most heavily for that policy.

Of the Benelux countries, Belgium, which has to house the Market's Commission, is less enthusiastic than either Holland or Luxemburg while in Denmark and Britain the Market is distinctly unpopular. Europe regards its Market most highly for its economic growth—in 15 years the second highest after Japan—but the "European idea" is popular only in West Germany which regards the Market with NATO, as one of its shields against the political and economic power of eas Europe. The ideas of a single currency and a common foreign policy are acceptable as ideas and the "political voice and political personality of Europe" remains and is likely to remain, a phrase and no more. The fate of the "common currency float within limits"—choked by the French—is sufficient to indicate clearly that when west European states have problem they continue to solve them in their own way, with or without apologies to Brussels.

MOVING FINGER

If the capital's cocktail

circuit has a silly season, this must be it. In the last few days I had repeatedly come across people in twos or threes discussing seriously whether the fifth Plan had been launched or not. On such occasions, in futile attempts to change the topic I had been suggesting that, since the prime minister and the Planning minister had said that the fifth Plan had duly come alive on the 1st of April as formally prescribed, we might as well leave it at that. Unfortunately, the prime minister's word no longer carries the authority it used to, while whatever Mr Dhar says immediately prompts a demand for a big fistful of salt — a mere pinch, it seems, just will not do.

Indeed, my well-meant efforts to cut short discussion of the precise state of the fifth Plan only succeeded in getting rude things said about the Plan or its parentage. For instance, my suggestion that the infant must be alive, and possibly even kicking in its cradle in some nook or corner of Yojana Bhavan provoked a retort that the Plan, far from having arrived on the lap of Mrs Indira Gandhi or Mr D.P. Dhar, is still clearly very much on the lap of the gods. I have a feeling that it is not in the public interest that this debate should be allowed to continue on these lines. May I help with an idea? Since an election to the state assembly will have to be held in Gujarat sooner or later, the prime minister might as well resume inaugurating Plan projects or laying foundation stones for Plan schemes — this time in the towns and villages of Gujarat. She could start the process by laying a foundation stone for the fifth Plan itself at a central place in Ahmedabad as early as possible. The ceremony of course should be back-dated to April 1 on the principle of giving retrospective effect to acts which should have been carried out earlier but, for some reason or other, were not.

The election of Mr S.

Ranganathan, ex-Comptroller and Auditor-General, to the Rajya Sabha as an Independent from Tamil Nadu has understandably attracted much favourable attention. He secured the active support of all the major political parties in the state except the DMK, and also of less important political groups. Even the DMK, which naturally mobilized its votes in favour of its own candidates and managed to return its partymen to four out of the five vacancies for Tamil Nadu, not only did not positively oppose Mr Ranganathan's candidature, but also raised no objection to its political allies in the legislature voting for him. In this sense he was virtually an all-party candidate from Tamil Nadu although it is possible that his main sponsor was Mr Kamaraj.

It is not exactly surprising that Mr Ranganathan should have received such broad-based support. During his career as a member of the Indian Civil Service he had held senior posts in the central government with great distinction and, apart from this, he was universally respected and liked both within the administration and outside for his unsparing helpfulness on the human plane and his wholly constructive mind where the framing or implementation of government policies was concerned. All this explains, perhaps, why there has been speculation about the prime minister's possible intentions relating to Mr Ranganathan. It is in fact being assumed in some quarters that Mrs Gandhi had taken a positive interest in the success of his candidature. It stands to reason of course that a man of his ability and experience at the level of policy-making in the economic ministries as well as of general administration should be given more opportunities of serving the country than are normally available to any member of the Rajya Sabha. The prime minister is supposed to be interested in strengthening her council of ministers, especially where the running of economic ministries is concerned. Hence, possibly, the reports in some newspapers of the likelihood of Mr Ranganathan being offered a ministership.

Talking of the Rajya Sabha elections, Mr Subramaniam Swamy, who has made it from UP as a Jana Sangh candidate, must be an interesting and perhaps even exciting acquisition for that more or less august body. Young though in age, he has already become a fairly well-known, controversial figure — and this not only in relation to the affairs of the Indian Institute of Technology, New Delhi where he did a stormy stint as a member of the faculty. Mr Swamy's views on Yojana Bhavan or its works are hardly likely to soothe the frayed nerves of the Planning minister, while his notions about family planning are bound to complete the good work of the striking doctors and drive Dr Karan Singh completely crazy. Whether as a professional economist Mr Subramaniam Swamy believes in the quantity theory of money or not, as an amateur social scientist he does seem to swear by some sort of a quantity theory of human excellence. He opposes family planning on the ground that the more Indians there are the more likely it is that some more Nobel Prize winners will be Indians. Since it has taken an Indian population growing from about 300 millions to some 600 millions to produce a couple of Nobel Prize winners over the period, it should be interesting to know from Mr Swamy a little more about the arithmetical processes of multiplication and division he may have in mind.

Going back to the Rajya

Sabha elections, the way political *goondaism* set to work to prejudice the candidature of Mr K.K. Birla as an Independent showed up clearly the ugly reality of fascist tendencies as an evil factor in the functioning of our politicians and political parties. Not only were the wildest allegations about buying of votes made by MLAs in UP or MPs in New Delhi on the privileged floor of the legislature concerned, but also direct action of a violent or unlawful kind was taken to coerce Mr Birla or his supporters and make him withdraw from the election. It was also clear from newspaper reports that intimidation in various forms was practised to deter those who were or might be favouring Mr Birla's candidature.

In the circumstances it goes to his credit that he stood his ground with tremendous physical and moral courage and refused to give up his inherent citizen's right to stand for the election. Incidentally, all this hostility directed against Mr Birla's candidature was declared to be on account of his being a big businessman. Does this mean that where the Constitution has placed no bar on businessmen, big or small, contesting for seats in a legislature, the thugs in some of our political parties should be given the authority to lay down the law as it suits them? It is a pity that even political leaders who swear by democratic principles have not come forward to condemn the fascist tactics employed against a citizen of our country seeking to exercise his rights as a citizen.

VB

TRADE WINDS

Annual Plan 1974-75

THE OUTLAY for the first year of the fifth Plan, 1974-75 has been fixed at Rs 4,833.68 crores, according to the Planning Commission. The union budget had put the figure at Rs. 4,769 crores, or Rs 64 crores less. Taking the outlay on the central Plan including extra budgetary resources and assistance to state and union territory plans at Rs 3,540 crores, as reflected in the budget documents, the resources of states for the Plan would amount to Rs 1,293 crores, instead of Rs 1229 crores as indicated in the Finance minister's budget speech. The total central assistance to state plans is Rs 820 crores, which is inclusive of Rs 40 crores for the Rural Electrification Corporation.

For the year 1974-75 the total outlay, taking the centre and states represents an increase varying from Rs 400 crores according to the Finance ministry to Rs 562 crores according to the Planning Commission, over the original provision made for 1973-74. The Planning Commission has stated that in the state plans for the first year of the fifth Plan, higher priority has been accorded to power, irrigation and agriculture. The increases over the provisions made for last year are Rs 141 crores for power, Rs 95 crores for irrigation and Rs 27 crores for agriculture and allied programmes.

Taking the sector-wise provisions made in the central Plan for 1974-75, there is an increase of Rs 400 crores over the revised estimate of last year but only Rs 131 crores over the provision made in the 1973-74 budget. The central budget Plan provisions show increases for chemicals, mines, atomic energy, shipping and transport and science and technology. For steel, the provision of Rs 162.45 crores is higher by Rs 19 crores over the revised estimate for last year but less than the original provision of 1973-74. The Railways get a larger provision largely because of Rs 115 crores of loans from general revenues. Ministries which have taken cuts include Education and Social Welfare, and Irrigation and Power. Provision for family planning is retained at Rs 54 crores.

The central assistance to the states in 1974-75 has been kept uniformly at the level of 1973-74 pending a discussion by the National Development Council on the basis on which central assistance would be allocated during the fifth Plan period. The Gadgil formula for allocation adopted for the fourth Plan period provided certain weightage to less developed states. The whole question is under reconsideration by the Commission in the light of experience gained by the fourth Plan, the resource situation of states and the fifth Plan strategy. No date has yet been fixed for a meeting of the National Development Council to consider this matter.

The central assistance to states for the 1974-75 Plan is as follows: (in crores of rupees) Andhra Pradesh 48.75: Assam 40.04; Bihar 68.68; Gujarat 32.17; Haryana 15.99; Himachal Pradesh 22.35; Jammu and Kashmir 30.21; Karnataka 35.46; Kerala 35.72; Madhya Pradesh 53.32; Maharashtra 49.98; Manipur 7.52; Meghalaya 8.85; Nagaland 7.12; Orissa 32.70; Punjab 20.64; Rajasthan 46.06; Tamil Nadu 41.15; Tripura 7.61; Uttar Pradesh 106.89; West Bengal 44.91; Unallocated for Hills and Tribal Areas 25,00, Total Rs 780.15 crores. According to tentative arrangements, the central assistance is expected to be generally in the form of 70 per cent loan and 30 per cent grant except for hill areas for which a larger grant assistance will be available as in the fourth Plan.

Ceiling on Cotton Yarn Export

Export of cotton yarn this year will be within a ceiling of 24 million kg—a ceiling of 6 million kg for each quarter. The salient features of the yarn export policy for 1974, expected to be announced shortly, were outlined by deputy Commerce minister Mr A. C. George in the Lok Sabha recently.

Mr George said that the exportable quantity of yarn in different count groups would be decided by the Textile Commissioner after taking into account production, domestic demand and availability for export. The allocations might be made on a quarterly basis and announced well in time for the information of all concerned. Quotas for export would be allotted entirely on the basis of high price realisations within each of the permissible count groups. Floor prices would be announced for each count group and these had to be at least 50 per cent higher than the average export realisation for that count group in the preceding year. The Cotton Textiles Export Promotion Council's services might be utilised as before for registration of contracts and allocation of export quotas.

Colombo Plan

India received training facilities for 11,462 persons and the services of 1,609 experts in various fields upto the end of 1972 under the Colombo Plan. In addition, there were some assistances by way of grant and ancillary equipment.

Medical Education Commission

The union government proposes to set up a high power medical education commission to look into the question of restructuring medical education on a national basis from the pre-medical right up to the post-graduate level.

One of the aspects this commission will be called upon to study is how to divert a vast majority of the medical professionals to rural areas and keep the top experts in the district, regional and state hospitals, where necessary equipment for referral services will be available.

Inaugurating the joint meeting of the Central Councils of Health and Family Planning, union Health minister, Dr Karan Singh broadly suggested that a new course of training might be necessary for the service in rural areas. "There is no point in producing medical graduates and training nurses if they are not keen to work in areas where 80 per cent of our population lives," he observed and told the representatives' gathering consisting of the state ministers and experts that no new medical college should be opened without having a "very close look at the type of professional people" required for the villages.

Joint Cigarette Unit

The first joint sector cigarette unit in the country, J. & K. Cigarettes, is being set up in Kashmir with a capital investment of Rs. 4 crores and an annual production capacity of 4,500 million pieces. The J & K State Industrial Development Corporation and Golden Tobacco Co., (Bombay), a fully Indian owned and managed enterprise, have joined hands to put up this venture.

Scrap Imports

Union minister for Steel and Mines Mr K. D. Malaviya stated recently that the government "has almost decided to import scrap" to keep the electric arc furnaces going and also to meet the export requirements in structurals. A formal decision will be taken shortly.

Khetri and Other Plants

The union cabinet approved a Rs. 36 crore programme of expansion of the Neyveli lignite project in Tamil Nadu, taking its production the present 4.5 million tonnes to 6.5 million tonnes a year. The Cabinet also approved the revision of the cost estimate of the Khetri copper plant from Rs. 76 crores to Rs. 98 crores. Another decision was to set up a slag cement plant in Akaltare in Madhya Pradesh.

Earnings from Tourism

The number of foreign tourists who visited India during 1973 totalled 409,895. The total foreign exchange earned from tourism during the year is estimated at Rs. 67.5 crores.

New Paper Technology

A new paper making method without using large volume of water has been developed by Shizuoka paper manufacturing industrial testing centre, Tokyo.

Frog Legs Exports

Concern was expressed at the adverse effect on paddy cultivation in Kerala caused by the killing of frogs for exporting frog legs. The deputy Commerce minister Mr A. C. George stated recently that the export of frog legs this year was likely to earn Rs. 3.6 crores in foreign exchange but assured them the government would examine the complaint whether the disappearance of frogs was encouraging the spread of brown hoppers which affected paddy plants.

Textiles for US

Further negotiations with the United States to modify the present bilateral agreement on textiles to provide increased access to Indian cotton textiles in the U.S. markets are expected to be held shortly. Preliminary talks had already been held to bring the bilateral agreement in conformity with the new international arrangement in textiles.

Tea Delegation

The government is considering a proposal of the consulative committee of Plantation Associations to send a team to East African countries to evolve a common strategy for marketing of tea.

Hanover Fair

The International Hanover Fair will be held from April 25 to May 3. It will present an extensive range of products arranged according to their respective fields of application. The two largest exhibition sectors at the Hanover Fair will be those of machine construction and electrical engineering.

Almost at the same time, from April 27 to May 5, another exhibition will be held known as the German Aerospace Show at Hanover-Langenhangen Airport. The show, organised with the co-operation of the Federal Association of the German Aerospace Industry and Messe-AG, will cover all aspects of air and space travel, including airport equipment, ground installations and accessories. It may be recalled that at the previous show held in 1972, more than 150 aircraft were displayed to more than 200,000 visitors.

HMT Expansion

The Hindustan Machine Tools (HMT) watch factory and the Citizen Watch Company of Japan, its original collaborators, have signed an agreement which will enable HMT to increase its present rate of production and also develop the manufacture of watches almost wholly indigenous. Mr E. Yamada, President of the Citizen Watch Company, who signed the agreement, was accompanied by a team of technical experts. The HMT has now reached a stage to embark on further development to increase the domestic production capacity which in the prevailing conditions, cannot be realised without developing the indigenous content considerably. With this end in view, the HMT will be immediately creating the required infrastructure which, apart from other things, include plans for the manufacture of main spring hair spring, jewels and para shock units, currently being imported.

Hindustan Machine Tools will also increase its contribution to the country's defence preparedness when it starts producing machines for making shells for field guns which this country has acquired from the Soviet Union. After three days of discussions between the chairman of HMT and the Director-General ordnance factories, an order has been placed for machines worth about five crore rupees. The machines will be ready in 30 months and ordnance will start producing shells in another 12 months.

Oil Products from Soviet Union

The Soviet Union will supply one million tonnes of kerosene and 100,000 tonnes of diesel fuel costing around Rs. 100 crores to India during 1974. An agreement to this effect was signed recently between Indian Oil Corporation and V/O Soyuznefte-export", USSR.

Farm Aid from Soviet Union

The Soviet Union and India recently signed a protocol on the setting up of two sheep-breeding farms, an experimental goat-breeding farm and a sugar-beet cultivation farm in this country with Soviet assistance. The agreement, which follows the end of a visit by a Soviet delegation, envisages the training of Indian scientists at research institutions in the Soviet Union and the deputation of Soviet scientists to India for exchange of experience. The Soviet delegation visited the sheep-breeding farm being set up near Sikar, the Artificial Insemination Centre near Jaipur, the Central Research Sheep-breeding Institute at Malpura (Rajasthan). The Soviet delegation has also suggested that for cultivation of sugar-beet in Rajasthan, Punjab, Haryana and Uttar Pradesh, seed selection and agrotechnics of sugar-beet cultivation should be improved.

Japanese Loan for World Bank

Mr. Tetsuo Yamanaka, Chief, Foreign Department, The Bank of Japan and Mr. Aritoshi Soejima, Director of the World Bank's Tokyo Office recently signed a loan agreement under which The Bank of Japan agreed to lend the World Bank Yen 40.8 billion. The average maturity of this borrowing is 6-1/2 years. The interest rate will be based on the yield to original subscribers of Japanese Government Guaranteed Bonds. This transaction will bring to a total of Yen 540.8 billion, the amount which the World Bank will have borrowed in Japan in 16 separate operations, consisting of Yen 432.8 billion from The Bank of Japan, Yen 98 billion through six public offerings and Yen 10 billion through a private placement.

Names in the News

S. Krishnaswami, Joint Secretary, ministry of Finance, has taken over as the Chairman and Managing Director of ESSO Standard Refining Company of India Ltd., which has been formed recently. The union government has taken over 74 per cent of equity interest in the new company and the balance is held by ESSO Eastern Inc. After the completion of statutory formalities, this company's name will be changed to **Hindustan Petroleum Corporation Limited.**

Mr. K. L. Rajgarhia of Rajendra Paper Mills, New Delhi and Chairman Indian Paper Makers Association has assumed the Chairmanship of the Joint Committee of the Paper Industry with effect from the April, 1, 1974.

COMPANY AFFAIRS

Hindustan Lever

SALES OF Hindustan Lever Ltd have declined sharply to Rs 133 crores in 1973, recording a fall of Rs 7 crores over 1972. The drop in sales was mainly due to shortage of indigenous and imported oils limiting production of products dependent upon them. The adverse effect of this shortfall on profits was balanced by a higher adjustment in respect of taxation and distributable profits were Rs 392 lakhs as compared to Rs 350 lakhs for 1972. The directors have recommended a final dividend of Rs 1.10 per share, subject to deduction of tax, making a total dividend of Rs 1.80 per share for 1973. The directors propose to capitalise a part of the general reserve by way of issue of bonus shares and, if necessary, to vary the amount to be capitalised and the proportion in which the new shares may be issued in accordance with the approval of the Controller of Capital Issues, Reserve Bank of India, and will seek the shareholders' approval at the forthcoming annual general meeting. The opening months of 1974 have been very difficult particularly for the soap industry as the sharp increases in the cost of raw mate rials have not yet been met by any revision in the prices of popular soaps.

Dunlop India

The directors of Dunlop India Limited have recommended a final equity dividend of Rs 1.25 per share, subject to tax, for the year ended December 31, 1973. The dividend will be paid on or after May 21, 1974 to those members whose names appear in the register on May 17, 1974. Together with the interim dividend of 75 paise per share already paid, this makes a total ordinary dividend of Rs 2 per share for the year, the same as for 1972. Total income for the year at Rs 102.58 crores was 6.4 per cent higher than in the previous year mainly due to higher sales volume made possible by increased production at both the company's factories. Production at Sahaganj was higher than in the previous year in spite of continuous power cuts throughout the year. At Ambattur, the additional number of days worked during 1973 together with the full impact of the factory's expanded capacity partially offset the effect of the severe power shortage during the first half of the year, and output was considerably higher than in 1972. The balance from trading amounted to Rs 7.94 crores, an increase of Rs 2.18 crores over the previous year. This resulted from the higher sales volume, significant technical and operating economies, the use of raw materials out of stocks held at the end of 1972, and the substantial purchases of critical raw materials made in early 1973 at considerably lower prices than at present.

Depreciation and interest charges were Rs 195 lakhs and Rs 97 lakhs respectively and the profit before taxation amounted to Rs 5.02 crores. Taxation absorbed Rs 2.20 crores, leaving a balance of profit after taxation of Rs 2.82 crores. Transfer to development rebate reserve was Rs 48.5 lakhs while an amount of Rs 21 lakhs has been written back to the profit and loss account from development rebate reserve after the expiry of the statutory eight-year period. Total preference and ordinary dividends for the year amount to Rs 2.25 crores. The directors have transferred the balance of Rs 30 lakhs to general reserve.

Binny Ltd

Binny Ltd has improved its financial position considerably during 1973. Its turnover during the year were higher than in 1972 by Rs 5.77 crores while the net operating profit recorded a significant increase to Rs 250 lakhs, registering a gain of as much as Rs 155 lakhs in spite of an increase of Rs 5.08 crores in manufacturing and other expenses. By the end of 1973 the company had recouped the entire past losses and provided for the payment of the preference dividend up to that date. Moreover the company for the first time, after some years, has also achieved a reduction in the levels of borrowings and liabilities. The company's exports, including exports to Nepal and supply of fabrics to export garment makers to the tune of Rs 26.51 lakhs, amounted Rs 329.14 lakhs and the company by and large has fulfilled its export obligations for the year. The company which was registered as a recognised Export House in 1973 has now been approved as an eligible Export House. These achievements of the company were highlighted by the Chairman, Mr N.S. Bhat while addressing the annual general meeting of the company.

The company intends to increase its Research and Development activities and to this end R & D has been made the direct responsibility of a director. Moreover the diversification schemes which are certainly necessary in the long-term interests of the company, will also be handled by the director who will be responsible for Research and Development. The company has no plans to revise drastically the company's production pattern in the next four or five years as bulk cloths which form 80 per cent of its production are in good demand and likely to remain so. However the company realises the need for more flxibility and quicker responses to changing situations. The modernisation programmes of the company are expected to take care of this need. Meanwhile the government's decision to double the supply of controlled cloth by weaving mills will put an enormous burden on mills such as Binny which are not organised or equipped for the economical production of cheap cloths. Last yar the company did meet controlled cloth obligation but it cost the company as much Rs 50 lakhs. As cotton prices this year are 25 per cent over the last year's average, it is earnestly hoped that the government will realise the need to raise cloth prices correspondingly.

EID Parry

EID Parry Ltd has reported striking improvement in its working results during the year ended September 30, 1973. The Group's profit before providing for taxation and retirement gratuity, amounted to Rs 3.8 crores. The profit after providing for gratuity of Rs 31.33 lakhs amounted to Rs 286.24 lakhs, the highest so far in the history of the company. The Group's net profit after allowing Rs 174.77 lakhs for taxation, stood at Rs 111.47 lakhs. The impressive improvements recorded in the working of the company during the year was mainly due to the good performance of almost all the divisions in the Group.

Encouraged by the working results the directors have declared, after a break of three years, a total dividend of 10 per cent on ordinary shares. After payment of dividends on preference and ordinary share capital there is a disposable surplus of Rs 46.61 lakhs, out of which Rs 12.00 lakhs has been transferred to development rebate resevre.

The balance amount has been utilised to reduce the accumulated losses from Rs. 137.18 lakhs to Rs. 102.56 lakhs, out of which Rs. 65.78 lakhs relates to the holding company. The entire loss is expected to be wiped out as a result of current year's operations. The Group's liquidity position has considerably improved in the last two years. The management is considering how best to utilise the internal resources now available and will accrue in the future for investment in new manufacturing activities and other schemes for which plans are being drawn up. In pursuance of this policy the company is seeking government's permission to go in for the manufacture of a number of products. Two such proposals are for the diversification of its Ennore factory which is under the consideration of the government and for putting up a ceramic factory in a developing area in Maharashtra. Two main processing and storage units, a new seed processing unit and a cattle feed plant are also under excution. The company is also planning to set up factories in backward districts. On the export front, the company apart from exporting its own manufactured goods, has also started exporting marine products, textiles, leather garments and a host of other products. A separate division has been set up exclusively to promote the growth of exports.

Consolidated Coffee

Consolidated Coffee Ltd has received consent from the Controller of Capital Issues, to the proposed bonus issue, in the proportion of two fully paid ordinary shares as bonus shares for every five ordinary shares held, by capitalisation of the sum of Rs 71,54,980 from the general reserve account. Such of those members of the company whose names appear on the register of members of the company at the close of business on April 24, 1974 will be eligible for the allotment of these bonus shares.

Imkemex India

Since its inception in 1965 Imkemex India Ltd, which handles the exports of the ICI (India) Group of companies besides those of a wide spectrum of small and medium scale manufacturers, has earned foreign exchange to the tune of Rs 15 crores. Imkemex India's total exports, spread over 50 countries, during the year ended September 30, 1973 were over Rs 200 lakhs. Reviewing the activities of Imkemex at its annual general meeting the Chairman, Mr A.L. Mudaliar pointed out the various constraints affecting the national export effort. Referring to the correlation between increased production and exports as vital for the economic gorowth of developing countries, he stressed the need for a dynamic production policy and welcomed the government of India's proposal to set up a new department to promote export oriented production. Inadequate shipping capacity was another factor affecting exports, he said. Although Indian shipping has grown during the last 26 years from two lakhs to 26 lakhs g.r.t., only about 19 per cent of India's international trade is carried by Indian ships. The shipping opportunities from India to the South East and Middle Eastern countries are not only infrequent but there is a marked reluctance to carry products such as explosives and paints.

Another factor stressed by Mr Mudaliar was the inter-export house competition for the dwindling supplies of exportable goods resulting in wastage of effort. This aspect, he felt, needs a close review by the government. Mr Mudaliar referred to the government of India's revised instructions issued in July 1973 on classification of 'direct' and 'indirect' exports. A strict adherence to the terms of this notification would tend to inhibit the working of old established export houses such as Imkemex in that the methodology of documentation now stipulated would militate against the long standing procedures developed by manufacturer suppliers to meet the marketing and operational needs. Keeping in view the role expected of an export house, it is in-essential from a business angle to differentiate between 'direct and 'indirect' exports, as interpreted by the authorities. Obviously, all exports are undertaken by an export house for somebody else in accordance with such terms and conditions as are acceptable to the suppliers of the goods. The export houses must therefore conform to the clients' requirements, a fact not given sufficient weightage in terms of the CCI&E's circular. It is imperative that these instructions should be modified to suit the traditional documentation arrangement which have stood the test of time. A failure to do so would jeopardise the existence of some efficient export houses.

Kirloskar Cummins

The directors of Kirloskar Cummins have revised their earlier bonus proposal. They have now proposed to issue two bonus shares for every five shares held in lieu of one-for-five recommended by the board and approved by the shareholders at the annual meeting held on May 11, 1973. The revised proposal is subject to the consent of the Controller of Capital Issues.

News and Notes

(Expansion and diversification)

Triveni Engineering Works has planned further exansion and diversification of its activities. It is seeking government permission to import technical know-how for the manufacture of pentacrythitol. A new wor[k] shop has been set up at Bang

Microfilm Edition of Eastern Economist

EASTERN ECONOMIST, for the benefit of its readers, both at home and abroad, has made arrangements with University Microfilms of Ann Arbor, Michigan, USA, for the latter undertaking the reproduction of *Eastern Economist* on microfilm and through xerographic copies.

This arrangement covers for the present back issues of *Eastern Economist* starting from January 1971. The question of including issues from earlier years in this arrangement is under consideration.

University Microfilms will be sending the relevant literature to prospective microfilm subscribers. It is believed that this service will be of particular interest and value to libraries, business houses, firms, government offices and other institutions which may find it useful to maintain files of *Eastern Economist* for record and reference.

Prospective microfilm subscribers may address their enquiries to: Serial Publications University Microfilms, 300 North Zeeb Road, Ann Arbor, Michigan 48106, USA.

lore to undertake production of precision components and machinery for turbines. Commercial production is expected to start soon. The company has also obtained a 'letter of intent' for manufacture of Maag hardened and ground reduction gears, which are required in the manufacture of turbines and turbo-alternators. It is also intended to take up manufacture of steel and cement silos. Moreover, another new workshop is being established near Mathura in UP to manufacture Saturne diffuser and Stockdale chemical filter.

New Issues

Haryana Polysteels Ltd, a joint sector project floated by Haryayana State Industrial Development Corporation Ltd, has shown steady progress in the implementation of the project which is targeted to go into production in November 1974. The work on the project has already commenced at Hissar on a 40-acre piece of land. The company will be entering the capital market during the first week of May with an offer of 5,88,000 equity shares of Rs 10 each and 30,000 preference shares of Rs 100. The IFC, ICICI, Bank of India and National and Grindlays Bank Ltd have already sanctioned term loans of Rs 210 lakhs for this project. The company has been granted a letter of intent for 40,000 tonnes annual capacity wire rod mill, for which negotiations are in progress with the main suppliers. The billet plant with 50,000 tonnes annual capacity will be completed in November-December 1974 and the wire rod mill will go into production within the next 18 months.

Andhra Valley Power Supply Company, Tata Hydro Electric Power Supply Company and Tata Power Company proposes to issue debentures aggregating Rs 4 crores on April 22. Out of this Andhra Valley accounts for one crore rupees in 10,000 (8.5 per cent) fifth debentures of Rs 1000 each. Tata Hydro for one crore rupees in 10,000 (8.5 per cent) fourth debentures of Rs 1000 each and Tata Power for two crore rupees in 20,000 (8.5 per cent) sixth debentures of Rs 1000 each, all at par. The subscription list for this fully underwritten issue will close on May 2 or earlier but not before April 24.

Gian Agro Industries Ltd is setting up a plant at Ganaur near Sonepat in Haryana for the manufacture of guar gum and guar meal. The plant will produce annually 1,837 tonnes of guar gum and 5,325 tonnes of guar meal. Commercial production is expected to commence by October this year. To raise part of the resources required for the implementation of this Rs 34.50-lakh project, the company will soon be offering 1,20,000 equity shares of Rs 10 each at par to the public for subscription. The company hopes to have a turnover of Rs 70 lakhs and a pre-tax profit of 11 lakhs in 1975, the first full year of production.

India Gelatine and Chemicals Ltd, a new company promoted by Khimiji Visram and Sons of Bombay, proposes to manufacture ossein from crushed bones. The plant will be put up in the industrial estate of GIDC at Vapi in collaboration with the Japanese firms Messrs. Nichimen House and Messrs Takarazuka Gelatine Mfg. Construction of the factory is in progress and orders have already been placed for supply of machinery and equipment. When fully commissioned the plant will produce about 1200 tonnes of ossein and about 2160 tonnes of dicalcium phosphate as a by-product. The project is export-oriented as the entire production of ossein will be taken up by the Japanese collaborators at the international market price while by-product dicalcium phosphate will be sold in the home market for the manufacture of animal feed and fertilisers. The cost of the project is estimated at Rs 91 lakhs. Shares worth Rs 8.33 lakhs will be offered to the public for subscription.

Ramon Group has formed a new company called **Ramon Engineering Ltd,** to undertake the manufacture of mopeds of 49 c.c. capacity. The factory will be located at Aurangabad which is a backward area. The project estimated to have a capital outlay of Rs 70 lakhs is expected to start commercial production in the middle of 1975. The company proposes to offer to the public shortly 1.50 lakh equity shares of Rs 10 each at par. Moped, a smaller version of scooter, will have gears and will be 60-70 per cent the price of a scooter. The petrol consumption will be two-third of what is required for a scooter. The company will start with production of 6000 mopeds and increase it to 24,000 units in due course. The market for mopeds is assured because of a wide gap between demand and supply.

National Breweries is setting up in Assam's first brewery with an installed capacity of 25,000 hecto-litres of beer per annum. The brewery is expected to start production by July 1975. To meet a part of the finance required for the implementation of this Rs 1.4-crore project the company proposes to enter the capital market in June or July with a public issue of Rs 50 lakhs — Rs 40 lakhs in equity shares and Rs 10 lakhs in preference shares. The company's promoters will subscribe for equity shares worth Rs 20 lakhs. The project will be financed by the share capital of Rs 70 lakhs and bank loans of Rs 70 lakhs. The company does not anticipate any difficulty in marketing its products as Assam is one of the states with the highest beer consumption and gets its requirements from neighbouring states. The directors hope that the company will be able to declare a maiden dividend of 12 to 15 per cent for 1976, the first full year of production. The company's brewery will have provisions for expansion of the capacity to 50,000 hecto litres per annum. The expansion will cost about Rs 8 lakhs.

Company Meeting

Dunlop India Ltd: Dunlop House, 57 B, Mirza Ghalib Street, Calcutta 700 016; May 17; 10.30 A.M.

Interim Dividend

Richardson Hindustan has declared an interim equity dividend of 15 per cent for the year ending June 30, 1974. The company paid a total dividend of 20 per cent in 1972-73.

Dividends (Per cent)

Name of the company	Year ended	Equity dividend declared for: Current yeat	Previous year
Higher Dividend			
Hindustan General Industries	June 30, 1973	12.0	10.0
Jyoti	March 31, 1973	12.0	Nil
Ogale Glass Works	Dec 31, 1973	8.0	6.0
Asian Cables	Dec 31, 1973	10.0	7.5
Bombay Potteries	Sept 30, 1973	6.0	5.0
Tungabhadra Industries	Sept 30, 1973	12.5	5.0
Electrosteel Castings	Sept. 30, 1973	15.0	12.5
Asiatic Oxygen	Sept 30, 1973	6.0*	Nil
Gnanambigai Mills	Dec 31, 1973	12.0	Nil
Same Dividend			
Seshasayee Paper	March 31, 1973	12.0	12.0
Emco Transformers	Sept 30, 1973	10.0	10.0
Reduced Dividend			
J K Steel and Industries	June 30, 1973	Nil	5.0

*Maiden dividend.

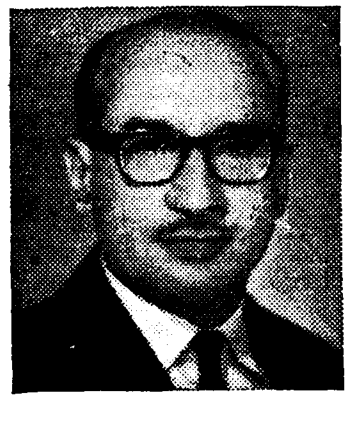
Need for Effective Rural Intermediaries:

Criticism of Banks answered

Speaking at the Nineteenth Annual General Meeting of the shareholders held in Madras, on Friday, the 29th March 1974, Shri R.K. Talwar expressed satisfaction at the progress made by several States in introducing legislative and administrative reforms to simplify the process of giving loans to agriculturists. He stressed the need for intermediaries to canalise the flow of commercial bank assistance and offered the State Bank's full support to the Farmers' Service Societies.

In the small industries sector the Chairman said, the State Bank's effort was to secure orderly progress for the units financed. Facile lending on the basis of half-baked schemes was freught with grave peril and would give a set-back to the much desired socio-economic transformation.

Replying to the criticism levelled against banks after the recent credit squeeze, he stated that banks had no option but to emulate the macro-pattern of the Reserve Bank's dicective in relation to their own customers.



Shri R.K. Talwar

Shri Talwar said:

It gives me great pleasure to welcome you all to the nineteenth Annual General Meeting of the State Bank of India. This is the first opportunity I have had of meeting the shareholders in Madras. It was in 1970 that the Board of Directors felt that it would be useful if these meetings were held in different cities as often as practicable. On the first such occasion we held the meeting at Ahmedabad in 1970 and on the second at Calcutta in 1972.

Working Results

The annual report, including the balance sheet as on the 31st December 1973 and the profit and loss account for 1973, is already in your hands. You will have observed that although there has been a fairly high increase in operating expenses, a more than corresponding increase in income has enabled us to present a marginally better net profit.

Credit Stringency

At this time exactly a year ago, I had occasion to refer to the then prevailing keen competition among banks for advances, flowing from excess liquidity in the banking system. Pradoxically demand for funds thereafter picked up and the momentum it gained remained unabated even in the traditional May-October slack season. Simultaneously the serious inflationary pressures in the economy began to cause concern. The Reserve Bank acted by clamping a series of credit curbs, notable among them being a progressively high cash reserve ratio, in three stages, and a quantitative ceiling on the level of credit expansion for the busy season from October 1973 to the end of April 1974.

In December 1973, as the banks proceeded to comply with the reserve Bank's quantitative ceiling, they faced the most vehement criticism from their customers. The protests from many, if not all, I must acknowledge. were not without force. Bankers could see the Reserve Bank's rationale. They also had sympathy for customers plunged in dire payments difficulties. specially those who had been lured in the days of competition barely a year before, and those who had exercised discipline and caution in drawing funds. Yet, for the banks the choice was small. The sheer novelty of the quantitative ceiling had caught them unawares. Without commenting in any manner on the propriety or otherwise of this macro-approach in our conditions, I think it should be permissible to say that by its very nature it becomes arbitrary, hitting all and sundry alike. Banks might conceivably have tempered its steamroller effect with a micro approach, showing consideration for particular cases. Each bank could have estimated its own quantum of expansion in the light of its potential resources, and differentiated between customers genuinely needy and professedly so. Unfortunately, however, the time needed for this vital exercise was just lacking. Many banks in turn therefore, had to emulate the macropattern in relation to their own customers, inviting their wrath, and rebuke to boot that they were harsher than necessary, practising a freeze when a mere squeeze was indicated. A misconception also seemed to prevail that banks should have redeployed their funds, i.e. recalled advances from some borrowers and passed them on to others higher in the scale of priority, the assumption being that this could be done at short notice. All I can say is that this does not work in practice.

We in State Bank found perhaps along with other banks, that even before the imposition of the quantitative ceiling, part of our permissible limit of expansion had already slipped from our hands. In our anxiety to redeem the situation we found no alternative but to impose a rule of thumb restriction on drawals against sanctioned credit limits. At the same time, conscious of our responsibility to keep the wheels of industry and commerce moving without deteriment to the credit policy, we proceeded to call for cash budgets from all our major borrowing customers with a view to appraising the irreducible minimum credit need of each up to the end of April 1974. Unfortunately, not may responded in the first place, and the response of those who did was halting. Many of the cash budgets received failed to prove the claims made that they represented the irreducible minimum needs. The degree of cooperation sought by us was not forthcoming. We are still doing our best in the way of a selective (or micro) approach, but I think it is pertinent to repeat the warning I have sounded at other forums, even in days of plenitude of funds, that temporary swings apart, credit stringency has come to stay, and larger borrowers might do well to so plan their financial structure as to progressively reduce their reliance on the banking system.

Two concessions given to banks and to certain other approved financial institutions, I feel constrained to point out, militate against the spirit of credit curbs, and extend a special favour to one set of large depositors in the matter of obtaining higher return on short term surpluses. Take the rediscounting of bills with these institution. Even when covering the sale or purchase of sensitive commodities, banks can offer such bill to financial institutions with impunity. The funds which the banking system thus obtains are the same as they would have had even otherwise in the shape of deposits, and advances from these would in that case have been subject to selective credit control. Another instance is that of participation certificates; here too, the funds obtained by banks from financial institutions steer clear of the discipline imposed on regular bank deposits. While a bank may lend not more than 60 out of every 100 rupees of its deposits, it remains unhampered in lending the entire amount of Rs. 100 derived through participation certificates.

The net effect of the cited transactions thus merits close scrutiny.

Inter-Bank Money Market

In respect of banks' resources, one point for consideration relates to the roundabout and expensive accrual of funds which should have flowed directly to them and at normal cost. The surpluses of the Life Insurance Corporarion and the Unit Trust awaiting investment used to be available to the banking system as deposits. But a sizeable chunk of these surpluses got diverted in 1970 when the monetary authorities permitted them to operate in the interbank call money market. The point I made then seems more valid now. The gains accruing to Life Insurance Corporation and Unit Trust from the call money market are in the nature of a windfall from a special concession at the expense of the banks. I would not have objected to the two institutions participating in the inter-bank money market if they had taken the rough with the smooth as banks do. I feel sorry that I am forced to revert to this point, but three years experience has shown that they have been perpetual lenders and I wonder whether they have borrowed even once. To permit intrusion by outsiders for the purpose of skimming the cream amounts to preferential treatment. There can be no question but that they are large depositors given a benefit denied to other depositors.

Small Scale Industries

As you are aware, we have been operating our liberalised scheme of assistance to small scale industries with a fare degree of success for well over a decade now. Apart from several modifications made to this scheme, new schemes such as the "Entrepreneur Scheme" have also been evolved. A significant step we took last year in this field, namely the restructuring of interest rates, reflected our concern for the smaller of the small scale units. Small units with total limits of less than Rs. 10,000/-are now charged interest at 7 per cent. The rates are progressively higher as limits rise, the highest rate being 10¾ per cent.

The application of this reform in itself brought into relief the variety in size, sophistication, profitability and growth potential of small units, bringing home the lesson that the same set of policies and attitudes may not be appropriate for the whole gamut. I do not think that the larger units require the same kind of nursing as the small ones which suffer from certain handicaps in their struggle for viability. As the units grow, they should reconcile themselves to stiffer discipline and normal cost of borrowing. We therefore propose to review all cases of small industrial borrowers enjoying limits of over Rs. 10 lacs to see whether the financial structure of each is appropriate to its scale and nature of operations. It is by no means being suggested that these units would be denied need-based assistance, but the intention is that they should be subject to better discipline which is inescapable from the point of view of their transition to the medium or large scale sector.

In the process of financial restructuring, we are in a position to offer comprehensive advisory services through our Merchant Banking Division. We have identified some units as needing such assistance but their response to our efforts to assist them has been disappointing. I would like to take this opportunity to reiterate to these clients that our eye is not on the immediate future. We are interested in their progress in the long run.

As for the Entrepreneur Scheme, from the experience of the past 4/5 years we had found that interest cost was indeed a burden for this class of borrowers excepting a few engaged in highly profitable lines. In the context of our objective of nurturing the growth of entrepreneurship, we realised that these units required special support. It was for this consideration that we decided to reduce the interest rate to a flat 8½ per cent for the first three years. The Reserve Bank's directive prescribing a minimum rate of 11 per cent on advances with aggregate limits of over Rs. 2 lacs has, in my view, hurt these borrowers. Quite a few entrepreneurs have exceeded this limit for their borrowings and yet I feel they continue to merit special consideration.

Our effort in the small scale sector, I need hardly say is to secure orderly progress for the units financed so that they may become models for others to emulate. Facile lending by banks on the basis of half-baked schemes might perhaps show them in better statistical light as far as creation of job opportunities is concerned Such a course, however, is fraught with grave peril. Ultimately, small scale units have to stand on their own legs, and their failure to do so will lead to frustration giving a set-back to the much desired socio-economic transformation.

Agricultural Finance

On previous occasions I had referred to the legal disabilities facing commercial banks in the field of agricultural finance and urged State Governments to remove them. I had also expressed concern over their lack of appreciation of the role of commercial banks. I am happy to record that since then, the response of several State Governments to our pleas has indeed been heartening. Many states have made satisfactory progress in introducing legislative and administrative reforms to simplify the process of giving loans to agriculturists. They have also been helpful in making available the services of technical staff for work connected with loan appraisal, follow-up and supervision. The favourable climate created by these steps should help us in planning a more vigorous effort in agricultural finance.

I had mentioned three years ago our plan to open, over a period of time, about 150 special branches in various parts of the country to promote agricultural development. This has been done.

Most of our agricultural Development Branches are situated in areas covered by development schemes for small farmers, marginal farmers and landless labourers, others being in areas where schemes such as multiple cropping programmes or tribal development schemes are in operation. Our loaning programmes at these branches are preponderantly in support of small farmers. Credit disbursement follows the formulation of specific schemes covering minor irrigation, land development, storage and processing and ancillary activities such as dairy and poultry—in short, all aspects required to make agriculture a viable business-occupation.

The induction of commercial banks into direct agricultural finance was meant to supplement the efforts of the other agencies in the field, particularly the cooperative banks and societies. It is common knowledge that there are severe limitations to widespread expansion of agricultural credit through commercial bank offices. At the same time, we are deeply conscious of a sense of void at the lack of our presence in each village. All this brings home to us, in sharp relief, the need for effective intermediaries to canalise the flow of commercial bank assistance.

The importance of such institutional framework lies, first of all, in reaching the villages themselves particularly those where the prospect of banks' entry is remote, and in evolving locally any plans of economic uplift. It is then that finance for agriculture will become fruitful. This is why we would like to see the primary societies gaining in strength in terms of coverage of households and viability, with the aid of the financial and managerial resources of the commercial banks. As each society grows, it could emerge as a multipurpose agency, not only meeting the diverse needs of agriculture but also those of village industries, artisans and others in gainful economic pursuits. I believe that this agency can there after be helped to become the hub of the village, providing the basic organisational unit for initiating and implementing any form of economic or social development.

I am glad that an increasing number of State Governments have accepted this point and have decided not to stand in the way of linking primary co-operative credit societies with commercial banks. Many hurdles still remain to be crossed in the process of establishing this relationship and, where this relationship prevails, developing it on sound healthy and stable lines. It is our responsibility to demonstrate in the chosen areas that the tie-up of primary cooperative societies with commercial banks is not only mutually beneficial but will benefit the people whom both institutions strive to serve.

For the purpose of routing commercial bank finance, the Farmers' Service Societies that are being launched on an experimental basis in certain parts of the country will be another important vehicle. I fully support the concept and we are prepared to collaborate in all possible ways with any well conceived venture in the form of such societies. I have earlier expressed the view which bears repetition, that these agencies will need effective local participation and leadership. We look to the State Governments which have opted for this experiment, to help bring this about. For our part, short of ourselves creating or sponsoring such agencies we would be only too happy to associate ourselves even in designing their financial organisational and administrative structure so that we can work with these societies in close harmony.

International Banking

In the area of international banking the diversification of the business operations of our London Office has now come to stay. With a view to increasing our deposit resources in London, one more branch was opened last year and we have plans to open two more this year. The business of our New York office was further stabilised and we have a proposal to establish an off-shore branch at Nassau to support our New York and other overseas operations. Much of the preliminary work connected with opening of our branches at Frankfurt and Dacca has been completed and we hope to commence operations at these centres before long.

We have given considerable thought to our overseas expansion in the context of the growing volume of the country's foreign trade and more particularly, as a measure to support our export effort. Branches in the major cities of the world are quite costly and more so in the wake of spiralling inflation. We will need specially trained staff to man them. It is also not as though our objectives in international banking can be met by having a few offices in isolated pockets serving some specific purpose or the other. We will have to frame a coordinated plan with a well established order of priorities. For example, worthwhile opportunities are opening up for Indian industrialists for exporting complete industrial units in the intermediate technology range on a turn-key basis as also supporting consultancy services. Such exporters and other Indian joint ventures abroad require, apart from necessary bank facilities in India, strong banking support at the overseas centres for meeting local costs, arranging remittance of funds, and other bank services for day-to-day transactions. Comprehensive domestic and international banking services could be provided by us if we were established in the importing countries either directly or indirectly. Secondly, regions like the Middle East have emerged as major reservoirs of foreign capital resources. Our presence in such regions can help to attract much needed investment capital for our country. Branches established for such specific purposes will require avenues either for investing their surpluses or for borrowings in the course of their banking operations. This will mean our presence at the key financial centres of the world. It is thus that a net work of overseas offices will have to develop more or less simultaneously. We are, therefore, drawing up a three to five year plan taking into account these factors, the availability of competent staff and the need to take advantage of emerging business potentialities as quickly as possible.

Staff Relations

In the field of staff relations, I have described in the past our corporate philosophy based on the conviction that our employees are our greatest resource and it is their individual growth that will perpetuate and nourish this institution's successful functioning. The job enrichment plan we have adopted for this purpose is now being experimented at 18 branches of the Bank.

In our relationship with the staff unions, an important development during the last year was the reiteration of our mutual desire to avoid work stoppages arising from industrial disputes. Differences between management and unions will arise, but we believe that these can be resolved through discussion without causing inconvenience to the public. With this conviction we have set up management-union councils at the Circle and Central Office levels. All matters likely to cause industrial unrest will be discussed at these forums and no party will resort to unilateral action while the matters are under such discussion. There is some evidence to show that this machinery is proving useful. A feeling of mutual trust and confidence has been generated, not merely through talking about it, but by the actions taken by both sides in all things big and small.

Reorganisation and Performance Budgeting

One phase of the total plan of reorganisation, connected with a more rational allocation of functions and responsibilities, was completed during the year with the appointment of Dy. Managing Directors at Central Office. Efforts are continuing at stabilising the new executive roles at various levels and these are now integrated with our regular training programmes at the State Bank Staff College.

The performance budgeting system introduced in the Bank completed the first full year of operation on a whole-bank basis. The experience has been very rewarding and we are convinced that we are on the right path of improving our methods of business planning and management control.

Change in Directors

The composition of the Central Board and the Local Boards underwent substantial changes during the year, Bhopal and Patna Circles now have representative Local Boards in line with those in the other Circles. I would like to place on record our thanks to all those who have ceased to be on the Boards for their valuable association with us and welcome those who have newly joined us. Shri B.D. Garware, a senior member of the Central Board long associated with the Bank, has been appointed as Vice-Chairman. We are happy to have his continued guidance and support.

AIYARS, S. 477

Tamil Nadu Small Industries Development Corporation Limited

122, Anna Salai, MADRAS-6.

Text of Speech of Thiru C. N. Raghavan, I. A. S., Chairman and Managing Director, Tamil Nadu Small Industries Development Corporation Limited at the Third Annual General Meeting of the Company held at Madras on 27th February, 1974.

Friends,

I have great pleasure in welcoming you all to the Third Annual General Meeting of the Company.

The annual accounts and audited balance sheet and Directors' Report pertaining to the Company for the year ended 31st March 1973 have been circulated to all the Share holders and with your permission I shall take them as read.

Thiru C.N. Raghavan

The Report of the Directors would reveal that the Company has expanded its activities in the fields of distribution of raw material, supply of machinery, construction of worksheds etc. The Scheme for the assistance for preparation of feasibility studies and the scheme for the development of ancillary industries add new dimension to the activities of Corporation. The Company has achieved tremendous heights in the distribution of scarce raw material and has covered a few more scarce items like caustic soda, zinc, palm oil etc., during this year. The company has distributed raw materials worth Rs 4.18 crores during this year. The Company registered the demands of as many as 1500 small scale industrialists and 2200 fabricators from all the districts of the State. The Company is taking all possible steps to mitigate the difficulties of Small Scale Industries arising out of short supply of raw materials. In order to ensure at least some quantity of the right type of material at the right point of time, we have made the system of ad hoc allotment against specific order obtained by Small Scale Industries from leading and reputed industries and orders from the Railways, Defence Departments and other priority sectors more broad-based and new Small Scale Industries all over the State enjoy the benefit.

The Company recorded a commendable rise in the progress of its Hire-Purchase Schemes under which machinery required are procured and supplied and the workshed constructed and allotted. The number of entrepreneurs provided with machinery and the value of the machinery so provided under the scheme has increased two-fold as compared to the performance in 1971-72. The Company has assisted 401 entrepreneurs with Machinery worth Rs 169 lakhs, during the year under report as against Rs. 75 lakhs worth of machinery for 154 entrepreneurs in the year 1971-72. The Corporation has built up the tempo within a short period of 2½ years by systematic and planned approach, taking advantage of the wind of change in the field of small scale industry. We are well aware that our present problem is not the lack of entrepreneurial skill but lack of facility for identifying projects. We have hundreds of young entrepreneurs throbbing with enthusiasm and deep interest in starting new Industries. In order to make best use of the entrepreneurial skill by giving them proper guidance and counsel on the suitable project, our Corporation has introduced a scheme during this year to give assistance for the preparation of project reports and feasibility studies at the instance of the entrepreneurs, engaging reputed consultants. Special concessions are being given to technocrats.

Again seized with problems of the development in the everwidening field of electronics, our Corporation sparing no energy and losing any time constituted an Electronic Cell under a Senior Officer for giving counsel and guidance and preparing projects reports for the use of entrepreneurs. The cell is becoming popular and a number of entrepreneurs are availing themselves of the benefits.

Similarly under the workshed scheme also, the response has been heavy. The workshed designed and constructed by the Company, conforms to requirements of factory act and individual needs of the entrepreneur. Under this scheme, the Company has taken up construction of 72 sheds at a cost of Rs. 49 lakhs in SIDCO Industrial Estate at Ambattur. Besides these sheds 26 sheds are being put up at Coimbatore. Further the Corporation has put up Ancillary Industrial Estates at Tiruchirapalli and Ambattur to cater to the needs of Bharat Heavy Electricals Ltd., and T.I. Cycles of India respectively. We have taken up construction of 12 sheds at an estimated cost of Rs. 24 lakhs at Tiruchirapalli. The Ambattur Ancillary Estate serves 19 ancillary industries. Consistent efforts are being taken to identify more ancillary industries. This striking development in Small Scale Industries has thrown open wider scope for the establishment of ancillary contact between large and small industries. The success so far achieved in the field has given us the courage and confidence to explore the possibilities of putting up more industrial estates in future.

The repayment of the instalments under Hire-Purchase Schemes commenced in respect of a considerable number of cases during this year. Taking a lesson from sister Corporations the Co. did not lose time to take steps to pursue recovery work through its Recovery Cell. Recovery Cell has been constituted to attend effectively to collection of instalments then and there. Timely actions are being taken for recovery of instalments due to the Corporation. The progress made under this direction is satisfactory.

The company launched a New Loan Scheme from 1-4-72 hitherto implemented by the Director of Industries & Commerce. The Company adopted a more simplified procedure and the term of the company in regard to rate of interest, mode and period of repayment of loan etc., are attractive. During the year, 386 entrepreneurs were granted working capital loans to the value of Rs 37 lakhs.

Shareholders would be glad to know that the company is in close liaison with the State Trading Corporation of India in regard to meeting the needs of imported raw materials of Small Scale Industries and in regard to finding export markets for the finished products of small industries. I have every confidence that these long standing liaison arrangements with the State Trading Corporation of India would go a fruitful way to assist small industries of the State. In furtherance of these arrangements, specific studies of a few select sections like leather, processed foods and ceramics have been taken up.

SIDCO can also take legitimate pride in being one of the Public Sector Organisations which have started earning profits from the very inception. The profit for the year under review was higher than that for the previous one. If the past is of any indication there is no doubt that the SIDCO will embark on its voyage on aims and achievements for 1973-74 with clear courage and confidence.

Before I conclude my speech, it is my privilege and pleasure to thank the Directors, Officers and Staff of the SIDCO for their zealous service and conscious dedication with which alone, the Company could carry out programme with success during the year under review.

The Company conveys its profound gratitude to the Government of Tamil Nadu particularly to our dynamic Minister of Industries Thiru S. Madhavan for the good counsel and assistance received from the Government at every stage of implementing its assistance programmes. The company owes a large share of the dividend of its success to the Government of Tamilnadu.

Note: This does not purport to be the proceedings of the Meeting.

ARUNA SUGARS LIMITED

Regd. office: Meco House, 11-A/1, Mount Road, P. B. 2770, Madras-600002

Chairman's speech

Ladies & Gentlemen :

I have pleasure in welcoming you all to the THIRTEENTH Annual General Meeting of your Company.

The Director's Report as well as the accounts for the year ended 30th September 1973 have been with you for some time and with your permission I take them as read.

Though the general economic picture is rather gloomy, with energy and transport bottlenecks hampering internal production and the large increases in the world prices of oil and other raw materials imposing an ever increasing strain on our foreign exchange resources, there are indications that the need for increasing production primarily in the agricultural sector is now being recognised by the Government.

In this context I am happy to say that the performance of the Sugar Industry in particular has been truly encouraging due to the pursuance of a pragmatic policy by the Government and due to strenuous efforts by entrepreneurs in different regions in developing this industry. An impressive progress has been made by this major industry latterly and it has an assured future.

Shri K. Palani, Chairman

I would, therefore, like to emphasise that the recent developments in the National and International scene should not induce in us a feeling of despondency and diffidence. On the contrary it has already provided sufficient food for thought as to how to increase sugar production and step up export of sizable quantity of sugar and take advantage of the boom in prices for this product in the world market.

Coming now to the affairs of your Company you would have noticed from the working results for the year ended 30th September 1973 that our earlier expectations of a satisfactory level of operation and earnings were not fulfilled due to unexpected difficulties arising out of the breakdown of the newly installed Turbo-alternator for the expanded capacity from 2000 to 3000 tonnes of cane per day. This has been referred to in greater detail in the Report and the Circular issued by the Managing Director.

Taking into consideration the prospects of your Company in the current crushing season your Directors have decided to recommend a dividend of 15% (taxable) on Equity capital which I am sure you would consider satisfactory in the circumstances.

It has been explained in the Ditectors' Report the circumstances under which a fresh resolution has been tabled before you for the issue of Bonus shares. I request you to give your accord for the proposed issue of Bonus shares.

I shall now make some observations about the problems on developments concerning our Major Industry.

The policy of partial decontrol in the past three seasons has yielded gratifying results. It is expected that the output of sugar will constitute an all-time record of about 45 lakh tonnes for the curent season. Eventhough the production for the first four months of the current season at 17.50 lakh tonnes is short of the output for the corresponding period in 1972-73 by 2.50 lakh tonnes, it is still hoped that the target will be reached and all the main producing regions will make a creditable contribution to this performance. The crushing season is expected to be prolonged in Uttar Pradesh and Bihar as in Tamilnadu. The State Government should agree to waive the Cess and Purchase Tax on cane crushed during the summer months, when there will be a fall in the average recovery. The Government should also make special increased allotments of fertilizers to meet the needs of the Industry fully.

I would like to point out however, in this context, that the fixation of levy prices for different regions is not quite satisfactory. I hope the Government of India will give due consideration early and revise the prices taking into account various factors.

It is heartening however, to note that the increase in sugar production will be coming about at a time when there is a World-wide shortage of this sweet commodity. The International market quotation had risen around £ 270 per tonne, which is the equivalent of roughly Rs 5,300/- per tonne on a c.i.f. basis is much higher than the prices prevailing in the country for free market sugar including the Excise duty levied by the Government. In view of the difficult foreign exchange situation now confronting the Country on account of higher provision for the import of crude, it is heartening to note that the Sugar Industry is now placed in a position to earn large sums of foreign exchange. Exports of 5 to 6 lakh tonnes can be easily effected in 1974-75 fetching over Rs 250 Crores, even allowing for the possibility of a drop in values after some time. Never has there been such a position as at the present in which the World-wide sugar shortage co-existed with a situation when we have a sizable exportable surplus. The present opportunity should therefore be fully utilised.

As the Industry has suffered losses on its own account when exports had to be subsidised heavily, I request that the Government should examine and agree to the Industry getting a share of the profits that would be made on exports.

In view of the likelihood of a steady increase in World-wide consumption of sugar and the availability of attractive prices for exports, the Government will have to help the Industry to increase its output steadily in the ensuing years. We can no longer afford the wide fluctuations in the output of sugar as witnessed in the past years.

I will be failing in my duty if I do not focus your attention to the new importance gained by the sugar industry recently. The necessity of raising the output of sugar in a sustained manner in the coming year to reach a target of 60 lakh tonnes by 1978-79 has become imperative in order to meet the growing need of the internal market, maintain a high level of exports and also meet the demand for industrial alcohol in inceteasing volume A higher level of output of sugar will necessarily facilitate larger production of alcohol as there will be greater availability of molasses. Alcohol has many industrial uses and can also be utilised as fuel with suitable mixture of petrol. The increasing use of alcohol will, I need hardly say be helpful in saving considerable sums in foreign exchange by releasing pressure on imports of petroleum products like Naphtha. The Government should therefore, provide necessary encouragement to the Sugar Industry and Distilleries to discharge their responsibilities and help them play a vital role in improving our economy.

In order to achieve a target of 60 lakh tonnes of sugar production by the end of the 5th V-Year Plan, and to induce the growers to cultivate more and more sugarcane, the cane-growers — the sugar Industry admits — should get a fair deal by way of fair price, and should be helped to produce economic yield per acre. Towards this end, it is necessary to meet the demand of the fertilizer requirement of the farmers and to give top priority in the supply of power for irrigation and also to arrange for meeting the needs of transport by supplying adequate quantities of diesel oil, furnace oil, petrol, etc. The present attitude of the Government that the cultivation of a cash crop like sugar-cane should not be given priority in the matter of supply of any of these categories of infrastructure, should undergo rethinking on the part of both the State and Central Governments.

I hope the suggestion made by the Industry in this connection will receive due consideration of the Governments.

Turning now to the prospects for your Company in the current season I am glad to say that the crushing operations at Pennadam are proceeding satisfactorily and the factory is expected to handle as much as 4.3 lakh tonnes. The avreage recovery also promises to be better than that achieved in the past season and with the expectation of satisfactory prices being realised on sales in the open market your Company is likely to achieve a better level of earnings in 1973-74 in the absence of unforeseen developments.

While every effort is being made to derive the maximum benefit out of the newly created facilities, you will be happy to know that your Directors have finalised arrangements for implementing a new expansion scheme which will result in a further increase in the crushing capacity to 4000 tonnes daily. It is proposed to instal, in this phase of expansion, Diffusers which will be helpful in raising the recovery of sugar significantly. The cost of the scheme is estimated at Rs.290 lakhs which is proposed to be found to the extent of Rs 150 lakhs from Industrial Finance Corporation of India, Industrial Credit & Investment Corporation of India Ltd., Life Insurance Corporation of India and the Unit Trust of India and of Rs 10 lakhs from the Tamilnadu Industrial Investment Corporation Ltd. in the form of loans. The State Industries Promotion Corporation of Tamilnadu Ltd has been kind enough to provide an interest-free Sales-tax loan of Rs 41.78 lakhs as your factory is located in an industrially backward area notified by the State Government. The balance of Rs 88 lakhs is expected to be secured from our own internal accruals and if necessary by raising fresh Equity capital of about Rs 30 lakhs. Firm orders have already been placed for the machinery with indigenous suppliers and I am sure it will be possible to claim the benefit of Development Rebate which is being made available by the Central Government till the middle of next year. Necessary steps are also being taken for extending the area under cane and for improving the quality of cane. I am sure you would agree that the future appears very re-assuring.

The relationship between labour and the Management remains cordial.

I take this opportunity to place on record the Company's appreciation of the work done by all the Officers and staff at all levels during the year both on behalf of the Board of Directors and on my own behalf. I am sure their sense of involvement and dedication will continue to grow so that your Company can successfully face bigger challenges and take full advantage of the several opportunities in the coming years.

Before concluding, I would like to thank and record my sincere appreciation of the co-operation extended by the shareholders, financial institutions, sugarcane growers, Central and State Governments for their utilities in the successful working of the Company.

(This does not purport to be a record of the proceedings of the Thirteenth Annual General Meeting of the Company).

RECORDS AND STATISTICS

mport policy for April '74-March '75

HE NEW import policy has een framed in the context of severe strain on foreign exhange resources of the couny, but over-riding preference as been shown to provide imorted inputs in order to strenthen the base for export roduction. Government also itends to make available ssential imported inputs or industries which are basic the national economy.

Special facilities for exporers and for the small scale inustries, greater facilities for nits set up in a backward area nd for units set up by engineering graduates and ex-service personnel, a more liberal policy for import of maintenance spares, added facilities for Research and Development, export performance of 20 per cent of production to enable a non-priority unit to earn priority treatment, continuance of the scheme of compulsory export obligations, a revised scheme for supplies of indigenous raw materials to exporters and a dominant role for public sector agencies in import trade, are some of the significant features of the new import policy.

The scheme of eligible Export Houses has been rationalised in order to make it more export-oriented.

Import control and licensing procedures have been substantially simplified.

Import Policy for Actual Users

Priority industries will, as hitherto, apply for import of raw material and components on the basis of actual consumption. In the first instance, applications will be entertained for the half year April-September, 1974. Having regard to the need for optimum utilisation of available foreign exchange resources, licences will be allowed taking into consideration the importance of user industries to the national economy as also the needs of export production.

Units in the non-priority sector will also have to apply for their six months' requirements in the first instance.

Units engaged in non-priority industries will get priority treatment if they export atleast 20 per cent of their production.

Units which export atleast 10 per cent of their production will be eligible for preferred sources of financing.

The list of industries in which large scale units have a compulsory export obligation of 5 per cent of their production, has been reviewed. One industry, namely, "car wheels" has been deleted from the list and two industries viz., (i) Tungsten carbide tips and tools; and (ii) domestic refrigerators have been added to the list of industries for compulsory exports.

Selected priority industries of special importance will be granted import licences for a higher value than other units in the priority sector.

Facilities for Small Industries

In view of the uncertainties in the availability of scarce raw materials abroad and current shipping difficulties, a major concession has been shown to small scale industries to enable them to place orders straightaway on the foreign suppliers and arrange imports to cover their requirements for the first six months of 1974-75. In the case of these units, the licences for raw materials, components and spares issued for 1973-74 will be automatically valid for "repeat operation" to the extent of 50 per cent of their value. For this purpose, the licences will also have an additional period of validity. It will not be necessary for the licence holders to apply to the licensing authorities to obtain any endorsement on their licences for availing of this facility of repeat operation. The customs authorities as well as banks will accept these licences for an additional 50 per cent value. Similarly, release orders in respect of canalised items issued to these units for the year 1973-74 will be repeated by the licensing authorities for an amount equal to 50 per cent of their value. These units will be required to apply for fresh licences only in the second half of the year 1974-75.

Assessment of capacity of priority industries in the small scale sector will continue for the purpose of determining their import requirements.

Small scale industries set up in backward areas or by engineering graduates or ex-service personnel will have the following additional facilities:—

(i) Import licences for raw materials and components will be issued to them on the basis of 70 per cent of the value of installed machinery, as against 40 per cent in the last year, and subject to a maximum of Rs 2.0 lakhs in value, instead of Rs 1.5 lakhs last year.

(ii) Non-priority industries set up in such cases will be given the same facilities and treatment as if they belong to the priority sector.

(iii) The canalising agencies will provide canalised imports of raw materials to these units at a concessional price which is normally charged from exporting units.

(iv) Where the import entlement of these units does not exceed Rs 10,000/- in value, the licence will be issued fully against free foreign exchange.

Import of Spare Parts

The policy for the import of spare parts required for maintenance of machinery has been liberalised as under:—

(i) For large scale units, the imports of spare parts will be permitted at the rate of 2½ per cent of the valus of imported machinery, as against 2 per cent. (For small scale units, there is already a higher rate of 4 per cent of the value of imported machinery, which will continue).

(ii) The entitlement of actual users for the grant of emergency licences for import of spare parts has been increased from Rs 10,000/- to Rs 20,000/- for large scale industries and from Rs 4,000/- to Rs 8,000/- for small scale.

Priority industries and manufacturer-exporters will be allowed to import restricted spare parts of a higher value, namely, 5 per cent of the value of licence or Rs 3.0 lakhs whichever is lower, against their import licences for raw materials and components. Last year, this limit was 5 per cent of the value of the licences subject to a maximum of Rs 10,000/-.

All industrial units will be eligible to apply for import of spares, even if they do not require imported raw materials.

Import of Banned Items

Actual users and manufacturer-exporters will have an automatic facility of utilising 5 per cent of the value of their raw material licences for import of essential items which are otherwise banned for import.

Import Policy for Registered Exporters

While the import policy for registered exporters will continue in its basic structure, certain additional benefits have been provided to the industry to strengthen the base for export production. In respect of export products for which the rate of import replenishment is less than 50 per cent, an additional allocation for an amount equal to 10 per cent of the normal replenishment will be allowed to exporters. This will take care of the disadvantages which exporters are likely to encounter on account of a higher price of imported raw materials and will also provide some cushion to accommodate imports, by special endorsement, owing to inadequacy of domestic inputs.

A major step has been taken to assist manufacturer-exporters to arrange timely imports of their requirements and to plan their exports accordingly, in the changing international markets. Manufacturer-exporters will be permitted to utilise on a "repeat basis" the import replenishment licences obtained by them during 1973-74 on their own exports. The value of licences utilised under this facility of "repeat operation" will be adjusted against normal export entitlements over a period of 18 months from 1.4.1974. From each entitlement, 75 per cent of the value will be taken for adjustment and the balance 25 per cent will be left out for being used by the manufacturer-exporter. Exporters making use of this facility of "repeat operation' of last year's licences will not have to obtain any fresh licences. They can apply for a suitable endorsement on their existing licences, making them valid for repeat operation.

IRMAC (Industrial Raw Materials Assistance Centre) Operation by Export Corporations of State Governments

Facilities will be provided to Export Corporations of State Governments to make supplies of imported materials off-the-shelf to exporters in the small scale sector against valid licences held by them. For this purpose, imprest licences of a suitable value will be issued to the Corporations.

Supplies of Indigenous Raw Materials to Exporters

The scheme regarding supplies of raw materials at international price by indigenous producers to exporters will continue. More items have been added to the scheme. The indigenous suppliers will get the advantage of such supplies as if they have made exports.

If an indigenous producer is under an obligation to export an item and if he can supply the same item to an actual user or an exporter holding a valid licence for that item, such supply will be considered as an export for the purpose of discharging of the export obligation imposed on the indigenous producer.

Under another new scheme, import licences for raw materials granted to actual users engaged in certain selected industries will be issued subject to a condition that 10 per cent of his production shall be set apart for exporters. This condition will in particular apply to Polystyrene, Polyethylene moulding powder and P. V. C. resins manufacturing industries.

Conversion Deals

A scheme to facilitate conversion deals has been introduced. Under this, raw materials will be allowed to be imported for re-export after processing.

Project Exports

Indian firms and organisations undertaking project exports will be given the necessary facilities. Arrangements have been made to process such proposals quickly.

If a proposal pertaining to 'project export' involves imports from third country to the country in which the project is undertaken and the goods to be imported from third country are required for completion of the project, the value of such third country imports may not be set off against the import replenishment due to the applicant in respect of the project exports from India, provided (i) the value of such third country imports is not more than 25 per cent of the f.o.b. value of the contract for the project and (ii) the payment in respect of such imports is received either in advance or immediately after arrival of machinery. Cases not covered by this provision will be considered on merits.

Eligible Export Houses

The scheme regarding eligible export houses will continue with several modifications which have been introduced to make the scheme more export-oriented. These are:—

(i) The overall value limit of exports of Rs. 25.0 lakhs will continue for the grant of eligibility certificate. The value limits for individual product groups have, however, been substantially increased.

(ii) A minimum export performance will not be the only qualification for the grant of eligibility certificate to an Export House. There will be other considerations such as, the managerial capacity of the export house, its organisational capacity and professional expertise, market surveys conducted by the export house and publicity of Indian goods undertaken abroad.

(iii) For renewal of eligibility certificate, the export house will have to show a minimum 10 per cent growth in exports per annum. When exports have gone beyond Rs 3.0 crores, the minimum annual growth must be 5 per cent

(iv) At least 60 per cent of the obligatory exports made by an Export House in a year should constitute exports of goods produced by those manufacturing units to whom the imported raw materials was allocated by the export house during that year. Failure to comply with this condition will render the export house ineligible for renewal.

(v) If an Export House has exported goods produced by a manufacturer who is himself under an export obligation, such exports will qualify for the discharge of export obligation of either the manufacturer or of the Export House and not of both. Also, the Export House will not be allowed to take into account such exports for the purpose of claiming initial and supplementary initial licences.

The facility provided to Export Corporations of State Governments and to the consortia of small scale units in setting up export houses will continue. In the case of consortia of small scale units, the annual growth rate for renewal of eligibility will be half of what has been stipulated for other export houses.

Canalisation of Imports

Public sector agencies will continue to have an expanding role in the import trade. Ten more items have been included in the list of canalised imports. A list of these items is given in *Annexure-I*. This brings the total number of commodities canalised for imports to 210.

Registered exporters will continue to have the facility of obtaining letters of authority in respect of canalised items.

Facilities for Research and Development

Requirements in respect of raw materials, components and spares for research and development organisations approved by government, upto a value not exceeding Rs 25,000/- will be liberally met. Import applications for a value higher than this will also be considered on the recommendations of the Department of Science and Technology.

Open General Licence

The import of certain essential raw materials required by industry, will continue to be allowed on Open General Licence. A list of these items is given in *Annexture-II.*

Established Importers

Subject to certain conditions, established importers will also have the facility of repeat operation of their licences for 1973-74 and no fresh licence will be issued to them. This will mean a simplification of procedures.

In respect of five items, the quotas for established importers have been reduced. These include spare parts of some machinery, fur skins and instruments. A list of these items is given in *Annexure-III.*

Change in Item-Wise Policy for Actual Users

A number of items for which for indigenous capacity has developed, will not be normally allowed for import. A list of these items is given in *Annexure-IV.*

Certain items have been put under face value restrictions. A list of these items is given in *Annexure-V.*

Certain items which were not being allowed for import would now be allowed. A list of these items appears in *Annexure-VI.* In respect of certain items, the face value restrictions for small scale units have been relaxed, within the overall value of the licence.

Simplification of Procedures

(i) A major simplification has been introduced in the case of small scale industries, manufacturer-exporters and established importers by introducing the system of repeat operation of the licences issued for 1973-74.

(ii) Procedure for considering applications for advance licences from registered exporters has been simplified by delegating more powers to the regional licensing authorities.

(iii) The procedure for allowing import of machinery against export entitlements has been simplified.

(iv) A special scheme of imprest licensing has been introduced for exporters of gem and jewellery.

(v) The scheme of simplified procedure for processing of applications for import replenishment licences from registered exporters will continue.

(vi) The validity period of import licences issued on General Currency Area and Rupee Payment Area for raw materials, components and spares has been increased to two years.

(vii) The procedure for import of capital goods has been simplified. Applications for import of machinery above a certain value will be dealt with by the Secretariat for Industrial Approvals. The import policy also gives a list of machineries which have been cleared from indigenous angle for the purpose of import and in respect of which individual entrepreneurs will not be required to issue separate advertisement by way of notice to individual manufacturers before applying for imports.

Import Policy for April '74—March '75

Annexure-I

List of New Items, the Import of which is Canalised through Public Sector Agencies during the Licensing Period April '74-March '75

S. No	S. No & Part of the ITC Schedule	Description
1.	13/II	Aluminium (E C Grade)
2	22,31/V	Glycerine (chemically pure and pharmaceutical grades)
3	22,31/V	Propylene glycol.
4.	22,31/V	Dichlorobenzidine dihydrochloride.
5	22,31/V	Ethyl alcohol.
6.	22,31/V	Phosphorous (white/yellow)
7.	22,31/V	Sodium tripolyphosphate.
8.	—	Tin free steel.
9.	—	M.S. Sections.
10.	—	Ship building quality sections.

Annexure-II

List of Items the Import of which is allowed under Open General Licence during April '74-March '75 (Upto September 30, 1974).

S No & Part of the ITC Schedule	Description
43/IV	Wattle extract.
44/IV	Wattle bark.
45/IV	Bark for tanning excluding wattle bark.
143(c)/IV	Pickled hides, skins, pelts, splits and parts thereof.
144(a)/IV	Hides and skins, raw or salted, where the value of hides and skins is more than that of wool/hair thereon.
6/V	Quebracho extract, Chestnut extract and modified Eucalyptus extract (Myrtan).

Annexure-III

List of Items in Respect of which Quotas for Established Importers have been Reduced

S No	S No & Part of the ITC Schedule	Description of item	Import Policy April '73-March '74	Import Policy April '74-March '75
1.	144(b)/IV	Fur skins of leopard, tiger, deer, rabbit, fox, cat and other wild animals and reptile skins	15%	Nil
2.	65(5)(ii)(a)/V	Spare parts of earth-moving machinery	15%	5%
3.	79/V	X-Ray (Diagnostic therapy) and electro-medical apparatus and parts thereof	30%	25%
4.	93-94(e)/V	Medical including surgical instruments,		

(*Contd.*)

S No	S No & Part of the ITC Schedule	Description of item	Import Policy April '73-March '74	Import Policy April '74-March '75
		equipments and appliances and parts thereof not made mainly of rubber and not made mainly of glass	7½%	6%
5.	93-94(j)/V	Dental instruments, equipments and appliances, and parts thereof not otherwise specified	30%	25%

Annexure-IV

List of Items Indigenously Available which will be allowed to Actual Users on Special Clearance Only

(Total No of Items: 75)

S No and Part of of the ITC Shcedule	Description
	Part I
17(i)	1. Cast iron foot valves above 300 mm dia. 2. Other types of valves and cocks.
36(d)	Steel wire mesh and stainless steel wire mesh.
41(ii)(b)	Electrical conductor sections.
41(iii)(d)	Phosphor bronze and tombac-brass wires of thinner than above 30-35 SWG.
57(c)	Hot formed coil springs of iron and steel for manufacture of automobile engine valves.
	Part II
7-A(b)	1. Asbestos based wire woven jointings. 2. Jointings required to withstand the action to strong acids/alkalies. 3. Jointings required to withstand refrigeration temperature.
17(a)(ii)	Brass and bronze electrodes rods/wires.
17(b)(i)	Bi-metal contacts and points.
17(c)	1. Aluminium alloy tubes (Refrigeration quality) for air-conditioning/refrigeration industry containing more than 97% aluminium content of sizes below 5/16" O.D. 2. Aluminium Strips in coils or cut length, painted or un-painted containing less than 99% aluminium for manufacture of or use as venetian blinds/louvres
19	Ball and roller bearing of certain sizes
26	Silicon carbide crucibles or carbon bonded graphite crucibles of sizes over No. 100 to 200
31(c)	Out-Board Motors above 5 H.P. to 10 H.P.
32(h)	Carbon brushes all sorts.
43(e)	Insulators above 66 KV to 220 KV.

S No and Part of the ITC Schedule	Description
38-A(f)	1. Telephone switch board lamps. 2. Neon indicating lamps.
45(d)	Nichrome and Kanthal wires upto 40 SWG.
	Part III
1(a)	Sodium nitrite.
	Part IV
48	Gum Arabic for manufacture of tooth powder.
87,109	Drugs and Medicines, the following:— (1) Dihydrostreptomycin, base and its salts (2) Methanamine Mandelate.
275(b)	Tube Benders (Hydraulically operated).
293,95 & 97	Carbon brushes all sorts.
	Part V
22,31	Pesticides, the following:— 1. Azinophas (Gusathion). 2. Calcium Arsenate. 3. Corbophenathion (Trithion). 4. Dieldrin. 5. E.P.N. 6. Lead Arsenate. 7. Nemophos (Phosdrin). 8. Thanite. 9. 2,4,5—T.
40(b)	Sodium Nitrate.
65(1-4)(a) and b(b)	1. Hermatically Sealed Compressor — (1) be low 1/10 H.P., (2) 1/4 H.P. and to 3/4 H.P. suitable for application below O degree C. 2. Absolute air filter (97% efficiency and higher).
65(1-4) (x)	1. Equipments/components for the manufacture of continuous casting and rolling mill plant for the conversion of E.C. Grade aluminium rods of 3/8' dia out of ingots. 2. Loadcells compression upto 100 tons and tension upto 50 tons (based on strain gauge). 3. Pressure Transducers. 4. Differential pressure cell. 5. Torquo transducers. 6. Indicators for the items mentioned at (2) to (5) above. 7. Electronic automatic weight feeder (batch motors). 8. Automatic carton folding and glueing machine. 9. Automatic and semi-automatic bottle washing machines. 10. Automatic carbonators, de-aerators water chilling plants and mixing units for metred mixing of concentrate, water sugar, acids etc. 11. Automatic bottle fillers for filling of all carbonated drinks or aerated water and beer.

(*Contd.*

S. No. & Part of ITC Schedule	Description
	12. Dample roller cleaning machine for use in printing press. 13. Machine for the manufacture of multi-wall paper sacks. 14. Ice-cube making machine and ice-block making machines. 15. Industrial driers-cum-gas purifiers, using like activated alumina and molecular sieves. 16. Industrial, Centrifugal Detarcting Machine. 17. Fully automatic high output labelling machine. 18. Saccharinaters, Refractometers, Polarimeter, water circulating bath, Brix Hydrometer and Beaune Hydrometer required by Sugar Industry. 19. Glass valves with Teflon Bellows and stop cocks of all sizes and types.
65(5)(iii)	Damping Roller Hoses.
67(1)(i)	1. Automatic Corrugated Board Printing Machine. 2. Small size offset printing machine upto paper size 10 x15. 3. Revolution letter presses:— (i) 18.3/5x25" (ii) 27½x39½' (iii) 33.3/5x42½ 4. Single colour offset machine (i) 21.3/8x28.1/2" (ii) 22½x31½" (iii) 26x37¾" (iv) 26¼x37¾" (v) 27.5/8x39¾" (vi) 28x40"
76(c)	**Industrial Sewing Machine Needles in the following sizes:—**

Singer Class	Singer Cat No	Size Commonly known	Size Equivalent merit
16x87	(2055)	19	120
		24	180
16x231	(2254)	21	130
		23	160
24x1	(1111)	9	65
206x2	(2033)	14	90
Needles with Twist Point		16	100
		19	120
		21	130
135x1	(1451)	18	110
135x7	(1901)	16	100
		18	110
88x1	(1315)	14	90
81x1	(1225)	9	65
		18	110
16x2	(2082)	18	110
Needles with Twist Point		23	160

S. No. & Part of ITC Schedule	Description
93-94(d)(e) and (f)	Scalpel blades (Surgical blades)
122(1i)	(1) Albumin powder. (2) Attapulgite clay. (3) Attapulgite clay (ARVM Grade). (4) Florex AA-RVM. (5) Attargil.
	Machine tools and accessories, the following:— 1. Saw sharpening machine for circular saw blades (275mm to 1810 mm). 2. Compression die casting upto 800 tonne capacity. 3. Complete tube mill plants upto 150 mm nominal bore dia of electric welded tubes (excluding welding heads). 4. Universal adjustable centre multi-spindle drill heads. 5. Work Drivers for turning machines.

Annexure-V

List of Indigenously Available Items for which Import Policy has been changed from 'A. U. to 'A.U. restricted'.

(Total No of items: 61)

S No & Part I I.T.C Schedule	Description
	Part I
38-A(a) & (b)	Industrial roller chains other than banned sizes.
51	Tungsten wire filaments for manufacture of electric lamps.
	Part II
9 (i)	1. Pure iron. 2. Iron powder for manufacture of sintered parts.
17(a)(i)	Misch metal.
19(1)(ix)	Component parts of Ball Bearings not otherwise specified.
19(2)(i)	Component parts of Cylindrical Roller Bearings including accessories, such as sleeves, nuts and washers, n.o.s.
19(3)(ii)	Component parts of Tapered Roller Bearings including accessories such as tapered roller's sleeves, nuts and washers, n.o.s.
19(5)(iii)	Component parts of needle bushes/shell/type needle bearings/thin shell needle bearings/drawn cup needle bearings/roller cages/needle roller bearings including accessories such as cages, sleeves, etc., not otherwise specified.
19	Ball and Roller Bearings of certain sizes.
25(d)	White aluminium oxide.
	Part III
1-B	Para Amino Azo Benzene.
4(2)	High temperature high/low pressure piece dyeing machine for woollen/worsted/

(*Contd.*)

S. No. of the I T C Schedule	Description
	shoddy industries.
	Part IV
48	Gum Arabic for dyeing industry.
87, 109	Drugs and medicines, the following:— (1) Clofibrate. (2) Diazapam. (3) Guaicol and Potassium Guaicol Sulphate. (4) Secobarbitone. (5) Secobarbitone (Quinalbarbitone sodium). (6) Amphelaminic Sulphate. (7) Dextroamphetamine and its salts. (8) Methalphelamine. (9) Amobarbitol. (10) Cyclobarbitol. (11) Glutethimide. (12) Pentobarbitol. (13) Barbitol.
	Part V
	Chemicals, the following:—
22,31	1. Rose Crystals. 2. Para-cresyl Phenyl Acetate. 3. Miscellaneous Fluorides, the following: (i) Sodium Silica Fluoride. (ii) Chromium Fluoride. (iii) Ammonium Bifluoride. (iv) Potassium Cryolite (v) Potassium Fluoride (Anhydrous) (vi) Potassium Silica Fluoride (vii) Potassium Titanium Fluoride (viii) Lead Fluoride. (ix) Lithium Fluoride. (x) Sodium Fluoride. (xi) Aluminium Fluoride (Hydrated). (xii) Ammonium Fluoride. (xiii) Sodium Bifluoride. 4. Fluoboric Acid. 5. Fluoborates, the following:— (i) Potassium Fluoborate. (ii) Sodium Fluoborate. (iii) Ammonium Fluoborate. (iv) Antimony Fluoborate. (v) Cadmium Fluoborate. (vi) Copper Fluoborate. (vii) Lead Fluoborate. (viii) Lithium Fluoborate. (ix) Potassium Fluoborate. (x) Tin Fluoborate. (xi) Zinc Fluoborate. 6. Sodium Monofluoro Phosphate. 7. Endrin technical.
78(ix)	Shirley Analyser.
122(xlii)	Laboratory ware made of silica.
122(xliii)	Silicaware equipment for Sulphuric, Hydrochloric and Nitric acid plants and ceramic equipments for Chilorine plants.
122(xliv)	Silicon metal.
122(li)	Nitrocellulose Nitrocellulose chips.

Annexure VI

List of Items in Respect of which New AU Provision has been Made

(Total No of items: 50)

S No of the ITC Schedule	Description
	Part I
41(iii)(a)	Posphor Bronze sheets/strips thinner than 24 SWG for manufacture of precision electric and scientific instruments.
48(a)(ii)	Nickel base alloys (including monel-metal) unwrought/scraps.
	Part II
11	Getman Silver (including Nickel Silver) and special section 10% to 18% Nickel rods content.
13	E.C. grade Aluminium.
17(b)(iv)	Low expansion alloys like Invar, Dumet and such other special alloys.
20(1)(a)(b) and (c)	1. Chasers/Dies for die heads. 2. Thread rolls for thread rolling machines. 3. Grooving and Shaping cutters for pencil manufacturing industry.
24(c)	Slitting wheels required for end-uses other than Fountain pens.
36(1-4)	1. Roll/cope winder-Traverse type. 2. Cop winder-(ordinary) and conventional type. 3. Softeners.
	Part III
1-B	Following spirit colour dyestuffs:— 1. Yellow 3 GS — C.I. Solvent yellow 48. 2. Fire Red 3 GLS — C.I. Solvent Red 124. 3. Red 3 BLS — C.I. Solvent Red 91. 4. Yellow — C.I. Solvent Yellow 44.
5(1)	Automatic blanket/canvas/cordroy looms.
	Part IV
87,109	1. Acetazolamide. 2. Gatcinia Hanbusie Hoofs of (Gamboge)
122	Nonflaky graphite (high purity micronise graphite 95-99.5%) for manufacture c Aluminium pistons, special grade penc leads, lubricants, packing materials an gaskets, cinema carbons and carbo bushes.
127-129/IV	1. Natural essential oils for manufactu of Tooth Paste, Tooth Powder and Toil try products excluding cosmetics & toil soaps. 2. Spearmint oil for manufacture of pe fumery compounds, flavouring essence

S No & Part of ITC Schedule	Description
	Synthetic essential oils and aromatic chemicals.
132(a)	Resinoids for manufacture of flavouring essences.
136(e)	Polishing compounds for manufacture of contact lenses.
	Part V
22,31	Chemicals, the following:— 1. Acetic Acid. 2. Musk Ambrette. 3. Musk Xylol. 4. Benzene. 5. Iso-Butyl Alcohol (Iso-Butanol). 6. Methyl Chloride. 7. Methylene Chloride. 8. Phenatidine. 9. Phenyl Ethyl Alcohol. 10. Phosphorous (Amorphous) i.e. Yellow White Phosphorous. 11. Potassium Metabisulphite. 12. Phosphorous Trichloride. 13. Sodium Fluoride. 14 Sodium Sulphate. 15. Tricresyl Phosphate.
34-37(d)	1. Spirit soluble colour dyestuffs, the following :— 1. Yellow GS — C.I. Solvent Yellow 48. 2. Fire Red 3 GLS — C I. Solvent Red 124. 3. Red 3 BLS —C.I. Solvent Red 91. 4. Yellow —C.I. Solvent Yellow 44. 2. Para-Xylene.
78(ix)	Ceramic Rods.
92(n)	Spring type dial dynamo meters. of 5000 Kg and above capacity.
93-94(a)(v)	Raw optical moulds for lens and objectives.
93-94(f)	Diffraction grating.
93-94(j)	Orthodontic appliances of non-metal.
101-D	Cellulose Nitrate Sheets, for manufacture of fountain pens.
111.	Phenol Formaldehyde moulding powder (electrical grade).
113-C	Expanded Polystyrene beads.
122(xxv)	SAN (Styrene Acrylonitrile moulding powder).
Appendix-45	Radium Powder for manufacture of alarm time-pieces.

TABLE I

Imports, Exports (including Re-exports) and Balance of Trade During the years 1967-68 to 1972-73, April-January, 1973 and April-January, 1974

(Rs crores)

Year	Imports	Exports (Incl Re-Exports)	Balance of Trade
1967-68	2008	1199	—809
1968-69	1909	1358	—551
1969-70	1582	1413	—169
1970-71	1634	1535	—99
1971-72	1825	1608	—217
1972-73@	1797	1961	+164
April-Jan, 74*	2040	1921	—119
April-Jan, 73	1388	1552**	+164

*Figure for April-Jan, 1974 are based on press notes and are subject to revision.

@Figures are provisional and subject to revision.

**This excludes substantial exports to Bangladesh due to incomplete recording in the earlier months of the year 1972-73, a lump-sum adjustment of which was made in the cumulative figures for April, 72-March, 73. Month wise break-ups of this adjustment is not available. Therefore these figures are not strictly comparable to those of April-Dec., 1973.

TABLE II

Imports Showing the Break-up into Major Heads During the Year 1970-71 to 1973-74 (upto Sept '73)

(Value in Rs crores)

Major Heads	1970-71	1971-72	1972-73	1973-74 (Upto Sept., '73)
Complete machinery and equipment	195.12	199.37	176.42	117.48
Maintenance Imports				
(a) Raw materials and intermediate goods (Excluding metals)	654.21	778.13	790.98	479.42
(b) Components and spares	212.80	283.29	332.34	174.74
(c) **Metals**	266.73	340.00	318.76	166.35
(i) Iron and Steel	147.09	237.60	217.14	104.73
(ii) Non-ferrous metals	119.04	102.40	101.62	61.62
Total (a+b+c)	1133.74	1401.42	1442.08	820.51
Food, cereals and edible products	242.68	169.31	128.29	147.95
Essential finished goods	38.07	41.97	38.09	21.61

(*Contd.*)

Major Heads	1970-71	1971-72	1972-73	1973-74 (Upto Sept., '73)
Unclassified items (including postal articles and special transactions)	24.59	12.47	11.86	6.93
Grand Total	1634.20	1824.54	1796.74	1114.48

Note: Figures for the years 1972-73 and 1973-74 (upto Sept. '73) are provisional and subject to revision.

TABLE III

Total Value of Import Licences issued by the Import and Export Trade Control Organisation During the Licensing Periods—April 1960-March 1961 to April, 1973-January, 1974 (upto 27th January, 1974).

(Value in Rs crores)

S. No.	Licensing Period	Value of licences* (at post devaluaion rates)
1	April 1960—March 1961	1946
2	April 1961—March 1962	1349
3	April 1962—March 1963	1548
4	April 1963—March 1964	1226
5	April 1964—March 1965	1567
6	April 1965—March 1966	1096
7	April 1966—March 1967	1894
8	April 1967—March 1968	1110
9	April 1968—March 1969	945
10	April 1969—March 1970	1204
11	April 1970—March 1971	1634
12	April 1971—March 1972	1854
13	April 1972—March 1973	1856
14	April 1973—January 1974 (upto 27-1-74)	1813

Note: Figures upto April, 1963-March, 1964 are based on ceiling data, i.e. licensing done against the applications for these years, whereas figures for the later years i.e. for theperiod April, 1964-March, 1965 to date includes all the licensing done during these periods irrespective of the date of applications. The figures upto April, 1963-March, 1964 are, therefore, not comparable with the data for the later years.

*Value of licences for the periods prior to June, 1966 have been derived by escalating the actual licensing figurs by 57.5 per cent.

TABLE IV

Category-wise No and Value of Import Licences Issued During 1970-71 to 1973-74 (upto 27-1-1974)

[No in actuals]
Values Rs lakhs

S No	Category	1970-71		1971-72		1972-73		1973-74 (upto to 27-1-74)	
		No	Value	No	Value	No	Value	No	Value
1.	2	3.	4.	5.	6.	7.	8	9.	10.
1.	Estd Importers (Quota licensing and licensing under trade agreement)	19,561	41,80	17,486	40,77	19,038	55,31	14,963	30,78
2.	Actual Users (Non-DGTD Non-SSI)	14,633	3,11,87	13,474	3,68,32	10,762	3,76,02	7,709	3,19,75
3.	Raw materials (DGTD Units)	8,323	3,85,03	7,724	2,52,71	6,178	1,71,18	3,912	1,44,18
4.	Small Scale Industries	52,649	83,26	71,869	1,17,95	39,230	86,37	22,562	50,57
5.	Capital Goods	1,553	1,17,19	2,140	2,50,24	2,503	2,49,48	2,660	2,05,10
6.	Heavy Electrical Plants	187	9,90	143	1,92	115	18,56	62	7,17
7.	Export Promotion Scheme (Erstwhile)	65	13	10	10	3	Neg	2	1
8.	Registered Exporters	27,282	94,74	25,738	93,41	26,364	1,36,00	19,765	1,17,07
9.	Ad-hoc Licences	586	19,26	844	13,58	716	16,51	662	35,04
10.	Customs Clearance Permits	6,058	32,86	4,604	32,03	4,966	58,12	3,534	51,83
11.	State Trading Agencies	3,651	4,44,56	3,758	5,87,61	3,272	6,20,87	5,464	7,98,72
12.	Rly Contracts	546	25,98	603	27,39	482	20,06	382	14,55
13.	DGS &D	531	5,44	666	6,92	482	4,66	236	5,59
14.	Govt or against Govt Contracts	649	55,02	727	53,45	610	36,59	680	27,79
15.	Co-operative Societies	4	2	9	12	3	Neg	—	—
16.	Replacement Licences	955	2,41	894	1,80	694	1,66	425	1,63
17.	Blanket Licences	119	4,19	121	5,15	106	4,18	51	2,58
18.	New Comers	29	11	30	21	15	16	20	48
19.	Others	11	8	—	—	—	—	—	—
	Total	1,37,392	16,33,88	1,50,840	18,53,68	1,15,539	18,55,73	1,83,089	18,12,84

Charat Ram on panchsheel

AS PRESIDENT of the Federation of Indian Chambers of Commerce and Industry in the year 1973-74, Dr Charat Ram had provided leadership and otherwise discharged his responsibilities in a style which he had consciously chosen to be most appropriate to the interests of the business community and the needs of the country through a period of grave social and economic stresses. He had chosen to function with the tools of persuasion and constructive discussion and dialogue with government at the ministerial and official levels and he had strengthened the resources of the FICCI for these exercises by actively sponsoring, in his own words, "a series of workshops, seminars, conferences, presentations before governmental and parliamentary committees and meetings with ministers and administrators."

It was natural in the circumstances that his tenure was characterized by solid and almost silent work in the direction of reclaiming, consolidating and cultivating as much common ground as possible between government on the one hand and business on the other. A cynic may suggest that, seeing the mess the government is continuing to make of its economic policies, much of Dr Charat Ram's constructive and positive approach seem to have merely met the bibilical fate of seed fallen on the wayside. But then a cynic is defined as one who knows the price of everything but the value of nothing. It is therefore certainly open to Dr Charat Ram and the very large number of constituents of the Federation who had with enthusiasm been supporting and sustaining his guidance of the affairs of the Federation to believe that work which is good in itself would never be really wasted.

In any case his address as the outgoing president at the inaugural session of the 47th annual meeting of the FICCI was characteristic of the man, his mind and his methods of work and was warmly appreciated by a very large part of his audience of businessmen. It was not only the prime minister, come to inaugurate the session, who warmly complimented him on a speech which was free from a narration of business community's grievances against the government but also many of his fellow businessmen who felt that he had successfully given an effective national direction to the business community's viewing of the economic needs and problems of the people at large.

For instance, his own typical version of an economic *Panchsheel* for the fifth Plan was a remarkably rounded approach to the issues of the removal of poverty and achievement of self-reliance. He called upon public administrators and managers of enterprises "to accept the goals of increasing the availability of essential commodities of mass consumption, increasing the availability of commodities of agricultural and industrial infrastructure, holding and reducing prices to desired levels, increasing gainful employment opportunity and paying for our imports." In the same strain he reiterated the FICCI's views consolidated under his guidance that the overall growth rate of 5.5 per cent envisaged in the fifth Plan was, if anything, conservative, that in industry a growth rate of up to 12 per cent was practicable as had been demonstrated in the past and that efficient management of available resources, cutting across the artificial barriers of public and private sector approach for the time being at least, rather than inadequacy of sources, would be the major determinant of our rate of growth.

On a more detailed plane too Dr Charat Ram was refreshingly different in distributing his emphasis. He asserted for instance that the time had come to compel small-scale industry to become self-sustaining and viable. He suggested that, as a step in this direction, the government should insist on firms, seeking to be recognized as small-scale industrial units, to have in their employ at least one diploma engineer and one commercial graduate each so that some qualitative advance could be made in the technology and business organization of the small-scale industrial structure. Simultaneously he underlined his basically liberal approach to this sector by pleading for a substantial increase in the present limit of Rs 7.5 lakhs for recognition of small-scale enterprises.

Another valuable suggestion he made was that government policies, fiscal or other, should be directed towards promoting a price structure, which reflected the scarcity values of labour and capital more realistically so that technological options might come to be exercised more efficiently from the national viewpoint. The planning of many of our power and other industrial projects on the American or Russian pattern of giganticism and centralism, he said, had not taken cognizance of our country's cultural background, capabilities and requirements.

Dr Charat Ram advocated extensive house-building programmes based on tradi-

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tional designs and calling for minimal requirements of steel and cement. He felt that this policy would promote gainful employment on a considerable scale while fulfilling one of the basic needs of the people, without involving foreign know-how or foreign capital. Pursuing this line of thought he said that the government might set up a joint group of officials, economists, technical consultants and business executives to take a look at our present rent control and tax patterns for house building programmes. If it is industrial housing which he had primarily in view, it may be true that corporate housing construction could make a very real contribution. If, however, Dr Charat Ram is thinking of housing in general, it is much less clear that private construction could substitute for or even supplement very much direct involvement by public authorities. Especially in our country, whatever may be the rent or tax laws, it is unlikely that private housing construction can do any more than touch the fringe of the problem of lower middle-class or even middle-class housing. It is true that the ownership of residential houses should be encouraged on a large scale but even this can be done effectively only by public or semi-public financing or financing-cum-construction agencies.

It is tempting to quote here Professor Galbraith's provocative assertions: "Capitalism has never in any country been efficient for building houses, which, it seems unnecessary to stress, are a rather important urban artifact....Nor does capitalism provide efficient transport for people — something that also makes vital the life of the metropolis... Perhaps the most urgent need for improved urban existence is to accept that the modern city is, by its nature, a socialist enterprise." Professor Galbraith has certainly something, here, but the snag is that at least in countries such as ours where socialism has tried to do something about housing or public transport, it is yet to show all the enterprise it needs to.

Returning to Dr Charat Ram, the president of the FICCI expressed an apprehension that the promotion of export-oriented industries was being given excessive importance as against the encouragement of import substitution. His argument was that while development of import substitution and export-oriented industries served the same common ends, import substitution proved a more reliable means of employment and did not suffer from the vagaries of the foreign market as compared to export-oriented industries. Without entering into a detailed argument with him here on this issue, we would say that we are not convinced by his reasoning. In any case there is no need in our view to raise a debate about the relative importance of these two approaches to national self-reliance and there are likely to be very few instances where the two purposes clash over allocations of really scarce resources. On the contrary, by pursuing both import substitution and the development of capital-oriented industries the country would be adding an extra dimension, in itself clearly desirable, to the efficient utilization of its resources, actual or potential.

Finally, Dr Charat Ram's address has been rightly appreciated for its preoccupation with national rather than narrowly business problems. All the same it is necessary to record also that an impression of incompleteness did remain. It was indeed quite possible for him to have devoted some more attention to some of the pressing problems which concerned industry directly. After all, the resolutions scheduled for the annual session did reflect the extensive concern felt in manufacturing and trading circles about the many defects and deficiencies in government policy. The president's address could therefore have taken more note of some of these issues. That there is in the country an economic crisis largely of the government's making is a fact, and this truth needs to be expressed forcefully from every platform.

Greasing the wheels of export effort

THE BASIC postulates of the import policy for the current financial year, which was announced earlier this month, have been welcomed by industry and trade and rightly so because the policy attempts to make the best of a very difficult situation. While oil import bill alone is expected to go up to as much as Rs 1200-1300 crores this year, the prices of all other items of our imports continue to rise sharply and the difficult food situation may necessitate the import of three to four million tonnes of foodgrains. Our balance of payments position, therefore, is bound to become critical in the coming months. Notwithstanding the agreement made recently with Iran and Iraq for a couple of million tonnes of crude oil on deferred payment basis and the growing appreciation among the members of the Aid-India Consortium that our aid requirements this year will have to be much higher than has been the case in the last three or four years—a figure of Rs 1,800 crores is being mentioned in this regard—, this country needs to economise on imports while stepping up export earnings to the maximum extent possible.

Although some of our traditional exports are fetching good prices in the international market, any substantial improvement in our foreign exchange earnings this year, as has been stressed by the minister for Commerce, Prof D. P. Chattopadhyaya, while replying last week to the Lok Sabha debate on the demands for grants of his ministry, can result only from strengthening, broadbasing and streamlining the production base of our exportable goods. Then there are the imperatives of containing the unemployment situation as well as of arresting the unabated rise in prices in the country. These call for maintaining adequate imports of at least the critical industrial inputs—spares, components, some basic raw materials and intermediate products.

It is encouraging to note that the new import policy takes full cognizance of the above imperatives. The basic philosophy behind it is threefold; (i) to meet adequately and expeditiously the import requirements of the export sector (both large-scale and small-scale exporting units); (ii) to cater, to the extent possible, for the needs of the industries which are basic to the economy; and (iii) to provide greater facilities for units set up in backward areas and for those put up by engineering graduates and ex-servicemen.

A major innovation has been made in the new policy to facilitate imports of raw materials, components and spares by the exporting units in view of the rising global prices as well as physical shortages of supplies. The small-scale exporting units have been allowed to go ahead with their import programmes for the first six months of current financial year without any fresh reference to the Chief Controller of Imports; their import licences for raw materials, components and spares for 1973-74 are to be deemed to have been automatically revalidated to half their value. The manufacturer-exporters have been allowed a similar facility in respect of their import replenishments; they have been permitted to utilize on "repeat" basis the import replenishment licences obtained by them during 1973-74 on their own exports. The value of the licences utilised under this facility would be adjusted against their normal export entitlements over a period of 18 months from April 1, 1974. From each entitlement, 75 per cent of the value will be taken for adjustment and the balance 25 per cent will be left out for being used by them otherwise. Exporters making use of this facility will not have to obtain fresh licences, but may, apply for a suitable endorsement on their existing licences, making them valid for repeat operation. In the case of small-scale units, even this endorsement will not be required. An additional allocation of 10 per cent of the normal replenishment has also been allowed to manufacturer-exporters to offset the increase in international prices, in the case of export products for which the rate of import replenishment is less than 50 per cent. This facility of repeat operation of the 1973-74 import licences up to 50 per cent of their face value has also been provided to established importers. Firm commitments for the release of foreign exchange for imports by the above three categories of importers during the first half of the current year, thus, has been made straight away. It aggregates to about Rs 165 crores—Rs 75 crores for the small-scale sector, Rs 75 crores for import replenishment licences and Rs 15 crores in the case of established importers.

In line with the above export-orientation of the new import policy, the units engaged in the non-priority industries are to be accorded priority treatment for financing imports if they export at least 20 per cent of their production. Those units in the non-priority sector which export at least 10 per cent of their output will be eligible for preferred sources of licensing of imports. The priority industries, otherwise, however, will have to continue to apply, as hitherto, for import licences on the basis of their actual consumption of raw materials, spares and components. There applications too, for the time being, will be considered only for the six months to September. The same applies to the non-priority sector. But obviously due to the foreign exchange constraints, their import requirements would be met to a much smaller extent than has been the case till last year.

Two other significant improvements have also been made in the new import policy. Of these, the first is that for helping the small-scale exporting units to procure imported raw materials in their own states, the state industrial and export corporations are to be issued imprest licences of a suitable value so that they can import and stock some essential raw materials, on the lines of the operation of the industrial raw materials assistance centre of the State Trading Corporation, for supplies to small-scale units off-the-shelf. The second improvement is that the supplies of industrial units, which are under obligation to compulsorily export a part of their production, if made to the other export units, would be deemed as a discharge of their export obligation. The list of industries in which large-scale units have a compulsory export obligation of five per cent of their output too has been revised. One industry—car wheels—has been deleted from this list and two other industries—tungsten carbide tips and tools and domestic refrigerators—have been added to it.

The scheme regarding supplies of raw materials at international prices by indigenous producers to exporters has been maintained. Another five items, mostly in the chemicals fields, however, will also be governed by this scheme. The supplies of these items made by indigenous producers to exporters would be considered as if they had been exported. It has also been proposed to issue import licences for raw materials to actual users engaged in certain selected industries, subject to the condition that 10 per cent of their output shall be set apart for exports. This condition will apply in particular to polystyrene, polyethylene moulding power and PVC resins manufacturing units.

Yet another important provision made in the new policy is the allowing of imports of raw materials on the basis of re-exports after processing them. Such a conversion deal, it may be recalled, was entered into with the Soviet Union a couple of years ago in regard to textiles. It is understood that inquiries for conversion deals have been received from several other countries also. This provision should assist not only some of our traditional industries such as textiles but also the engineering industry.

A major concession has been granted for stepping up project exports. If some goods are imported from a third country for the completion of a project order, the value of such third country imports would not be set off against the import replenishment due to the applicant, provided the value of such third country imports is not less than 25 per cent of the f.o.b. value of the contract for the project and the payment in respect of such imports is received either in advance or immediately after the arrival of the machinery and equipment. Cases not covered by this provision are proposed to be considered on merits. Project exports should get a considerable fillip as a result of this concession.

The liberalisation made in the new policy in regard to imports of spares and components as well as for fostering research and development effort obviously were warranted in view of the rise in world prices and increasing R & D equipment costs. The stipulation made in regard to export houses that henceforward a minimum export performance alone would not be sufficient for the grant of eligibility certificate to them, but certain other considerations also would weigh in this respect—such as managerial capability of the export house, its organisational capacity and professional expertise, market surveys conducted by it and the publicity of Indian goods undertaken abroad —however, were hardly called for at the present juncture, even though a selective approach in the matter in normal circumstances could not be objected to. When the country is to make an all-out effort to step up exports, the scope for new entrants in the field of export houses need not have been made restrictive.

It is, of course, gratifying to note that no new item has been added to the list of canalised exports, although as many as ten items have been added to the list of canalised imports. The newly canalised import items include: (i) aluminium (E.C. grade), (ii) glycerine (chemically pure and pharmaceutical grades), (iii) propylene glycol; (iv) dichlorobenzidine dihydrochloride; (v) ethyl alcohol, (vi) phosphorus (white/yellow); (vii) sodium tripolyphosphate; (viii) tin free steel; (ix) M S. sections; and (x) ship-building quality sections. The total number of canalised items as a result of the above additions goes up to 210. In view of the criticism that is heard quite frequently of the performance of the canalising agencies, it would be appropriate that their organisational, managerial, pricing and distribution systems are periodically reviewed.

Another good feature of the new policy is the simplification of the procedure for the import of capital goods. Hitherto, every importer of capital goods was required to advertise his requirements, before applying for an import licence, in specified publications to find out whether they could be met from indigenous sources. He was given an import licence only when his requirements could not be met locally. This procedure involved unnecessary delays in many cases even though when it was well known that indigenous availability was either not there or it was inadequate. Hence forward, every individual entrepreneur will not be required to issue separate advertisements before applying for an import licence in respect of a number of machinery items. These items have already been cleared from the indigenous angle and notified.

The concessions granted for fostering the establishment of small-scale industrial units in backward areas as well as those being put up by engineering graduates and ex-servicemen too are quite wholesome. But what is needed more in this regard is the evolving of a package programme so that all the requirements of these units and the guidance required by them are available through a single agency.

Although the general framework of the new import policy has been laid down for the whole year, concrete shape has been given to it as yet in respect of the priority requirements for the first six months only. This has been criticised in various circles which have voiced the apprehension that the lack of certainty about the availability of import licences for the second half of the year would not only inject an element of uncertainty in import planning but would also be detrimental to export production, particularly in view of the rising prices and shortages of supplies in the world market. But it has to be appreciated that with the aid prospects for the current year yet not clear, annual licensing of imports could not be done. If assistance from friendly countries does not measure up to expectations and exports also do not pick up fast, restrictions in imports — in the case of some items, even very severe restrictions — cannot be ruled out. It is of course, gratifying to note that the ministry of Commerce would be having shortly a dialogue with trade and industry to see what further adjustments can be made in the import policy to avoid adverse repercussion of the tight foreign exchange situation on the economy.

The new import policy, overwhelmingly oriented in favour of exports as it is, should, indeed, give a fillip to export earnings which have shown an encouraging trend in 1973-74. Exports in this year are estimated to have gone up to Rs 1,921 crores, as against Rs 1,856 crores in 1972-73. The target of raising exports to Rs 2,574 crores this year, thus, should not prove beyond reach. Prof. Chattopadhyaya, in fact, has even expressed the hope that our exports can be stepped up to about Rs 2,770 crores with procedural efficiency and the right type of institutional arrangements. Besides the helpful import policy, some of the other measures that have been proposed by him are restraining of the domestic consumption of basmati rice, sugar and marine products to save these commodities for the export market and the setting up of an export bank and agro-products and chemicals and pharmaceutical export corporations. The present public sector export organisations like the State Trading Corporation, the Jute Corporation of India and the Minerals and Metals Trading Corporation, are also to be strengthened.

Groping in the dark

THE MONETARY authorities are yet to make a correct assessment of the impact of imported and internal inflation on the banking system as they do not appear to be clear in their minds about how the credit policy should be administered and whether the banking system should be put to the inconveniences that it has now to endure on account of the higher cash reserve and liquidity ratios and restrictions relating to the use of refinance facilities. Mr R.K. Talwar, chairman of the State Bank of India, actually indicated at a press conference held in Madras recently that it has not been possible to locate precisely the factors responsible for credit inflation and determine also how the rapid rise in advances of the scheduled commercial banks has taken place since October 1972. In spite of the fact that the Reserve Bank has been sanctioning fresh loans above Rs 25 lakhs to each borrower through the concerned bank, there is no machinery which can detect without delay disturbing trends in the growth of advances of member banks.

It should certainly be possible to collate data pertaining to the expansion of credit on industrywise basis and on the basis of borrowers in the different levels and sectors. If an analysis of credit disbursements can be made on these lines, It will certainly be not necessary "to grope in the dark" as Mr Talwar observed at the press conference. While computerisation of the operations of banks in this regard can be highly useful, experienced economists and monetary experts need not be feeling helpless when quantifying the effects of a rise in prices for specific commodities and an increase in production of certain others. It is also easy to find out how costlier imports are having a complicating effect and compelling use of larger bank finance for maintaining the same or even lower level of inventories.

In less than two years the credit extended by the scheduled commercial banks has risen by over Rs 1800 crores against the growth in deposits of Rs 3100 crores giving an incremental growth in advances of 60 per cent in relation to the increase in deposit. This cannot be considered in any sense an alarming trend if large amounts particularly had to be utilised for procurement purposes or for maintaining buffer stocks of raw jute. What is really baffling is the sudden increase in advances after a period of excess liquidity of member banks and a feeling that the phase of acute credit stringency has come to stay and the industrial borrowers will have to be less reliant on the banking system for securing their needs of working capital.

On account of the pressures felt by them, following the severe curbs, bankers are not inclined to understand clearly the implications of various issues and it has even been irresponsibly observed in some quarters without caring to understand the full implications of the statement that industrial producers should raise their own funds not only for financing fully the creation of fixed assests but also for providing a good part of the working capital. What exactly is a good part has not been clearly defined. The surprising indication has however been given in some quarters to the effect that working capital requirements may have to be found by industrial producers to the extent of 50 per cent or even 75 per cent.

It is not realised that there cannot be any static concept about the needs of working capital. It is also necessary to remember that even for financing capital expenditure, the capital intensive industries have to formulate highly geared capital structures and borrow heavily in the form of term loans and debentures. It is also overlooked that the sources of funds are controlled by the government with the nationalisation of the major banks and general insurance companies and with strict control over the operations of the statutory financing corporations. If the commercial banks cannot find the required resources even for short term credit the term lending institutions may be obliged to assume larger responsibilities which cannot be satisfactorily discharged.

In the ultimate analysis the whole question boils down to a correct application of available resources and increasing monetisation of the economy. It is against this background the latest measures adopted by the Reserve Bank have to be studied. After a delay of ten months the monetary authorities have been compelled to act logically by deciding to revise upward interest rates on bank deposits effective from April 1, 1974, and change the basis of borrowing of the central and state governments and public bodies by revising buying and selling prices for central government securities, also effective from the beginning of April. When the Bank Rate was raised to seven per cent from six per cent on May 31, 1973, the Reserve Bank did not make any consequential changes in deposit rates or in interest rates on new central and state loans and bonds of public bodies. Instead, only the cash reserve ratios of

member banks were raised apart from the liquidity ratio.

It has now been apparently realised that the policy of dearer money cannot be reversed for quite some time and depositors will have to be given a better deal. Privileged borrowing by the central and state governments will not also be allowed in the same manner as hitherto. The changes in deposit rates of commercial banks may not however have the desired effect on the growth of deposits. Only the constituents of banks may feel somewhat happy over a better recognition of their rights by the central banking institution. The changes in interest rates on small savings mobilised by the post offices and through sales of savings certificates may probably yield better results.

It is not correct however to take a tragic view of the recent developments as with worldwide inflation, following the oil crisis, higher prices have come to stay and there is even need for a readjustment of the internal price structure as has been done in respect of procurement prices for wheat, in order to provide the necessary incentives for some industries which have been crippled by unimaginative controls over prices and distribution. In the absence of any new disturbing developments in the international oil situation in the coming months it can be expected that the plateau will be reached before September this year and growth in advances may slow down after the adjustment to the new situation has been completed. What is really important is stricter control over the level of inventories and positive steps for stimulating production and eliminating bottlenecks that are responsible for keeping down the output of steel, aluminium, fertilisers, heavy chemicals and other items.

The changes in interest rates effected by the Reserve Bank recently cannot affect seriously the central government as the Reserve Bank will be increasing its profits and making them over to the government. The profits will improve mainly on account of the higher average discount rate on treasury bills. It will of course be necessary for the centre to pay more by way of interest charges on its new loans. But fresh borrowing will constitute only a small proportion of the outstanding internal debt and the impact will be severe only if the dearer money policy is continued over a period. It is of course clear that the long dated loan of the central government will have to be issued at even $6\frac{1}{4}$ per cent, against $5\frac{3}{4}$ per cent when the government comes on the market for borrowing in July this year. The state governments and public bodies too will have to raise their interest rates correspondingly. The changes in selling rates of central loans clearly indicate that the terms of new loans will be favourable to the lenders.

The banking system however has a problem of making good the loss arising out of depreciation in value of its investments. There may not of course be any anxiety to cash losses as the holdings of securities may be held till the dates of maturities for avoiding losses. Its profitability will of course be seriously affected if it becomes necessary to maintain borrowings at a high level and pay penal interest charges to the Reserve Bank apart from higher interest rates on deposits. It will therefore be worthwhile for the Reserve Bank to lay greater emphasis on physical controls and even introduce a system of differential lending rates after identifying the factors responsible for generating or accentuating inflation. The application of rule of thumb methods and freezes on credit limits have had a distorting effect on interest rate structure and even prudent and genuine borrowers have been unfairly penalised. It is not correct to pursue a dearer money policy without allowing its logical play in other spheres and changing concepts of profitability of working of vital industries. A careful review of recent developments and a correct understanding of the outstanding issues are called for in order to enable the monetary authorities and the government to formulate appropriate monetary and fiscal policies. The policy of drift and confused thinking noticeable in the past two years should not be allowed to continue for long.

Power crisis in the south

THE INCREASE in the power cut to 30 per cent for HT consumers in Tamil Nadu from the beginning of April and to 25 per cent in Andhra Pradesh recently strongly remind the state governments concerned that the pace of agricultural and industrial development may have to be slowed down considerably in the fifth Plan period if the allocation of resources for hydel and thermal projects in the southern region is not increased substantially. In Karnataka also a cut of 20 per cent has been enforced from October last year owing to the failure of the south-west monsoon. Only in Kerala there is plentiful availability due to the successful functioning of the Sabarigiri and other projects and the relatively low level of consumption in that state as compared to Tamil Nadu. The exportable surplus of about 350 million units annually from this source is proving to be highly valueable for Tamil Nadu.

The outlook for power availability in the southern region is not however rosy as the compulsion on the part of Tamil Nadu Electricity Board to double the cut to 30 per cent, even after a valiant effort to make the best use of existing hydel and thermal capacity, clearly underlines the need for creating additional capacity not to speak of having reserve capacity. The situation of course is worse than what it should be because of the unfortunate damage to one of the generating sets (110 MW) at Ennore due to a fire accident. While this accident was brought about to a certain extent by lack of proper attention to the maintenance of heavy electrical equipment and inadequacy of expert personnel familiar with the operations of thermal stations, the repairs to the transformers have been needlessly prolonged and two months of valuable generation have been lost resulting in the denial of over 125 million units of power.

What is however more disturbing is the situation in Neyveli. In the past year and more the thermal station in this centre has no doubt acquitted itself creditably and with the energetic steps taken by the present chairman of the corporation the committed quota of power supply to the Tamil Nadu Electricity Board will be more than fulfilled. But the existing capacity of 60 MW is not being utilised fully because of inadequate supplies of lignite and the need to keep in operation the fertiliser and briquetting plants at least at a fraction of their capacities. The output of lignite cannot be raised to the required levels as the mining machinery has become worn out and new equipment has to be acquired without delay for raising output to six million tonnes annually. Even though it has been amply demonstrated that power generated with lignite is 35 per cent less costly than that based on "imported" coal at Ennore, there was a curious debate for a time about the heavy losses being incurred by the Neyveli Corporation year after year forgetting the fact that the central government was guilty of not providing the required funds for acquiring mining machinery. While the losses were inevitable due to ineffective use of existing generating capacity, the Tamil Nadu Electricity Board also made its own contribution to these losses by not agreeing to the payment of higher charges, even when it was recognised that the cost of power from this source was cheaper than that from Basin Bridge or Ennore. This was because of an inadequate realisation of the vital role of Neyveli in the power map of Tamil Nadu and indeed of the whole southern region.

The state government is now extremely

worried about the situation that will develop in the next two or three years as no new capacity will be created before 1977 except for the commissioning of a fifth unit at Ennore, which will be the third unit with a capacity of 110 MW, taking the total to 450 MW. All the time power consumption is increasing and the electricity board has been already obliged to slow down its programme of energisation of pumpsets. It is not expected that very much more than 20,000 pumpsets would have been energised in 1973-74 against the earlier additions of 50,000 pumpsets annually. Heavy expenditure is also being incurred on the use of oil by utilising captive generators of industrial units.

What is really ironic is the decision of the central government to convert two boilers of 50 MW each at Neyveli into oil-firing from coal-firing, at a cost of around Rs 2.5 crores. As it is felt that it may be sometime before lignite output is raised to six million tonnes yearly it has been considered that the best course to use more fruitfully the existing capacity will be by changing over to oil-firing. The Tamil Nadu government has agreed to bear the higher cost of power generation based on oil. The additional availability of two million units daily from Neyveli due to the use of oil will certainly be welcome as it will result in an improvement in the power situation by nearly eight per cent.

It should not however be overlooked that the economics of power generation based on oil has become forbidding in terms of foreign exchange following the sharp rise in crude prices from the beginning of this year. The daily consumption of oil will be over 600 tonnes for the two units. Even assuming that these units will not be used during periods when hydel power is available in plenty the foreign exchange outlay will be about Rs 8 crores annually for partial utilisation. If this arrangement has to be continued for three years, about Rs 24 crores would have to be spent representing nearly two-thirds of the capital outlay proposed to be incurred on the modernisation of the lignite mines for enabling an increase in production to six million tonnes. When such a heavy outgo of foreign exchange is contemplated on the use of oil it is amusing to note that there is no hurry to allocate the foreign exchange required for importing mining equipment on an emergency basis. The only satisfaction is that there is now realisation that Neyveli has proved its usefulness and has become more important with soaring oil prices and the need to discourage consumption of oil and promote the use of alternative forms of energy like electricity and coal.

Tamil Nadu can hope to avoid a difficult situation in 1974-75 only if Neyveli can be helped to increase its output and there is again a satisfactory south-west monsoon. The next north-east monsoon also should not be a failure and Ennore must be prepared to operate at least on the basis of 70 per cent plant factor. By the middle of next year Idikki may start functioning and Kerala may be in a position to increase its export of power. Andhra Pradesh has also recognised its earlier folly in not according the requisite priority for power projects. In the current Plan period it has been decided to increase thermal capacity substantially besides completing the Lower Sileru hydel project. The Srisailam project also is to be implemented vigorously. It may be necessary for the centre to provide liberal assistance to Andhra Pradesh as is now being granted to Karnataka. Unfortunately, even with a huge untapped hydel potential this latter state will not be comfortable until the first phase of the Kalinadhi project now under implemention begins to supply power.

In the next three years the Idikki, Neyveli, Kalpakkam and Kothagudem projects have thus a vital role in boosting power availability. In respect of Kalpakkam there may be further delays not on account of the generating set but due to the difficulties in getting raw material equipment and technical help for the reactor side. As the Tuticorin thermal project may not take shape before 1977, the Idikki project will have to be completed in both its phases expeditiously as it will have an ultimate capacity of 780 MW. Between Kothagudem, Neyveli and Ennore another 500MW capacity can be found. These arrangements will enable the southern region to overcome an extremely difficult situation and keep the wheels of industry and agriculture moving at least at 80 per cent of efficiency. The ultimate solution of course lies in tapping the remaining hydel potential in Kerala and Karnataka and in opening a second minecut at Neyveli. Andhra's coal reserves too have to be developed fully for boosting power generation. If need be the state governments concerned can go slow on new industrial projects on their own and spend all available amounts on improving the irrigation facilities and power availability. Otherwise the bad patch now struck by the region will cause grievous harm to the economy and future progress will be seriously jeopardised.

Eastern Economist 30 Years Ago

APRIL 21, 1944

The most important development in Indian banking in the year 1943-44 is the striking and sustained increase in the volume of bank advances. The upward trend in advances began to show itself as early as November 1942, when after a spell of some six months of decline they went up to Rs 91.18 crores. Ever since the rise has been considerable and continuous. In March 1943 the volume stood at Rs 125.70 crores, and by the end of December it had gone up to Rs 158.62 crores. But the increase in the first three months of 1944 has been remarkable. Whereas on December 31, 1943 advances amounted only to Rs 160.86 crores, on March 31, 1944 they stood at Rs 221.61 crores, a rise of nearly Rs 60 crores in the space of three months, compared to that of Rs 40 crores in the preceding nine months. This is a record in the history of bank advances in this country and nearly twice the pre-war figure of Rs 112 crores in September 1939. Bills discounted also have shared the increase as reflected in their improvement from Rs 4.40 crores in April 1943 to Rs 10.50 crores at the end of March 1944. In the result, advances and bills discounted have come to account for nearly 30 per cent of total deposits as compared with 19.8 per cent in November 1492 and 27.30 per cent in April 1943.

FROM THE CAPITAL'S CORRIDORS

R. C. Ummat

Electronics Expotrs • BHEL Performance MMTC Strides • Attack on Prices

THE SANTA Cruz Electronics Export Processing Zone (Bombay) is expected to make its debut in the international market in the second half of the current financial year, even though it would have been constructed only partially by then. Twenty-seven firms, having an export potential of Rs 41.2 crores, had been approved for setting up units in this zone up to February 28, 1974. The total number of applications received for allotment of plots in the zone is understood to be 91. Firm decisions in respect of a number of other applicants are envisaged to be taken shortly. Four parties have already been allotted plots for building their own factories. According to tentative estimates, exports from the zone during the current year would be of the order of Rs 25 crores. The total exports of electronics goods this year may go up to Rs 34 crores from just about Rs 4.36 crores in 1972-73 and Rs 6.46 crores during the 10 months to January last.

Export prospects

By the end of the fifth five-year Plan, the exports of electronics goods are envisaged to be about Rs 73 crores per annum. Of this, the Santa Cruz zone will account for Rs 50 crores; the balance Rs 23 crores exports in the terminal year of the fifth Plan would be effected by the other units in the country. The following projections have been made for these exports during the five years to 1978-79.

Presently, the electronics goods exported from India include public address equipment, data processing machines, radios and their parts and television and teleprinters. Exports are being effected to the Congo, Egypt, Ethiopia, Sudan, Nigeria, Uganda, Australia, New Zealand, the Philippines, Singapore, Burma, Sri Lanka, Iraq, Iran, Jordan, Kuwait, Poland, Greece and the EEC countries (including Britain). As a result of the establishment of the Santa Cruz, zone it is expected that not only the total quantum of exports will go up but also there would come about a good deal of diversification in both the composition of exports and their destinations.

modified list

With a view to facilitating foreign collaborations in the electronics field in general, it is felt that the list of items included in the guidelines for foreign investments has to be modified and clarified a great deal. The Indian Investment Centre, after discussions with prospective collaborators, is understood to have already drawn the attention of the Electronics Commission to this fact. It is said to have suggested that a number of items out of the list applicable to the Santa Cruz zone should be identified and included in the above guidelines for setting up units elsewhere in the country also.

The problems being encountered by exporters of electronic goods are understood to be being looked into by the Electronics Commission in the light of the suggestions made by the National Advisory Committee on Electronics at its meeting last month. This committee has placed emphasis on the following points regarding our strategy for electronics exports: (i) idle capacity which exists in the electronics industry could usefully be mobilised for export production; (ii) raw materials shortages should not be allowed to hamper export production; (iii) changes in the shopping list for permissible imports should be made after due consideration of their likely impact on exports; (iv) as various import duties result in locking up of funds during export production, this situation should be improved by lowering import duties, (v) suitable fiscal incentives should be given to exporters; (vi) foreign travel for export promotion should be liberalised; and (vii) as a long-term strategy, it is necessary to identify the areas of production, their capacities, the scope in the world market, the status of the Indian industry in terms of production, technology and competitiveness, etc.

(Export value in Rs crores)

	Exports from local production	Exports from Santa Cruz zone
1974-75	9	25
1975-76	11	40
1976-77	14	50
1977-78	18	50
1978-79	23	50
	75	215
Grand total from local production and Santa Cruz zone in five years:		Rs 290 crores

expected output

Comprising over 1,000 units—large, medium, as well as small-scale—the electronics industry is estimated to have produced goods worth Rs 257 crores last year, as against Rs 206 crores in 1972-73 and Rs 180 crores in 1971-72. During the current financial year, the output is expected to go up to Rs 465 crores.

The Santa Cruz zone is being set up for the manufacture of electronics equipment and components purely for export purposes. The units operating here will receive several concessions: (i) duty-free imports of raw materials, capital goods, components, etc.; (ii) liberal treatment in respect of import of technical know-how; (iii) duty concessions and other incentives on the goods brought from the rest of the country into the zone, (iv) grant of advance licences for the import of raw materials equal to 12 month's requirements, (v) exemption of zone's production from excise duties, etc.

The rent chargeable for factory sites will be concessional. It is proposed to set up 100 manufacturing units in the zone.

* * *

The Soviet Union has been informed that we will not be requiring any more 200 MW turbosets apart from the two in regard to which the decision to place orders with the Soviet authorities has already been taken. An indication to this effect was given in the Lok Sabha last week by the deputy minister for Heavy Industries, Mr Dalbir Singh.

The Soviet Union, it may be recalled, had offered recently to supply to us scuh sets to an aggregate capacity of two million kw during the fifth Plan period. The decision on not importing any more 200 MW turbosets from Russia, presumably, follows the successful testing recently of a set built by Bharat Heavy Electricals Ltd. (BHEL) at Hardwar. Another consideration that perhaps has weighed in the matter is that BHEL will be able to meet fully the requirements of the fifth Plan power development programme.

The confidence that BHEL would be able to meet the fifth Plan requirements of the power development programme fully was expressed by its Chairman and Managing Director, Mr V. Krishnamurthy, at a press conference here last week. Giving the salient features of the last year's performance of his undertaking, Mr Krishnamurthy pointed out that out of the target of adding 16.5 million kw capacity during the fifth Plan period, import commitments had already been made to the extent of about 2·75 million kw. The balance requirements of about 14 million kw capacity could easily be met by BHEL, as production of this undertaking had registered a marked improvement in the year gone by. The BHEL supplied during 1973-74 equipment to the extent of 2.1 million kw capacity. The supplies would have been even higher by three to four lakh kw, but even though BHEL had produced this additional equipment, some small supplies from other manufacturers, which were to go with BHEL equipment, were awaited. The last year's deliveries compared with the 1.05 million kw equipment supplied to its customers by BHEL in the previous year and a bare 0.285 million kw in 1971-72. During the current financial year, it is hoped, BHEL would be able to supply equipment to the extent of 2.95 million kw. Production by the end of the fifth Plan period is anticipated to be pushed up to 3.5-4 million kw equipment, depending, of course, on the production-mix.

It terms of value, BHEL's output in 1973-74 was of the order of Rs 228 crores, as against Rs 141 crores in 1972-73 and Rs 102.8 crores in 1971-72. During the current year, it is likely to go upto Rs 290.9 crores. Last year's output exceeded the budgeted figure by about Rs 22 crores. Of the 2.95 million kw equipment expected to be produced and delivered this year, 1.78 million kw will be thermal equipment, 0.935 million kw hydro and 0.235 million kw nuclear.

The Profit of the undertaking too has gone up very substantsally during 1973-74. Before tax, it amounted to Rs 27 crores, as against the budgeted figures of Rs 22 crores. In the previous year, the profit was of the order of Rs 13 crores and in 1971-72 a bare Rs 2 crores. As a result of the last year's good profit, the cumulative loss of the undertaking has been reduced to Rs 31.8 crores. This year, the profit is anticipated to go up to Rs 41.4 crores, before tax. If this expectation materialises, the entire cumulative loss of the undertaking would be wiped out at the end of this year. The company at present has an order book worth Rs 860 crores, including Rs 19 crores export and IDA tenders.

profit ratio

The ratio of profit to turnover in 1973-74 worked out to 12 per cent, as against nine per cent in 1972-73 and just two per cent in 1971-72, and of profit to capital employed to eight per cent, as against five per cent in 1972-73 and a bare one per cent in 1971-72. Earlier, the undertaking was making losses. The return on capital employed in 1973-74 was 10.5 per cent. Turnover per employee in 1973-74 was of the order of Rs 533,000, as against Rs 366,000 in the previous year and Rs 290,000 in 1971-72. Production per rupee of total wage was Rs 9 in 1973-74, as against Rs 7 in 1972-73 and Rs 6 in 1971-72. All the four units of BHEL registered substantial increases in production last year. The output of the Bhopal unit rose from Rs 56.8 crores in 1972-73 to Rs 77 crores in 1973-74, of the Hardwar project from Rs 23.1 crores to Rs 44 crores, of the Hyderabad unit from Rs 21.5 crores to Rs 45.1 crores and of the Tiruchi plant from Rs 43.1 crores to Rs 65.1 crores.

The cumulative indirect contribution of BHEL to government revenues till March 31 this year had been Rs 193 crores —Rs 68 crores by way of interest on loans from the government, Rs 104 crores by way of payment of customs duty and Rs 21 crores on account of sales tax and excise levies. Upto March 31 this year, the undertaking had secured export orders to the extent of Rs 28 crores. Of these, orders aggregating to Rs 9 crores had been executed. The company has exported its boilers, switchgears, transformers and valves to a number of countries—Ghana, Iraq, Kenya, Kuwait, Malawi, Malaysia, Poland, Singapore, Sri Lanka, West Germany, Egypt and Uganda.

A significant development in the year gone by has been the setting up by BHEL—a spare parts and services division, along with four other divisions—the central R & D division for electrical industry, consultancy engineering service division, central foundry/forge plant (Hardwar) division and a division to look after the setting up of the new transformer factory at Jhansi. The spare parts and services division has been organised to assist in the fuller utilisation of the existing installed power generation capacity throughout the country. The services of the personnel of this division are made available to power projects for suggesting ways and means of improving the working of the projects, particularly through preventive maintenance. It is also envisaged to keep with this division a stock of spare parts and components, especially the slow moving ones, so that these can be made available to power projects expeditiously. This central stocking, it is felt, would help in not only expeditious servicing of power plants but also assist in containing the inventories of the projects. A new division, namely turn-key construction of projects division, is to be set up by the undertaking soon.

* * *

Equally impressive has been the performance of the Minerals and Metals Trading Corporation (MMTC)—another public sector undertaking, which is headed by Mr S. Ramachandran—during the year just gone by. This enterprise, according to the quick estimates made available to newsmen last week, increased its total turnover last year to Rs 474.8 crores, from Rs 343.5 crores in 1972-73 and Rs 268.1 crores in 1971-72. Exports in 1973-74 went up to Rs 124.3 crores from Rs 104.3 and Rs 86.8 crores in the two previous years, and imports to Rs 349.5 crores from Rs 237.9 crores and Rs 180.1 crores. The domestic trade in 1973-74 was just of the order of one crore of rupees as against Rs 1.3 crores and Rs 1.2 crores in the previous two years.

The profit before tax last year was as high as Rs 11 crores, as against Rs 5.3 crores in 1972-73 and Rs 5.4 crores in 1971-72. The undertaking has proposed to give a dividend of 15 per cent for 1973-74, as against 12 per cent both in 1972-73 and 1971-72.

Although, in physical terms, exports of

iron ore and manganese ore last year at 12.6 million tonnes and 11 million tonnes were higher by 2.1 million tonnes and three million tonnes compared to the previous year and those of ferro-manganese, coal and mica at 5.6 million tonnes, 3.2 million tonnes and 13.5 million tonnes showed some decline from 8.5 million tonnes, 3.4 million tonnes and 14.5 million tonnes in 1972-73, the export earnings showed marked improvement because of higher unit value, particularly of iron ore and mica.

Imports too went up sharply because of the rise in international prices. The world prices of non-ferrous metals, fertilizers and rock phosphate went up by 100 to 200 per cent. The full impact of the rise in world prices, however, was not felt last year. Some imports were effected by MMTC even at 50 per cent of the index rise.

total turnover

This year, the total turnover of MMTC is expected to go up to as much as Rs 781.8 crores. Export earnings are estimated to be in the neighbourhood of Rs 166.7 crores. Imports are anticipated to be of the order of Rs 612.3 crores. This figure does not include the likely effect on turnover of the decision to canalise imports of E.C. grade aluminium. Exports of iron ore are envisaged to go up to 15 million tonnes and those of coal to six million tonnes. The price realisation of both these exports is expected to be substantially higher this year. Some increase is anticipated in the imports of fertilizers, rock phosphate and sulphur. Already contracts have been signed for the import of 7.5 lakh tonnes of fertilisers (of these five lakh tonnes would be urea) from the east European countries, as against total imports of six lakh tonnes last year. Another about one lakh tonnes of fertilizers may be imported if shipping space is firmed up beyond December. In regard to non-ferrous metals, no spot buying is envisaged this year. Supplies will be obtained only on long-term buying basis.

A very interesting development that has taken place on the iron ore front is that all the iron ore exporting countries, including Brazil, are now veering round to the fact that the 50 to 100 per cent rise in the cost of raising this ore for export ought to be reflected in the export quotation. A significant rise in the export price of iron ore, thus, may be expected this year. The likelihood of the iron ore exporting countries seeking a review of their long-term agreements also cannot be ruled out.

The transport bottlenecks, it is, however, feared may affect the prospects of iron ore exports. Last year, exports could be kept up, even though the target of 13 million tonnes could not be fully achieved, by drawing up the stocks at the ports. This will not be possible this year as no such stocks are there.

* * *

The union government it is understood, is in the process of finalising a concerted integrated attack on the price rise. A committee, consisting of five official economists—Dr S. Chakravarty, Member, Planning Commission; Prof. P.N. Dhar, Principal Secretary to the Prime Minister; Dr Manmohan Singh, Economic Adviser, ministry of Finance; Dr. A.K. Ghosh, Economic Adviser, ministry of Industrial Development; and Dr A. Sen-Gupta, Economic Adviser, ministry of Commerce —and Mr A.D. Pande, Cabinet Secretary, has been asked to suggest ways and means of arresting the uptrend in prices. They will also be looking into the question of strengthening the balance of payments position which is under great strain because of the sharply mounting import bill, particularly on account of oil and fertilizers.

Have the nationalised banks succeeded?

Dr. R.M. Srivastava

THE BASIC contour underlying the take-over of the big 14 commercial banks in 1969 was to gear the banking machinery for ushering in an egalitarian society and for accelerating the pace of economic progress of the country. This enjoined upon the banks to align credit flows to the broader goals of planned economic development with a view to ensuring wider spread of bank credit among the weaker and neglected sections of the society, which should receive priority in our economic planning, and to check the outflow of funds from backward areas. Thus, together with advances to the priority and neglected sectors of the economy, the nationalised banks had also to take care of regional disparities. This new perspective had envisaged reorientation of banks' credit policies and adoption of purpose-oriented approach rather than the traditional security-oriented approach in financing agriculture, small business entrepreneurs and small-scale industries. The overall objective thus was to liberalise lending policies for the priority sectors and prevent exclusive use of banking resources by a few big business houses and thereby to make the banking system a potent and live instrument of economic development of the country.

branch expansion

In pursuance of the new goals set, the nationalised banks, as a first step, embarked upon the programme of massive branch expansion particularly in rural and semi-urban areas for spreading banking facilities in the farflung unbanked and underbanked areas and in this respect these banks achieved spectacular success. The pace at which the branch network was expanded in the post-nationalisation era has been without parallel anywhere in the world. The total number of bank branches at the end of June 1973 was nearly double the number on the eve of nationalisation and this expansion has been mostly in rural and semi-urban areas with accent on opening branches in 336 Lead Districts (Table I). The spurt in opening bank offices has brought about considerable improvement in the population coverage per bank office in the country. Thus, the average population per branch which in 1969 (at the time of nationalisation) was 65,000, had by the end of June 1973 came down to 37,000.

TABLE I

Public Sector Bank Offices in the Different Categories of Centres

	June 1969	June 1973	Increase over the period
Rural	1504	4647	3143
Semi-urban	2623	3781	1158
Urban	1171	2103	932
Metropolitan	1297	2008	711

The operation of these branches have brought about a striking acceleration in the pace of deposit accretion in nationalised banks in the four-year period. Between June 1969—June 1973, bank deposits increased by Rs 3698 crores — from Rs 3872 crores to Rs 7570 crores. This works out to an annual average growth rate of 24 per cent. Growth rate in deposit mobilisation has in fact increased continuously from about 14 per cent in the first year to about 18 per cent in the second year, 21 per cent in the third year and finally to 24 per cent in the fourth year of nationalisation. It is gratifying that new offices have fared well in garnering savings. Out of a total increase in bank deposits, the share of the new offices was Rs 548 crores. Of this, the contribution by the new offices in rural and semi-urban areas was more than half, i.e. Rs 283 crores. The banking system in India has thus created necessary infrastructure by branch expansion which would go a long way in fostering growth in relatively less advanced regions.

Alongside branch expansion and deposit mobilisation, public sector banks have been canalising a significant and increasing portion of their advances to the priority sectors. Total advances of the public sector banks to the priority sector group as a whole spurted by more than 145 per cent from Rs 441 crores to Rs 1161 crores (Table II). As a result, the share of priority sector group which stood at 14.6 per cent on the eve of nationalisation increased to 21.8 per cent in 1973. Particularly striking has been the increasing involvement of these banks in agricultural lending. The agricultural sector received additional bank credit to the tune of Rs 258 crores over the period. Besides, the banks granted medium and long-term loans for investment, in agriculture. By the end of June 1973, 288 schemes involving total financial assistance of Rs 58 crores had been put into operation through these banks. The schemes included minor irrigation, land development, farm mechanisation, plantation, poultry, dairy, horticulture and fisheries. The small-scale industry sector also received additional bank loans of the order of Rs 319 crores during the period. Credit was also given in the form of term loans. Accordingly, the share of both agriculture and small industry sector rose from 5.4 per cent to 8.0 per cent and from 8.3 per cent to 10.7 per cent, respectively.

credit needs met

Besides extending liberal lending facilities to the priority sectors, the public sector banks have also met the genuine credit needs of organised industry sector. A sizeable part of the incremental bank credit during the period (more than one-third of the additional credit) went to the organised industry sector. However, additional credit flow to this sector was much less than the increase in total bank credit expansion. Accordingly, percentage share of this sector declined markedly from 54.3 to 46.5 per cent.

Thus, the volume of banking operations has not only increased phenomenally, it has also made banking services available to farflung areas of the country which had

been, since time immemorial, completely neglected by the organised money market. However, branch expansion has not brought about the desired credit reallocation to the priority sectors. In fact, expansion in credit facilities to this sector has been the consequence of sizeable amount of bank credit to agriculture, small industries and other priority sectors granted in the initial flush of enthusiasm in the first year of nationalisation and this tempo has tended to flag in the subsequent years. Thus, on the eve of nationalisation, bank credit to the priority sector group, which was 14.9 per cent of the total bank credit, increased to 21.4 per cent a year later and touched an all-time high level being 22.0 per cent in December 1971 whereafter a declining trend was set when on June 1973 the share of this sector declined to 21.8 per cent. This tendency is discernible in all the sectors of the priority group. Loans to agriculture which formed 5.4 per cent, at the end of June 1969 spurted to 8.2 per cent in 1970. This proportion having remained unchanged in the subsequent two years tended to fall by one point in 1973. Likewise advances to small industries increased from 9.3 per cent on the eve of nationalisation to 10.4 per cent in 1970 and having shown a modest increase by three points in 1971, tended to decline thereafter.

intriguing decline

The declining tempo of advances to the priority sectors in recent years is rather intriguing. Another disconcerting aspect of the bank finance noticed in recent years is the diversion of rural funds to metropolitan cities. It is ironical that while national policy seeks to foster growth points away from metropolitan and urban centres, the banking system, despite nationalisation, continues to treat the villages and semi-urban centres as base areas for syphoning, in colonial fashion, resources for the cities. Banks in India had diverted resources of over Rs 500 crores from their branches in rural and semi-urban centres to the larger towns and cities. It can be gathered from Table III that rural branches had Rs 459 crores of deposits as on June 30, 1972. After taking into account their liquidity obligation, these branches should have been able to lend Rs 300 crores against their actual advances of Rs 191 crores on June 30, 1972. The rural branches thus had a surplus of Rs 110 crores of deposits. Likewise, semi-urban branches had a surplus of Rs 400 crores. Thus, total resources remaining unlent in these areas amount to Rs 510 crores on June 30, 1972. Considering the fact that since that date banks' interest in agricultural advances has markedly flagged, the reckoning is that the current order of surplus tapped from these neglected centres is well over Rs 700 crores. In sharp contrast to this, while advances by urban branches matched the deposit resources, metropolitan branches had lent Rs 1,000 crores more than they could have with their metropolitan deposits and a half of the excess was financed by the rest of India, the balance by running down liquidity and by drawing from deposit liabilities.

Despite considerable thrust of branch expansion in rural and semi-urban areas credit flows to neglected and weaker sections in these centres has thus not been up to the mark. As a matter of fact, banks' bias in branch expansion in rural and semi-urban areas enabled them to use the hinterland to tap deposits for investment in metropolitan areas. There is thus clear evidence of the failure of the nationalised banks to live up to the expectations aroused by the government's protestations of a new social and economic orientation to banking and credit policies.

It is not that demand gap has emerged in the rural and semi-urban areas as the management of the banks have, time and again pleaded. The banks in fact have been charry of meeting the needs of the farmers, new entrepreneurs, new industries and new entrants to business despite plentitude of resources at their command. Banks have still a tendency to cling to their traditional trait of looking for maximum security in tangible form. The initial flush of enthusiasm of banks in loaning to the priority sectors was confined mainly to the first year of nationalisation whereafter the management altitude towards the priority sectors hardened. This has stemmed partly from lack of

TABLE II

Sectoral Distribution of Bank Credit

(Amount in crores of Rs)

	June 1969		December 1972	
	Amount	%to total	Amount	% to total
1. **Priority Sectors**	440.97	14.6	1,160.68	21.8
(a) Agriculture	162.33	5.4	429.57	8.0
(b) Small industries	251.07	8.3	570.17	10.7
(c) Retail trade/small business	19.37	0·6	87.10	1.7
(d) Others	8.20	0.3	73.84	1.4
2. Organised industry	1,667.63	54.3	2,482.73	46.5
3. Trade & others	908.40	31.1	1,690.59	31.7
Total	3,017.00	100.0	5,334.00	100.00

TABLE III

Deposits and Advances of Commercial Banks as at the end of June, 1972

(Amount in crores of Rs)

	Rural	Semi-Urban	Urban	Metropolitan
Deposits	459	1669	1789	3606
Advances actually made	191	683	1137	3356
Advances * ought to have been made	300	1085	1170	2340
Surplus† /or deficit	109	402	33	—1016

*After complying with minimum, net liquidity obligation which was 35 per cent of the deposits at that time, the rest of the deposits should have been lent. Minimum liquidity ratio has now been raised to 40 per cent.

†After deducting the amount of advances actually paid from advances which ought to have been paid.

adequate experience in the new field and default in repayments by farmers and small industrialists and partly from dual authority exercised over the banks by the government and the Reserve Bank of India.

The Reserve Bank in particular is to be blamed for pursuing a conventional credit policy. Most recently it has adopted a policy of credit squeeze which bears no relationship whatsoever with the changing needs of the economy. In any case nationalised banks have to play an increasingly important role particularly in the development of the backward regions of the country which are replete with investment opportunities. Already growth potentialities in these areas have been identified and about 207 industrial projects have been specified. The nationalised banks should attract small entrepreneurs and technicians to take up these projects by offering liberal lending facilities and simplifying the procedures thus creating an impression of easy accessibility.

aiding small industry

Banks could also lend a part of their resources mobilised from the rural and semi-urban areas to the state governments for development of infrastructure, such as water, power and transport, in these areas. In view of greater emphasis being given to growth of small industries in the fifth Plan, nationalised banks should concentrate in future on smaller industries particularly those in the fields of food and food processing, wood-based and forest-based industries and leather, ceramic, glass and other mineral-based industries and adopt a very selective approach in respect of bigger units. This calls for considerable amount of the imagination and initiative on the part of the managements of the banks. To check the transfusion of rural diposits into the cities, micro-level plans should be drawn up by the district consultative committees so as to ensure the involvement of banks in the development of the district economy. Every branch of commercial banks — both lead and non-lead banks — should be assigned growth centres with a number of villages clearly demarcated by the district consultative committee concerned and the branch should be asked to assess the sector-wise credit requirements of the area assigned to it and undertake concrete steps to meet these requirements. The performance of each branch should be reviewed periodically in the district consultative committee meeting. Such a development strategy would, apart from compelling each bank to undertake a definite action programme, overcome the present apathy of the non-lead banks to the development needs of a district.

"There ain't no justice!"

Jossleyn Hennessy
London

I

Yugoslavia : Political and Economic Changes

YUGOSLAVIA IS now settling down after the major political crisis which has been running for the last year or so. A new constitution is being introduced which will emphasise the leading role of the party, and establish a unique system of representative democracy based on work and residential groupings rather than conventional constituencies. The new constitution also emphasises the role of workers' self-management in industry; control of industry is to be exercised by the workers through the basic production unit-plant or workshop, which associates with, or contracts with, other such units to form large enterprises, or to carry on trade. Limits are set on the term of office of the management boards.

Stringent measures over the last two years to combat inflation, the external trade deficit and the problem of over-indebtedness, have inevitably reduced the rate of growth. In September, industrial output was 6.2 per cent up on the 1972 average, but was in fact only 2.1 per cent above the figure for September 12 months earlier. The best performances have been in tobacco, oil and chemicals and non-ferrous metals. However, two of the basic problems have appreciably diminished. First, the massive liquidity, earlier reflected in excessive levels of inter-industry indebtedness and government debt, has been reduced. Secondly, the external deficit has become a surplus. However, the third major problem, inflation, remains serious; the cost of living in the first half of 1973 was running 21 per cent above the level for the same period in 1972. Since then, prices have continued to rise.

The causes are varied. Imported inflaction—imports cover 20 per cent of raw materials and about 60 per cent of investment goods—is a major element despite the government's allocation of $200 million from the foreign exchange reserves to subsidise certain key imports, including consumer goods and basic industrial materials. The co-existence of artificially fixed and real market prices has also contributed to pressure on prices while lack of financial discipline by government institutions and enterprises has allowed excessive investment demand. Although this now appears to be coming under control, monetary conditions remain liquid partly because of a continuing balance of payments surplus which in 1972 totalled $103 million on current account. In the year to May 1973, the money supply grew by 21,000 million dinars, or 44 per cent. Appeals from the central government for more financial discipline, and unwinding of debts, have since reduced the velocity significantly, but such a rise in the money supply is bound to increase demand beyond the level that the economy can accommodate. A price freeze has been in force for some time, but widespread exceptions have undermined its effectiveness, and it obviously cannot be imposed indefinitely without market distortions; in particular, there has been a rapid rise in food prices, due in part to low productivity and insufficient output of domestic agriculture. Various plans have been put forward to try to improve this sector, including making capital more readily available, raising output of farm machinery, and increasing purchases of foreign licences for its production. Efforts are also being made to revive the agricultural cooperatives, which could permit rationalisation in the private sector without allowing larger private holdings.

The petroleum crisis hit Yugoslavia sharply in its early stages and the resulting increases in prices of oil products, ranging from 25 per cent to 40 per cent have not helped the control of inflation. However the availability of oil seems likely to improve; extra supplies are promised from the Soviet Union, and negotiations with Libya and other Arab countries are under way.

oil enthusiasm

In addition, there are hopes that new oil developments on the Adriatic continental shelf and in the Drava valley region will in the long run improve supplies. The oil crisis has also boosted enthusiasm for the Adriatic oil pipeline project from the Yugoslav port of Rijeka to Czechoslovakia, Hungary and possibly Poland.

Potentially more serious is the tight supply of electricity, highlighted by the oil crisis and a dry summer, which reduced the supply of hydro-electricity; certain industries, mainly metallurgical, have already had to cut output. In addition, demand projections envisage a 14 per cent rise yearly for the next few years. A wide range of projects is already under construction, and a contract has been arranged with a US firm to build the country's first nuclear power station to serve the two northern republics.

Foreign trade has been growing rapidly. In dinar terms, exports in January-September 1973 were 24 per cent higher than in the same period of 1972, while imports have grown by 40 per cent so that the trade deficit, after falling sharply in 1972, is widening again. There are some promising signs in the composition of exports, with export growth concentrated in machinery and processed goods. However, imports of machinery have also increased rapidly. Fuel imports have almost doubled, and will continue to rise with the increase in petroleum prices.

The balance of payments surplus in 1972 was maintained into the first half of 1973. At the end of November, total reserves amounted to $1,527 million, a rise of $818 million compared with a year earlier.

WINDOW ON THE WORLD

In addition to a substantial inflow of capital, the external balance continues to benefit from substantial tourist earnings, and from remittances from Yugoslavs working abroad. The latter, however, are now threatened by fears of deflation in the host countries, the Federal German Republic, for example, where more than 500,000 Yugoslavs are currently working, is restricting import of non-EEC labour. However, West German reluctance to continue importing labour has increased interest in establishing manufacturing plants for labour-intensive industries in Yugoslavia on a joint-venture basis, to the extent that the International Investment Corporation for Yugoslavia (IICY) has opened an office in Cologne; this could provide a boost to the economy that would more than offset a small reduction in employment abroad. The economy still depends on foreign capital, and substantial loans have recently been arranged for a variety of capital undertakings, but the government favours foreign equity investment projects. These are considered to provide better access to western technology, marketing and managerial skills by ensuring the continuing interest of the western partner. Four such ventures have recently been concluded with American, British, Austrian and Swedish companies.

Most goods come under one of five categories, which may be imported freely or are subject to certain quotas; some goods require import licences and a few may be imported only by the permission of the Federal Secretariat for Foreign Trade. All imports of goods from, or trade with, South Africa is banned. Most foreign trade is conducted by import-export enterprises but permits to engage in trade are granted to enterprises provided they can show the necessary experience. There are no difficulties with payments for exports to Yugoslavia. The exchange rate is 31.1 new dinars to the £ sterling.

II

Canada: Old Problems Persist

During the past 12 months the Canadian economy has been impressive. The upswing in activity gathered momentum, with a marked revival of business fixed investment. Output and employment grew fast. The rise in wages, although relatively high, was kept stable and the current balance of payments improved significantly. Like all OECD countries, Canada experienced a further acceleration of inflation but this can mainly be attributed to the price boom on international markets, which affected import as well as export prices.

Under the surface of this relatively bright picture old problems have, however, remained unsolved and new ones have emerged:

1. After three years of business upswing and exceptionally strong employment growth, the unemployment rate (as measured by the labour force survey) is still above 5½ per cent. High unemployment thus coexists with growing labour shortages and supply constraints in the more prosperous regions. Although Canada's business outlook for 1974 is much stronger than in most other OECD countries and policy is for maintaining growth close to the potential rate, it is unlikely that Canada will survive the international oil supply shortage without repercussions on employment and real output.

2. Following two years of better price performance, the problem of accelerating inflation re-emerged in 1972 and has since assumed much greater proportions. That external influences have mainly been responsible offers little comfort. Wage settlements, although stable over the past three years, have remained high by historical standards, and have begun to accelerate in response to renewed inflation and slow advance in real take-home pay. With low productivity growth, unit labour costs are therefore likely to rise rapidly in 1974.

payments deficit

3. Adjusted for strike effects, the current balance-of-payments deficit fell in 1973 because of substantial terms-of-trade gains. Although this is welcome it conceals the fact that there has been a continued marked negative swing in the balances on trade in automobiles and other end-products, which from a structural and long-term employment viewpoint may give rise to concern.

None of these problems lends itself to easy and quick solutions. The flexible policy approach pursued by the Canadian authorities underlines this. In response to the progressive absorption of slack and the recovery of business fixed investment, policies have been gradually shifted towards less expansion, while monetary support and fiscal stimulus to activity in the less prosperous regions, industries and firms have been maintained or increased. At the same time an active manpower policy has been pursued. The rapid growth of employment and the sharp rise in the labour force participation rate in 1973 were related to the expansion of various training, employment and job creation schemes, and a strong underlying employment trend.

While the combination of investment promotion, full capacity growth and manpower policy should, gradually, ease unemployment, no equally comprehensive strategy has yet been developed to cope with inflation. Stressing the international character of the recent inflation bout, the government, by tax cuts, income relief payments, food price subsidies, and more frequent adjustment of pensions, has essentially confined itself to alleviating the adverse effects of inflation on the socially weaker groups. In addition, temporary export controls were imposed to increase the supply of goods in the domestic market. These measures have been useful in relieving the inflation impact on the harder-hit but can only be short-term and have obviously not contained the risk of continuing strong inflation.

confusing the issue

The proposition that the inflationary process over the past decade has changed from demand-pull to cost-push, and more recently to inflation import, may confuse the issue rather than help to understand it. As an official report says that it is probably true that "the main factor which initiated the relatively rapid inflation of prices and costs in Canada in the mid-1960s was a build-up of unusually strong demand pressure on the economy's productive capacity and manpower resources" and that the persistence of inflation for some more years can largely be explained in "terms of lags in the response of costs and prices to short-run changes in demand" and earlier income distortions but since then price and wage behaviour does not appear to have followed the old rules of the game to the same extent as previously. Inflation has taken on a momentum of its own, in which efforts by organised interest groups to increase or restore their relative income positions have become a main element.

Against this background, the present situation is troublesome. The recent commodity and food price boom has entailed important shifts in income distribution. As nominal wages did not accelrate, the advance in real earnings weakened considerably. On the other hand, there has been marked improvement in agricultural incomes and the profitability of certain commodity sectors. Given the initially depressed income of framers and some raw material producers and the associated regional distribution aspects, the income redistribution entailed by the price upsurge since the middle of last year has been desirable from a social, regional and perhaps even overall economic viewpoint. Nevertheless, the present wage situation clearly threatens price-wage spiralling effects. Compensatory income clearly

claims for past price increases would most likely not only reverse the above-mentioned relative income shifts, but also lead to a further ratcheting-up of inflation.

The outbreak of the oil crisis has greatly enhanced this risk. The sharp rise in prices of imported oil is most likely to entail upward adjustments of domestic energy prices, thus adding more strength to the inflationary spiral. Disruptive effects on the supply side, combined with possible measures to sustain money incomes and employment, could further aggravate existing demand/supply imbalances. The regional and sectorial income structure would be greatly distorted once an adjustment of prices to the new situation in the world energy market has been made. In dealing with short-term supply and demand aspects of the present world oil situation it is important not only to allow for inevitable time lags of policy impact but also to take account of the likely event of a marked recovery in world trade, and hence increased pressure on Canadian resources, once the present uncertainties about energy supplies and prices have been removed.

The efficiency of stabilisation measures depend on the degree of understanding on the part of major interest groups and the public of both their aims and their limitations. Everyone involved in the price and income formation process should therefore have an interest in maintaining or promoting machinery for regular consultations on wage-price developments and related issues. A primary objective of these consultations, possibly aided by joint research efforts, might be to inject considerations of common interest into wage and price decisions, thus ensuring support for warranted or necessary price and income adjustments, which, as part of a "just" solution, would require sacrifices from other parts of the population.

III

"The Government Owes Me a Living"

What is striking is that if you reversed the titles of the foregoing sections and called Canada Yugoslavia and Yugoslavia Canada, their problems, despite the obvious differences in their economic structures are, by and large, so similar that the substituted titles would be still roughly appropriate.

Inflation arising from past over-full employment problems, the present shortage and world rise in the price of oil, the pressure of trade unions and other monopolies over the labour in many key industries, combined with the rising tide of mass consumer expectations, have led, and continue to lead in the more open market economies of the west, as well as under a different guise, in the controlled economies of the communist east, to world-wide inflation. The only real and lasting solution to this is a slow, steady decrease in the money supply in each country, which, while creating some temporary growth in unemployment, would unravel market distortions and by revealing the real values of goods, services, capital and labour, would create stable prices. This, if followed by sane credit and monetary policies, could, in turn, lead back to rising prosperity.

Instead, however, governments the world over shrink from the long-term solution by a realistic control of the volume of money, and adopt such short term palliatives as subsidies to food products in hopes that this will prevent food prices from rising further, price controls on a wide range of goods, dividend limitations to match wage freezes, and incomes policies which depend on the employers and the workers agreeing with each other and with the government in innumerable different industries, with differing supply and demand problems, on what a "just" wage increase is.

sense of injustice

But the moment you introduce the idea of "justice" into wage and salary scales you spread the sense of injustice throughout every worker in the economy. Why should you be paid more than me? How can you measure the just value of eight hours spent in a coal mine against eight hours on an assembly line or in an office or on a board of directors?

What the whole world has forgotten is that nobody owes you or me a living. We earn our living by taking jobs according to our different qualifications in which our individual skills can be employed efficiently and the differences between the earnings of coal miners, assembly line, office and other workers depend on the supply of, and demand for, their products and services, and their relative *productivities*. Thus each worker gets the *economic* value of his *economic* contribution to society.

Before the days of incomes policies and "social justice" workers in all grades, from high to low, accepted the differences in their earnings with philosophy as being "the way things are". But the moment you introduce the idea that differences should be based on "justice" you open the doors to a game of leap-frog. Every worker feels that with his trade union to push and his member of parliament to shove, with the threat of a possibly crippling strike in the background, "justice" will be done and he will get an annual rise irrespective of his productivity. But, in that case, why stop at annual "just" rises? Why not biennial? Or monthly?

Finally, what seems to me so extraordinary is why governments should keep on wishing to extend their economic and social responsibilities ever wider, so that as the responsibilities of cabinet ministers and politicians become correspondingly heavier they have to take more and more electoral blame for all that goes wrong.

politics sans headaches

In a free enterprise system in which entrepreneurs and workers in trades unions, and professional people, are responsible each for the solution of their own problems and the advance of their own interests (as promoted through greater efficiency in production), the politicians are set free from the majority of their current headaches.

As the poet John Dryden nearly said:

"There is pleasure sure
In being mad which none but politicians know"

And as the philosphers Nietzsche did say:

"In individuals insanity is rare but in groups, parties, nations and epochs it is the rule".

Sources and acknowledgements: My section on Yugoslavia is summarised from a report by Barclays Bank Intelligence Unit and that in Canada from the latest report issued by the OECD but neither Barclay nor the OECD are responsible for the emphasis of my summaries nor for my interspersed comments.

Renegotiating the EEC

Dr R. S. Nigam

WITHIN 15 months of the enlargement of the European Economic Community (EEC) the British are having a fresh look at the balance of advantages and disadvantages of the membership of the European Economic Community. Although the last general elections were conducted on the issue of role of trade unions in the economy, the terms of British entry into the Common Market were also considered an important issue which has been dividing the British public opinion into pro-marketeers and anti-marketeers.

The origin of the European Economic Community may be traced in the evolution of post-war economic cooperation in Europe which was necessitated by the need for rehabilitation and reconstruction, and the compulsions of the US aid under the Marshall Plan which created the Organization for European Economic Cooperation (OEEC) as an instrument of coordinating aid for reconstruction and development of Europe. The experience of the OEEC culminated in the move for a Europe-wide free trade area which could not be pursued further due to divergent views of France and the UK but the six countries of western Europe (i.e., Federal Republic of Germany, France, Italy, Belgium, the Netherlands, and Luxembourg) came together into an international cartel of steel and coal in the form of European Coal and Steel Community (ECSC)).

sectoral integration

This was the first experiment on sectoral integration of the economies of the six countries. The success of this experiment encouraged the participating countries to take steps for the establishment of the European Common Market for which the Rome Treaty was signed in 1957 and came into operation from January 1, 1958. Under this treaty, a customs union with common external tariff was to be established by the middle of 1968. In 1973, after a great deal of dilly-dallying this arrangement (i.e. the European Economic Community) was enlarged with the membership of Britain, Ireland and Denmark.

In her attempt to join EEC, Britain for a long time has been following the famous three-circle policy, i.e. (i) Commonwealth, (ii) USA, and (iii) Europe. Britain, as the best ally of the United States, the leader of the Commonwealth, and a leading European country interested in European unity, was the point where the three main circles of the free world intersected. In his famous speech of September 19, 1946, at the University of Zurich, Sir Winston Churchill commended the idea of European unity under the lead of France and W. Germany, and told that the British Commonwealth of Nations would be the main sponsors and friends of the new Europe. In 1961, Britain made its first attempt to join the European Economic Community but on account of the Commonwealth and British agriculture which Britain did not want to disturb, the attempt could not succeed. At the time of first British application, the Labour party, then in opposition, had a number of reservations and laid stress on certain conditions such as safeguard for the trade and other interests of the Commonwealth, the European Free Trade Association of seven countries, British agriculture, freedom to pursue independent foreign policy and the right to plan its economy. In 1967, Mr Harold Wilson the then prime minister announced the British government's decision to apply for membership of the EEC which was deferred at the insistence of France.

enlargement of EEC

In 1970, negotiations were again started for enlargement of the EEC and after a great deal of detailed deliberations, the Treaty of Accession was signed in 1972 which came into force from January 1, 1973. This Treaty provides for British entry into EEC, Euratom and the ECSC. Under the terms of Treaty of Accession, Britain will have full participation in such Community institutions as the Council of Ministers, the Commission, the European Parliament, the Economic & Social Committee, the European Investment Bank and other bodies. The common external tariff and the customs union of the nine countries (i.e. the Six and Britain, Ireland and Denmark) is being established over a transitional period extending up to July 1, 1977. British agriculture is to be brought within the purview of the common agricultural policy whose objectives are to increase agricultural productivity and earnings, to stabilise markets and to provide adequate supplies at reasonable prices to the consumer. It also envisages the eventual harmonisation of the indirect taxes, the major step taken so far being the adoption of a common Value Added Tax (VAT) system, free movement of capital and labour and some safeguards for Commonwealth interests.

Ever since the start of negotiations in 1970, doubts were raised about Britain joining the 'inward looking' Community. A section of British public opinion has always taken the position that scope for British domain lay in the development of a multi-racial Commonwealth rather than in joining hands with a group of continental countries. Treasury and the main economic departments have consistently pointed out that the membership of the European Economic Community is contrary to the economic interest of the UK while those in the Foreign Office have taken the view that joining the Common Market has been the only hope for Britain maintaining a role in international affairs. They did not appreciate the contention that Britain's long-term economic interests cannot be limited to the EEC. On its part the British ministry of Agriculture has always taken the stand that the common agiculture policy of the EEC was not in the interests of Britain.

British balance of payments

During the first year of the British membership of the EEC, it appears that the Community predecessors had been doing very well, so well that the British balance of payment deficit with other members has gone up to more thao £1,100 million in 1973 against £ 69 million in 1970. The continental forums have walked into Britain, made the most of first tariff reductions and prepared the ground for the further stages to come. The analysis of the deterioration in British balance of payments position with the Six members of the EEC reveals that the major influence has not come through British purchases in Europe of raw materials or of plant and machinery that might later help to feed a growth in output and exports by British industries. It arises from a massive increase in the imports of high priced food (which is mainly due to the drying up of the sources of cheap food supply and the common agricultural policy of the EEC) and precisely those categories of consumer goods trade in which the Europeanist optimist assumed would be favourable to Britain. In 1973, for the first time in its history, Britain became the net importer of motor cars; her net deficit in refrigerators has been just under twice and in radio sets at just over twice what it was two years ago, while the deficit in imports of washing machines and TV sets has increased by 11 times in the same two years. Since January, 1973, Britain has been importing cost-inflation from the European mainland which accounts for the largest trade deficit in its history and 18 per cent devaluation of British pound in one year.

The common man in UK appears to be disillusioned with the British membership of EEC mainly on account of the tremendous increase in the cost of living caused by the various measures adopted by the British government to bring the British economy in conformity with the EEC regulations. Sensing this discontentment the Labour party manifesto for the last general elections gave a prominent place for renegotiations of the EEC treaty. According to the manifesto. the Labour government would "immediately set in trail the necessary procedures and at the same time stop further process of integration." Even the Conservatives have recognised this in their manifesto which says "the Community has to adapt to Britain."

In June 1973 the Times/ITN Poll showed only 23 per cent of the public wishing to stay in the Common Market on the present terms of entry, that 30 per cent were in favour of renegotiation, and that 41 per cent wished to pull out with or without a new arrangement.

inventory of areas

From the various pronouncements made by the leaders of the present British government from time to time, one can make out the inventory of areas in which immediate renegotiations may be initiated by the present Labour government.

(a) Major changes in the common agricultural policy and in the financing of the Community budget, including specially the present provision for diversion to the Community of all customs yields, plus a yield up to one per cent of VAT;

(b) a reduction of the British contribution to a comparatively fair level;

(c) higher payment to Britain from Community resources;

(d) the return to the UK Parliament of the powers needed to pursue effective regional, industrial and fiscal policy;

(e) an agreement on capital movement which protects the British balance of payments and full employment policies and provides to Commonwealth and developing countries continuous' access to the British market; and

(f) no harmonisation of VAT rates which should require the Britain to tax necessities.

The Community's Common Agricultural Policy (CAP) embraces far more than the abolition of internal tariffs. It envisages a structural reorganization of agricultural operations — the more immediate objectives being the removal of excessive tariffs and other barriers to trade between members and their replacement by levies which could offset internal price differences. The ultimate intention is to establish common price levels within the EEC for each of a wide range of agricultural products, thus eliminating the need for inter-Community levies. The EEC method of supporting agriculture is radically different from the British system of price reviews and deficiency payments which have been effectively keeping food prices down. With the adoption of the Common Agricultural Policy by Britain the system of deficiency payment is being replaced by levy system of the EEC which has resulted in considerable rise in food prices.

import levies

The sources of cheap food supply like those from Australia and New Zealand are being subjected to import levies and severe quota restrictions. These suppliers have been forced to seek new markets elsewhere. New Zealand has opened new markets in America. Japan and Greece, and it is unlikely that the long-term bulk purchase agreements from which British profited for so many years could be negotiated again on equally favourable terms. This makes it imperative that renegotiations would aim at suitable changes in the Common Agricultural Policy so as to reopen the British market again to low cost food producers overseas to whatever extent possible. It appears to be somewhat difficult because of the rising food prices everywhere throughout the world and as such availability of food at pre-entry prices may not be possibe.

Within the framework of the Rome Treaty it may be possible to have some adjustments in the CAP and in this Britain is not the only member state where it is deeply unpopular. The West German government, in particular, has grown increasingly irritated with the policy's cumbersome extravagance for which they have so far been the biggest pay-masters, and at the combined insistence of Britain and Germany, a first round of the farm policy reform negotiations took place even last year.

It has been pointed out by Mr Healey, the Chancellor of the Exchequer in his budget speech int he last week of March that "in the coming financial year, the United Kingdom would be paying £201 million into Community budget and getting back only about £ 120 million." This raises the question of readjusting the rates of contribution to the common budget for the financing of Community expenditure. Under the present arrangement, every member state has to hand over to the Community the revenue from import duties and agricultural levies (less 10 per cent collection charges), plus a further contribution corresponding to one per cent of the Value Added Tax. On current projections, these contributions will in practice produce an unfair result from Britains point of view, since Britain imports more food than anybody else (and, therefore, has to hand over more import levies), while the budget is very largely spent on the farm policy (and, therefore, goes mostly into the pockets of the French).

In renegotiations, Britain may be able to get modified the system of financing the Community budget which may be resisted by French, and some others. But there is a growing recognition that the Community system, in which each member country would have to hand over its levies on food imports, its tariffs and a proportion of its VAT, not only penalises largely importers of food such as Britain but is also too erratic for the Community to rely on. In renegotiations Britain may also be able to pursuade the other members to confirm that zero-rating of VAT be allowed on food and certain other daily use goods. The Community's financial rules have been renegotiated several times since 1958. But those which are now in force have been enshrined in the Treaty of Accession between the Six and Britain and such renegotiations in this area will be more difficult than a renegotiation of the CAP; since the farm policy was created by the Council of Ministers and could be engaged by the Council, whereas a change in the finance rule would require amendment to the Treaty of Accession and ratification by all the nine parliaments.

the over-conscious British

The British have always been over-conscious of their sovereignty although every act of international cooperation, whether economic, social or political, is a pooling of sovereignty. The decision-making in the EEC is mainly in the hands of supranational institutions, like the Council of Ministers and the Commission, and the decisions are enforcable even without the consent of national parliaments and governments. There is Community Court of Justice which is well above the highest court in the member countries. The British public opinion strongly feels that there should be no more humiliation of allowing domestic policies and laws to be made in Brussels. They want to conduct their relations in trade, investments and other matters with the rest of the world independently through the elected national Parliament. The European Parliament is only a deliberative body and it has no directly elected members. Economic and Monetary Union projects have also far reaching repercussions on British sovereignty.

The above analysis clearly points out the need for restructuring the EEC treaty and also a slowing down of the move for economic and political integration in Europe. The progress towards a United States of Europe could not be satisfactory in view of the stresses and strains which have developed among the nine member countries. Technically, renegotiations may be impossible unless the other eight member countries agree. It may not even measure upto the full machinery of amendment envisaged in Article 236 of the Rome Treaty and Article 6 of the Treaty of Accession. If that meant withdrawal of Britain from the EEC it would, no doubt, be illegal in international law regardless of whether Parliament has passed legislation making impossible to honour the treaty and subsequent directives. But the niceties of international law rarely have a strong following in the face of political facts.

business interest

For the present Labour government, a number of difficulties may crop up if it decides on renegotiating the EEC. British business, now geared-up to a tariff-free area, is anxious to exploit the commercial promise of the EEC. It would not lightly sit by if Labour were to start pulling out of Europe. Moreover, the precarious balance which the Labour has in Parliament, the European liberal party and the large number of pro-European Tories may not give the present Labour government a free hand. Liberals and Tories together will prevent disruption of the EEC arrangement. It should be noted that the Labour in the last elections got only 11.75 million votes as against 17.75 million votes by Tories and Liberals together and Mr Wilson is really heading a minority government. Wilson's delicate parliamentary situation will not permit him to go ahead with plans for a complete renegotiations of the entry terms but it is equally felt that Labour government will have to make a serious attempt to distinguish its European policies from those of Mr Heath. If a Labour government really decides to pull Britain out, the European Community's Bill passed by the Commons setting out various regulations implementing Community membership, will have to be repealed. This may be the most stupenduous task even for a majority government. Among other EEC partners only France may welcome British departure due to British dominance and dissatisfaction with the Common Agricultural Policy. If Britain goes out of the EEC, it may be able to re-assert independence and conclude from outside a new relationship of an industrial customs union arrangement with the EEC on the lines of countries like Sweden, Switzerland, Portugal, New Zealand and Norway. This may give Britain an opportunity of again starting moving from '*regionalism*' to '*globalism*' and play active role in the Commonwealth.

There are, in fact, less drastic ways for Britain to improve its lot inside the Common Market. Renegotiations should be viewed as a way of staying inside the Community on more satisfactory terms rather than getting out of it or wrecking it. Britain could, for example, ask for the revision of several clauses of the membership treaty under the procedure available in Article 6 of the Treaty of Accession. There is also provision for invoking safeguard clauses in mutual aid in cases of extreme economic difficulties and ways could be found of sparing Britain the rise in food prices above the international level. This type of renegotiations may aim at collective and realistic assessment of British interest both short-term and long-term and pave way for Community action to improve the health of the British economy. This is a major task to which all EEC countries in general, and Britain in particular, have to address themselves so that the momentum of European economic integration may be maintained at a satisfactory level without causing undue stresses and strains.

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MOVING FINGER

Mr Jayaprakash Nara-yan has himself stated that he has only opted out of party politics and the power game that goes with it and that he is still very much interested and active in politics in the larger sense of public life or public affairs. He should therefore be expected to take the rough with the smooth where political or other public controversies are concerned. I therefore do not think that Mrs Gandhi exactly sinned against the Holy Ghost when she used strong or even harsh language in defending herself against Mr Jayaprakash Narayan's criticism of her politics or her government's policies.

There is certainly no obvious reason why she should coo like a dove when, thank heavens, very firm and frank language is at last coming to be used in the country in exposing the hollowness of her pledges and promises to the electorate and the unsoundness of her performance as prime minister particularly where the proper management of the economy is concerned. Indeed it is good that, instead of pretending to be above criticism or trying to brush aside the mounting attacks on her leadership of the country and the government by or on behalf of an outraged public, the prime minister is demonstrating some sensitiveness. So long as her political skin has not become wholly coarsened there should be hope for the country that she might, after all, listen to the advice or admonition of those who are not in the unhappy position of depending on her patronage or pleasure, or otherwise having to feed themselves on her smiles and favours.

Meanwhile I am afraid I may be tempted to wonder whether there is after all anything in astrology. I have just been reading in *Newsweek* that a Frenchman, reputed to be a reader or interpreter of the stars in their course, has asserted that Mrs Gandhi's planetary sign is not really scorpion, but *serpentaire*, the 13th house in an ancient Egyptian version of the zodiac. It seems that *serpentaires*, as the word suggests, seldom travel in straight paths to achieve their objectives. What really suits them is to turn and twist like a serpent, so much so only they would know whither they want to go, and nobody else. Here I suppose is a warning for that good man gone old, namely, Mr Kamaraj.

He has been asserting and reasserting that, in wishing to join forces with the prime minister's party, he is prompted by a passion not only to rescue Tamil Nadu from the deadly embrace of the DMK but also to save it from a fate worse than death, to wit, the ADMK. I confess that until very recently I was more or less disposed to take him at his word. Now, however, I am more inclined to think that Mr Kamaraj is really interested in salvaging what is left of himself politically. One does not have to be a cynical observer of Tamil Nadu politics to suspect that Mr Kamaraj has lost very considerably his hold on his flock. We all know what happens with sheep. Where one strays, the rest simply rush. Since not one but quite a few of Mr Kamaraj's sheep, including at least one fairly well-nourished ewe, have already jumped the fence, and many more may be about to do so, it would not be unnatural if one were to conclude that, while there may be something heroic about the image of a captain going down with his ship, a shepherd who has lost all his sheep could only look utterly ridiculous. Which means of course that, from the point of view of Mr Kamaraj himself, there is something to be said for his wanting to continue to do deals with Mrs Gandhi. But then, he would still be running the risk of his bargain going sour on him — assuming of course that the Frenchman is right about Mrs Gandhi being a *serpentaire* and not a scorpio.

In the days of Jawahar-lal Nehru, Govind Ballabh Pant and Lal Bahadur Shastri, there was some constructive concern in the central government about remedying the industrial backwardness of UP. It was realized that India's most populous state, which was also among its poorest, could not hope to do anything about the unemployment and destitution, which was the lot of a large proportion of its people, unless something was done to foster industries in its various parts. While the general run of politicians in the state was inclined to emphasize the setting up of more public sector projects, Nehru and Pant felt that it was even more necessary to encourage more general industrialization by persuading entrepreneurs to show some conscious preference for UP in their calculations. Hindustan Aluminium, for instance, was one of those major industrial projects in the private sector which was ultimately located in Uttar Pradesh rather than neighbouring Madhya Pradesh because of the importance that was attached to the deliberate taking of steps to clear the heavy arrears of industrialization in the former state.

It is true that, during the latter years of Mrs Indira Gandhi's prime ministership also, the central government has been actively sponsoring industrial development in UP through the private sector. In this case the motivation has perhaps been more political than economic. The prime minister and her advisers have clearly found it useful to create and nurse circles of friends and well-wishers in the business community in various parts of the country. I am not suggesting that there is at all anything wrong in this, the political game being what it is; and so far as I am concerned, I am glad that industrial growth in UP has benefited, whatever may be the sources of inspiration. But I am most certainly unhappy that industry in UP is now being destroyed steadily by mean or mindless small-town politicians.

I do not want to dwell at length on this occasion on the veritable war of attrition which is being carried on against Hindustan Aluminium, but I would like to refer to the grave charge of discrimination made by spokesmen of mini-steel plants located in UP. In a period when the main steel producers in the public sector have disgracefully let down the national economy, the mini-steel plants in various parts of the country have rendered invaluable service by adding to the availability of steel. If even this fact is not enough to persuade the UP government not to discriminate against the mini-steel plants in the state in the matter of supply of electricity, one may ask what exactly could be the motives of the state government. Even if the fact were to be ignored that the power shortage in UP is very considerably government-made in the sense that the state electricity board has been shamelessly betraying its responsibility to the nation by failing to ensure even minimum performance in power generation or transmission, would it not be right to demand of Mr Bahuguna that he should tell the country why his administration finds it so difficult to arrange for the rationing of electricity for industrial purposes in terms of a proper order of national priorities?

VB

TRADE WINDS

UN Session on Development

[T]HE UNITED Nations General [A]ssembly which began its 3-[w]eek special session on April [9] to discuss the problems of "Raw Materials and Development" decided to set up an ad [h]oc committee consisting of 35 nations. This Committee [w]ill work on a draft declaration [f]or the establishment of "a new [i]nternational economic order" [a]nd a supporting "programme [o]f action".

The Indian delegation to the [s]pecial session is headed by the [m]inister for External Affairs, [M]r Swaran Singh, other mem[b]ers of the delegation include [M]r D. K. Borooah, minister [f]or Petroleum and Chemicals, [a]nd our ambassador to the [E]EC, Mr K.B. Lall. This is [i]ndicative of the importance [t]hat this country attaches to [t]his special session of the Uni[t]ed Nations. The subjects being [d]iscussed at the session include [t]he terms of trade of the develo[p]ing countries, price prospects [o]f their primary exports and [t]heir balance of payments prob[l]ems.

For the past two years now [t]he price of the commodities [e]xported by the developing [c]ountries have been steadily [r]ising but since the extraction [a]nd processing of these com[m]odities has been mostly in [t]he hands of international car[t]els, the countries of their ori[g]in have not been the main [b]eneficiaries. Major oil produ[c]ing countries, particularly of [W]est Asia, have however [r]eaped windfall gains, in the [p]rocess unleashing an explosive [b]alance of payments situation [f]or such developing countries [a]s ours, who are net importers [o]f crude with foreign exchange [e]arnings unable to match the drain that the huge oil bill will involve. This special session of the United Nations should be able to ensure stability of commodity prices at remunerative levels and enable a steady transfer of development resources from the developed to the developing nations.

GATT in Changing World Economy

There is a risk of a recession and return to protectionist policies by governments unless the member states of the GATT act together constructively to overcome the present challenges to the multilateral trading system. These fears were expressed by Mr Oliver Long, Director General of GATT while addressing the National Committee of the International Chamber of Commerce, Stockholm, recently. He said the magnitude of additional payments to be made by the petroleum importing countries was such that attention had shifted from a fundamental reform of the international monetary system to a search for solutions to the immediate payments problems. Yet a proper reassessment of the recent traumatic developments gives the GATT negotiations even greater importance and significance.

Spelling out the scope of the current multilateral trading negotiations which are in the final stages of preparation, Mr Long said that unlike the Kennedy Round the present negotiations cover all aspects of trade; both tariff and non-tariff barriers which have the effect of impeding or distorting international trade would come under a concerted attack.

The negotiations would cover both industrial and agricultural goods thus meeting the complaint of countries exporting agricultural goods which felt that their interests were neglected in the past. These negotiations would give special and priority attention to tropical products which are the mainstay of exports of many developing countries. Finally they would lay great stress on the trade needs of the developing countries.

Mr Long felt that the negotiations were, at the moment, in the last stages of preparation and shortly actual proposals or offers of concessions by the participant governments would be called forth.

So far the reaction of the governments has been towards seeking a multilateral response to the present monetary upheaval. However Mr Long could not underestimate the temptation of governments to make use of competitive devaluation, import restrictions and artificial boost to exports to meet the payments crisis. In this atmosphere of uncertainty and exaggerated fears, Mr Long advised the governments of the member countries to discuss multilateral problems with calm nerves to cope with the situation.

Loans Sanactioned under IDA Credit

The state financial corporations had up to April 1, 1974, sanctioned assistance totalling Rs 7.39 crores in respect of 129 applications from small and medium-sized industrial concerns which are eligible to draw upon the $ 25-million credit given by the International Development Association (IDA) for import of plant and machinery. Another 135 applications for Rs 9.34 crores are under the active consideration of the SFCs. The industrial Development Bank of India, to which the IDA credit is made available for on-lending to SFCs, is in touch with SFCs to ensure that the applications pending with them are cleared expeditiously.

The IDA credit is to be utilised for the setting up of new industrial projects, and also for the expansion, diversification, modernisation or renovation of existing units. Only schemes with projects cost not exceeding one crore rupees, which contain a foreign exchange component by way of imported plant and equipment the import of which is covered by import licences issued under IDA credit by the government of India, are eligible for assistance. The rate of interest charged by SFCs on the foreign exchange loans is nine per cent for loans sanctioned to units covered under the Credit Guarantee Scheme, units sponsored by the technician entrepreneurs and units in specified backward districts and 9.5 per cent for loans sanctioned to other units. Repayment period is between three and 10 years, relaxable in exceptional cases.

Rising Foreign Exchange Reserves

Foreign exchange reserves of our country have shown a steady rise from Rs 310 crores on January 4 to around Rs 530 crores on March 29. Apart from the drawal of $74.5 million from the IMF under the compensatory financing facility, the rise is due to the fact that earnings from exports and "invisibles" are running at a high level. A reason for the high reserve figure is delayed payment for imports of crude oil. The payment is expected to be made from May onwards and the reserves may show a marked fall in the summer months and a reverse trend may start then onwards. Among other reasons for the rising reserves are the "net purchases of sterling" from commercial banks by the RBI. These are accounted for by normal earnings of foreign exchange by the commercial banks minus the exchange sold by them. Foreign aid disbursements in the last quarter of the financial year have also risen.

Coal Mines in Doldrums

A comparison of the situation in the coal mining industry before nationalisation and the post-nationalisation period was given by the Chairman of the Indian Mining Association, Mr M.M. Kakar, at its annual general meeting held in Calcutta recently. He referred to the alarming coal shortage seriously affecting the production of steel, cement, power, tea, textiles and other essential commodities all over the country. The supply position had so deteriorated that the second battery of the coke oven plant of Bokaro although completed could not be commissioned in time for want of coal. The production in the plants of Hindustan Steel had suffered through the inadequacy of coal and the programme of production of pig iron in the blast furnaces had to be rescheduled. Even domestic consumers did not get regular supplies of soft coke and the prices had soared to Rs 8 to 12 per 40 kg. Railways, which have top priority in the supply of coal had to suffer for want of coal and for weeks a large number of trains had to be cancelled. Late running of trains was attributed to the inferior quality of coal supplied to them. The minister for Steel and Mines, had admitted in the Rajya Sabha that production of major steel plants had gone down to 51 per cent because of non-availability of coal.

Giving statistics about the decline in the production of coking coal after nationalisation Mr Kakar said that immediately after the take-over, production fell from 10.58 million tonnes to 10.13 million tonnes. By September 1973 the production had come down to 9.78 million tonnes. Before nationalisation, the pithead stocks of coking coal had reached 2.42 million tonnes in March 1972. As opposed to this, by October 1973 it had fallen to 0.46 million tonnes.

Since there is a vast gap between the demand and supply of coal, Mr Kakar suggested that the private sector be allowed to exploit the small and isolated mines spread over the states of West Bangal, Bihar, Assam and Madhya Pradesh which cannot economically be exploited by the public sector. He gave the example of Britain where 219 privately-owned collieries producing less than 10,000 tonnes each annually are being permitted to work independently under license.

Foreign Private Investment Falling

There has been a dramatic fall in private foreign investments in this country, according to the Executive Director of the Indian Investment Centre, Mr T.N. Chaturvedi. From a figure of Rs 14.5 crores in 1970-71 the foreign private investment reached a low of Rs 90 lakhs in the first six months of 1972-73. The reason behind this fall apparently is the guidelines issued under the Foreign Exchange Regulations Act which, apart from placing several restrictions on foreign investors, requires them to accept minority equity participation. According to Mr Chaturvedi there is no lack of interest in investing in our country by foreign private investors. The Indian Investment Centre has received a number of queries and many foreign delegations have visited the country to explore possibilities for investment. India has a considerable fund of skilled manpower available at low wage rates. It also possesses infrastructure required for industrialisation. At present the main field in which foreign collaboration is permitted is that catering for exports. A seminar on export promotion is being organised by the Indian Investment Centre on April 19 and 20 which it is hoped will provide operational guidelines to the department of Export Production, recently set up by the Commerce ministry.

New Engineering Association

The two premier engineering associations in the country, the Indian Engineering Association and the Engineering Association of India have merged to form a single organisation for the engineering industry of the country as a whole. The new organisation is called the Association of Indian Engineering Industry. This measure has been taken to make the service to the industry more effective, avoid duplication of work and effort, introduce rationalisation of work and enable the industry to provide better counsels to the government. The headquarters of the new organisation will be in New Delhi to enable it to be in constant dialogue with the central government. It will have regional offices in Calcutta, Bombay, Madras and New Delhi.

The Association of Indian Engineering Industry will represent some 1000 companies with an investment of Rs 3,000 crores and employing one million persons. This would represent 32 per cent of the productive capital of all manufacturing industries in the country and 25 per cent of the employment. From the purely informative and representative functions which the two previous associations were performing, the new organisation hopes to shift the emphasis to advisory and consultative functions both to the industry and the government.

Labour-Management Relations

The labour management relations in the country are drifting into a pathetic situation in which a section of the working population are playing the game of "beggar thy neighbour". Work ethics have changed and we expect reward without work. This is the burden of address by Mr K.V. Srinivasan, Chairman of the Employers' Federation of Southern India, to the annual general meeting of the federation held in Madras recently. Though the demands are apparently made against the management, they are actually demands against each other. It is obvious, Mr Srinivasan said, that, given the low levels of economic growth, national income and production, if one section of workers succeeds in its demand for higher wages it will mean that the other sections of workers will get less to that extent. In the process, prices move up relentlessly and the whole exercise becomes self-defeating.

The only escape from the vicious circle, according to Mr Srinivasan, is production and productivity. This is particularly relevent because of the woefully short supply of wage goods. Unfortunately any talk of linking wages to productivity has evoked a hostile response from both labour and policy-makers. He also referred to bonus which regardless of profit or loss is often forced on industry. The delay in the introduction of the Industrial Relations Bill, which could be the Keystone of a constructive labour-management relation he attributed to the politicalisation of industrial relations.

Problems of Engineering Industries

At the annual general meeting of the Indian Engineering Association (Western Region) held recently in Bombay, Mr P. R. Deshpande, Vice-President of the association referred to difficulties facing the engineering industry and the economy as a whole. He dwelt upon the deleterious effects of the energy crisis, the shortage of industrial raw materials and the spiralling inflation on the national economy. In the prices of raw materials, Mr Deshpande, said, there had been a phenomenal rise ranging upto 140 per cent in some cases. The engineering industries encountered serious commercial problems because contract prices bear no relation to actual costs and delivery promises cannot be kept. Over and above this, the sudden freeze in the credit limits by banks under the RBI guidelines had adversely affected production.

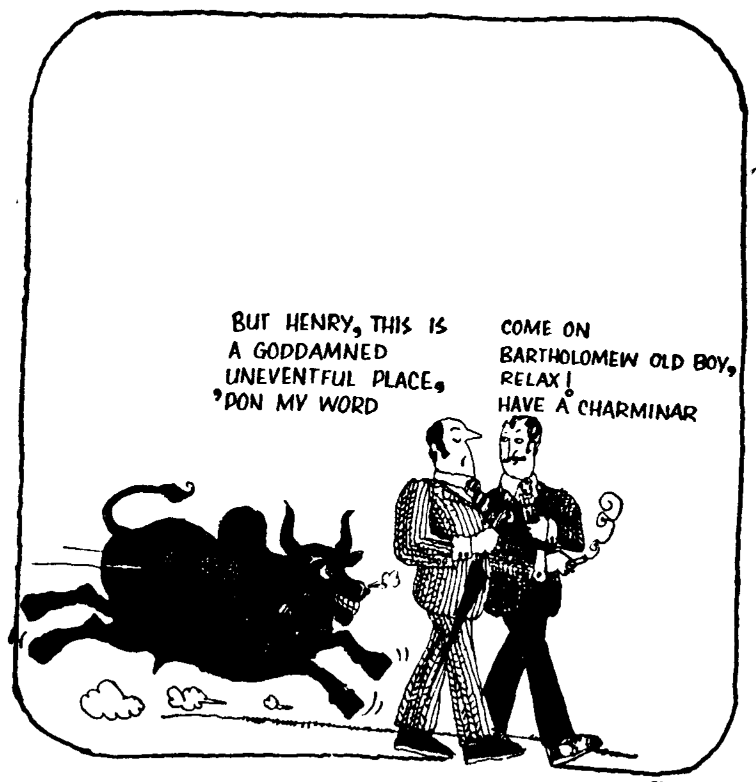
Mr Deshpande was particularly disturbed by the socio-political situation in the country. The runaway prices of essential commodities had caused untold hardships to the toiling millions, he said, and industry should get deeply involved in a study of these problems and determine in what way it could contribute to the easling of these tensions.

Large Order for Elecon

Elecon Engineering Co. Ltd has two major orders for coal handling plants. The order valued approximately at Rs 9½ crores has been secured from the Obra power station (extension) of the UP State Electricity Board for design, manufacture, supply and erection of coal handling plant for Obra super thermal power station of 1000 MW capacity. The Obra plant when completed shall be the largest thermal power station and coal handling plant in India. This plant will have 95 per cent indigenously manufactured equipment. The second order Elecon has secured is from Gujarat Elecricity Board for Gandhinagar power station coal handling plant valued at about Rs 3 crores. An earlier order from Gujarat Electricity Board was for Ukai coal handling plant.

Names in the News

At the 27th annual general meeting of the Indian Machine Tool Manufacturers' Association held in New Delhi recently **Mr Vinod L. Doshi**, Managing Director of Cooper Engineering Ltd, was unanimously elected president of the Association. **Dr C. A Phalnikar** of Mysore Kirloskar Ltd was elected vice president of the association.



Readers' Roundtable

Co-operative Training

Sir,

I have read with interest the article on Co-operative Training by K. K. Taimni in your issue of February 8, 1974. I would like to express another point of view.

Co-operative training at various levels has been in existence in our country for more than 60 years. The present set-up has failed to be effective. It is therefore necessary to scrap it and replace it by a new model, based, preferably on the systems followed by other countries with developed co-operative structure.

This entails a basic change in co-operative thinking. The movement at present is too much dominated by government. A close examination of the top executives of co-operatives will reveal that co-operatives are controlled by the staff lent by the co-operative departments. In Maharashtra the general comment is that it is not "Sahakari" movement but "Sarkari" movement.

In India we believe in democracy. Some of us also think that the people in general should be more informed so that they can think and support certain policies which the voters think proper. But this has not resulted in the appointment of a minister for democracy and the founding of a department for democratic development. We would feel the idea revolting and the same should be our reaction to the co-operative structure if we have faith in the co-operative movement—but it is not. This is a basic failure, which has resulted in the cowardice of the co-operators. They are afraid of approaching a problem from co-operative angle but always devote their energies to finding out ways of securing government finance.

Let us refer to the statistics provided in the article. The basic question is how the capacity was arrived at. Is it based on the teaching load of the staff or available accommodation? How does it compare with the other educational and training organisations?

The basic concept of co-operation is uplift of the common man. This ideal has long been forgotten. It has led to the uplift, but not of common man, but of government control, bias, and corruption. The common man, waits in eternal hope.

The article also fails to bring out the total lack of practical training facilities. Without practical training, theoretical training imparted by persons removed from practical business experience is useless.

The figures in Table II are also misleading. They do not give the number of trained personnel utilised by the societies and also their interest in taking advantage of the training. This would have immediately brought into focus the criminal negligence of the training institutions and the lack of interest shown by the co-operative organisations.

In India we have evolved a unique system of imparting training. It is under the control of independent co-operative educational corpus, totally dependent on government subsidy. This system is available only in this country. It has resulted in making the training a helpless structure, resulting in waste.

The system was suitable when federations were not in existence. We have now federations at the state and national levels. They should be asked to impart training.

As the training was started with the object of imparting co-operative education; it suffers from the original concept. It has catered neither for the needs of pure theory nor for the practical side. It should be job-oriented. This can only be done by the federations. They are in a position to guide about their requirements, and accordingly offer facilities for practical training. Training should concentrate on the business activities of the societies.

The framework of the present courses does not take into consideration the type of trainees it has to cater for. As the trainees have a service background the courses should be framed with a view to encouraging the development of their business acumen.

Yours etc.
Govindrao P. Bhosle
Bombay

COMPANY AFFAIRS

Industrial Cables

IN spite of shortages of raw materials, severe power cuts and other handicaps Industrial Cables (India) Ltd. has made commendable progress during the year ended October 31, 1973. During the year production went up to Rs 5.28 crores from Rs 4.60 crores in 1971-72 while sales advanced from Rs 4.64 crores to Rs 4.83 crores. Gross profit too recorded a handsome rise to Rs 34.83 lakhs from Rs 23.10 lakhs in 1971-72. Out of the gross profit, the directors have appropriated a sum of Rs 14.22 lakhs to depreciation reserve, Rs 10.05 lakhs to development rebate reserve and Rs 1 lakh for taxation. This leaves a net profit of Rs 9.55 lakhs. After adjustments a sum of Rs 9.57 lakhs was transferred to the general reserve. The directors have proposed a dividend of 10 per cent on equity shares. It will absorb Rs 4.70 lakhs and will be paid out of the general reserve. The steel wire manufacturing unit set up at Kilazafargarh in Haryana state went into production in October 1973. The first phase of the project has already been implemented. In the second phase it is proposed to achieve the licensed capacity of 19,000 m. tonnes per annum in finer sizes of wires involving further investment in plant and machinery of over one crore of rupees. Meanwhile the company has received an industrial licence for the manufacture of control and signalling cables and also a letter of intent for the manufacture of grooved contact wire (trolley wire). It has also submitted schemes to the government for the manufacture of polyethelene cables, aluminium wire rods, and steel wire ropes and the industrial licences are expected to be received shortly. The company continued to maintain its lead in the exports of cables. The exports during 1972-73 amounted to Rs 142.87 lakhs as compared to Rs 137.44 lakhs in 1971-72. This is indeed a significant achievement and the company has been awarded recently the national award Merit Certificate for its outstanding export performance for 1971-72. The company hopes to improve on its export performance in the current year and may also become eligible export house.

State Bank of Hyderabad

State Bank of Hyderabad has reported significant improvement in its working results during the year ended December 31, 1973. Deposits increased by Rs 20.30 crores to Rs 106.25 crores at the end of 1973 as against a rise of Rs 10.36 crores in 1972 while advance including those assigned under participation scheme went up in 1973 by Rs 13.26 crores to Rs 81.33 crores as compared to an improvement of Rs 10.07 crores in 1972. The income of the Bank rose by Rs 2.55 crores to Rs 11.16 crores in 1973 as against an increase of Rs 1.48 crores for 1972. The expenditure, however, too went up from Rs 8.55 crores to Rs 11.10 crores, mainly due to payment of interest on advances assigned under the participation scheme, higher payment of interest on interest bearing deposits, opening of branches etc. The bank earned during the year a net profit of Rs. 5.85 lakhs. Twenty branches were opened during the year, out of which eight were in rural areas, three in semi-urban areas, one in an urban centre and eight in metropolitan towns. At the end of 1973 the bank had a network of 319 branches. The Bank intensified its campaign of popularising the 'Janata Deposit Scheme' by extending the facility to several rural branches located in Karnataka, Marathwada, and Telengana regions and also to some of the branches in the metropolitan city of Hyderabad. To accelerate the pace of deposit accretion the Deposit Mobilisation Cell at Head Office has been strengthened and concerted efforts are afoot to tap further deposits. The advances made by the Bank to priority sectors, excluding export finance, was higher at Rs 21.76 crores as compared to Rs 17.26 crores in 1972, the Bank's advances for export in 1973 being Rs 7.30 crores as against Rs 6.42 crores in the preceding year.

New India Industries

New India Industries has stepped the equity dividend to 17 per cent for 1973 as against 15 per cent paid for 1972 following substantial improvements in its working results. With smart increase in turnover from Rs 5.56 crores to Rs 6.70 crores, gross profit recorded an appreciable rise to Rs 141.03 lakhs from Rs 102.67 lakhs in the preceding year. Out of the gross profit, the directors have appropriated a sum of Rs 23.44 lakhs to depreciation reserve, Rs 2.10 lakhs to development rebate reserve, Rs 112.35 lakhs to general reserve and Rs 5.01 lakhs towards gratuity as against Rs 20.96 lakhs, Rs 1.92 lakhs, Rs 17.88 lakhs and Rs 17.33 lakhs provided respectively in 1972. The tax liability has been estimaetd at Rs 76 lakhs and it will be met out of the general reserve when due. In 1972 taxation absorbed Rs 42.25 lakhs.

Warner Hindustan

Warner Hindustan has received the consent of the Controller of Capital Issues for the issue of bonus shares in the ratio of three bonus shares for every ten shares held. The bonus issue will be made by capitalising a sum of Rs. 29.40 lakhs out of the company's reserves.

Aruna Sugars

Mr K. Palani, Chairman, Aruna Sugars Ltd, devoted a considerable part of his annual address to the shareholders of the company in dealing with the problems and prospects of the sugar industry. Although the policy of partial decontrol has yielded gratifying results during the past three seasons the fixation of levy prices for different regions has not worked satisfactorily. Hence the chairman made a strong plea to the government to give earnest attention to this problem and revise the prices suitably. At a time when there is a world-wide shortage of sugar, the Indian sugar industry is in a position to export five to six lakh tonnes in 1974-75, earning valuable foreign exchange to the tune of Rs 250 crores. As the industry has suffered losses on its own account when exports had to be subsidised heavily, the chairman pleaded to the government to agree to the industry getting a share of the profits that would be made on exports. Moreover in view of the likelihood of a steady increase in world-wide consumption of sugar and the availability of attractive prices for exports, it is keenly felt that the government should help the industry to increase its output steadily in the ensuing years. At this critical period the industry, it is emphasised, can no longer afford the wide fluctuations in the output of sugar as witnessed in the past years. Moreover the sugar industry has gained a new significance and importance recently. The necessity

of raising the output of sugar in a sustained manner in the coming years to reach a target of 60 lakh tonnes by 1978-79 has now become all the more imperative in order to meet the growing needs of the internal market, maintain a high level of exports and also meet the demand for industrial alcohol in increasing volumes. A higher level of output of sugar will necessarily faciliate large production of alcohol as there will be greater availability of molasses. Further as alcohol has many industrial uses and can also be utilised as fuel, the increasing use of alcohol will go a long way in saving considerable sums in foreign exchange by releasing pressure on imports of petroleum products such as naphtha. In virtue of these tangible benefits the chairman stressed that the government should give all encouragement to the sugar industry and distilleries to discharge their responsibilities and make them play a vital role in improving the country's economy.

In the absence of unforeseen developments Aruna Sugars is likely to earn more in 1973-74. While the company is making every effort to derive the maximum benefit out of the newly created facilities, the management is taking all steps to implement the expansion scheme which will results in a further increase in the crusing capacity to 4000 tonnes daily. The scheme is estimated to cost Rs 290 lakhs. It will be financed to the extent of Rs. 202 lakhs by the financial and other institutions while the balance of Rs. 88 lakhs will be met from internal sources and if necessary by raising fresh equity capital of about Rs. 30 lakhs.

TSIDC

The year ended March 31, 1973 witnessed further broadening and intensification in the activities of Tamil Nadu Small Industries Development Corporation Ltd in the fields of distribution of raw materials, supply of machinery, construction of worksheds etc. The Corporation added a new dimension to its activities by initiating such schemes as providing valuable assistance for the development of ancillary industries as well as in the preparation of feasibility studies. The Corporation achieved further impressive progress during the year in the distribution of scarce raw materials and it has taken in its fold a few more critical items such as caustic soda, zinc, palm oil etc. The raw materials distributed by the Corporation during the year was of the order of Rs. 4.18 crores. In order to ensure timely supplies of raw materials the Corporation introduced the system of ad hoc allotment against specific orders obtained by small scale industries from leading industries and orders from government departments and other priority sectors. The progress made by the Corporation under the Hire Purchasse Schemes during the year too was indeed spectacular. Under this scheme 401 entrepreneurs were assisted with machinery worth Rs. 169 lakhs as against Rs. 75 lakhs worth of machinery for 154 entrepreneurs in 1971-72. It is significant to note that the Corporation has built up the tempo within a short span of two-and-a half years by systematic and planned approach, taking advantage of the winds of change in the field of small scale industry. The Corporation has recently created an electronics cell and it is giving much-needed help and proper guidance as well as assistance in the preparation of project reports for enterpreneurs. The cell is becoming increasing popular. The workshed scheme too has evoked heavy response. Under this scheme the Corporation has taken up the construction of sheds at the SIDCO Industrial Estate at Ambattur, Coimbatore and Tiruchirappalli.

The Corporation has launched a new loan scheme launched a new loan scheme with effect from April 1, 1972 hitherto implemented by the Director of Industries and Commerce. The Corporation adopted a more simplified procedure besides making the terms and conditions more attractive and as a result 386 entrepreneurs were granted working capital loans to the tune of Rs. 37 lakhs during the year. Moreover the Corporation is in close liaison with the STC in regard to meeting the needs of imported raw materials of small scale industries and also in finding export outlets for the finished products of small industries. In furtherance of these arrangements, specific studies of a few selected items such as leather, processed foods and ceramics have been taken up. These creditable achievements of the Corporation were highlighted by the Chairman, Mr. C. N. Raghavan while addressing the annual general meeting which was held recently at Madras.

News and Notes

(Expansion and diversifications)

Mahalakshmi Fibres & Industries Ltd., had plannded to double its spindleage—from 12,320 spindles to 25,000 spindles. It had received necessary permission from the Textile Commissioner for increasing the spindleage. In fact 1760 spindles have already been installed and commissioned, and the order for 11,000 spindles and preparatory machines have already been placed. The machinery is scheduled to be delivered by early 1975 and production is expected to commence from April|May, 1975. The cost of the expansion scheme is estimated at Rs. 1.80 crores and is proposed to be financed through long term loans, increase in share capital as well as from internal resources. The company had cleared all arrears of preference shares and equity shareholders could now look forward to a maiden dividend.

News Issues

Enamelled Wires has embarked on a project for the expansion of its capacity to manufacture enamelled copper wires and paper covered wires and strips and also set up a plant at Tarapur for the manufacture of aluminium winding wires. The Tarapur plant is expected to be commissioned by September 1974. The company hopes to increase its

turnover from Rs. one crore in 1973 to Rs. 3.12 crores in 1975, the first year of expanded capacity. The company hopes to earn a pre-tax profit of Rs. 56 lakhs in 1975 and Rs. 99 lakhs in 1976. The management is confident of declaring a dividend of 12 per cent for 1975 on the enlarged capital. The dividend is expected to be raised to 15 per cent in the following year. The raise part of the resources required for the implementation of this Rs. 1.45 crore expansion scheme the company is offering to the public for subscription 3,60,000 equity shares of Rs. 10 each at par. The subscription list opens on April 25 and will close on May 7 or carlier but not before April 29.

Meghalaya Plywood Ltd., will be approaching the capital market shortly with a public issue Rs. 11 lakhs comprising 90,000 equity shares of Rs. 10 each and 2000 (9.5 per cent) redeemable cumulative preference shares of Rs. 100 each. The entire public issue is uderwritten. The proceeds of the issue will provide a part of the finance required for the setting up of modern plywood factory at Tamulkuchigaon in Khasi Hills of Meghalaya. The plant is expected to go on stream in May 1974. As the demand for plywood is likely to rise in the coming years, the directors are hopeful of paying a reasonable dividend from the very first year of commercial production.

Universal Plast is setting up a PVC calender plant at Ghaziabad in Uttar Pradesh for the manufacture of 1500 tonnes of PVC sheets per annum. The plant is expected to be commissioned into production in September this year. To raise resources for the execution of this project the company will soon be offering 3,68,000 equity shores of Rs. 10 each to the public for subscription. The capital outlay on the project is estimated at Rs. 1.42 crores and it will be financed by the equity capital of Rs. 60 lakhs and long-term loans Rs. 82 lakhs. As the demand for PVC sheets is growing at an accelerated rate, the company envisages no difficulty in marketing its products. The management is confident of a good dividend from the second year of production.

The directors of **Automobile Products of India** have decided to make a capital issue of Rs. one crore divided into ten lakh equity shares of Rs. 10 each at par. Of this, 2,13,249 equity shares will be offered to the existing shareholders in the ratio of one share for every five shares held. The balance of 7,86,751 equity shares of Rs. 10 each will be offered at par to the public through a prospectus. The proceeds of the public issue will be utilised to augment the company's working capital and will help in improving its liquidity position.

A brewery to produce 50,000 hectolitres of beer annually, is being set up by the **Central Distillery and Chemical Works Ltd.,** at Meerut in U.P. The plant will be automatic and have sophisticated equipment. A complete bottling line is on its way from the GDR. The share capital will be raised through rights shares worth nearly Rs. 14 lakhs. But out of this the company proposes to offer to the pubiic shares worth Rs. 7 lakhs or so. These will rank pari-passu with the existing equity shares and will be entitled to dividend out of the profits accuring from October 1, 1973. The Company has declared a dividend of 10 per cent for 1973.

Gujarat Ministeel Ltd., the first ministeel plant in Ahmedabad which is ready to go in for Commercial production in June 1974 will be entering the capital market on April 29, with a public issue of Rs. 24 lakhs. The subscription list will close on May 9 but not before May 2, 1974. The plant located at GIDC Industrial Area at Vatva, Ahmedabad has been granted a licence for manufacture of 18,000 tonnes of mild steel ingots per annum. The total cost of the project is estimated at Rs. 114.82 lakhs. The plant is ideally located in respect of two primary factors for a ministeel plant, viz., scrap and power. The company is confident of recommending a reasonable dividend in the very first year of its production. The company hopes to achieve a sales turnover of Rs. 277 lakhs in 1974-75, Rs. 305 lakhs in 1975-76 and Rs. 333 lakhs in 1976-77. The Company has also plans in hand to double its capacity in the near future with minimum capital outlay.

Capital and Bonus issues

Consent has been accorded to four companies to raise capital amounting to over Rs. 1.86 crores. Following are the details:—

Century Enka Ltd., Calcutta, have been granted consent valid for a period of three months, for issue of bonus shares worth Rs 1,25,00,000.

Solo India Ltd., Bombay, have been accorded consent, valid for three months, to capitalise Rs. 82,830 out of its general reserve and issue fully paid equity shares of Rs. 10 each as bonus shares, in the ratio of two bonus shares for every five equity shares held.

T. Manecklal Mfg. Co. Ltd., Bombay, have been accorded consent valid for three months, to capitalise Rs. 20,00,000 out of its general reserve and issue fully paid equity shares of Rs. 100 each as bonus shares in the ratio of one bonus share for every three equity shares held.

Vickers Sperry of India Ltd., Bombay, have communicated to Government of their proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order, 1969 to the value of Rs. 41,15,400 in 4,11,540 equity shares of Rs 10 each, for cash at par, as rights shares out of which shares worth Rs. 15 lakhs will be allotted to Vickers Inc USA.

Company Meetings

Industrial Cables (India) Ltd: Registered Office, Industrial Area, Rajpura, Dist. Patiala, Punjab; April 29; 11.30 A.M.

McLoed & Company Ltd: Registered Office, 3, Netaji Subhash Road, Calcutta-1; April 24; 4.00 P.M.

Minerva Mills Ltd: Victor House Annexe, opp. Modern Mills, Keshavrao Khadye Mark, Mahalaxmi, Bombay-400 011; April 29; 4.00 P.M.

Indian Aluminium Company Ltd: 1 Middleton Street, Calcutta-700 016; April 25; 11 A.M.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for Current year	Previous year
Higher Dividend			
New Great Eastern Spg. & Wvg Co.	Dec. 31, 1973	12.0*	5.0
Cauvery Sugar & Chemicals	June 30, 1973	11.0	10.0
Loyal Textiles	June 30, 1973	20.0	15.0
Madhavnagar Cotton Mills	June 30, 1973	7.0	Nil
Same Dividend			
Bestobell India	June 30, 1973	10.0	10.0
Jubilee Mills	June 30, 1973	10.0	10.0
India Carbon	June 30, 1973	18.0	18.0
Malwa Sugar Mills	June 30, 1973	Nil	Nil
Textool Co.	April 30, 1973	Nil	Nil
Steel and Allied Products	June 30, 1973	Nil	Nil
Alembic Glass	Dec. 31, 1973	12.0	12.0
Reduced Dividend			
Challapalli Sugars	June 30, 1973	10.0	10.5

*Including a centenary cash bonus of two per cent.

COMPANY MEETING

E.I.D.—PARRY LIMITED

ADDRESS BY

Mr R. Venkataswamy Naidu, Chairman, to the Shareholders

The Seventy-sixth Annual General Meeting of the Company was held on the 29th March, 1974. Presiding over the Meeting, the Chairman Mr R Venkataswamy Naidu made the following Statement to the Shareholders.

Gentlemen,

In welcoming you all to the 76th Annual General Meeting I would like to say that we have changed the venue from Dare House where all meetings have been held since 1947, to accommodate the larger number of shareholders expected to attend the meeting.

From the Report and Accounts for the year ended 30th September, 1973 which have been in your hands for the required period, Shareholders will have noticed that the Group profit before taxation and before providing for retirement gratuity amounts to Rs. 317.57 lakhs. The profit after providing for gratuity of Rs. 31.33 lakhs is Rs. 286.24 lakhs and constitutes the highest so far.

I had explained in my statement last year the reasons why it became necessary for us to provide for taxation notwithstanding the losses carried forward in the books. As mentioned in the Directors' Report this year, the accumulated losses in the accounts of the holding company have been fully absorbed by the taxable income of the previous years, firstly, because of the income-tax depreciation claimable in the last few years being lower than the depreciation charged in the accounts and, secondly, because of the provision for doubtful debts we had made in the earlier years, although charged against profits of the respective years, are yet to be claimed for tax purposes as the matter has not reached a final stage. The Group net profit after providing for tax of Rs. 174.77 lakhs is Rs. 111.47 lakhs.

The satisfactory results for the year under report were made possible by the good performance of almost all the divisions in the Group. Apart from this, incidence of interest charges has been further reduced from the level of the previous year.

I may state in this context that against the provision of Rs. 43 lakhs made in the accounts in the previous years towards doubtful debts in Andhra, a sum of Rs. 15 lakhs has already been collected. We have every hope that a good deal of the balance amount in respect of debts, against which provision has been made, will also be collected, albeit over a period of time.

I may mention that included in the results are a number of payments such as additional cane price, back wages to staff and labour, ex-gratia payments over and above the statutory bonus payable in respect of the previous financial year, etc., most of which were not foreseen earlier.

DIVIDENDS

Shareholders will have noted with satisfaction that after a break of three years, it has been possible for your Directors to declare, out of the profits of the current year, a total dividend of 10% on the Ordinary Share Capital. An interim-dividend of 3% has already been paid and a final dividend of 7% has been recommended for shareholders' approval. After payment of dividends on Preference and Ordinary Share Capital, a sum of Rs. 46.61 lakhs is available from out of which a statutory transfer of Rs. 12.00 lakhs to Development Rebate Reserve has been made. The balance of profits available has been utilised to reduce the accumulated losses from Rs. 137.18 lakhs to Rs. 102.56 lakhs of which Rs. 65.78 lakhs relates to the Holding Company. I have every expectation that the loss will be wiped out as a result of current year's operations.

Your Directors felt justified in making the recommendation that, having by and large met all the obligations to labour, staff, cane growers, etc., it was only fair that the ordinary shareholders, who have gone without any dividend for the last three years, should also be paid a reasonable dividend from the profits of the current year, keeping, however, in view the necessity to eliminate as fast as we can the accumulated losses by utilising the balance profits available after making all appropriations.

SUGAR

The Nellikuppam factory crushed 4.87 lakh tonnes cane and produced 38,290 tonnes sugar at a recovery of 7.86 per cent during the year 1972-73. The quantity of cane crushed and sugar made were substantially higher as compared to 3.73 lakh tonnes cane and 29,619 tonnes sugar made in the previous year. Production of sugar would have been still higher but for the unprecedented storm and heavy rains during December 1972, and consequent stoppage of crushing for 18 days.

The extension of season into the unfavourable month of June became inevitable but careful planning enabled a second season in September with a crush of 55,810 tonnes of cane and additional sugar of 4,200 tonnes. With the cooperation of growers and labour, it was possible to get the benefit of excise duty rebate which was offered for higher production of sugar.

The statutory minimum price for cane payable by the Nellikuppam factory was Rs. 80 per tonne. In the larger interests of our cane growers and accepting the wishes of the Tamil Nadu Government in this regard, we paid an extra price of Rs. 10 per tonne compared with Rs. 5 per tonne paid by other factories in Tamil Nadu.

In the year ahead, the statutory cane price will be the same but a higher crush at 5.75 lakh tonnes is budgeted in two seasons, the second in September 1974, with a higher production of sugar. The response to our cane development programme including cultural practices, varietal cropping of suitable cane and the general understanding of all concerned should help produce more sugar and earn a modest profit, although the degree of profitability would again depend upon the free sugar realisation. Levy price continues to be unprofitable in relation to costs.

In the last two years substantial amounts amounting to approximately Rs. 8 lakhs have been spent on cane development work for the mutual benefit of the cane growers and the Company. Accordingly, improved cultural practices, varietal cropping bunding, better and newer varieties of cane, etc., have been introduced. We are giving incentives to help the cane ryots to grow better varieties of cane. All these measures will, I am sure, ultimately ensure to the benefit of the farmers and also the Company. We have received the fullest cooperation from the cane growers in these matters and as a result of the various steps taken, it is expected that the recovery during the current year will improve and progressively reach the State average. Our own cane farms are being developed not only for introducing newer varieties, but also for helping others in adopting improved cultural practices, pest control procedures, etc. It will thus be seen that we are doing our best to help our cane growers in every possible manner.

I believe the Sugar Enquiry Commission constituted by the Government of India in September 1970 to go into the various aspects of the working of the sugar industry has submitted its final report in February this year. The details of the report and Government's decision thereon are awaited. Meantime, we are proceeding ahead with an overall renovation and rehabilitation plan for our Nellikuppam factory which with Government approval will include expansion and will be spread over a period of years to tie in with the delivery schedule for various items of machinery and plant so as to make our factory modern and up-to-date and comparable with the best of the sugar factories in India.

PIRIT

As in the previous year, a ajor portion of production as taken up as arrack. The irit available for sale was erefore low.

Expansion of the distillery id setting up an IMFL Plant in hand and is expected to commissioned during the cond half of 1974 notwithinding the inevitable delays in the procurement of materials of construction.

CO_2 production and sales continued to be satisfactory.

FERTILIZERS

The monsoons were generally satisfactory. Lack of adequate and timely rains in certain pockets of our marketing territory in the South had no major overall effect on demand on account of scarcity of fertilizers that prevailed throughout the year. Your Company continued to extend Co-operation to State and Central Governments in the marketing of fertilizers and other inputs in line with the regional distribution plan arrived at in consultation with them at Zonal and State levels. Supported by wide publicity among farmers through mass media, close vigilance was maintained by the field organisation with frequent supervision by senior staff in an effort to maintain fair re-sale prices and equitable distribution.

A prolonged restriction on power in Tamil Nadu badly affected production of superphosphate, acids and chemicals at Ranipet factory. The power-cut and disturbed political conditions affected production of Superphosphate at Tadepalli. Steps are being taken to ensure to the maximum extent possible that power cuts do not adversely affect production.

Lower production by Coromandel Fertilizers reduced the quantum of fertilizers made available to us for distribution. Coromandel Fertilizers renewed our Agreement with them as one of their Selling Agents. The products of Madras Fertilizers were marketed successfully to the full extent of the quantity made available during the year.

Traditional business in fertilizers mixture showed a further decline during the year on account of the shortage of chemical ingredients and it is anticipated that conditions of uncertainty in supplies may continue to prevail.

Formulation of pesticides was again limited by the availability of basic technical grades and turnover was restricted accordingly.

The marketing of hybrid and high-yielding varieties of seeds made further progress during the year resulting in fuller utilisation of existing capacity.

Sales of animal feeds were nearly doubled and encouraged by the brand reputation of our products among poultry and cattle breeders.

ENNORE

Production level was maintained at Ennore very close to the previous year and would have been even higher but for the power-cut and interruptions.

The final price payable for the Sulphate of Ammonia taken over by the Government during the period July-December 1972 is still under negotiation with the Government of India. We are continuing our efforts to obtain Government's approval to increase the present ceiling price for Ammonium Sulphate to compensate for increases in production costs which have steeply escalated. We hope we will be able to convince Government of the genuine necessity to increase the prices.

CERAMICS

Production and sales once again recorded a significant improvement over the previous year as a result of strict controls on production costs and more effective marketing policy.

The expansion permitted by the Government of India for doubling our sanitaryware production at Ranipet to 4,920 tonnes has been completed and the benefit from this expansion is expected to accrue in the coming year.

MERCHANTING BUSINES

Our merchanting activiti have shown satisfactory pr gress. Turnover of enginee ing and consumer lines i creased over last year. Son new and valuable agency lin have been added and marketi thereof organised to advantag

Pharmaceutical trading in tl southern and eastern regio maintained the levels of distı bution as set by the supplier in spite of challenging cond tions affecting the Industry as whole.

Shortages in supplies als affected turnover of the som of the products and where the related to essential brands, dis tribution rationally and ex tensively helped keep our mai keting image, while ensurin fair trade practices.

Our All India distributio network built up over a perio of years of hard work and effi ciency lent great social valu to some of the products hand led and earned the approbatio of all concerned.

OUTLOOK FOR 1973-74

Continually increasing prices of raw materials — imported and indigenous — fuel oil spares, etc., coupled with uncertainty of supplies of these, make it difficult for industry to budget for costs and make any reasonable estimate of profits which will hold good even for a short period of time.

Even so, I am quite conscious of the fact that shareholders will be keen to have some idea of how the Group is expected to fare during the current year running. I can only say that the results of the Group for the first five months of the year have been promising and subject to the constraints, some of which I have mentioned above, not inhibiting our operations, I expect another good year for the Group.

CONVERSION TO INDIAN COMPANY

Shareholders will, I am sure, be anxious to know what progress we are making towards converting our company into an Indian Company. In this context, shareholders will recall that in my statement to them at the Seventy-fourth Annual General Meeting held in March 1973, I had informed shareholders of the background of our Company's operations in India and its nationality and legal status. I had then stated that although almost all the company's operations are carried out in India where its assets are located and its income arises, the company was still technically a foreign company because of its incorporation in the UK under English laws notwithstanding the fact that only 18/19% of the voting power in the company is held by non-residents. The company is for all practical purposes an Indian Company but only technically a foreign company by virtue of its incorporation in the U.K. 76 years ago when conditions were very different from to day. The wisdom of having commenced discussions and negotiations with the Government of India and evolving a scheme whereby the legal status of the Company will be changed to that of an Indian Company can be seen by the fact that under the Indian Foreign Exchange Regulations Act, 1973 which has become effective from 1st January, 1974, all companies incorporated outside India are treated as foreign companies notwithstanding the fact that in cases like ours, the entire business operations are carried on in India and the non-resident shareholding is only 18/19% against the limit of 40% stipulated in the above said Act. Although therefore for all practical purposes we may be more Indian in content than many other companies incorporated in India which have a much larger percentage of non-resident shareholding, we will, unless we change the nationality of our Company, continue to be treated as a foreign company subject to all restrictions which Indian legislation imposes on such companies.

I am happy to be able to say, as a result of negotiations and discussions we have had over a period of time with the Government of India on various issues concerning the scheme of conversion of our Company into an Indian Company, we have reached a stage where, after obtaining MRTP and other clearances we should be in a position to take the required legal steps to give effect to our scheme.

Whilst I am unable at this stage to furnish to shareholders all the information and details regarding the scheme, I might say that the scheme envisages the formation of an Indian company which, after receipt of the sanctions of the Courts in India and the U.K. will take over all the assets and liabilities of the existing company in a scheme of amalgamation. The position of the shareholders will, by the large, remain unaffected except that instead of sterling capital we will have rupee capital. Shareholders will readily agree with me that it is in the national interest and their own too for the Company to fall in line with the policies of the Government of India and identify itself with the country's aspirations as completely as possible paricularly having regard to the proposals and scope for manufacturing and other activities of the Group. In evolving this scheme, which is based on expert legal opinion both in India and abroad, care is being taken to ensure that to the maximum extent possible the interest of shareholders, creditors and lenders are fully protected. After we are able to obtain the required consents and comply with certain other legal requirements., full details of the scheme will be placed before the shareholders with a view to obtaining their consent prior to commencement of Court proceedings.

Whilst I sincerely appreciate that the shareholders will naturally be anxious to know more about the scheme, I would urge the shareholders to bear with us for some more time until we are in a position to place before them fuller information.

DEVELOPMENT

Your Board have always recognised that the future prospects of the Group lies in rapidly expanding the manufacturing base of its operations consistent with the licensing policy of the Government and having regard to national interests. In this manner it will also be possible for us to utilise the extensive distribution set-up, which we have built over a period of years and the marketing skill and expertise we have developed, for selling our own products, apart from the products of Principals whom we now represent and may do so in the future. Shareholders will also have seen that the Group's liquidity position has considerably improved in the last year or two. We are considring how best to utilise the internal resources now available and will accrue in the future for investment in new manufacturing and other schemes for which plans are being drawn up. In pursuance of this policy, applications have been made to Government for permission for us to go in for the manufacture of a number of products. Two such are our application for diversification of our Ennore factory, which is under consideration by the Government and for putting up a ceramic factory in a developing area in Maharashtra. Two marine processing and storage units, a new seed proceasing unit and a cattle feed plant are also under execution.

Your Directors are also giving thought to the establishment of factories in backward areas so that our Group may play its rightful part in promoting national growth. I am sure the Shareholders will be happy to know that we have already embarked on exports of a variety of products to augment the export earnings of the Company. In addition to the export of some of the products manufactured by us we have already commenced export of marine products, textiles, leather garments, etc, to a number of countries in the world. We have constituted a separate division exclusively to promote the growth of exports. Initial experience has been rewarding and I foresee a good future for us in this area, which, apart from benefiting the Group, will serve the wider national effort in the field of exports. I am convinced that the Group's association with the United Kingdom spread over a long span of years and its connections in other countries will help us considerably in building up a sizable volume of export trade.

LABOUR RELATIONS

Apart from a partial and illegal strike in January 1973 at Nellikuppam, to which I made a reference at the last meeting, industrial relations during the year under review were generally cordial.

Following expiry of the wage agreements, the Staff and Labour Unions at Ennore and Tadepalli factories and the Labour Union at Ranipet placed demands on us for revision of wages and dearness allowance. Long-term agreements have since been concluded with these Unions through bipartite talks.

I hope that amicable settlement will be reached with other Unions also with whom discussions on various issues are in progress and staff and labour will continue to make useful and valuable contribution to the organisation. I would like to take this opportunity to express the Board's appreciation of the work done by management staff at all levels.

N.B.: This does not purport to be the report of the proceedings of the General Meeting.

RECORDS AND STATISTICS

Trends in India's Foreign Trade

THE YEAR 1972-73 was marked by a significant improvement in India's foreign trade. Expert recorded an increase of 22 per cent, imports declined by 1.5 per cent and the balance of trade position during the year turned into a surplus of Rs 164 crores in India's favour against a deficit of Rs. 216 crores in the preceding. This was the first time since independence that India had a favourable balance of trade. Exports to Bangladesh alone this year were Rs. 157 crores. But even if we exclude exports to Bangladesh for both 1972-73 and 1971-72, the increase in India's total exports last year could work out at 15.2 per cent. During the first nine months (April—December) of 1973-74, exports continued to increase at the rate of 22 per cent. But as a result of an increase of 44 per cent in imports during the period, India again had an adverse balance of trade amounting to Rs. 94 crores as as compared to a surplus of Rs. 164 crores during the corresponding period of the previous year.

EXPORTS

Exports:. Over the first four years of the fourth five-year Plan, while our exports have been rising, the growth rate has been uneven varying from 4.1 per cent in 1969-70, 8.6 per cent in 1970-71, 4.8 per cent in 1971-72 and 22 per cent in 1972-73. This amounts to an average compound growth rate of nearly 9.8 per cent per annum, as against the target of 7 per cent annual rate of growth envisaged in the fourth five year Plan. It may, however, be noted in this connection that the method of compilation of export statistics was changed in November 1970 and again in April 1973. This seems to have over-stated the rate of growth of exports in 1970-71 and under-stated it in 1971-72 and 1972-73. The trend rate of growth in all the first four years of the Fourth Plan works out to 9.3 per cent per annum.

Durng the first nine months of 1973-74 exports according to the provisional estimates were 21.6 per cent higher than the level reached in the corresponding period of the previous year. Even if this rate of growth is not maintained during the remaining three months of the year, it is expected that the growth during 73-74, the last year of the fourth Plan, would be considerably in excess of the average rate achieved during the first four years of the Fourth Plan.

Export Performance : 1972-73

The large increase in exports during the year 1972-73 was helped by a number of factors such as a general improvement in economic situation of the country from the unusual strains of 1971-72 (year of Indo-Pak hostilities), a strong overseas demand accompanied by a higher unit value realisation in a number of products, emergence of sizeable trade with Bangladesh which amounted to Rs 157 crores during 1972-73 against Rs. 42 crores in 1971-72 and larger rupee realisation from the establishment of new sets of exchange rates between major world currencies during the year.

The substantial gains in exports during 1972-73 were recorded by leather and leather manufactures, vegetable oil and oil cakes and handicrafts. These accounted for almost half of the total increase in exports during the year. The significant increase in the exports of leather and leather manufactures from Rs. 91 crores in 71-72 to Rs. 175 crores in 72-73 was mainly because of the tight international supply position and high prices prevailing abroad. Large increase in the exports of oil cakes was also helped by similar factors. Rise in exports of handicrafts was mainly due to larger exports of gems and jewellery. The demand for Indian gems and jewellery was more from USA, Belgium, Hongkong, Japan and United Kingdom. Liberal import policy adopted in respect of raw materials for export production and a buoyant international market for gems and jewellery contributed to the rise in the exports. The large increase in the exports of castor oil was due to strong demand from the UK, the USA and the USSR. Other items which showed increase were unmanufactured tobacco, fish and fish preparations, coffee, cotton textiles, cashew kernels, engineering goods and mineral fuels and lubricants. Although exports of engineering goods at Rs. 138. 7 crores during 1972-73 were 13 per cent higher than in the preceding year, the performance was much belo expectations. Difficulties in th matter of supply of raw mate rials and power as also hig domstic prices continued to b major problems in the way c larger exports of engineerin goods. Exports of mill-mad cotton piecegoods increase from Rs. 66.6 crores in 1971 72 to Rs. 84.4 crores durin 1972-73. Growth in export of cotton apparel from Rs. 1 crores in 1971-72 to Rs. 3 crores in 1972-73 was indica tive of substantial growth potential. Among the factors contributing to this increase were the availability of reasonably priced raw cotton, Indo-USSR Cotton Conversion Deal and voluntary exports scheme operated by the industry. Exports to the UK, the USA and the USSR grew appreciably. Bangladesh emerged as an importer of textiles. Exports of cereals and cereal preparations were also higher due mainly to exports to Bangladesh.

Traditionals Decline

Commodities which showed a decline in exports in 1972-73 over the level reached in 1971-72 were: tea, jute manufactures, sugar, iron and steel, manganese ore and spices. The exports of jute manufactures declined from Rs. 265 crores in 1971-72 to Rs. 250 crores in 1972-73. Re-emergence of Bangladesh jute industry as a significant supplies to world markets as well as increasing price competition from synthetics were the factors responsible for this decline. There was a sharp decline in exports of

TABLE I

Balance of Trade: 1968-69—1973-74

(Rs crores)

Year	Imports (cif)	Exports incl. re-exports (fob)	Balance of trade
1968-69	1,908.6	1,357.9	—550.7
1969-70	1,582.7	1,413.3	—169.4
1970-71	1,634.2	1,535.2	— 99.0
1971-72	1.824.5	1,608.2	—216.3
1972-73	1,796.7	1,960.9	*164.2
April-Dec. 1972-73	1,236.7	1,391.0	*154.3
*April-Dec. 1973-74	1,785.0	1,691.3	— 93.7

*Provisional.

carpet backing cloth to the USA. Exports to the USSR, Canada and ECM countries also declined. However, export performance in respect of jute goods in 1972-73 was much better than in years previous to 1971-72. (Exports amounted to Rs 207 crores in 1969-70 and Rs. 190 crores in 1970-71). In order to make our jute goods competitive, export duties on carpet backing and other jute goods were adjusted downwards during the year. The behaviour of exports of tea in 1972-73 was much more unsatisfactory. Exports of tea in 1972-73 were only Rs. 147 crores as compared to Rs. 156 crores in 1971-72. At this level tea exports showed a fairly stagnant trend since 1966-67. Exports of Indian tea continued to suffer from stiff competition from East Africa in the UK market. Tea did not benefit from the international commodity boom as its unit value in 1972-73 was only marginally higher than in 1971-72, and appreciably lower than in 1967-68 and 1968-69. The steep fall in respect of export of sugar was due to tight supply position.

The fob unit prices fetched by a number of export products like jute manufactures, coffee, cotton piecegoods, cashew kernels, oilcakes, fish, castor oil and E.I. tanned hides and skins during 1972-73 were higher compared to the preceding year. However, a steep fall has taken place in the unit value realisation in exports of unmanufactured tobacco, pepper and finished leather.

Trends of Exports : 1973-74

The recent droughts and acute shortage of power had an adverse effect on the production of a number of agricultural and industrial items. Despite this weakening tendency on the domestic front, India's exports have shown a rise of over 21.6 per cent during the first nine months of the year 1973-74. The higher unit value realisation in respect of a number of export products has been a helpful factor.

The commodity-wise details of exports are available only for the period April-Sept, 1973. These show, with a few exceptions, a continuation of the rising trend in export earnings witnessed during 1972-73. Overall exports during April-September, 1973 at Rs. 1074.8 crores registered an increase of Rs. 158.5 crores or 17.3 per cent over the corresponding period of the preceding year.

Value Exports

In terms of value, exports of oilcakes, vegetable oils, marine products, leather and leather manufactures and cotton textiles continued to grow at a high rate. Exports of iron ore and coffee increased at a much faster rate than in the corresponding period of 1972, while exports of handicrafts increased at a much lower rate. Exports of engineering goods, after picking up in 1972-73 showed a smaller increase during April-September, 1973. This probably reflects the worsening situation in regard to power availability and shortage of steel. The Table II shows the principal items, exports of which increased during April-September, 1973 as compared with preceding year.

On the other hand, there was a sharp decline in the exports of items like jute manufactures, tea, cotton yarn and sugar. The decline in exports of tea during the current financial year was mainly caused by shorter season of second flush teas and by a strike of chest makers in Calcutta. The Table III shows the principal items exports of which declined during April-Septr. 1973 as compared to exports in the corresponding period of 1972.

Although there has been a considerable decline in the exports of jute manufactures the export of this item is expected to show a recovery in the second half of 1973-74 as the export duty has been reduced substantially and the price of jute goods have become competitive in relation to synthetics due to recent oil squeeze. The global energy crisis has reversed the earlier forecast of depression for the Indian jute industry. As the Petro-Chemical Industry is thrown into greater uncertainty on account of the turmoil over oil supplies, the prospects for both jute goods and cotton textiles are likely to improve further in the coming months. The deficit in Tea is expected to be made up in the second half year and ultimately will reach not less than the previous year. Shipments of cotton textiles to Iran is likely to be heavy in the coming months as sub-

TABLE II

Principal Items Exports of which Increased During April-September, 1973 as Compared with the Corresponding Period of Preceding Year

(Rs crores)

Commodities	April-September		Increase in April-Septr. 1973 over April-Septr. 1972.
	1972	1973	
Leather and leather mfrs. (Excl. footwear)	72.1	93.3	21.2
Oilcakes	27.0	90.5	63.5
Engineering goods	65.1	76.7	11.6
Cotton piecegoods	42.6	77.3	34.7
Handicrafts	55 6	59.0	3.4
Iron ore	41.9	55.2	13.3
Tobacco unmanufactured	43.9	44.2	0.3
Cashew kernels	39.6	46.2	6.6
Fish & fish preparations	28.6	41.7	13.1
Coffee	16.0	26.4	10.4
Spices	11.5	20.3	8.8
Vegetable oils (non-essential)	4.0	19.1	15.1
Iron and steel	12.0	15.6	3.6
Wood, lumber & cork manufactures	5.5	11.9	6.4
Fabrics of art silk and synthetic fibre and spunglass-mill-made	4.0	8.2	4.2

TABLE III

Principal Items Exports of which Declined During April-September, 1973 as Compared to Exports in the Corresponding Period of 1972.

(Rs crores)

Commodity	April-September		Decline in April-Septr. 1973 over April-Sept. 1972
	1972	1973	
Jute Manufactures	134.8	111.2	23.6
Tea	91.9	86.3	5.6
Sugar (excl. molasses)	9.8	5.6	4.2
Mica	9.0	4 2	4.8
Cotton yarn	11.3	4.8	6.5
Footwear made of leather and canvas	5.5	4.9	0.6
Rubber mfrs. incl. crude rubber	4.8	4.1	0.7
Ferro manganese & forro alloys	4.1	1.8	2.3

stantial business has been booked in the market. The recent relaxation in favour of industrial cotton yarn will also improve the export performance of the item to some extent. Prospects of higher exports of sugar are also brighter because of increased domestic production and high international prices.

Direction of Exports

During April-September, 1973, exports to West European countries increased by Rs 69 crores to Eastern Europe by nearly Rs 20 crores and Asia and Oceania by Rs 85 crores. There has been a decline in our exports to America (by Rs 8 crores) and to the African region (by Rs 10 crores) during April-September, 1973 as compared to the corresponding period of 1972.

The increase in exports to Asia and Oceania was mainly due to increased exports to Japan which rose by nearly 79 per cent to Rs 168 crores. Exports to Australia, Afghanistan, Malaysia, Hongkong, Singapore and Republic of Korea were also appreciably higher. There was more than three-fold rise in our exports to Republic of Korea amounting to Rs 3.4 crores during April-September, 1973. As against this, our exports to Bangladesh fell sharply from Rs 36 crores in April-September, 1972 to Rs 21 crores in April-September, 1973. Similarly, our exports to Nepal also declined by Rs 4 crores to Rs 14 crores. Our exports to Burma have dwindled down to Rs 76 lakhs as compared to Rs 3 crores during April September, 1972. Exports to Sri Lanka, Iran and Thailand were also lower.

The current inflationary trend in world prices and the uncertainties that now prevail in the international trade and monetary field as a result of the oil situation, are likely to have serious repercussions on India's balance of payments. The situation, therefore, demands determined efforts to maximise our exports to the extent possible. While the trend of exports since 1972-73 has been highly satisfactory, there is no room for complacency in this score.

IMPORTS

Trend of Imports during 1972-73:—Imports during 1972-73 declined by Rs 28 crores or 1.5 per cent from Rs 1825 crores during 1971-72 to Rs 1797 crores during 1972-73. A major reason for the decline was the reduction in imports of foodgrains which fell by over Rs 50 crores or 38.4 per cent. Following are some of the comparatively more important items which recorded fall: (i) Wheat, (ii) raw cotton, (iii) fixed vegetable oils and fats, (iv) medicinal and pharmaceutical products, (v) paper and paper board, (vi) iron and steel, (vii) copper and aluminium and (viii) Transport equipment.

On the other hand, the main items which recorded increase during the year 1972-73 include: (i) fruits and vegetables (ii) Petroleum and petroleum products, (iii) chemicals, (iv) fertilizers, (v) precious and semi-precious stones, (vi) lead, zinc and tin, (vii) machinery other than electric and (viii) electric machinery.

(i) **Wheat**:—The biggest decline was noticed in the case of import of wheat which fell from Rs 102.8 crores during 1971-72 to Rs 48.2 crores in 1972-73, a fall of 53 per cent, largely as a result of comparatively easier foodgrain supply position in the country in the earlier part of the year coupled with steep decline in the import, particularly from the USA due to stoppage of P.L. 480 imports.

Raw Cotton:—The imports of raw cotton fell by Rs 22 crores, from Rs 113.4 crores to Rs 90.9 crores during 1972-73. The decline was almost entirely confined to the imports from the USA (due to P.L. 480) which more than offset the increase in the imports from Sudan. Comfortable supply position in regard to indigenous crop of raw cotton was also a contributory factor.

(iii) **Fixed Vegetable Oils and Fats** :—The stoppage of P.L. 480 imports from the USA was responsible for the sharp fall in import of soyabean oil, imports of which declined fro[m] Rs 37.8 crores during 1971-[72] to Rs 14.6 crores during 197[2-] 73.

(iv) **Petroleum and Petroleu[m] Products**:—Imports continue to maintain their upward tren[d]. Total imports during the yea[r] 1972-73 were higher at Rs 20[.] crores as compared to Rs 19[.] crores during 1971-72 and R[s] 136 crores during 1970-71. Th[e] import bill would have bee[n] higher but for the liquidatio[n] of stocks built up earlier.

(v) **Fertilizers** ;—The tigh[t] international supply positio[n] created difficulties in importin[g] adequate quantities of fertili[-] zers even at the higher price[s]. Nevertheless, there was a fur[-] ther increase in the imports o[f] fertilizers (both crude an[d] manufactured) reflecting the growing requirement for agriculture. In the case of manufactured fertilisers the imports increased to Rs 89.9 crores from Rs 81.2 crores during 1971-72 and Rs 61.2 crores during 1970-71.

(vi) **Machinery other than Electric** :—The value of imports of machinery went up in 1972-

73 to sustain the increased tempo of development. The imports under this category amounting to Rs 285 crores showed a further rise during 1972-73 as compared to imports of Rs 271 crores during 1971-72. Imports in respect of metal working machinery, textile and leather machinery, power generating machinery and machinery and appliances and parts n.e.s. registered rise while those in case of agricultural machinery and implements and office machinery etc. were lower.

(vii) **Fruits and Vegetables**:—The imports of fruits and vegetables increased by 41 per cent in 1972-73 due mainly to higher imports of cashew nuts required to meet the increased demand for export of processed cashew nuts and liberalisation of import policy.

Prices of our imports rose substantially in 1972-73. With the exception of a few commodities, the unit value of a majority of our imports recorded a significant increase. For example, the percentage in increase in unit value of imports was 50 per cent in the case of cereals and cereal preparations, 27 per cent in the case of raw wool, 13 per cent in the case of raw cotton, 12.5 per cent in the case of fertilisers, and 23 per cent in the case of tubes, pipes and fittings of iron and steel. There was also a substantial increase in international prices of edible oils and non-ferrous metals in the second half of 1972-73.

Direction of Imports

The imports from West Europe showed a significant increase particularly from ECM area which rose from Rs 254 crores during 1971-72 to Rs 318 crores, thereby rising by almost one-fourth. These imports comprised mostly machinery and transport equipment, iron and steel, non-ferrous metals, chemicals and allied products and fertilizers. Imports were also higher in the case of Africa and Asia nearly by 14 per cent and 12 per cent respectively. Sudan shared the largest increase in the imports from Africa because of larger consignment of cotton to India. Among the Asian countries there was a marked increase in the imports from Kuwait, Afghanistan, Republic of Korea and New Zealand. Imports from East European countries at Rs 218 crores during 1972-73 were higher by Rs 9 crores. As against this, imports from the continent of America, particularly the USA dropped by Rs 194 crores or by 46 per cent from a level of Rs 419 crores in 1971-72 to Rs 225 crores in 1972-73. Such a heavy decline in the imports from the USA can be attributed to sharp reduction in the import of foodgrains mostly - wheat, cotton etc.

Imports During 1973-74

Unlike last year, the imports have grown at a faster rate then exports during the first nine months of the year 1973-74. Imports during April-December, 1973—were of the order of Rs 1785 crores recording an increase of Rs 548 crores or 44 per cent as compared with the imports during the corresponding period of 1972-73. During April-September, 1973, for which the commodity-wise data in available imports have shown a steep rise in respect of wheat. There have also been significant increase in the imports of petroleum and petroleum products, machinery, fertilizer manufactured and raw jute, chemical elements and compounds, paper and paper board, non-ferrous metals, transport equipment and raw wool have also tended to rise while raw cotton, iron & steel and cashew nuts have witnessed decline.

Table IV shows the imports by broad commodity groups during 1971-72, 1972-73 and April-September, 1973-74 (with comparative figures of 1972-73).

During April-September, 1973, while while India's imports from America, Asia, Western and Eastern Europe increased, those from Africa declined. The value of imports from the USA and Canada increased because of higher imports of wheat. Imports from West Germany were marginally low but those from Italy, France, Belgium and Netherlands, increased appreciably. Imports from Japan, Iran, Iraq, Kuwait and Saudi Arabia increased appreciably. Imports from Thailand fell sharply and dwindled completely from Burma. Reduced imports of cotton from ARE and Sudan resulted in a decline in imports from African region. (Table V)

TABLE IV

Imports by Broad Commodity Groups, During 1971-72, 1972-73 and April-September, 1973-74 (with comparative figures of 1972-73)

(Rs crores)

Commodity	1971-72	1972-73	April-September 1972	April-September 1973
Foodgrains	131.2	80.8	15.2	131.4
Cotton	113.4	90.9	62.6	32.8
Chemical elements and compounds	71.8	88.9	35.1	44.5
Fertilizers, manufactured	81.2	89.9	27.8	53.7
Petroleum crude and petroleum products	194.6	204.3	94.0	152.9
Iron and steel	237.6	217.1	113.9	104.7
Non-ferrous metals	102.4	101.7	54.8	61.6
Machinery	376.0	409.0	202.6	244.5
Transport equipment	94.6	87.1	34.1	40.1
Grand total of imports (incl. other items and value of articles under reference)	1,824.5	1,796.4	850.8	1,111.7*

*Excludes value of articles under reference.

TABLE V

India's Imports — Regionwise

(Rs crores)

Region	1971-72	1972-73	April-September 1972	April-September 1973
Africa	143.7	163.6	100.6	75.4
America	538.6	353.1	134.6	274.1
North America	532.0	329.0	131.0	260.3
Latin America	5.7	23.2	3.4	13.8
Asia & Oceania	424.1	437.1	220.7	321.0
ECAFE	361.5	388.8	187.3	253.0
Other Asia and Oceania	62.6	84.3	33.4	71.0
East Europe	209.4	217.8	102.8	115.0
West Europe	508.6	588.8	292.0	326.3
ECM	233.8	316.5	149.3	184.6
EFTA	250.8	266.0	139.7	139.7

eastern ECONOMIST

APRIL 26, 1974

Accent on production

Mr G.D. Birla's inaugural address at the 48th annual general meeting of the Indian Chamber of Commerce, Calcutta, presented an incisive analysis of the current woes of our economy and put forward certain cogent suggestions for making it regain its earlier vigour and vitality. In sharp contrast to the many X-rays of the economy conducted both by the officials and non-officials in recent months, his treatment of the subject breathes an air of down-to-earth reality. His emphasis on the need for increased production in the farm as well as the factory to overcome some of the major problems facing the country may not have an element of novelty about it but it certainly points to the basic condition which must be fulfilled if the economy is to get out of the mire.

The shortfall in foodgrains output in particular and agricultural production in general in recent years has brought to the fore some pundits who have started advocating the cause of the primary sector at the expense of all the other sectors of the economy. The refrain of their argument is that without adequate progress on the agricultural front, the onward march of other sectors of the economy cannot be sustained. Mr Birla exposed the weakness in this line of reasoning. "How can agricultural production increase without a corresponding increase in industrial output?" he asked. Explaining his approach to this problem, he added that to irrigate the land there was need for reservoirs, canals, tube-wells, which in turn required cement, steel and power. Thus, agriculture and industry were interdependent to such an extent that it was unwise to plan the progress of one without corresponding growth of the other.

Regarding the use of the armoury of monetary instruments for curing the economy of its present ills, Mr Birla exhibited his disapproval in unmistakable words. He termed credit squeeze, increased bank rate and demonetization of currency as meaningless in the present state of the economy. While the government has so far ruled out demonetization as a solution for the current economic problems, it has certainly tried its hand both at the credit squeeze and the increased interest rates without achieving any appreciable change in the economic situation. Tinkering with money and its flow without arranging for the supply of goods and services is like beating the air. It seems that the government and the Reserve Bank had initiated some of these monetary measures for the sake of showing to the public that they were keen about doing something regarding the rising prices though they knew and were perhaps convinced that the steps taken by them were too feeble to deliver the goods.

The failure to produce in adequate quantities has not a little to do with inefficiency of our bureaucracy, according to Mr Birla. He was of the view that there was nothing wrong with Indian officers as such; they were perhaps the world's best but the hang-over of the past few years has had a great demoralising effect on them. The services, for example, had been asked to explain why licensed capacities of certain big business houses had been increased. Consequently, they had resorted to "work to rule". The files moved up and down but no work was done. Mr Birla recalled, in this connection, the manner in which Hindustan Aluminium Corporation (Hindalco) had come into being. It was the late T.T. Krishnamachari who had asked Mr Birla to set up Hindalco and once the prime minister's approval had been received, it took only 18 months for the plant to start producing. Once bitten, twice shy; the services are now hesitant to push things forward at their own initiative. They need the support of the ministers who should be able to take quick decisions one way or the other. The crisis therefore is the creation of undecided ministers and weak bureaucrats.

The third major cause for the stalemate in the economy, according to Mr Birla, was the pricing policy of the government. The prices fixed by the government for certain products were unremunerative and the industries were made to run either at a loss or at an inadequate margin of profit. In the case of cement, the financial institutions had declined to give credit. Similarly, the motor-car and aluminium industries had been hit hard by the pricing policies of the government.

The shortage of power was the fourth factor which had hurt industrial production, added Mr Birla. A glaring fact cited by him was that no state electricity board was in a position to generate at more than 50 per cent of installed capacity while the power plant owned by Tatas worked at 91 per cent capacity. Surely, no unit could run profitably at half its installed capacity. What was more, it tended to slow down the wheels of industry which in turn produced reduced quantities of goods and offered less opportunities for employment.

And the fifth factor holding up production was, in Mr Birla's view, labour indiscipline. He praised Air Marshal P.C. Lal for having tackled this problem with courage in Indian Airlines. It was time that others also followed the example of Mr P.C. Lal for putting an end to the strikes and lock-outs. Lastly, Mr Birla listed transport bottleneck as one of the hurdles in reviving the economy.

The mismanagement of the economy by the government through the various factors enumerated by Mr Birla has caused widespread dissatisfaction and discomfort among the people leading to violence at some places in recent weeks. While the government has blamed the opposition parties for the current stir in the country, the real cause is the economic discontent which in turn is the result of faulty policies. The solution to these problems lies in such measures as tend to increase production. Mere mouthing of platitudes or blaming the opposition parties will not end the miseries of the people. It is to be hoped that Mr Birla's exposition of the economic situation will be studied carefully by the economic advisers to the prime minister and requisite action will be initiated before it is too late.

Maximising output of sugar

AT NO stage in the history of the sugar industry has the need for maximising its production for meeting fully internal needs and for taking full advantage of the world-wide shortage of refined sugar been felt more keenly than now. The policy of partial decontrol pursued in the last three seasons has no doubt yielded good results and the downward trend in sugar output noticeable after the decontrol experiment in 1969 has been reversed. With easier cane availability there was a sharp rebound in production to 3.9 million tonnes in 1972-73 from 3.1 million tonnes in the previous season. With this satisfactory performance it was possible to meet internal consumption to the extent of 3.5 million tonnes and effect exports of the order of 112,000 tonnes. The carryover into the 1973-74 season also improved to 843,000 tonnes from 592,000 tonnes.

With the internal consumption roughly estimated at 3.8 million tonnes in the current crushing season, including a special release of 200,000 tonnes during the festival season, and the scope for effecting exports of at least 500,000 tonnes out of the season's output, it has become necessary to achieve a level of production of at least 4.3 million tonnes against the earlier target of 4.5 million tonnes in order to be in a position to earn sizeable sums in foreign exchange for offsetting at least in part the fantastic rise in the cost of oil imports. There is now speculation in industrial and trade circles about the likely output that would be secured in the remaining months of the current season. This is because the performance of the industry in the first five months has not been as satisfactory as anticipated in October last year. The government's policy in regard to the grant of rebates in excise duties in respect of production in excess of outputs in different periods in the previous season has not provided the necessary incentive especially as high prices have to be paid by sugar mills in Uttar Pradesh and Bihar for their cane requirements.

There were also reports in earlier months that the standing crop had been affected by pyrilla disease in parts of Uttar Pradesh and in the north-western region. These reports however have later been discounted and it is now even complained that many factories are not handling fully the quantities of cane tendered to them at the factory gates and large quantities are being diverted compulsorily for conversion into gur and khandsari. If this diversion is allowed to be continued on a large scale, the prospects for the next season will be seriously jeopardised if for any reason the cane growers got paid for their produce less from gur producers than what they would have received from the sugar mills. In view of the high prices for rice and wheat and other cash crops cane cultivation on an increasing scale can be ensured only if the state governments concerned maintain a careful watch over new developments and provide the necessary encouragement in the form of rebates in cess and purchase taxes for enabling sugar mills to prolong the crushing season.

There is however no reason to be worried about a new record being established in 1973-74 as a fairly good start has been already made and what is needed is a correct understanding of the problems of Uttar Pradesh and Bihar mills and immediate arrangements for increasing production to the required levels by using available cane supply. Actual production in the first five months of this season up to February was 2.52 million tonnes against 2.66 million tonnes in the same period in 1972-73 and 2.32 million tonnes on a comparable basis in 1969-70. In the last mentioned season, an all-time record of 4.26 million tonnes was established. This was possible because 1.82 million tonnes were produced in four months, March-June of that season and 117,000 tonnes in the last three months July-September. The output figures for March this year are not available but it is generally anticipated that the output would be around 750,000 tonnes taking the total to 3.27 million tonnes, for the first half of the season. What remains to be done is the achievement of production of 1.13 million tonnes for reaching a target of 4.4 million tonnes if not 4.5 million tonnes. The trade estimates however place the figure at only 4.2 million tonnes. This is because Maharashtra may be reporting a decline in its share by more than 100,000 tonnes and the trend of production has not been as satisfactory as it should be in Uttar Pradesh and Bihar.

The performance of Karnataka, Andhra Pradesh and Tamil Nadu however will be quite encouraging. Tamil Nadu in particular is expected to acquit itself very creditably with a record output of 425,000 tonnes. Karnatak and Andhra Pradesh may be accounting for 625,000 tonnes taking the total for the three states to 1.05 million tonnes against 825,000 tonnes in 1972-73 and 865,000 tonnes in 1969-70. It will therefore be seen that the loss of production of Maharashtra amounting to 100,000 tonnes will be more than made up by the increase in the share of the three southern states by 225,000 tonnes. This clearly emphasises the need for Uttar Pradesh and Bihar making their contribution of nearly 2.0 million tonnes for enabling exports to be increased on the desired scale. It may perhaps be argued that any steps taken now may not yield the desired results.

What is however disappointing is the absence of any great anxiety to adopt the necessary corrective measures so that any setback sustained in the current season does not have a recoiling effect in 1974-75. Even if an output of not more than 4.2 million tonnes is attained in 1973-74 it will still be possible to release 400,000 tonnes for export which will fetch at least Rs 150 crores in foreign exchange. If positive steps are taken to increase further output to 4.7 million tonnes in 1974-75 by raising if need be the minimum price for cane, and suitably the prices for levy sugar, the objective of exporting 600,000 tonnes in the financial year 1974-75 can still be fulfilled. It will also be possible to allow an increase in domestic consumption to 4.0 million tonnes and provide a strong base for maintaining exports at even 700,000 tonnes in 1975-76.

The tropical region will be in a position to produce 2.3 million tonnes in 1975-76 even assuming that Maharashtra will not be accounting for more than 1.05 million tonnes. Karnataka will have a much larger crushing capacity in the coming months as three new mills will be in full production which between themselves can assure an output of about 50,000 tonnes. With other mills also expanding their capacity, total output can rise to 400,000 tonnes. Tamil Nadu will have the advantage of the expanded facilities of four sugar mills in the private sector. The cooperative factories also are making efforts to utilise their capacity fully and the region's sugar production may rise to 500,000 tonnes. Even if Uttar Pradesh and Bihar can make sure that they could produce 2.0 million tonnes total, output can be easily 4.7 million tonnes as other states can provide 400.000 tonnes.

It is imperative to bear in mind that the sugar industry has assumed new importance with the improved prospects for exports and rising internal consumption. There is every likelihood of the earlier growth in consumption being again established as the adverse effects of higher prices may wear off with the adjustments in emoluments of the fixed income groups and the increasing incomes of rural population. There is thus no possibility of a repetition of the happenings of 1969-70. On the other hand, failure to bring about a sustained increase in sugar production will create serious problems and it may not even be possible to meet the needs of the home market fully. The six important states concerned with the development of the sugar industry have therefore a special responsibility in the present context. It is not difficult in any sense to meet a sizeable fraction of the increase in expenditure on imports on account of increased cost of petroleum and allied products. Only if the sugar, jute, textile and plantation industries can increase the value and quantum of their exports to yield an additional Rs 500 crores, the new challenges on the foreign exchange front can be successfully met.

Exports to Gulf countries

THE OIL-producing countries in western Asia have acquired sharp increases in incomes consequent upon the steep rise in the prices of petroleum and petroleum products. The dependence of these countries on imports of a variety of goods coupled with growing purchasing power offers unique opportunities to exporting countries including India. A product-oriented market survey of selected Gulf countries such as Kuwait, Oman, Bahrain, Qatar, Dubai and Abu Dhabi, by the Indian Institute of Foreign Trade (IIFT) for the ministry of Commerce before the oil crisis made its appearance shows that promising opportunities do exist for increasing exports to this area though our country "has so far bestowed inadequate attention on the region".

Due to increased oil production and prices, the oil revenues of these countries are expected to rise from \$2.21 billion in 1971 to \$12.70 billion in 1974. All the development plans and the requirements of consumer goods of these countries will absorb only a fraction of the income from oil sales. Consequently, these countries are likely to take up increasingly such activities as acquiring assets abroad and re-export trade. Currently, the re-export annual trade of these countries is around \$268 million. The advantageous geo-physical location, liberal commercial policies and developed trading and port facilities have given a stimulus to re-export trade, and our exporters can also increasingly profit from this activity.

The economies of these countries lack the industrial sector to which little attention has been paid so far. Recently, emphasis is being laid on the diversification of the economies of these countries. The development expenditure of the governments in these countries is around \$550 million which is likely to grow at a fast rate in the near future. Increasing emphasis is expected to be put not only on the establishment of new industrial units and the associated infrastructure but also on agriculture and agrobased industries. Latest statistics are available for 1972 which indicate that imports worth \$ 1.91 billion were made by this group of countries. The average rate of growth in imports being 17 per cent a year, the value of imports is expected to double in four to five years. What is disconcerting is that our country's share has been not more than two per cent of the total imports (see table below).

The markets in the Gulf countries have been dominated by imports from the UK, the USA, Japan and the Federal Republic of Germany, all the four countries accounting for more than half the imports. By and large, only such products from India and other developing countries have found a place in the markets of these

Share of Major Suppliers in Gulf Countries, Total Imports (in million US dollars)

Country	Total Imports			Share of major suppliers in 1972 (%)
	1970	1971	1972	
Kuwait	701.34	792.17	894.02	Japan (16.0), USA (13.1), UK (10.2), W. Germany (8.9), Italy (4.7), Lebanon (5.2) and India (2.9).
Bahrain	201.92	264.61	253.26	UK (21.2), Japan (14.9), USA (13.0) China (6.6), Australia (6.0), W. Germany (4.7), and India (2.8).
Oman	21.86	39.70	52.79	UK (20.7), UAE (18.5), Japan (10.4), India (6.0), Australia (5.7), Netherlands (5.1), China (4.5), W. Germany (3.5), Pakistan (3.2).
Qatar	76.37	128.97	151.82	UK (26.4), Japan (12.6), USA (10.4), France (8.4), Lebanon (6.9), W. Germany (5.3), India (2.0).
Abu Dhabi	88.20	118.29	190.82	UK (23.9), Japan (15.6), USA (13.7), France (7.4), Dubai (7.2), W. Germany, (5.8), Italy (2.6), India (1.6).
Dubai	239.47	264.76	368.67	Japan (20.9), USA (13.6), UK (12.9), Switzerland (7.5), Saudi Arabia (5.3), Hong Kong (3.9), India (3.7).

countries as were either not available in the developed countries or were so cheap that they offered extremely high profits to importers. In short, the Gulf markets have received little attention from our exporters and it is high time that they are persuaded to explore the possibilities of increased trade with this region. The survey conducted by the IIFT does throw up some useful hints for prospective exporters but the exporters will have to take certain positive steps to increase their share in the trade of these countries.

The IIFT has in a painstaking manner tried to pinpoint the products whose exports will find a ready market in the Gulf countries and production capacity in regard to which already exists in this country. The list of these products is long and includes meat and meat products, poultry products, wheat and rice, spices, fruits and vegetables, tea bags, sugar, coffee, timber, vegetable oil and fats, medicinal and pharmaceuticals products, essential oils and perfumes, iron and steel, construction materials, cement, plywood and hardboard, paints and varnishes, tyres and tubes, plastic goods, aluminiumware, cotton and woollen fabrics, blankets, footwear, refrigerators, air-conditioners, water-coolers, sewing machines, hand tools including tool sets, road transport vehicles and auto parts, telecommunication equipment, conduit pipes, pumps both booster and centrifugal, electrical accessories, wires and cables, sanitaryware, excavating and levelling machines, scientific instruments, material handling equipment, equipment for petrochemical plants, electric motors and generators.

Highlighting the bright chances of commercial deals with the Gulf countries, Prof. Brij Bhushan of the IIFT (who toured these countries for about a month) stated at a recent seminar that a five-point strategy needed to be adopted for availing of the opportunities offered in this region. They consisted of : (a) appointing agents in the Gulf region in preference to dealing with general importers; (b) having sole agencies in individual countries instead of sub-agencies, (c) making effective use of the few big business houses that have emerged as important importers, wholesalers and retailers in the Gulf countries; (d) deputing technically qualified sales personnel with the authority to finalise negotiations across the table; and (e) improving sophistication in Indian products.

While no disagreement with the strategy for export to the region was voiced at the seminar, it was remarked by one of the participants that among the products listed for increased exports, there were some which were in short supply in this country. Dr R.K. Singh, Executive Director of the Engineering Export Promotion Council, was however of the view that the engineering products listed in the IIFT study did not suffer from the supply constraint. He also suggested that the marketing strategy in the Gulf countries should comprise two clear-cut sub-strategies—a short-term one involving quick-maturing deals and a long-term one involving big projects with a long gestation period.

In addition to regular product exports, the IIFT study advocated the setting up of joint industrial ventures. It also suggested increased use of Indian consultancy services in the region. For joint ventures, the industries suggested were petrochemicals, fertilisers, mini-steel plants and re-rolling mills, printing units, cement plants, porcelain products, servicing industries and workshops. Consultancy services in respect of town planning, housing and road construction, electrification, land reclamation, development of agriculture, agriculture-based industries and small-scale industries, and economic planning could be established.

It was Prof. G.R. Kulkarni, Director-General of the IIFT, who ventured the view that immense possibilities for consultancy services existed in the region. He singled out two areas—agricultural consultancy and civil works—in which numerous contracts had been struck by nationals of other countries in the recent past and which offered golden opportunities to our country. In order to be successful in this field, Prof. Kulkarni listed two points: we must know how to organise ourselves to tender for international projects and in case of winning them, how to manage "our money, material, technical know-how etc. in implementing them". Ironically, the consulting firms know how to handle these projects in this country but had failed to acquire the expertise for similar projects abroad.

While the IIFT report made a satisfying statistical analysis of the foreign trade of countries in this region in order to locate areas wherein firms from this country could make a beginning (see table on page 878), the exporter failed to get the much-needed commercial information. This point was brought out forcefully by a participant in regard to radios and television sets. In the absence of indepth studies, the report was of not much use to the prospective export. It was claimed by the study team that all the information gathered had not been given in the report and that intending exporters could get in touch with the IIFT for additional information in respect of specific products.

There is no doubt that the exporters will have to put in great effort in order to win over an increased share in the trade of these countries but the government will also have to take certain essential measures which will facilitate their task. The newly-created department of export promotion in the ministry of Commerce had better take note of the following observation by the IIFT : "Absence of strong commercial representations in all the countries except Kuwait, non-existence of an Indian bank, infrequent trade delegations and insufficient participation in trade fairs and exhibitions are symptoms of lack of any viable strategy of trade promotion and economic cooperation in the Gulf".

Eastern Economist 30 Years Ago

APRIL 28, 1944

Within the next six or eight months India will be called upon with the rest of the world to participate in a World Trade Conference to define and decide the future of international trade policies. Some tentative conclusions seem to have been arrived at by the General Policy Committee, which has agreed to the principle of multilateral trade agreement subject to certain safeguards and reservations in the interest of India. In defining her attitude to international trade policies India should primarily consult her own long-term economic interests, and where they are likely to be adversely affected she should have no hesitation or compunction in resisting conclusions and agreements not in harmony with her own national welfare, however lofty or noble these international conclusions may appear to be on paper. We need not apologize for this attitude of ours nor fear that we shall damage our position in the eyes of the rest of the world, for each of the big countries does no less, with this difference, however, that by a process of self-delusion or specious reasoning it identifies its own interests with world's interests, and further is able to impose its views and policies on the rest of the world. Such internationalism in the long run helps no country, and India will be serving the best interests of the world no less than her own if she lays down courageously the principle of trade policy which would be acceptable to her.

What prospects for jute?

In his address to the annual general meeting of the Indian Jute Mills Association (IJMA) in Calcutta on the 13, April, Mr D.P. Chattopadhyaya, the union Commerce minister, expressed concern over the plight of jute growers due to the fall in the fibre prices. He said that the fibre prices had a direct bearing on the economic functioning of the industry and he therefore stressed the need for discipline in this regard. The minister's speech seems to give the impression that the jute industry has not been keen to ensure remunerative prices to the cultivators. But, in fact, the industry's efforts to give a fair deal to the growers have not proved effective mainly due to factors beyond its control.

For instance, heavy power cuts have forced the industry to operate at only about 40 per cent of capacity. In 1973 the industry lost production of 68,000 tonnes valued at Rs 25 crores due to power cuts; and in the current year also, extensive load shedding continues to hamper output and thereby the consumption of raw jute. The inability of the railways to ensure prompt movement of the fibre to Calcutta and the mill centres has also been seriously affecting the industry's efforts to implement the scheme to provide price support for raw jute. The absence of timely and adequate credit facilities has been another obstacle. Since June 1973 the industry has been urging the Reserve Bank for increased credit but it was only in October that the commercial banks were authorised to increase the credit limits necessary to build up raw jute inventories equal to four months' consumption.

Despite these severe handicaps, the industry seems to have done its best to maximise its purchase of raw jute. At the end of December 1973, the stock with the industry was 3.1 million bales, the highest held in recent months. In fact, Mr J.P. Goenka, the chairman of the IJMA, claimed that "the joint effort of the Jute Corporation of India and the industry for implementing the purchase programme of raw jute in the current season is without a parallel in the annals of any industry in this country".

The Commerce minister expressed anxiety over the upsurge in the prices of jute goods. He warned that the over-enthusiastic exploitation of short-term advantages had done considerable damage to the marketability of jute products. But has not the government also been keen to "exploit such short-term advantages for the benefit of the exchequer? For instance, will not the increase in the export duty on carpet backing and hessian and its re-imposition on sacking make it more difficult for the industry to step up and diversify its exports? "Such a drastic reversal of policy", said the chairman of the IJMA, "in so sensitive a field as export duty is likely to create strong resentment among foreign buyers". He added, "To them an export duty represents a quite unwarranted tax element in the price they pay for imported goods. In this case, they are likely to interpret it as an attempt to hold them to ransom and capitalise on the present shortage of synthetics. Such an impression, however baseless, might gravely impair the confidence and goodwill on which healthy trade relations are built". Mr Goenka said that if at all the government thought that a rise in the export duty was necessary, the higher rates should have been made applicable only to the new contracts and not to those entered into earlier, whatever be the delivery dates specified in them. It seems surprising why the Finance ministry did not favour such a step which would have helped to some extent in mitigating the impact of this levy on foreign buyers.

The recent trends in the production and export of jute goods have been quite unsatisfactory. While the production fell from 1.11 million tonnes in 1972 to 1.04 million tonnes in 1973, exports declined from 625,000 tonnes to 576,000 tonnes in the same period — hessian from 270,000 tonnes to 241,000 tonnes, carpet backing from 181,000 tonnes to 175,000 tonnes, and sacking from 101,000 tonnes to 84,000 tonnes. The export earnings in 1973 were Rs 240 crores compared to Rs 266 crores in the preceding year. Of particular concern has been the sharp decline in the offtake by the USA. Shipments of hessian to this market declined by 8400 tonnes and carpet backing by 14,000 tonnes.

However, since the end of 1973 there has been some improvement in the export of jute goods, the shipments from October to December amounting to 58,000 tonnes per month compared to an average of 45,000 tonnes per month in the preceding nine months. Particularly gratifying was the fact that exports to Japan rose three-fold over their previous levels and those to Australia by over 60 per cent in the last quarter of 1973. But complacency seems unwarranted about the export prospects. The share of jute in primary carpet backing in the USA fell from 81 per cent to 34 per cent between 1968 and 1973 and in secondary backing from 71 per cent to 64 per cent. As Mr Goenka explained, "Among synthetics, the most severe competition to jute goods comes from polypropylene. Leading oil companies are holding out assurances to the carpet industry as well as the bagging industry in USA that the world-wide shortage of naphtha crudes will not affect polypropylene users and that domestic prices of polypropylene will not be allowed to go up. Such assurances cannot be lightly dismissed. There is general agreement that the switch from natural gas liquids to naphtha as the raw material for production of monomers is going to make more propylene available. New plants for converting propylene into polypropylene are scheduled to come on stream in 1975". It is also relevant to note that that USA is not so vulnerable to oil crisis as west Europe and Japan since the former depends less on the supplies of crude from west Asia.

The government of India should therefore actively assist the jute industry to increase production and improve its competitive strength. It is, indeed, surprising that though the power shortage has been severely hurting the production of jute goods, as mentioned eariler, neither the centre nor the government of West Bengal has realised the seriousness of the problem. Mr Goenka suggested that the state government should give "high priority" to the jute industry in any scheme of power rationing that may be introduced. But the government has been unable or unwilling to enforce any rational scheme of rationing power. The least that New Delhi should do is to permit the import of thermal or diesel power generating sets for captive use and waive the import duty on them. The industry should also be given loans on easy terms to purchase the generating sets. It has also suggested that to make the best use of whatever power is available, the mills should be helped to work seven days a week which will make it possible to secure a minimum increase in production of 15 per cent. This suggestion was made even in the last year and it is strange that the industry even now is faced with a chaotic and uncertain situation in regard to the supply of power when the export prospects have brightened up.

Non-availability of sufficient shipping space, irregular sailings, arbitrary increases in the freight rates and the levy of a bunker surcharge by shipping companies are among the other factors which handicap the jute industry. Clearly, therefore, the government of India has to take effective and coordinated action in several fields if the jute industry is to contribute its best to increase the country's earnings of foreign exchange.

FROM THE CAPITAL'S CORRIDORS

R. C. Ummat

Procurement of Foodgrains • Public Sector in Heavy Industry • Oil Development Fund

If the expectation of the union ministry of Agricuture that five to six million tonnes of wheat would be procured out of the current rabi crop is fulfilled, the total procurement of foodgrains out of the 1973-74 crop should exceed substantially not only the 7.6 million tonnes procured last year out of the 1972-73 crop but also quite significantly the 8.4 million tonnes purchased in 1972-73 out of the 1971-72 crop. Out of the last kharif crop, nearly 3.6 million tonnes of foodgrains have already been procured. As the procurement of kharif grains is still continuing in some parts of the country, their total procurement can be expected to touch at least the 4-million tonne mark. Even if wheat procurement comes to five million tonnes, the aggregate procurement would be up to nine million tonnes.

grave doubts

Even though grave doubts are being expressed in various circles, the union ministry of Agriculture is quite hopeful of procuring five to six million tonnes of wheat this year. The critics of the revised wheat procurement policy are of the opinion that the government's expectation would not materialise because of two major factors. Firstly, they doubt the efficiency of the governmental machinery to force the wholesalers, who under the new policy have been allowed to purchase wheat in regulated markets, to hand over 50 per cent of their purchases to the central pool. This misgiving of theirs has its genesis in the widespread malpractices at the lower rungs of the Food Corporation of India and state procurement agencies whose responsibility it is to realise half of the purchases of the wholesalers at the stipulated procurement price of Rs 105 per quintal. Secondly, the critics point out that the revised procurement policy does not provide for adequate safeguards against the deals which the wholesalers might enter into with the producers of wheat in the farmyards. They fear that such deals will retard the arrival of wheat in the markets.

The union ministry of Agriculture, however, feels confident that the state governments would be able to check both these unhealthy trends. To counter the first development, it has proposed to set up non-official agencies which will supervise not only the activities of the wholesalers but also those of the governmental agencies.

a third wheel

It, however, remains to be seen whether these non-official agencies will not prove to be a third wheel in the procurement operations. The second development is envisaged to be encountered by seeing to it that the wholesalers are allowed to market their holdings of wheat not only in their own states but also outside only to the extent to which they have shared their purchases with the government on 50:50 basis.

Meanwhile, in accordance with the new policy of wheat procurement, the governments in the surplus producing states have spelt out the terms and conditions for the issue of licences to wholesalers in respect of their participation in the procurement programme. The wholesalers under the licensing conditions are to be allowed to make their purchase only in the regulated markets. They are not to hold stocks at any juncture of time exceeding a certain limit; generally this limit has been specified at 2,000 quintals. Their sales within their states too will be regulated; movements by them to the border areas of their states would be subjected to the obtaining of no-objection certificates from the district magistrates concerned. It is proposed to invoke the provisions of the Defence of India Rules against traders for withholding the levy wheat. The list of regulated markets and the purchase centres, where wholesalers can operate have been notified.

Direct dealings between the producers and the retailers of wheat are allowed under the new procurement policy. But it has been laid down by various state governments that the retailers can purchase directly from producers only a certain quantity per day and hold stocks not exceeding a certain limit. The limits for the purchases of retailers as well as the stocks to be held by them have been specified at quite low levels. In Haryana, for instance, they are 100 quintals and 250 quintals, respectively.

The last kharif harvest has turned out to be slightly better than expected earlier. According to the latest estimate, it has been of the order of 67 million tonnes, as against the earlier estimate of 65 million tonnes. Wheat crop this year, however, is not expected to be any better than last year when the production was of the order of 24.9 million tonnes. Originally, it was expected that this year's output of wheat would be around 30 million tonnes. The crop is said to have suffered because of lack of winter rains, inadequacy of fertilisers and frost in some areas in the second half of December and early January. There also has been some setback to the production of gram. A correct estimate of the rabi crop, however, is yet to be made. Originally, it was estimated to yield about 55 million tonnes.

government reticence

It is pointed out by official cricles here that if the arrivals of wheat this year are not satisfactory, the government will not hesitate to take additional measures after watching the progress of procurement in the first one or two weeks. Although the government is reticent to say anything at present about imports of grains, some imports at least are not ruled out to augment the government stock even though it is generally felt that the supplies to be routed through the public distribution system would be scaled down in view of the marketing to be done by the wholesalers. The total availability of foodgrains in the market this year, it is hoped by the central government, would be somewhat better than last year.

A major cut in the supplies from the central pool is likely to be effected in the case of roller flour mills. Under the last year's policy of state take-over of wholesale trade in wheat, the requirements of roller flour mills had to be met from the central pool alone as the millers were not allowed to make any purchases in the open market. This year following the allowing of the wholesalers to enter the market, the millers also are likely to be asked to make some purchases to meet their requirements. The policy in regard to the roller flour mills is understood to be near finalisation; it is expected to be announced soon. The central government is likely to confine its commitment for the supply of wheat to the roller flour mills only in the metropolitan areas.

* *

Details are now available of the 1973-74 performance of the 14 public sector undertakings under the charge of the union ministry of Heavy Industry, which are in production currently. In aggregate, the undertakings are expected to show for the year just gone by, a profit of Rs 9.34 crores, as against a loss of Rs 13.51 crores in the previous year. Thus, there has been a turnround of approximately Rs 23 crores in the profitability of these undertakings. The undertakings are: (1) Bharat Heavy Electricals Limited (BHEL); (2) Heavy Engineering Corporation Limited (HEC); (3) Bharat Heavy Plates and Vessels Limited (BHPV); (4) Mining and Allied Machinery Corporation Limited (MAMC); (5) Triveni Stucturals Limited (TSL); (6) Bharat Pumps and Compressors Limited (BPCL); (7) Tungabhadra Steel Products Limited (TSP); (8) Machine Tools Corporation of India Limited (MTCI); (9) Hindustan Machine Tools Limited (HMT); (10) Indian Consortium of Power Projects (ICPP); (11) Jessop and Co. Ltd; (12) Braithwaite & Co. (India) Ltd; (13) Richardson and Cruddas Ltd; and (14) Gresham and Craven (India) Private Ltd. The fifteenth such undertaking — Scooters (India) Ltd, — is yet to go into production.

Although there has been a very significant improvement in the working of all the above undertakings, the conversion of their aggregate loss into an aggregate profit has been primarily brought about by the sharp increase in the profit of BHEL from Rs 13.3 crores in 1972-73 to Rs 27.2 crores in 1973-74 and the heavy loss of HEC declining from Rs 16.54 crores in the former year to just about Rs 8 crores in the latter year. The MAMC recorded an increase in its profit from Rs 12.42 lakhs to Rs 25 lakhs. The ICPP also showed an improvement in profit from a bare Rs 87,000 to Rs 5.61 lakhs. The profits of HMT and TSP, however, declined from Rs 75.85 lakhs to Rs 60 lakhs and Rs 5.46 lakhs to about Rs 5 lakhs, respectively. The BHPV was able to cut down its loss from Rs 85.86 lakhs to about Rs 30 lakhs, TSL from Rs 52,35 lakhs to Rs 30 lakhs and Jessop from Rs 5.43 crores (for the 17 months to March 31, 1973) to Rs 4.32 crores (for the 12 months of 1973-74). The MTCI recorded a marginal increase in loss from Rs 27 lakhs to Rs 28 lakhs. The loss of Gresham and Craven also went up from Rs 15 lakhs to Rs 21.80 lakhs and of Braithwaite from Rs 3.55 crores to Rs 5.12 crores. Richardson and Cruddas, which had incurred a loss of Rs 40 lakhs in the nine months to March 31, 1973, was able to break even in 1973-74. The BPCL incurred a loss of Rs 32 lakhs in 1973-74; it was not in production in the previous year. The sharp increase in the loss of Braithwaite last year is attributed primarily to the backlog of unremunerative orders with this company which it has tried to liquidate.

aggregate profit

The tentative projections about the profitability of the above undertakings in the current financial year indicate that their aggregate profit would go up to about Rs 30 crores, as against about Rs 9.34 crores last year.

Despite various constraints of production caused by the difficult power situation, raw material shortages, etc., these undertakings were able to record an impressive improvement in production last year. This should be evident from the table given alongside.

The targetted production for 1973-74, however, could not be achieved in all the cases, although BHEL and Jessop and Company exceeded the targets set for them. The BHEL by producing goods worth Rs 228 crores, exceeded its target by about Rs 4 crores. Jessop and Company recorded a production of Rs 24 crores, as against the target of Rs 21 crores. The other undertakings accomplished their targets to the extent of the percentages indicated against them — HEC 84, BHPV 64, MAMC 99, TSL 90, BPCL 27, TPS 98, Braithwaite 78, Richardson and Cruddas 98, Gresham and Craven 96, HMT 88 and MTCI 75.

The Heavy Engineering Corporation (HEC) could have shown a much better improvement in its working but for two major factors, namely, severe power cuts in the third quarter of 1973-74 and the delayed supplies of imported components. The power cuts significantly affected the production of the foundry/forge plant. This, in turn, reduced production at the heavy machine building and the heavy machine tools plants. The inadequate availability of foundry grade pig iron and scrap too affected the production of castings and forgings. But even then, all the three major units of HEC were able to show an improvement in production over the previous year.

Further rapid strides are expected to be made by all these undertakings during the current financial year. The following production targets have been fixed for them: BHEL Rs 281.5 crores, HEC Rs 73.80 crores, BHPV Rs 20 crores, MAMC Rs 25 crores, TSL Rs 7 crores, BPCL Rs 5.7 crores, TSP Rs 2.5 crores, Jessop Rs 34 crores, Braithwaite Rs 13.5 crores, Richardson and Cruddas Rs 9 crores, Gresham and Craven Rs 1.5 crores, MTCI Rs 2.9 crores and HMT Rs 65.5 crores. Scooters (India) Limited is expected to turn out production to the extent of Rs 6 crores; it is expected to go into production by the middle of this year. The aggregate output of all these undertakings this year is anticipated to be of the order of about Rs 550 crores. As against the practice hitherto, this year's output targets exclude the sizeable volume of inter plant trans-

Output of Heavy Industrial Units*

(1972-73 and 1973-74)

(Rs crores)

Project	Actual Production 1972-73	Actual Production 1973-74	Percentage growth
BHEL	145.00	228.00	58
HEC	49.00	62.42	27
BHPV	4.60	8.82	92
MAMC	14.50	17.75	22
TSL	2.80	4.50	61
BPCL	Not in production	0.067	—
TSP	2.10	2.28	9
Jessop & Co.	16.20	24.03	48
Braithwaite	8.90	11.05	24
Richardson & Cruddas	4.47 (July '72 to April '73)	6.70	50
Gresham & Craven	0.84	1.05	26
MTCI	1.10	1.51	37
HMT	31.20	40.38	31
Total	280.71	408.557	46

*ICPP figures are not available.

fers of production in the major multi-unit organizations.

Part of the increase in the production, value-wise, of the above undertakings, indeed, can be said to have resulted from the rise in prices last year. This factor apparently will have a greater influence on the value of the output this year. But even then it cannot be denied that production in terms of tonnage and the units of the products too showed a good deal of improvement last year and is expected to go up further significantly this year.

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The minister for Petroleum and Chemicals, Mr D.K. Barooah, revealed in the Lok Sabha this week that it had been decided to set up an Oil Industry Development Fund with an initial allocation of Rs 45 crores. This fund will be placed at the disposal of the Oil and Natural Gas Commision (ONGC) for exploring and developing the indigenous resources of crude oil. Mr Barooah hoped that the establishment of the fund would provide for greater autonomy of the ONGC which so far has been only notional. The creation of fund, he stressed was intended to free the ONGC of the red-tape caused by its direct total dependence on the government for resources.

Mr Barooah further indicated that the ONGC would be restructured soon in the light of the suggestions made by the Malaviya Committee. The new chairman of the undertaking, Mr N.B. Parsad, had been asked to submit a report in this regard expeditiously. It was also envisaged, added Mr Barooah, that the Indian Oil Corporation (IOC) should also be restructured to make it more effective in the matter of distribution and refining of oil. A Soviet team would suggest changes in the existing pattern of this enterprise.

Another disclosure made by Mr Barooah was that the decision on the grant of exploration licences to two foreign concerns off the west coast would be taken soon. It may be recalled that the government has been considering proposals for off-shore exploration and drilling in areas outside Bombay High in terms of the revision in the exploration policy effected a couple of years ago. As a result of this revision, a number of proposals have been received, but only two of them have reached a very advanced stage of negotiations. According to the indications available, the agreements to be signed with these two parties might be an improvement over the Indonesian model on the basis of which the proposals had been invited.

The committee set up under the chairmanship of Dr K.S. Krishnaswamy to go into oil prices, Mr Barooah said, was expected to submit its report in 18 months. It has been asked to give an interim report in the meanwhile. The Haldia refinery, whose construction had been delayed by nearly two years has been completed. It is expected to go on stream in a couple of months. Already, some crude supplies for this refinery have been secured.

As expected, oil has been struck in the fourth horizon also of the first well drilled on the highest structure in the Bombay High area. The well has now been completed and Sagar Samrat is proposed to be jacked up next month at the site of the second well to be drilled in the structure — a few kilometres away from the site of the first well. An intermediate production programme is being drawn up to exploit the indicated crude reserves in the Bombay High area. It is expected that in about 30 months, production from these reserves can be had at the rate of 1.5/2 million tonnes. The full potential of the Bombay High structure, however, will be known only when six to eight wells have been drilled in it.

Housing lessons from Hong Kong, Panama

Dr. S. K. Ray

THE URBAN housing shortage was estimated to be 2.8 million units in 1951, five million units in 1956, 9.3 million units in 1961 and 11.8 million units at the end of 1967. At the present rate of increase the shortage is expected to rise to 15.4 million units by 1979. The position is far more gloomy in the case of rural housing. In rural areas, the overall shortage was put at 56.5 million units in 1961, 69.6 million units in 1967, 71.8 million units in 1969 and is slated to reach 80 million units by 1979. Against this, the annual rate of new house construction in urban areas is estimated to be only about 3.5 units per thousand people and 0.44 units for the same number in rural areas.

eroded priority

Instead of according top priority to this basic problem and framing a national housing policy, the priority to housing has eroded from one five-year Plan to another. The first Plan allocated 1.6 per cent of the public sector outlay for social housing schemes but the fourth Plan could afford only one per cent. During the first Plan period, out of Rs 37.50 crores provided for social housing, Rs 12.38 crores remained unspent; and similar was the case with the subsequent plans. However, in the fourth Plan period, of a total allocation of Rs 124.53 crores, Rs 74.09 crores or about 59 per cent had been used by the third year of the Plan. The total outlay proposed in the fifth Plan for the housing sector is Rs 580 crores out of which the state and union territory sectors would get Rs 343 crores.

The 1971 census shows about 50 per cent rise in urban population from 78 million to 108 million, in the course of a decade. One of the immediate effects of this is a rise in the number of slums, pavement dwellers and shanty towns. Between 25 and 40 per cent of the population of most of the major cities in India now live in slums which proliferate at an alarming rate.

The fifth plan has certain limited objectives in the housing sector. A more effective answer to housing shortage is urgently required. Take for instance, the role of Life Insurance Corporation (LIC). All over the world insurance funds, because of their long-term contractual character, have been accepted as nearly the most suited form of investment in housing projects. Due to its monopoly position and a welcome spurt in insurance business, the LIC is now flushed with funds. Still housing gets only about 15 per cent of LIC funds against nearly 40 per cent in most of other countries. Again, only a beginning has been made by the nationalized banks in lending directly to individuals that too in special cases—for housing purposes. And the nationalized commercial banks, like the co-operative banks, still prefer to canalise their funds through co-operatives. The provisions for individual lending by these agencies would certainly be more helpful.

housing bonds

The government, it has been suggested, should float fixed interest-bearing housing bonds, on the pattern of the gold bonds, which should be on sale for a specified period. This will draw out part of the black money and help alleviate part of the housing problem. It is also necessary to broaden the existing Revolving Loan Fund, which extends credits for housing projects. Only in recent years some enterprising individuals have come forward to set up co-operatives for urban housing. The policy and working of these co-operatives need to be properly directed. Agencies such as the DDA (Delhi Development Authority), the NDMC (New Delhi Municipal Committee), the CMDA (Calcutta Metropolitan Development Authority), the CIT (Calcutta Improvement Trust) have held out high hopes and one only wishes that they succeed in measuring up to the expectations of the people. Government programmes have so long kept residential housing separate from commercial housing. A new approach should be tried under which every residential complex should have a section meant for commercial purposes such as shops and cinema houses. In that case, increased returns from these can be ploughed back to subsidise residential schemes and this can keep the seed capital rolling.

private initiative

On an average, the private sector has constructed only 200,000 units a year. The private sector is expected to do much better. Faridabad shows how industrial units can sponsor industrial housing. Industrialists and businessmen should try to promote on a larger scale low-cost housing or to invest in the development of new or satellite townships. If necessary, the rigours of rent control may be relaxed. For example the Madras Refineries Ltd and some other business concerns, may launch schemes for advancing loans to their employees on easy terms for the construction of houses.

New slums are coming up faster than existing ones are being removed or improved. Instead of occupying alternative low-cost houses built for them, slum dwellers are renting them out to others and are themselves moving out to new slums. Therefore the houses meant for the slum dwellers should provide nothing more than minimum facilities. Moreover, the accent has to be on strict austerity and conservation of resources for the widest application. Much of Kong Kong's success (as also recent success of some other developing countries such as Singapore and Venezuela) in this field is due to strict insistence on economy and to a ruthless observance of what has been termed "the social control" which prohibits surreptitious transfer of low-cost houses, rigorous compliance with rules of cleanliness etc. Hong Kong, once the worst-housed city in the east, has become probably the best in less than 20 years and at almost no cost to the government.

Surely there is a lesson here for the

rest of the world. Within a few days of the big fire in 1953, Hong Kong was set on one of the biggest, most spectacular house-building sprees ever known at the initiative of the then Acting Colonial Secretary, David Holmes. Things were done on a hard nosed business basis. The project launched was self-supporting and self-liquidating. The government provided building space on long lease and at low rental and offered long-term loans at low interest. By 1972 flats had been provided for over 1.7 million persons in the city of four million. Some "estates" are cities within themselves. Services include markets, banks, post offices and chemists. There are schools, libraries, churches, theatres, restaurants, clinics, and homes for the aged. When the project was first launched, the flats were shockingly austere. Families of five were assigned about 11 square metres only. But for excellent management and shrewd planning, this vast project might have bankrupted Hong Kong. As it is, the total cost has been relatively small—Rs 120 crores only. By 1972 Rs 40.5 crores of this had been recovered in rents and repayments on loans were on schedule. So in time, Hong Kong would recover virtually all of its investments—in effect rehousing one of the world's largest cities at no cost to the government.

exemplary housing

A co-operative housing project in Los Pocitos, Panama, is also an example of what can be done to provide good low-cost housing in developing countries. For a rural housing programme, the small but successful credit union was Los Pocitos' most important single resource. A number of organisations worked on the co-operative housing project : USAID, provided the initial financing; the Panamanian National Housing Institute and the FCH Co. Inc. (a subsidiary of the US Foundation for Co-operative Housing), conceived and directed the programme; the Panamanian Federation of Credit Unions; and Credit Union National Association. Also participating in the project were the Panamanian ministry of Agriculture, Commerce and Industry and the American Peace Corps. The Agrarian Reform Division of the ministry of Agriculture, Commerce and Industry which had previously helped farmers to obtain clear and free titles on farmland and the Panamanian Institute of Economic Development by making loans.

The initial capital for the Los Pocitos project, a \$3,000 (Rs 22,500) grant from USAID, made mortgage loan funds available for an original ten families. The average value of a project house was \$ 365 (Rs 2,738). The families contributed both their labour and a supply of local materials. These supplies and services were valued (1969) at \$ 65 (Rs 488), leaving an actual out-of-pocket cost of \$ 300 (Rs 2,250) per unit. Each participant made a down payment of \$30 (Rs 225), leaving a remainder of \$ 270 (Rs 2,025) which was met by a loan from the US grant. Monthly repayments are being made over a period of 7½ years. Interest is charged at 4½ per cent. The average monthly repayment of principal, interest and a delinquency charge comes to \$ 4 (Rs 30).

revolving fund

When each family made a \$ 30 down payment, enough additional money was available to supply mortgage funds for an eleventh house. As the first borrowers made repayments on their loans, the money was placed in the revolving fund held in trust for the future Federation of Housing Cooperatives by the Panamanian National Housing Institute. At the end of the repayment term for the initial loans, a total of 34 houses would have been generated by the small grant. The revolving fund, of course, would not stop at this point but would support a continuing housing programme.* The use of a revolving fund for housing loans is important in countries where available financing is insufficient in volume and inadequate in character to meet housing requirements. With suitable loans from a revolving fund, many families, including those with middle and low incomes, can obtain mortgage loans and meet reasonable schedules established for repayments.

There cannot be an effective housing policy in India without an effective land policy. Urban land values are booming party due to speculative demand and partly due to extensive pre-emptive cornering by a section of real estate operators. It is, therefore, necessary to draw up early a model land acquisition regulation bill for adoption by state governments. Under the US Housing Act of 1968 control is vested in an advisory board representing the general public, the insurance companies, the local, state and federal governments. Since 1969 the United States government has been subsidizing the normally private process of providing shelter mainy because of rising land and building costs, and for controlling crowding into cities.

limited objectives

In the context of increasing demands for housing and nonavailability of building materials at reasonable prices, the draft outline of the fifth Plan addresses itself to the following limited objectives in the housing sectors:

(i) improvement of the existing housing stocks;

(ii) provision of house sites to four million landless labourers;

(iii) continuance of the existing schemes to provide subsidised houses to a certain weaker sections of the community; and

(iv) extension of support to institutional agencies.

Non-availability of land is bound to remain a major constraint. Even on the assumption of an average gross density of 66 an acre (double the present level), about 1.2 million acres of urban land would be needed to accommodate the urban population by 1981. This would require at least Rs 6,000 crores at Rs 50,000 an acre. Against this, only about Rs 25 crores would be available from government sources for this purpose.

The rural housing fact sheet presents a far more disconcerting picture. Nearly three-fourths of the rural population live in miserable "Kutcha" houses. The fourth Plan allotted Rs 25 crores for rural housing in the central sector but it was scaled down to Rs 11 crores. States earmarked another Rs 5.16 crores. But it all added up to a drop in the ocean. The total outlay proposed in the fifth Plan for the housing sector is Rs 580 crores out of which the state and union territory sectors share would be Rs 343 crores. It would meet only limited objectives. Except Gujarat, none of the state governments has so far cared to set up rural housing boards. To cope with this complex problems, what is needed is a number of organizations working together, as in Los Pacitos, Panama.

Adapted from "Housing the campesino"—by FCH Co. Ltd.

TIIC comes of age

L. N. Raina

THE CREDIT for the expansion of the private sector since Independence goes largely to the financial institutions such as the state industrial finance corporations and small industries development corporations at the state level, and the Industrial Finance Corporation (IFC), the Industrial Credit and Investment Corporation of India (ICICI) and the Industrial Development Bank of India (IDBI) at the all-India level which provided the financial infrastructure for expansion as well as diversification of industry in general and backward areas in particular. Pioneer among the state financial institutions was the Tamil Nadu Industrial Investment Corporation Ltd (TIIC) which will celebrate its silver jubilee this year from March 26 to September 1. Even before the establishment of the Industrial Finance Corporation of India, the idea of a state level financial institution was mooted by the then government of Madras on the lines of similar institutions operating in Britain. Breaking new ground, thus, the TIIC showed ample initiative in encouraging the establishment of new industries or the expansion of the existing units.

project identification

As it is there is no dearth of entrepreneurial skill in this country and hundreds of technical graduates and enterprising young men are eager to start new industries. Apart from provision of finance the main problems have been of identifying the projects and giving right counsel to the new entrepreneurial class. Here is where the finance corporations come in not only with capital but also with assistance in the preparation of feasibility studies and guidance about the facilities available for the starting of new concerns. Apart from the TIIC. Tamil Nadu has many institutions catering for the various sectors of the society in the state such as the Small Industries Development Corporation (SIDCO), the State Industries Promotion Corporation of Tamil Nadu (SIPCOT) and the Tamil Nadu Industrial Development Corporation (TIDCO) which promotes establishment of industries in the joint sector. TIIC acts more or less as a liaison between these institutions.

The performance of TIIC vouchsafes to the yeoman service it has rendered to the industry of the state. But for the assistance rendered by the corporation many of the major industries of the state such as aluminium, paper, fertiliser or sugar would have found it difficult to be established. The corporation has at present four offices catering for the needs of various parts of the state such as Tanjore, Madurai, Coimbatore and Salem. Two more offices at Vellore and Tirunelveli are proposed to be set up in the next few months.

broad-based board

Tamil Nadu Industrial Investment Corporation is managed by a board of directors with the managing director as its chief executive. Only three directors are the nominees of the Tamilnadu government and one of the IDBI, while the remaining eight directors represent, the various sections of society. The paid up capital of the corporation is Rs. 2.99 crores out of which the Tamil Nadu government has contributed some 60 per cent, the other major shareholder being the IDBI with 25 per cent. The Life Insurance Corporation of India, the Unit Trust of India and the cooperative societies are its minority shareholders.

The objectives of the corporation are advancing long and medium term loans to industrial concerns for acquiring fixed assets such as land, buildings, plants etc., as also providing working capital where it is not easily available from commercial banks. The corporation guarantees loans raised by the concerned unit or floated in the market or secured from banks. It also guarantees deferred payment contracts for the purchase of machinery. The corporation underwrites the issue of shares and debentures of industrial concerns or subscribes to their equity or preference shares. It also gives foreign exchange loans under the IDA line of credit.

For partnerships and proprietary concerns the loan assistance granted by the TIIC is limited to Rs 15 lakhs but it can extend a loan to the extent of Rs 30 lakhs to private and public limited concerns engaged in such activities as shipping, transport, manufacturing or hoteliering. The assistance in excess of Rs 30 lakhs is arranged jointly with any all-India institution such as the IDBI, the IFC or the ICICI. The corporation has recently extended its activities to neighbouring Pondicherry as well.

loans sanctioned

The corporation had up to the end of February 1974 sanctioned assistance totalling Rs 87 crores in which rupee loans amounted to Rs 46 crores, underwriting or subscriptions to companies' shares accounted for 15 crores, guarantee loans amounted to seven crores of rupees and deferred payment guarantees were equivalent to Rs. 19 crres. The total assistance outstanding at the end of Febuary 1974 was Rs 31 crores. So far some 850 loans have been sanctioned by the corporation. This liberal policy of lending no doubt has been instrumental in infusing confidence in the enterprises which were helped.

The recent acceleration in the pace of activities of the TIIC can be witnessed from the fact that whereas for the 20 years to 1969, it had sanctioned 360 loans worth Rs 28 crores, for the past five years it has sanctioned some 490 loans totalling Rs 18 crores (Table I) The same order of progress however was not seen in the matter of guarantee loans or deferred payment guarantees. During the first 20 years, it had guaranteed 97 loans when during the past five years such assistance was granted to 26 undertakings (Table II). However the financial assistance rendered by the corporation during the past year has been an all-time record. In spite of such adverse circumstances as the shortage of power and raw materials and the generally difficult economic situation, the corporation had sanctioned Rs 4.55 crores by way of assistance to various units in the state.

Under the special scheme for technocrats and small-scale industries there has been notable progress in recent years in the sanctioning of loans. From barely one crore rupees assistance granted to small-scale industries during the 20 years up to 1969, it has increased to Rs 7.37 crores during the past five years. This includes special loans to transport units and other infrastructural facilities for backward areas. Small-scale units are advanced loans at a concessional rates of nine per cent per annum while medium and larger units are charged 10 per cent Out of 153 concerns that got loans assistance last year, 120 were from the small-scale sector. Industries set up in backward areas get loans at a still lower rate of interest at 7.5 per cent per annum with longer repayment period extending up to 14 years. As an encouragement to medical practitioners to go to rural areas, the corporation has evolved a special scheme of assistance though this field was not strictly within the purview of a industrial development corporation such as the TIIC. Under the scheme, veterinary doctors and general practitioners, clinics and nursing homes in rural areas are entitled to loan assistance at the rate of 7.5 per cent per annum and a reduced margin of 10 per cent up to a limit of one lakh of rupees.

new scheme

The TIIC has on the anvil a scheme under which the corporation would enter into consortium arrangements with the Small Industries Development Corporation (SIDCO). The TIIC extends loans up to the extent of 75 per cent of the cost of fixed assets of small industries. Under the TIIC-SIDCO consortium scheme the joint loan assistance will extend up to 90 per cent of the cost of fixed assets. The appraisal of applications for assistance, the disbursement and recovery would be undertaken by the TIIC on behalf of both the institutions. This is the only scheme of such nature for the benefit of small industries in the country and could again be the pace-maker for financial institutions in other parts of the country. Apart from its employment potential, this scheme can give fillip to production in the small-scale sector which mostly manufactures consumer goods and thus help in alleviating the inflationary pressures.

The TIIC has now available a line of IDA credit which can be allotted to small-scale units for importing plant and machinery. The advantage of this facility is that, apart from avoiding delay, it will save the small entrepreneur the effort to approach various agencies if he gets both rupee and foreign exchange loan from the same source. It will thus help in the sophistication of equipment and updating of expertise and know-how in small-scale industries.

Another state level financial institution with which the TIIC has special pooling arrangements is the State Industries Promotion Corporation of Tamil Nadu, an agency which deals with the financing of large and medium scale industries in the state. Under this arrangement also there is joint financing of industries and the security margin is

TABLE 1.

Loan Assistance Sanctioned and Disbursed

(Rs in crores)

Period	No. of loans sanctioned	Amount sanctioned	Amount disbursed
Twenty-year period			
1949 to 1969	357	27.73	20.80
Year ending 30th June			
1970	35	2.12	1.43
1971	88	4.23	2 10
1972	110	3.60	2.43
Year ending 31st March			
1973 (9 months)	123	3.77	1.59
1974 (11 months)	136	4.55	2.83
Total	849	46.00	31.18

TABLE II

Guarantee Loans, and Deferred Payment Guarantee Assistance Sanctioned and Disbursed

(Rs in crores)

Period	No.	Amount sanctioned	Amount of guarantees issued
Twenty-year period			
1949 to 1969	97	22.06	12.43
Year ending 30th June			
1970	2	0.31	..
1971	9	0.94	0.25
1972	9	1.33	0.72
Year ending 31st March			
1973	6	0.92	0.49
1974 (11 months)	..	..	0.46
Total	123	25.56	14.35

TABLE III

Underwriting Assistance Sanctioned and Disbursed

(Rs in crores)

Period	No.	Amount Sanctioned	Shares Subscribed/ Devolved.
Twenty-year period			
1949 to 1969	89	13.01	7.87
Years ending 30th June			
1970	7	0.40	0.12
1971	9	0.51	0.15
1972	4	0.16	0.41
Year ending 31st March			
1973	4	0.22	0.05
1974 (11 months)	6	0.27	0.16
Total	119	14.57	8.76

somewhat relaxed. It would be desirable if similar arrangements were made with the Tamil Nadu Industrial Development Corporation which has been establishing joint sector ventures with 26 per cent subscription to the equity shares of such companies. The TIIC has started sanctioning what it calls "bridge loans" which enable units to continue work on their projects pending completion of technical formalities which might otherwise hold in abeyance such projects over long periods.

Complaints have sometimes been heard of delays in the sanctioning of schemes or tardy follow-up action. Of late however things have considerably improved in this respect. On March 31, 1973, there were 95 applications pending for grant of loans amounting to Rs. 3.5 crores whereas on February 28, 1974, some 11 months after, there were with the corporation only 47 such applications for an aggregate amount of Rs 2.8 crores. During the past year, according to Mr S. N. Pai, managing director of the corporation, 153 applications for an amount of six crores of rupees had been cleared. At the end of February 1974 only two applications were pending with the corporation for more than three months whereas at the end of March 1973 less than a year ago, 82 such applications were pending disposal with the corporation. This is a record worth emulaion by other such institutions in the country.

Even though Tamilnadu has taken rapid strides on its way to industrialisation, the state continues to be predominantly agricultural and there are large areas awaiting development in the interior. The finance corporations both at the state and all-India levels have to cooperate among themselves to locate these areas of growth and the potential entrepreneurs and to match them with their expertise and know-how to flower into worthwhile projects. It is to be realised that a development corporation does not just stop at offering concessional finance to worthwhile projects. It involves considerable promotional work formulation of projects, preparation of feasibility reports and provision of finance at critical stages to make the project economically viable over a period of time. The TIIC has broken new ground in this area of cooperation with other agencies for development of small as well as large industries. A sector where it needs to take concerted steps is research and development of indigenous technology. Acceptance of modern management practices should be made a condition for the consideration of any project for assistance. With the coordination of technology and entrepreneurship there is every reason to believe that the TIIC will able to match up to the responsibilities devolving on it in the industrialisation of that state.

Working force in Andhra Pradesh

Dr R. R. Singh

THE TOTAL area of Andhra Pradesh is 276,754 Sq. Kms. The total population of the state in 1971 stood at 43.5 million comprising 22.0 million males and 21.5 million females. The density of population per Sq. Km. works out to be 157 as against the all-India average of 167. The proportion of workers to total population in Andhra Pradesh is 41.4 per cent. Out of the total male population, 58.2 per cent are male workers and the corresponding figure for female workers is 24.2 per cent.

Planning in the states and the country as a whole has shown imbalances particularly in the critical sectors. The industrial growth necessitates a higher growth rate in the agricultural sector which implies that the proportion of agricultural output supplied to the industrial sector should grow steadily larger and larger. Economic progress in terms of real domestic product per head eventually brings about a reduction in the proportion of manpower engaged in agriculture as supported by the economic history of industrially advanced nations.

A critical analysis of trends in the state's working force and net domestic product makes the author cautious about the nature of tools of economic analysis he may have to rely on. The availability and comparability of the state income statistics as well as of the working force data restrict and circumscribe the scope of the projected study from the point of view of coverage and qualitative analysis.

In presenting the data of working force, tremendous difficulties have to be faced since the available data are not comprable between two points of time. The sole reliance in this behalf has to be placed on the data thrown up by the decennial censuses of 1951, 1961 and 1971. Neither the 1951 census data of working force with those of 1961 nor the 1961 data with those of 1971 are comparable. Their comparability has been considerably vitiated by the change in concept and definition of worker from census to census.[1]

"It was felt that the concept of worker at the 1961 census tended to inflate workers as persons who were basically non-workers like housewives, students etc. were included in the category of workers even though their participation was very marginal."[2]

In view of the foregoing observations it is obvious that the strength of the working force at the 1961 census was overstated relatively to that of 1971 census, or to say the same thing in another way, the working force at the 1971 census had been understated in relation to that of 1961. The actual working force recorded in every state in 1971 is either nearly equal to even less than that in 1961, without taking into consideration the addition to work force, brought about by the natural growth of population or by the inter-sectoral migration that may have been occasioned by the productivity differentials.

In order to arrive at the nearly correct productivity per worker sectorwise in the state under consideration, the formula f applied, for instance, to Andhra Pradesh, works out as follows:

	(In thousands)
Actual strength of working force as recorded in:	
1971	18006
1961	18549
Estimated addditions due to natural growth in population at 20.90% during 1961-71 (in 1971)	21769
Estimated productivity per worker in 1971 reduced in the proportion of	18006 / 21769
or	to 82%.

It may be stated that the scheme of industrial classification adopted for the conventional series has undergone certain revisions to conform to the extent possible with the standard classifications by national and international agencies. The revised standard industrial classification undoubtedly has improved comparability in as much as it has fallen in line with the classification of national income by industrial origin.[3]

In brief, the estimates of working force according to the revised industrial classification for the bench mark year 1960-61 and those for 1971 as thrown up by the 1971 census though conceptually not comparable with the revised series of 1960-61 yet with possible adjustment have been used in this study. There is no other source from which data on working force sector-wise and year-wise for all states may be available. It has, therefore, been planned to make a comparative study of the sectoral distribution of state's net domestic product and the working force employed, between the opening and closing years of the decade (1961 and 1971) for which data on comparable basis are available. The two years picked up for detailed analysis are significant because the closing months of the financial years 1961 and 1971 exactly coincides with the month of March when the 1961 and 1971 census operations were conducted and completed.

The problem of comparison between various regions is not only confined to the distribution of net domestic product by broad economic sectors but also extends to the sectoral distribution of working force by the identical economic sectors. The adoption of identical classification both for working force and net domestic product does facilitate and provide an expedient not only for intersectoral comparison of income distribution and work-force distribution amongst various regions but also for inter-state comparison. The problem thus assumes triangular dimensions. Apart from the comparative analysis of income distribution and work force distribution by sectors in various regions, it also covers and examines from sector to sector in each region and from region to region in the state, the productivity of the working force employed in these sectors.

Thus the largest proportion of male workers is found among cultivators while the largest proportion of female workers is found among agricultural labourers. The proportions that the male agricultural workers and the aggregete male workers bear to the total male population are 40.30 per cent and 58.2 per cent respectively. Similarly the corresponding percentage of female agricultural workers and the aggregate female workers in the total female population are 20.2 and 24.1. In other words, the male agricultural workers constitute nearly 69 per cent of the total male workers while female agricultural workers form about 83 per cent of the total female workers. This high proportion of agricultural workers is quite natural in an agricultural state as Andhra Pradesh (Table I).

Male workers and female workers work out to 60.2 per cent and 27.4 per cent respectively in the male and female population of the rural areas. The corresponding percentages of male and female workers in the male and female population of the urban areas are 49.9 and 10.5. Both in the rural and the urban sectors, the male workers are in an overwhelming majority whereas the female workers being in a minority, range between 10 and 27 per cent in their respective total populations.

It is interesting to observe that the percentage of female non-workers is the highest at 89.5 per cent in the urban sector as against 72 per cent in the rural sector. It is obvious, females enjoy more leisure in urban areas as compared to their country sisters who very often share agricultural work with their sons and husbands.

During the decade under investigation the growth rate of state's net domestic product has been rather slow. The index numbers register a rise of only 31 per cent at constant prices which works out to yearly average of 2.8 per cent. The per capita income has almost doubled itself at current prices but at constant prices the annual increase in per capita income works out to be 2.2 per cent (Table II and III).

Fluctuations in agricultural production and prices have influenced the contribution of the agricultural sector to the state income. Its course over the years has been both irregular and erratic. It has increased only by one-fifth at constant prices. The annual growth rate in this major economic sector amounts to only 2.0 per cent, less than the state's average.

The other important and progressive sector of the state's economy is manufacturing. The annul average growth rate has been the highest at 6.3 per cent. Its contribution to the state's income ranks second only to agriculture at constant prices. The relative shares of transport and service sectors in the state income have been gradually advancing with a firm and steady tone. They have been running a regular and smooth course throughout.

The percentage share of agriculture in the net domestic product has been moving up and down touching the peak at 60 in 1961-62 and the lowest point at 52 in 1968-69. The relative shares of manufacturing and transport sectors have recorded only marginal gains. It is only the 'service sector' which lowers its relative position in the income composition of the state at constant prices.

During 1960-61, the manufacturing sector makes the lowest contribution to the state's net domestic product and offers the largest volume of employment after agriculture. The single largest contributor is agriculture as should be expected in the agricultural economy of a state. All the sectors combined contribute only three-fifths of the income produced in the 'agriculture sector' alone. Table IV.

Productivity per worker is the highest in transport and the lowest in agriculture. About three-fourths of the working force employed in agriculture, contributes slightly less than three-fifths of the state's total income. The contribution of the 'transport sector' in relation to the workforce employed is the largest.

The employment as registered in 1960-61 has shrunk in all sectors, by 1970-71 except that in 'transport sector' which calls for explanation. According to the natural increase in population say at the state's average growth rate of 20.90 per cent, the 1960-61 workforce in the 'transport sector' should have increased by nearly one-fifth to 1.32 million but the workforce actually recorded in 1970-71 stands at 1.38 million. Thus it implies that workers to the extent of about 60,000 have migrated from other sectors. This is exactly what should have been expected. The highest productivity per worker in 1960-61 in this sector has naturally attracted workers to it. During 1970-71 the productivity per worker, being lower than that of 1960-61, it is still the highest which will continue to induce workers to move into this sector in years to come. Productivity per worker in other sectors as compared to that of 1960-61 has substantially improved especially in manufacturing and service sectors.

The agricultural sector yielded 58 per cent of the state's net domestic product for 74 per cent of the workforce employed in 1960-61. Its contribution shrank to 54 per cent of the state income for marginal reduction in workforce from 74 to 73 per cent. During 1970-71, the income from agriculture was only slightly more than the aggregate product of all the non-agricultural sectors. Agriculture offers the largest employment closely followed by manufacturing. Nearly 78 per cent of the labour force employed in agriculture contributes only 54 per cent of the state's net domestic product.

Between two points of time, the sectoral distribution of state income is comparable. What is not comparable is the sectoral distribution of work force because of the change in the definition of 'worker' from census to census. The revised definition of worker has consequently inflated the 1960-61 working force and, ipso facto, deflated the 1970-71 working force. This obviously calls for possible adjustment. The working force as revised by the Central Statistical Organisation has been adjusted as already explained else-

TABLE I

Sectorwise Distribution of Workers and Non-Workers by Sex & Areas: 1971[4]

	Overall		Rural		Urban	
	Male	Female	Male	Female	Male	Female
Agriculture	40.3	20.2	48.4	24.1	7.3	3.5
Manufacturing	7.3	1.9	3.5	1.7	14.2	2.9
Transport	5.6	0.7	2.7	0.5	17.4	1.3
Other Services	5.0	1.4	3.5	1.1	11.0	2.8
Total Workers	58.2	24.2	60.2	27.4	49.9	10.5
Non-workers	41.8	75.8	39.8	72.6	50.1	89.5
	100.0	100.0	100.0	100.0	100.0	100.0

TABLE II

Trends in Net Domestic Product at Current Prices

	1960-61	61-62	62-63	63-64	64-65	65-66	66-67	67-68	68-69	69-70	70-71
Agriculture											
(Rs. in crores)	572	633	643	795	918	882	1068	1173	1155	1234	1325
Percentage Distribution	58	59	57	60	61	58	160	60	58	57	56
Index Numbers	100	111	112	139	160	154	187	205	202	216	232
Manufacturing											
(Rs. in crores)	132	147	154	176	202	225	237	243	273	319	342
Percentage Distribution	13	14	14	13	13	15	13	12	14	15	15
Index Numbers	100	112	117	134	154	170	180	184	207	242	259
Transport											
(Rs. in crores)	144	152	162	179	204	223	263	308	317	335	366
Percentage Distribution	15	14	15	14	14	15	15	16	16	15	16
Index Numbers	100	105	112	124	142	155	182	214	220	232	254
Services											
(Rs. in crores)	135	147	158	169	185	191	214	236	253	275	312
Percentage Distribution	14	13	14	13	12	12	12	12	12	13	13
Index Numbers	100	109	117	125	137	141	159	175	187	204	231
Net Domestic Product											
(Rs. in crores)	983	1079	1117	1319	1509	1521	1782	1960	1998	2163	2345
Index Numbers	100	110	114	134	154	155	181	199	203	220	239
Per Capita Income	275	297	302	349	392	387	445	479	478	513	545

Note: The table has been constructed on the basis of statistics supplied by the Director, Bureau of Economics and Statistics, government of Andhra Pradesh, Hyderabad.

where. The comparable estimates after adjustment have been projected in brackets (Table IV). This makes comparative analysis between two points of time possible if not quite accurate. The other important sector, manufacturing, has improved its position over the years. For 11 per cent of the working force employed, it contributed 13 per cent of the state income in 1960-61, but in 1970-71 by employing the same percentage of workforce it had contributed 17 per cent of the state's net domestic product. In brief, the manufacturing sector is slowly gaining momentum and has moved up from the lowest rung of the ladder to the position only second to agriculture. This is a noteworthy attainment of the sector. All other sectors have not improved upon their past performance.

Characteristically the state economy is agricultural. Its economic progress is bound to be slow. 'Manufacturing' in the state economy is the most progressive sector and seems destined to play a key role in inviting economic prosperity to the region.

References:

1. Extract from All-India Paper I of 1971 Census supplement, Population totals, p. 27.
2. Ceusus of India 1971: General Population Tables: Maharashtra, p. 802.5.
3. Brochure on revised series of National Product : 1967 : CSO, Page 1.
4. The table has been constucted on the basis of statistics contained in General Population Tables for Andhra Pradesh : Census of India, 1971.
5. The working force figures as adjusted by CSO to ensure correspondence between census, industrial classification and the national product classification vide Brochure on revised series (1967) have been used
6. Comparative estimates of Productivity have been arrived at as explained before.

TABLE III

Trends in Net Domestic Product at Constant Prices (1960-61)

	1960-61	61-62	62-63	63-64	64-65	65-66	66-67	67-68	68-69	69-70	70-71
Agriculture											
(Rs. in crores)	572	530	617	651	700	578	620	644	580	645	691
Percentage Distribution	58	60	58	59	59	54	55	55	52	53	54
Index Numbers	100	110	108	114	122	101	108	113	101	113	121
Manufacturing											
(Rs. in crores)	132	143	144	157	177	185	178	182	193	215	223
Percentage Distribution	13	13	14	14	15	17	16	16	17	17	17
Index Numbers	100	109	110	119	134	141	135	138	147	163	169
Transport											
(Rs. in crores)	144	149	153	159	163	166	172	182	188	195	202
Percentage Distribution	15	14	15	14	14	15	15	16	17	16	16
Index Numbers	100	103	106	110	113	115	120	127	130	135	140
Services											
(Rs. in crores)	135	136	141	145	150	153	155	155	159	166	173
Percentage Distribution	14	13	13	13	12	14	14	13	14	14	13
Index Numbers	100	101	105	108	111	113	114	115	118	123	128
Net Domestic Product											
(Rs. in crores)	983	1058	1055	1112	1190	1082	1124	1163	1120	1221	1289
Index Numbers	100	108	107	113	121	110	114	118	114	124	131
Per Capita Income	275	291	283	294	309	276	281	284	268	290	299

Note : The table has been constructed on the basis of statistics supplied by the Director, Bureau of Economics and Statistics, Government of Andhra Pradesh, Hyderabad.

TABLE IV

Trends in Productivity Differentials by Sectors[6]
(Constant Prices)

	1960-61				1970-71			
	Agriculture	Manufacture	Transport	Services	Agriculture	Manufacture	Transport	Services
Net Domestic Product (Rs. in crores)	572	132	144	135	691	223	202	173
Working Forces[5] (in thousands)	13671	2153	1089	1636	13217	2009	1376	1404
Productivity per Worker (in Rs.)	411	613	1324	826	523	1110	1468	1232
Comparable estimates reduced to 82%					(418)	(888)	(1174)	(986)
Percentage Distribution of Net Domestic Product	58	13	15	14	54	17	16	13
Percentage Distribution of Working Force	74	11	6	9	73	11	8	8

The communist common market

London

Jossleyn Hennessy

WINDOW ON THE WORLD

I

The Drive Towards Integration

COMECON WHICH stands for Council For Mutual Economic Assistance, is an intergovernmental economic organisation, the members of which in Europe are: Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Rumania, and the USSR: in Asia, Mongolia; and in Latin America, Cuba.

Comecon has two observer-members, Yugoslavia aond Iraq, which participate in some of its activities. The nine full members have a total population of 366 million. In 1950, the Comecon area produced 18 per cent of the world's industrial output. By 1972 this had risen to 33 per cent, and is expected to reach 40 per cent in 1980. Since 1960, Bulgaria has increased its industrial output 14 times, Hungary 5.8 times, Poland 8.5 times, Rumania 14 times, the USSR 7.9 times, Czechoslovakia 5.8 times and East Germany 3.8 times. Engineering and chemicals have been the fastest growing industries throughout the area. Since 1945, Comecon has grown from a relatively backward agrarian region into one of the world's leading industrial areas.

The Comecon area achieved a nine per cent growth rate in 1973. The increase in 1972 had been seven per cent, Poland led with 12 per cent, while the USSR's seven per cent was somewhat lower than the 1973 Comecon average. The fastest growing industries were engineering (+10 per cent), electronics (+15 per cent) and plastics and synthetic yarns (+20 per cent).

Industrial employment grew by 3.5 per cent in Poland, which still has considerable reserves of labour. In Hungary, which suffers from chronic labour shortage the increase was one per cent; in Czechoslovakia, which also has reserves of labour, the increase was 0.9 per cent. Labour productivity rose fastest in Poland (+8.5 per cent) and Hungary (+5 per cent).

In 1973, Comecon share in world trade was only 12 per cent, while that of the EEC, with its much smaller population of 253 million, was 40 per cent. About 50 per cent of EEC's trade is among its members, while over 60 per cent of Comecon trade is among its members. There is little mobility of labour or capital within Comecon. Twelve thousand Bulgarians work in the USSR; 10,000 Hungarians work in East Germany, while a somewhat higher number of Poles work in Czechoslovakia (mostly just across the border). Until, recently, there have been few joint investment projects. Trade within Comecon is conducted mostly by annually negotiated trade agreements. In 1970, such strictly bilateral trade was over 95 per cent of all intra-Comecon trade. None of the Comecon currencies is freely convertible into the others, though it is hoped to introduce convertibility by 1980. Since 1963, the official means of payment within Comecon has been the transferable rouble (gold content: 0.987412 grams).

But with western countries trade is also normally conducted by barter deals, e.g., by counter purchase (western seller agrees to take part of his payment in buyer's products) and in counter trade (western seller agrees to spend part of his local currency receipts in the Comecon country—sometimes on goods designated by the buyer but in product lines other than his own). Hungary is the first Comecon country to arrange payments in convertible currency with some of its non-Comecon trade partners, including Austria and Yugoslavia.

more integration

More "socialist economic integration" is the aim, says Mr. Konstantin Katuschev, secretary of the Soviet Communist Party's Central Committee, whose special job is to look after relations with other Communist countries. In a report in the November issue of the USSR party monthly, *Kommunist*, Mr. Katuschev said that joint economic planning and joint economic associations were needed for closer integration. But he stressed that this would not imply any "violation of the national sovereignty of Comecon members." Also in November, the USSR prime minister Mr. A. Kosygin, revealed that a multilateral five-year plan for the whole Comecon area was to be drawn up. He said that the Comecon council's meeting in Prague in June, 1973, had decided that this overall Comecon plan would embody integration of sections of the individual national plans. Czechoslovakia's Foreign Trade minister, Mr. F Hamouz, said that Comecon was at last becoming a "real international economic community asserting itself in the world economy."

Comecon was set up by Stalin 25 years ago. The original six members were (in addition to the USSR) Poland Czechoslovakia, Hungary, Rumania and Bulgaria. East Germany joined in 1950 Mongolia in 1962 at the time of the outbreak of the Sino-Soviet conflict Cuba in 1972; while Albania had meanwhile quitted Comecon. Stalin's objective was to provide a counter weight to the Organisation for Eurpcano Economic Cooperation (OEEC), set up in 1948 to administer US Marshall aid to Europe.

Stalin had forbidden Czechoslovakia and Poland to join the OEEC in 1948 and Comecon was to be the instrument for reorienting the foreign trade of east Europe towards the USSR and away from its tradiional markets in the west. Before the war Poland's most important trading partner was the USA; before 1939 Poland's trade with the USSR was only one per cent of foreign trade.

a shadow body

But despite the USSR's close control over all spheres of political and economic life in east Europe since World War II, Comecon remained for over ten years a shadowy body with few functions and no supranational characteristics. In almost complete isolation from each other, Comecon members pursued policies of rapid industrialisation on the Soviet models. As a result there was much duplication of effort, because each country sought economic self-sufficiency. This period of extensive economic development, based on the economic autarky of individual members, ended in the late 1950s, when Mr. N. Khrushchev tried to breathe new life into Comecon. Although there was something to be said for better co-ordination of economic development of Comecon members, Mr. Khrushchev's 1962 plan for a "central Comecon planning body" was greeted with suspicion and open hostility. Some smaller Comecon members saw his plan as an attempt to strengthen USSR discipline in the wake of political upheavals in Hungary and Poland in 1956. Rumania, which led the opposition to central Comecon planning, particularly objected to the idea that Rumania might, instead of industrialising, remain a supplier of foodstuffs and raw materials for Comecon's already industrialised members. Eventually, the plan was quietly dropped, but Rumania continued to go ahead on its own and, while formally staying in Comecon, proclaimed *de facto* its economic independence in April, 1964.

The second attempt to turn Comecon into something more than a purely inter-governmental organisation came after the suppression of the liberal political and economic experiment in Czechoslovakia in 1968. A Comecon summit in April, 1969, resolved to take steps towards greater "socialist integration and division of labour." After negotiations over two long years, a second Comecon summit held in July, 1971, agreed upon a "comprehensive programme of socialist economic integration." This agreement set out the principles of gradual integration over a period of 15 to 20 years. That Rumania readily signed this document proved that it was a compromise. To allay the fears of Rumania, and other members, of increased USSR control, the document stressed that the process of integration was voluntary and that it should "respect national sovereignty, independence, and national interests, of non-intervention in the internal affairs of members, and of total equality, mutual advantage, and comradely reciprocal aid," with the further assurance that "no supranational organs would be created and that there would be no interference with internal planning."

committee of cooperation

But the second summit did set up a committee for co-operation in planning to promote "close co-ordination of national five year and long term plans and exchange of information on policies and experience." This committee had three tasks:

1. To solve, "in a comprehensive manner", problems such as that of the provision of adequate supplies of raw materials and power throughout Comecon; the introduction of advanced technology into the engineering and machine tools industry; and modernisation and expansion of transport within Comecon.

2. To prepare for intra-Comecon co-operation in capital investment projects.

3. To further joint planning for "individual branches of industry and types of production."

Disappointment with the slowness with which the 1971 programme was being implemented was open at a Comecon summit in June, 1973. This time Hungary and other smaller members, which had come to accept the economic uses of integration, were the critics. Few of the joint projects outlined in 1971 had got off the ground. This was attributed to the lack of time that members had to gear their individual plans into the overall plan and to earmark the resources for joint projects in good time. Mr. N. Baibakov, the Soviet deputy prime minister and head of the planning commission, complained recently: "The experience of our co-operation compels us to conclude that if we do not set aside adequate material, labour, finance and, above all, capital investments for measures of integration, we find ourselves in difficulties. Only interconnected and simultaneous work in preparing internal national plans and the five year plan of multinational measures of integration within the Comecon framework can bring success."

Many consultations have taken place since last summer among Comecon planners about strategy and projects to be included in the new plans for 1976-81. These plans will, it is hoped, for the first time contain whole sections devoted to the integration of policies and projects.

There imported joint projects are already in progress in the USSR and others are to follow in Cuba, Mongolia and Poland. The three Soviet projects are: a pulp and paper mill at Ust-Inhsk with the annual capacity of 500,000 tonnes; an asbestos complex at Kimbaev; and a 1700-mile natural gas pipe line to bring 30,000 million cubic metres of natural gas from Orenburg on the USSR's western frontier for consumption in other Comecon countries.

Pravda reported on October 5, that nearly one hundred projections establishing trends up to 1985, and in some cases, up to the year 2000, were being made in Comecon countries, especially "concerning the development of the raw material base for ferrous and non-ferrous metallurgy, the chemical industry and some branches of engineering."

new organisations

Three new organisations to speed up integration were set up at the meeting of Comecon's executive committee in Moscow in December, 1973. They are:

Intertextilmash between Bulgaria, Hungary, East Germany, Poland, Rumania, the USSR and Czechoslovakia for co-operation and specialization in production, in joint scientific research, planning and technical services in the textile industries.

Interatomenergo between the same countries plus Yugoslavia for co-operation in the manufacture of all items to do with the installation of nuclear power stations, to train technicians for them and to exchange information.

Interelektro between the same members but without Yugoslavia for technological co-operation and specialisation to improve the quality of electrical engineering products throughout Comecon.

Countries participating in joint

Comecon project's do not acquire property rights in the new enterprise, but are entitled to repayments in kind. In order to obtain a proportion of new production, they must supply either equipment and building material, or labour, or both, for the project or for its infrastructure e.g. Hungary will supply heavy lorries for the Kimbaev asbestos project and will in return obtain a proportion of the production. Prices are fixed in advance by contract for all supplies and deliveries. These deliveries can be continued once credits have been repaid.

jointly owned firms

Apart from international associations set up last December and the earlier ones (such as Intermetall, organisation for the ballbearing industry, Inter-chem, and several others) there are few jointly owned firms in Comecon countries. This does not apply only to joint ventures with western firms which are still rare. Only Rumania has allowed the formation, on Rumanian soil, of jointly owned firms with full rights of repatriation of profits and other guarantees for the western investors. Hungary and Poland have numerous joint ventures with western firms, but invariably in third countries. But even joint ventures among Comecon countries are rare. Haldex is a Polish-Hungarian company for coal processing. Intrasmash (which I cannot help feeling is an unfortunately chosen title!) is a joint Hungarian-Bulgarian company, with headquarters in Sofia, whose speciality is mechanical handling within factories, but no smashes appear to have been reported so far. Agromash promotes mechanisation in agriculture, especially vegetable and fruit growing. Owned by Bulgaria and Rumania its seat is in Budapest. It is financed from the budgets of Comecon member countries.

Russia's big deals with the USA, West Germany, Japan and other western nations are feared by smaller Comecon members as threats to their position as chief suppliers of machinery and equipment to Soviet markets. Despite strenuous efforts to sell more machinery in the west, most smaller Comecon members find it hard to sell outside Comecon, except in some developing countries. Now that the USSR is acquiring much new technology from the west, smaller Comecon members may have to close down whole industries, because many of their exports to Russia will be superfluous (unless, of course, Russia continues to buy some of their output for political reasons). This gives Moscow a strong hand in negotiating with Comecon partners, not only about integration but also about purely political matters.

Another important new factor of block discipline is the growing dependence of Comecon members on the USSR for virtually all their fuels and important raw materials. Apart from Rumania, an oil producing country, and Hungary, which satisfies one fifth of its oil needs from domestic production, other Comecon members depend almost totally on Soviet oil supplies for heating, for transport and for their new chemical and petrochemical industries. Now that oil prices have risen internationally so much, Russia's Comecon partners face big price increases for extra oil that they buy outside Comecon. Most of their long-term contracts with Russia expire in 1976, and Russia has already announced that its prices will go up. But the USSR will be unable to supply all the oil needed by Comecon members. This will give Russia additional new bargaining power in relations with its smaller partners. In addition to oil, eastern Europe relies on Russia for most of its natural gas, iron ore, cotton, phosphates, and other raw materials, including grain and much agricultural produce. All Comecon countries in Europe have embarked on nuclear power station programmes in hopes of alleviating their shortages of energy, but power stations take years to build and are enormously costly. Not surprisingly, recent Soviet statement about prospects for integration are confident. A leading Soviet economist wrote in *Pravda* in December that Comecon's new planning committee would "undoubtedly become the real headquarters of planned socialist integration."

Comecon bank

The first Comecon bank, International Bank of Economic Co-operation (IBEC), which opened in 1964, organises multilateral settlements within the Comecon framework. At first it offered several types of credits: clearing credits, short-term seasonal loans, credits for balance of payments stabilisation, credits for the promotion of trade and credits for the consruction and operation of selected projects. But since 1970 the bank has limited itself to clearing-credits and to fixed period loans. Clearing credits are given automatically to any member country whose current account is exhausted. It is limited to a percentage of the country's commodity turnover with all other Comecon countries in the previous year. As turnover increases, the credit ceiling is raised. IBEC has for some time now been trying to persuade non-Comecon members to deal with Comecon through the Bank, but non-convertibility of the transferrable rouble impedes this.

The International Investment Bank (IIB), whose membership, like that of IBEC, is in theory open to similar institutions outside Comecon has been operating since 1971. Its opening capital was 1,052 million transferable roubles. By the end of 1972, 363 million had been subscribed (70 per cent in transferable roubles, 30 per cen in convertible currency). So far, IIB has granted credits of 583 million roubles for 33 projects. These are primarily given for Comecon integration projects, either for new factories or infrastructure e.g. modernisation of Hungarian railways which carry much of the freight for other Comecon members. Of projects so far approved, three are in Hungary, six in Bulgaria, eight in Poland, two in East Germany, one in Czechoslovakia, and eight in Rumania.

increased imports

All east European countries are increasing their imports, mainly of machinery and equipment, from the west. In the cases of Hungary and Poland, increases of western imports in 1972 were of the order of 30 per cent. These western imports are needed to re-equip east European industries and thus to make them more competitive in Comecon and non-Comecon markets. But increasing their imports, most east European countries have run up large deficits with their western partners and urgently need to increase their exports. But those face certain barriers. East Germany is an exception because of its privileged access to West Germany and other west European markets. Under an agreement made in Berlin in 1951, the whole of Germany is considered by the West German government as an area of internal trade in which goods from East Germany are not subject to customs duties (though farm products are subject to quotas). A second benefit to East Germany is an interest free credit which the West German Bundesbank allows it on its trade clearing account. The third important advantage of the East Germans is that West Germans get relief from Value-Added Tax on goods acquired from East Germany if they can prove that they have sold those goods in West Germany itself. Taken together, these benefits amount to an effective subsidy from West Germany to East Germany of nearly $200 million a year.

Other Comecon members have for years been trying to persuade the Soviet Union to enter into direct relations with the European Economic Community in Brussels. The pressure has been the greatest from such countries as Czechoslovakia, Hungary and Poland, which depend heavily on foreign trade. One Comecon member, Rumania, eventually went ahead on its own and joined the EEC's general preference scheme for developing countries in June, 1973. East European pressure for an approach to the EEC became intense in 1973 after the enlargement of the EEC and the introduction of the common commercial policy towards third countries. Direct access to the EEC in Brussels to negotiate larger quotas for their agricultural produce, textiles and other goods became a matter of urgency for most east Europeans who feared substantial losses. Most east European countries had been able to negotiate bilateral trade agreements with individual EEC countries before the January 1, 1973 deadline (and thus without formal reference to the Brussels Commission) for the period up to, or even beyond, 1975, but it was clear that the Commission would eventually take over responsibility for trade and tariff negotiations with eastern Europe, just as it had already for the other parts of the world. The likelihood that the Commission may also in time become responsible for the EEC's credit and industrial co-operation policy made it even more imperative for the east Europeans to obtain a direct link with Brussels.

changed attitude

Russia had always resisted direct recognition of the Brussels Commission and the EEC, because recognition could strengthen the Community. In 1973, however the Soviet attitude changed, probably because Moscow realised that it must do something for its smaller allies, and also because direct relations with the EEC may actually be turned to Moscow's advantage. The establishment of direct bloc to bloc negotiation might make Comecon more supranational and therefore easier for the Soviets to control. At the moment, Comecon members, for example, retain control over their foreign trade policy. Direct dealings with the EEC which has a common trade policy could lead to an equivalent solidarity in Comecon.

On July 25, Mr. G. Thorn, Luxemburg's Foreign minister, was told by Mr. Kosygin that Russia wanted direct talks between Comecon and the EEC, and that it was interested primarily in co-operation in three fields: containerisation, power and fuel, and transport. In August, Comecon's Secretary General, Mr. N. Fadeyev, visited the Danish minister for European affairs, Mr. I. Norgaard, the then chairman of the Nine's Council of Ministers in Copenhagen, for informal talks. On September 20, the EEC Council of Ministers instructed the Danish ambassador in Moscow to inform Mr. Fadeyev that the EEC had taken note of his informal soundings in Copenhagen but that if Comecon wished to approach the EEC it should do so through the European Commission in Brussels. Since then, there have been no public moves from either side. On the Comecon side, Russia may be holding back until the extent of the present crisis in the EEC becomes clearer. On the EEC side, there is a division of opinion between the bigger and the smaller, like Italy and Benelux, which favour a strong pro-Commission line at talks with the Soviets, i.e. no concessions until Russia formally recognises the EEC. The bigger countries, especially Britain, France and West Germany, are anxious to preserve the present so-called autonomous approach, which allows them virtual freedom to continue to make trade and other arrangements with Comecon countries. In addition, these countries sympathise with the fears of the Rumanians, for example, that bloc to bloc negotiations might increase the Soviet hold over them. Matters are likely to rest there until the EEC sorts itself out and puts itself in a position to negotiate seriously.

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Europe's unpleasant experience

Vienna

E. B. Brook

In this fourth year of the decade of moving to European unity west Europe finds itself in a peculiarly uncertain and introspective mood. The way to unity is not smooth; there are setbacks and even reversals. Britain, which came in with a fanfare is seeking new terms for its membership of the Common Market and even talking of pulling out. France, the mainspring of the Market, is without a leader and until late in May it will probably be uncertain what type of politician will follow Pompidou. The West German government, weakened in internal politics, is increasingly under east Europe's atttack for failing in cooperation and is dismayed by the lack of unity to the west of it. Overall, monetary inflation keeps up its threat to the well-being of the individual European and weakens faith in all its governments. With the American partner of the Atlantic alliance also bothered by the falling value of money, there is an irritated relationship which springs from uncertainty.

disagreeable introspection

It is not surprising that this failure to advance smoothly according to plan, the growing distrust of the cash in one's pocket and bank account and realization of dependence on raw material sources should lead to some disagreeable introspection. The European knows he is not the fine, strong fellow he thought he was, that he has somehow to come to terms with others to whom he has been accustomed relatively to dictate, and being cut down to size is, as usual, an unpleasant experience. The risk is that west Europe may swing so far from excessive confidence to insufficient self-reliance as to make it pay overmuch regard to its eastern half which, with rigidly controlled economy, appears to avoid the distress of inflation and all the personal uncertainties that attend it.

To some extent, the current west European crisis of confidence is a crisis of identity, touching the foundations of existence. Once or even twice a year there are revaluations and devaluations of currencies, intensifying the process of inflation. The revaluing countries find it harder to sell; the devaluing countries find themselves diminished. Haggling within itself, the European Economic Community has more or less vanished in face of American dollar imperialism. The fault for this lies not so much with the Americans in totally excluding the convertibility of their dollar as with the Europeans in failing to control or reduce fluctuations among their own currencies and to construct the bases of a European regional currency area to organize a common fluctuation against the dollar. If west Europe continues to fail in constucting such a regional and stable currency area it may be destined to become and remain a shuttlecock between the superpowers of the dollar area and the inconvertible currency area of communist east Europe, already acknowledged as the two world "superpowers" militarily.

monetary area

The first difficulty west Europe has to overcome in beginning to form a reliable regional monetary area is a far greater harmonization of its many economic infrastructures—to achieve more equalisation between industrially prosperous West Germany and chronically troubled industrial Britain, between the overflowing prosperity of the Benelux area and the insecure economy of Italy. There is overmuch disparity between West Germany that needs to employ two million or more foreign workers and Italy with serious unemployment. Regional policies of development to achieve a distribution of the national product within its members which is socially acceptable are the first steps for west Europe before it can reasonably begin to consider a common currency or adopt anything like a united fixed parity of exchange. The building of a new international order of which a united west Europe would be an essential part has been made the more essential by the grave impact the oil crisis has had on the international monetary system. So far this crisis has reinforced the leadership of the dollar and seriously sapped west Europe's strength.

A second essential part of the process of overcoming its internal economic weakness is for west Europe—and America also—to put right the terrible imbalance existing between the much poorer countries which produce oil and those which consume most of this oil. It would be fruitless for west Europe to adjust its inner inequalities so as to achieve the common currency to which it aspires unless it ensures, with the USA, also that the international monetary system functions so that the increase in the balance of payments gap of oil-importing countries is adjusted to favour the far less wealthy parts of the world.

hopeful sign

There is hope that the most advanced industrial areas on either side of the Atlantic, benefiting in experience from the oil crisis shock, are moving towards realizing this fact. One hopeful sign is the current special session of the United Nations General Assembly devoted to raw materials. President Boumedienne of Algeria, chairman of the Non-Aligned group of States, has outlined a refreshingly new life-style for the world: a juster system of economic relations between rich and poor states based on equity. The poorer nations have learnt that it is only by an effective show of strength on their part that they can bring the industrialised nations to realize they mean business. It was some advance that Sweden, Finland and Austria sent observers to the Algiers summit conference of the non-aligned last September—it will be a real step forward when the USA, Britain, W. Germany and France do so and even better if the USSR joins them. The industrialised states now using millions of manpower supplied by the poorer states will need even more of them to keep their industries going in an increasingly competitive world. They will not get this manpower—at least on anything like present terms—unless the industrialized states admit that the nations of Asia and Africa own their valuable raw materials and have the full right to nationalize them and to expropriate foreign developers on terms that do not run the owners into unending debt.

Possession of these essential industrial raw materials enables the hitherto more or less exploited nations to impress on the great manufacturers that they can shift the balance of economic power in their favour, that they can trade far more extensively among themselves, that they can compel a fair deal in international monetary and commercial reform and can keep the world food situation constantly before the better-situated states. One reason why the progress of west Europe's Common Market has stagnated is that it is based at present on such scandalous facts that, while many in neighbouring continents starve, Market farmers are actually being subsidized to feed so-called "surplus" cereals, fruit, sugar and milk to livestock and to keep millions of acres fallow in order to maintain selling prices.

The present public face of Europe is one favouring the theory of independence but still supporting colonial politics, wanting economic independence for itself from the USA and yet needing its continued military protection, differentiating between the newer countries according to their strength or value and still dealing with the least economically capable in a colonial manner. It has seen the Arab states become a new centre of monetary wealth and the richer of them—Saudi Arabia, Libya, Kuwait and the Gulf Sheikhdoms—taking the place of west Europe, the USA or the Soviet Union as financial supporters of or as investors in Egypt and Algeria. American and Japanese money is already pouring into the proposed Suez Canal development zone but Arab and Lebanese entrepreneurs are also busy there and Syria is attracting Arab funds for its promising development.

Europe as a financier has new competitors in the Middle East as well as rivals in the USA, the Soviet Union and Japan. Its prospect, as it jockeys for position in its own Common Market, is not so much a crisis as a period of economic stagnation, survival with a lower profile and search for a new vision. The basic question is not so much how soon the Common Market will lead to the promised unity as where and in what form the new vision will be discovered.

World-wide inflation: causes and costs

Dr H. G. Mannur

The 1930s have gone down in economic history as a period of world-wide depression, and the 1970s will perhaps do so as a period of world-wide inflation. The rise in consumer prices by percentage points in the various countries of the world in 1972 and 1973 is given in table below.

In Chile the cost of living has rocketed 370 per cent in a year with the consumer price index reaching 3876 in July 1973 compared with 100 in 1963. In India which has been experiencing inflationary bouts since 1956 the rate of inflation was around 30 per cent last year. Malaysia which enjoyed a long period of stable prices—the rate of price increase never exceeding one per cent per annum till 1970—is getting progressively caught into the rising price spiral. The rate of price rise for Malaysia was 1.6 per cent in 1971, 3.2 per cent in 1972 and 10 per cent in 1973.Currently, almost all the countries of the world are running unusally high inflationary temperature: the rate of inflation for North America is around 10 per cent per annum, for western Europe and Japan between 10 and 15 per cent and for the underdeveloped third world countries it is higher than 15 per cent.

What is striking about the inflation of this decade is its global character. Hitherto inflation was essentially a local or national phenomenon, attributable largely to the concerned country's monetary mismangement or the domestic demand pull and/or domestic cost push factors. Today the countries seem to be importing, exporting, re-importing and re-exporting inflation through international commodity market transactions. Both the internal and the external factors are causing and compounding the problem of inflation at home and abroad.

The inflationary trend is easier to describe than its many and complex causes. Among other things, soaring food prices all over the world have contributed to the growing inflationary spiral. The food prices rose last year by 20 per cent in Ireland, 17 per cent in Australia, 14 per cent in the United States, 12 per cent in the United Kingdom and West Germany, 15 per cent in West Africa, 20 per cent in Malaysia and by about 28 per cent in India. In Canada the food prices have set the pace with poultry costing 40 per cent more than a year ago, fresh vegetables 37 per cent, beef 26.5 per cent and groceries 16.2 per cent; the sea food prices in Canada have gone up 100 per cent last year. A rice shortage that developed in south-east Asia and the series of bad harvests which greatly increased the demand for wheat and other food by the Soviet Union have shot up the world prices of rice, wheat and almost all other food stuffs. The bad harvests in India have increased food prices making food scarcer and dearer than ever before. The moral of it all to Indian planning is that the Plans in future should aim at and succeed in accomplishing the much talked of but little done self-sufficiency in respect of food. The emphasis must go on to agriculture and you won't go wrong if you invest the country's resources in building the primary sector and producing enough food for all at reasonable price. All the rigmarole of building industry—heavy or light, consumer goods or capital goods or what have you—should centre around the key question of achieving food self-sufficiency for India as quickly as possible. "Economic development through industrialization" kind of western and Russian ideology should mean its modified version "Development through agro-based industry" for India and the bulk of the underdeveloped world which has not been able to sort out its poor people's subsistence level food needs even after quarter of a century of political independence and economic planning. The economic plan-

Rise in Consumer Prices by Percentage Points

Country	Per cent rise
Argentina	79.0
Australia	18.0
Belgium	7.0
Canada	7.7
France	7.4
West Germany	7.2
Greece	13.2
Iceland	18.2
Japan	11.3
Netherlands	8.5
South Africa	10.0
Sweden	7.1
Switzerland	8.3
United Kingdom	9.5
United States	8.0
Yugoslavia	22.3

ning in India has so far been an exercise in econometrics and statistics resulting in the production of pedagogical models and cosmetic showcases rather than the production of basic goods like foodstuffs. A more meaningful plan should mean enough food for all, to say the least. This has not happened in spite of 25 years of laborious planning in India.

global inflation

The oil crisis resulting from the recent West Asain war has only served to add new fuel to the already burning inflationary fire. The global inflationary problem is only more obscured and compounded by the world energy crisis and more inflation seems to be in the pipeline. The western Europe, Japan and the USA together account for 71 per cent of the world's total imports of crude petroleum, according to the latest figures released by the United Nations report. The oil imports from the Arab world are in the order of 65 per cent of the annual needs for Britain. West Germany produces not a drop of oil and is therefore totally dependent on imported oil, particularly from the Arabs. Nearly so is the case with the other European Common Market countries. Japan depends on oil imports for a staggering 99.7 per cent of her needs of which 40 per cent comes from the Arab world. The Arab oil producing countries have not only cut down their oil production but phenomenally raised their oil prices. The oil import bills of the oil importing countries have doubled or trebled. Their possible stagnation and zero rate of real growth apart, their commodity prices are going to shoot up through the roofs, and the oil buying world, not excluding India, will have a large dose of this imported inflation in the coming years. India is in the good books of Arab countries, and in spite of assured flow of Arab oil its oil bill is more than doubled. The indications are that almost all of India's annual foreign exchange earnings will be used in paying the oil bills. Its implications to India's growth and development and inflation are too obvious to mention.

To the extent there will be a transfer of wealth from the oil importing developed world to the oil exporting underdeveloped world of which Arab countries are a part, there is going to be a more desirable income and wealth distribution in favour of the latter, but to the extent there will also be an income and wealth gain to the west Asian countries at the expense of the other third world countries of south and east Asia who are oil importing, the principal of distributive justice breaks down. The net result of it all might very well be no significant improvement for the third world block in so far as the Middle East countries offer no preferential treatment to the other co-underdeveloped partners of the third world.

Another distressing feature in this supposed income boom of the west Asian countries turns out to be that the enhanced Arab wealth and money is reported to be scheduled to go into arms purchases from the United States, the Soviet Union, France, Britain, Sweden and West Germany, all of whom are the developed countries of the world. It has two significant implications. Firstly, the oil boom is going to open up new prospects for the developed world in production and exports of their armaments to the west Asian countries. To this extent the developed world will have economic gains which the other developing countries will not. Secondly, the world economic resources will be diverted to the production and consumption of guns rather than butter. In the end, the new oil boom may result in neither useful production gains nor better distributive justice between the rich and the poor nations.

The world-wide inflation, food shortage and oil squeeze will lead to some very interesting—not necessarily fascinating—conclusions. Firstly, the world appetite for almost every primary product—wool, cocoa, soya beans, rice and wheat, lead, copper, tin, timber and palm oil to mention just a few major ones—has dramatically gone up and their prices have doubled in the last 12 months or less. Since 1970 the price of Australian wool has risen nearly three times, and the strikes in Zambian copper fields and political turmoil in Chile, one of the world's major copper sources, have sent the world copper prices to astronomical heights. A rice shortage in south-East Asia, and successive poor harvests in the Soviet Union have led to short supplies and high prices of these staples and other food stuffs. Consequently primary production and exports—of all types of agricultural goods, food, non-food and plantations as well as mineral resources—have gained new respectability. Industrial countries of North Amercia, western Europe and particularly Japan have been predicted to be heading off towards zero or near zero rate of real growth rates. Karl Marx had once pronounced that "the developed country only shows to the underdeveloped ones the image of its own future". This image seems to be blurred by current events and the underdeveloped countries may well begin to feel that their best bet would be to concentrate on primary production and exports.

Secondly, inflation, like depression, will henceforth be transmitted from one country to the other and back and forth making it difficult to insulate the economies against it. This is due to the recent phenomenon that inflations are as much externally generated and imported as internally produced and exported. Only international cooperation and good will—not international monopoly groupings or international competition—holds the hope of bringing down the high temperature of the inflationary fever that the whole world is running.

FICCI Session

PM advocates efficiency in the use of materials

INAUGURATING the 47th session of the Federation of Indian Chembers of Commerce and Industry, the prime minister, Mrs Indira Gandhi, launched an attack on disruptive forces in the country which, she said, were trying to complicate an already difficult situation. She urged restraint in the consumption of scarce raw materials and added: "We shall take all steps to increase production within country but in a country of such vast population with growing needs I wonder whether we can ever have plenty of materials. Therefore, we must acquire the habit of stretching what little we have."

Mrs. Gandhi described the economic challenge confronting the nation as an "exceptionally severe one" and said that not all factors contributing to the crisis were "of our doing" nor all of them were "amenable to our control". She said that what disturbed her was that "precisely at this moment a compaign of political disruption has been launched. Wittingly or unwittingly, even those who swear by non-violence are indulging in activities which encourage disruptive forces. The politics of disruption will do the country no good, and it must be resisted and rejected".

Continuing, she said: "An attempt is being made, particularly in urban areas, to exploit the people's difficulties. The current agitations are not confined to idealistic young people. The young want to cleanse politics but it is one of life's ironies that the good intentions of some are exploited by others for their own nefarious purposes.

unequal development

She pointed out that the so-called market system resulted in unequal development, and an authority like Prof. John Kenneth Galbraith had declared that "the case for socialism is imperative in the weakest areas of the economy".

She underlined the government's objective of widening the ownership base of industry and said promotors should not confine themselves to presenting applications for loans to public financial institutions or to underwrite their share capital. Industrial expansion called for mobilisation of resources on a significant scale.

The out-going President of FICCI. Dr Charat Ram, in a candid speech said that the business community in this country was fully alive to its responsibilities and was keen to assist the government in the attainment of price stability and economic growth. Here are a few excerpts from his speech:

"According to our understanding, the business community of India, as indeed of any other country, has a coterminus responsibility with government in the achievement of the various economic, social and political tasks. I am convinced that the true spirit of our national business is not represented by those involved in narraw self-interest, but by those involved in public responsibility, and desire for better industrial relations, better technological progress, and better price stability and economic growth.

a question mark

The issue of social equity and redistribution of incomes still remains a question mark, and all of us belonging to the national business community, must address ourselves seriously to this task, along with the government. The laissez-faire view that we should make rapid economic growth our only objective, and that income redistribution and increased employment can be achieved only through fiscal measures and institutional change, does not appear to provide the necessary answers to the problem. The proponents of economic growth over income redistribution fear that economic policies designed for more equitable income distribution would hamper growth by reducing entrepreneurial incentives, reducing the volume of savings available for productive investment, and tilt investment in favour of obsolete technology.

Nothing has perhaps shaken the people so much in the recent past, as the sharp rise in prices of well over 20 per cent in each of the last two years, with prospects for the coming year being considerably sterner. Suddenly, all the conventional wisdom of economists seems to have been shattered, and their meticulous calculations have been rendered invalid. It is in the background of the declining availability of agricultural products, that a view has to be taken, on how far monetary and fiscal measures can by themselves be depended upon to cope with the continuing problem of escalating wholesale and consumer prices. In my view, it is in the area of agricultural production of foodgrains and non-foodgrain items that we have to find the answers to price stability and social and political stability as well.

declining production

"The survey presented to parliament last month by the minister for Industrial Development indicates, that our rate of growth of industrial production has been declining in the last few years, hitting an all time low at a near zero level, in the year 1973-74. It is a considered view, that if some of the more serious constraints were removed, industrial production could grow certainly by 10 per cent or more per year. India has some of the largest resources in the world of coal, iron ore, bauxite, limestone, water, forests, etc. etc; one has to name the resource and India has it. The emphasis must now really be on "cutting delays" ruthlessly."

"The adverse effect of increasing shortages of coal, power and transportation of industrial production, are already very much in the knowledge of the government. Unfortunately, the availability of these basic infrastructure commodities, rather than keeping aheads of needs of the economy has been steadily deteriorating in the last two years or so. It is heartening in this connection to find that the government is increasingly emphasising the importance of capable management for the success of all these enterprises. The government indeed needs to be complimented on the modifications recently announced in its wheat procurement policy of last year; it indeed demonstrates the highest level of political and economic confidence. Such a perceptive step to meet the requirements of the economy was possible only under a fearless and national minded leadership such as yours. The modified policy of wheat procurement, casts a heavy responsibility on the grains trading community; the successful implementation of this policy will be a test of their capability and integrity."

FICCI on the state of the economy

In six resolutions passed by the Federation of Indian Chambers of Commerce and Industry (FICCI) at its 47th annual session held in the capital between April 15 and 17, 1974, the business community urged the government to take a series of measures so that the pace of economic development was accelerated and the challenge posed by the oil crisis could be met.

The first resolution passed by the FICCI related to the development of infrastructure; it suggested that the targets for power visualised in the draft of the fifth five-year Plan might have to be revised upwards and achieved well within the time schedule. The oil crisis had made it imperative that the new power capacity should be based on coal and hydro-electric resources.

deficit financing

The second resolution on the challenge of economic development suggested that deficit financing should be kept at a minimum so as not to impose any inflationery pressure. The view was expressed that the government would have to take necessary steps to stabilise prices and create conditions for increasing agricultural and industrial production so as to eliminate shortages.

Having accepted the need for the development of backward areas, the business community stated in the third resolution that certain incentives were imperative for implementing development projects in less-developed areas. It was suggested that the selection of towns as focii of development in backward districts should be based on the availability of requisite infrastructure, in particular power, transport including road and rail communications, telephone and water. In the fourth resolution relating to external resources, the FICCI suggested that a significant saving in foreign exchange could be made possible by developing domestic production (in substitution of imports) of fertilisers, iron and steel and electrical and mechanical engineering goods. In another resolution it was emphasised that the generation of internal resources to fulfil the targets of the draft outline of the fifth Plan needed adequate management control in non-developmental expenditure of the government. At the same time, great austerity and economy should be observed in capital expenditure on development projects. Institutional arrangements would need to be devised to ensure that investment was not held back for lack of funds. The last resolution highlighted the role of chambers of commerce in the achievement of national plans. It was suggested that the foremost tasks of chambers of commerce was to strengthen and broad-base the forces of development. In order to accomplish this task, the chambers were asked to develop a positive outlook and a constructive approach rather than only serving as grievance ventilating institutions. The resolutions passed are given below.

Development of infrastructure

Economic growth presumes a concurrent if not an advance development of infrastructure facilities, primarily power, transport and communications. Adequate development of these infrastructure facilities did not take place in recent years and as a result production in agriculture and industry was seriously affected.

In the fourth Plan period, additional power generation capacity installed was only of the order of 4.6 million KW against the target of 9.3 million KW. Similarly, shortfalls have occurred in railway traffic. In 1973-74, originating traffic would be 199 million tonnes, the lowest since 1963-64 and 48 million tonnes less than the revised fourth Plan target.

Development of adequate power presumes that the installed capacity is utilised fully and that new capacity development is continuously ahead of demand schedules. The various facts requiring the attention of the government and the industry in this context are, a high level of preventive maintenance of equipment, adequate supply of coal, a well supervised distribution net-work, advance planning for expansion of new generation capacity, encouragement of captive power plants particularly in enterprises having process steam requirement, maximum utilisation of hydro-electric potential etc. Overall, a high quality of management free from extraneous influences becomes vital to ensure the development of this key infrastructure facility according to schedule.

Keeping the above in view, the following measures are suggested:

—The targets for power visualised for the fifth national Plan may have to be revised upwards and achieved well within the time schedule. This will call for a new pattern of management organisation, having integrated responsibility for implementation. Presently, there is considerable diffusion of responsibility, which makes achievement of production according to plan difficult; an integrated organisation comprising the representatives of different ministries and departments and specialists from industry should be created for effective implementation.

—The recent oil crisis has made it imperative that new power capacity will have to be based on coal and hydro-electric resources. An intensive development of coal production facilities will need to be speedily undertaken.

—Captive power plants particularly in enterprises having process steam requirement, need to be encouraged.

—Preventive maintenance being crucial for full utilisation of installed capacity in power generation, management organisation and maintenance staff have to be structured and trained properly, the existing education and training facilities have to be expanded and improved.

—Commercial and administrative efficiency in business is no less important than production and technical aspects. Rapid communication facilities such as telephones, telegraph, telex and postal are vital infrastructure for the achievement of national production goals. For the present, all these facilities of communication are declining in their operational efficiency and reliability. This declining trend needs to be reversed. Also, it is necessary to expand the net-work of these commercial communication facilities.

—Adequate transportation facilities for goods and passengers, rail and road both, are no less important than power and communication services referred to above. If industrial development is to proceed according to plan, the advance development of these is inescapable.

Challenge of economic development

The country has completed 23 years of planned economic development. While gains in some areas have been undoubtedly high, the basic problem of poverty and unemployment persists in a large measure. In the past two years, the economy has also been riddled with shortages, inflation, power cuts, labour unrest etc., all of which have resulted in intense social tensions. The situation may be a reflection of wrong policies or possibly non-implementation of policies or both. A re-conditioning of the economy for the achievement of the more basic goals poses a serious challenge to government and business on the eve of the fifth Plan period.

Production both in agriculture and industry has been stagnating. No doubt, the Kharif crop of 1973 was reasonably good; but Rabi harvest may not come up to the expectations. In industry, production has become static, though there are some areas which registered significant progress.

strikes and lock-outs

Production possibilities in a number of sectors, both public and private, were suppresssed due to strikes and lock-outs. The number of man-days lost was over 20.5 million in 1972 and 15 million in the first 10 months of 1973. Critical spheres like coal movement, power etc., were badly hit, with a multiplier effect on the rest of the economy.

With the fall in production, per capita availability of most of the essential goods declined. This trend, combined with the sharp increase in money supply created through budgetary deficits, led to a phenomenal rise in the level of prices.

The shortage of essential goods and the rise in prices brought distribution system under considerable pressure. An efficient distribution mechanism is the sine qua non of equitable sale of essential goods.

The echoes of the prolonged adverse economic trends got reflected in social and political tensions. It cannot be denied that the grave law and order situation in Gujarat and a number of other places in the country, involving considerable loss to life and property, has its roots in the economic malaise.

It is pertinent to question whether the economic problems can be remedied or even reduced by transition to state management of important economic activities. In the past, take-over or nationalisation have not proved effective solutions. For example, nationalisation of coal or take-over of wheat trade only led to deterioration of the situation. A review of this policy, based on objective and realistic assessment is called for.

The gains of development get diluted because of the increase in population. It is no doubt recognised that family planning programmes have special importance. Speedier implementation of the projects aimed at motivating people and providing family planning facilities have to be undertaken.

In order to consolidate the economy and put it on a progressive basis the following measures have to be urgently undertaken:

—Prices have to be stabilised and conditions created for increasing agricultural and industrial production so as to eliminate shortages and ensure social harmony.

—Deficit financing should be kept at a minimum so as not to impose any inflationary pressure.

—A review has to be made of the policy of nationalisation on rational and realistic basis.

—Harmonious labour-management relations are essential for increased production. In order to achieve this it is necessary to have industrial truce for a period of five years.

—Experience has shown that whenever trade has been taken over the cost of distribution have gone up. It is essential that the existing channels of distibution are used to the maximum extent.

—In spite of the economic growth, the improvement in the standard of living has been small because of the rapid increase in population. Hence, effective population control has to receive very high priority in development programmes.

Development of backward areas

Removal of disparities has been one of the corner stones of national economic policy. The problem came into sharper focus in the fourth Plan after it was examined in detail by the Planning Commission; accordingly development of backward regions has been a policy objective of the country. The development of backward areas also provides inherently great scope for employment expansion, implying as it does the building up of new roads, other infrastructure facilities, shops, warehousing facilities etc. In many other countries as well, such as Argentina, Brazil, Iran, Italy etc., a conscious and well directed effort has been made to channel investment into backward region. In our country, the central and state governments and financial institutions have provided some incentives to achieve the aim. However the impact of these measures so far has not been to the extent it has been desired. The reasons are that all the problems for attracting investment into backward areas had not been visualised integratedly and piecemeal action has been taken. A backward area covering one or more districts could not be expected to be a focal point for industrial development.

It is inescapable that within a designated backward area, a 'development town' is selected as a focal point of development. The growth of these 'developmen towns' will create a snow-ball effect which would extend the development effects into the backward area surrounding the 'development town'. At the same time, cost disadvantages have to be made up by fiscal and financial incentives. There are also the problems of adequate availability of infrastructure facilities and civic amenities.

The governmen, the business and the people having accepted the need for development of backward areas, some of the following aspects need a reconsideration.

—Selection of towns as focii of development in backward districts should be based on the availability of requisite infrastructure, in particular power, transport including road and rail, communications particularly telephone, water etc.

—Expenditure incurred by new enterprises, which normally would be the responsibility of local administration, such as roads, hospitasl, schools etc., should be allowed as revenue expenditure.

—Subsidised freight rates for raw materials and finished goods, where there are additional costs of transportation.

—A review and strengthening of fiscal and financial corporate incentives.

—In view of hardship of trained technical and commercial executives in remote areas, a basic deduction of 25 per cent upto a ceiling of Rs 1,000 per month may be made in their taxable salaries.

—A reorientation of the approach and provision of incentives which would determine entrepreneurial decisions for shifting their development plans to backward area would be generally needed.

Development of import substitution and export oriented industries

Self-reliance is one of the two stategic goals that the country has set for itself. Self-reliance implies elimination of special forms of external assistance. Justification for any external assistance must be that it helps to build up the growth potential of the economy to a level where it can support an adequate level of investment from its own production and savings. The fifth national Plan accordingly aims to reduce dependence on external aid to less than five per cent of the aggregate outlay. The feasibility of this goal lies in improving the balance of payments position.

foreign reserve position

The foreign reserve position in the Fourth Plan period was not unsatisfactory. The balance of trade position improved from a deficit of Rs 216 crores in 1971-72 to a surplus of Rs 164 crores in 1972-73. Exports increased at 21.9 per cent in 1972-73 and 20.8 per cent in the first eight months of 1973-74. These gains have been negatived by the steep increase in import bill due to the phenomenal rise in the internal prices of oil. In the first eight months of 1973-74, imports will be higher by 45 per cent. As a result, foreign exchange reserves declined by Rs 70 crores in the first 10 months of 1973-74. The position is likely to deteriorate further. In this context it is necessary to orient our production pattern in a manner which would strengthen the external resources position.

A primary focal point of action is the areas in which potential already exists for increasing production of commodities which are being imported. There are possibilities of acceleration of import substitution in respect of a number of commodities of which production capacities can be conveniently expanded. Export-oriented industries will have to be indentified and their growth geared up to ensure that adequate export surpluses are generated, without hurting domestic consumption or demostic price levels. Concurrently problems of exports such as non-availability of raw materials, shipping difficulties etc., will need to be looked into. Some of the following measures for strengthening the balance of payments in the fifth Plan period need urgent consideration.

—A significant saving in the foreign exchange is possible by developing domestic production in substitution of imports. On the industrial side, they cover fertilisers, iron and steel and electrical and mechnical engineering goods. Reduction of import of these commodities themselves can largely offset the problem created by the increase in our oil and petroleum products import bill.

—Additional production capacity has to be built in several areas of machinery, components and industrial raw materials. These commodity groups have to be identified and integrated facilities for all governmental approvals, including finance and foreign exchange provided to ensure that development is accelerated and the imports reduced as quickly as possible.

—A restructuring of energy base and full exploitation of the national oil and petroleum resources have to be undertaken on a priority basis.

—Additional production capacity of export-oriented industries like cotton, jute, coffee, oil cakes etc., fish and fish preparation, iron ore, leather products, rubber, tyres and tubes, engineering goods etc., for export

—Since export production is in a number of cases dependent on the import of raw materials and machinery, exports are adversely affected if the imported items are not readily available. An advance import scheme based on assurance that exports equivalent to a certain multiple of imports will be undertaken on a time-bound basis to ensure uninterrupted exports should be instituted.

—Modernisation of ports has suffered on account of delays for years and years and a large number of shipping companies now prefer to bypass Indian ports. With a view to eliminating congestion and providing rapid transit facilities, it is of utmost importance that port facilities be modernised and enlarged. A stock taking for a resolution of perpetual industrial relations situation on the docks also needs to be taken in hand.

Generation of internal resources

At Rs 53,000 crores, the investment outlay for the fifth Plan is more than the total of all the previous national plans taken together. A realistic scheme for generation of internal resources is therefore inescapable.

Resource generation ultimately depends upon national savings i.e. savings of households, government and the corporate sector. National savings as a ratio of GNP increased gradually in the third Plan to a peak of 12 per cent in 1965-66. Savings rate declined thereafter until 1969-70 to rise again to 11 per cent in 1971-72. The major handicap as well as disincentive to savings formation in the private sector which generates more than 80 per cent of the national savings, has been the fall in the value of money.

The Plan outlines a stepping up in domestic savings from about 12 per cent to a figure of nearly 16 per cent of the GNP. A large part of the additional resource generation is estimated to be arising in the state sector. The household sector has also to be in a position to save a larger part of its income. The non-state corporate sector is expected to generate resources from depreciation provisions and retained earnings, to the extent of about two-thirds of the investment which is expected of it. The gap between own resources and investment requirements will be expected to be covered by financial institution, capital issues and other borrowings.

Keeping all these requirements in view, it is important that steps are taken for removal of any obstacles to the generation and flow of internal resources in accordance with national requirements.

Keeping the above in view, the following steps are considered necessary to ensure that internal resources generation is adequate:

—Adequate management control on non-development expendiure of the government and austerity, and economy in capital expenditure on development projects. Considerable economies are possible in this direction, if a system of strict budgeting is enforced.

—Institutional arrangements need to be devised to ensure that investment is not held back for lack of funds. In this connection a policy review needs to be made of procedures concerning:

—Debt-equity ratio

—Conversion clause imposed by financial institutions

—Inter-corporate investment

—Prices of controlled commodities need to be brought in proper relationship with costs, so as to attract investment and remove scarcities. Controlled prices need to be realistic and have to provide for additional value retention on new investment. Taking into account sharp increases in the prices of capital goods and other costs, the various alternatives for consideration are :

—Differential excise duties.

—Dual price system as in the case of sugar

—Direct incentives like tax holiday, development rebate etc.

—A systematic plan has to be put into operation for mobilising savings from the rural sector. This may require an extension of the institutional base.

—A review of credit regulation policies of the Reserve Bank needs to be made to ensure that credit regulation is realistic and does not lead to curtailment of production.

Role of chambers of commerce in achievement of national Plans

Chambers of commerce have been performing a variety of functions in the promotion of national business. They provide commercial intelligence to their members, maintain liaison with public authorities, endeavour to improve governmental decisions on economic and social matters and so on. However, as instruments of social progress, they cannot constitute islands in themselves and must form part and parcel of the national mainstream. They have to be receptive to values and standards and generally to the social ethos as a whole. Keeping these social responsibilities and those of the development of national business in view, the chambers of commerce need a reappreciation of their role. Some of the following points are for consideration:

—The foremost task of chambers is to strengthen and broad-base the forces of development. To undertake this task, they should develop a positive outlook and a constructive approach rather then only serving as grievance ventilating institutions.

—Chambers should help to promote new entrepreneurship. In this connection, they should by themselves or in collaboration with other officials or non-official agencies, help in management training programmes and other related areas.

—In the context of inter-dependence between industry and agriculture in a large area of national development such as tea, jute, cotton textiles oilseeds, sugar etc. special responsibility devolves on associations of these industries and of other agro-based industries, to take the initiative and direct interest in the modernisation of agriculture.

—Chambers of commerce and industry should actively participate in social programmes such as family planning etc. Some chambers have initiated interest in this matter, but the movement is yet to acquire momentum. Chambers and their constituents need to take the task in hand with determination.

—Chambers need to act as organs for inculcating a spirit of social responsibility in business. Practices such as taking advantage of shortages and scarcities, adulteration, sale of spurious goods and many others need to be condemned.

FICCI Awards, 1973

THE Federation of Indian Chambers of Commerce and Industry (FICCI) has been making awards since 1968 for outstanding contributions by individuals, companies or research institutions to agriculture, export promotion, family planning, industrial relations and science and technology. Last year a cash award of Rs. 10,000 to individual scientists was introduced.

Agriculture

Mr. C.T. Patel and his group of scientists have significantly contributed to the development of Hybrid-4 cotton, a fast growing, high yielding variety. With a percentage increase in yield of 184%—216% over Gujarat-67, the Hybrid-4 has a wide adaptability and is suitable for being grown in central and southern cotton zones of India. It has a very high degree of fruitfulness, ensuring a phenomenal yield and bigger boll size, and facilitating easy and clean picking. Its faster growth and boll developing saves the crop from frost, moisture deficit, etc. Comparatively less photo and thermosensitive, it is highly responsive to fertilisers and is far more tolerant to diseases and water-logging.

Mr. Patel's work has also led to the evolution of a new plant short symbodial extra long staple type I.A.N. 579-188. This type holds very good promise to replace traditional monopodial and late maturing types grown in Gujarat and may even replace Hybrid-4 cotton in due course.

Besides, Mr Patel has also perfected hybrid seed production techniques by standardising growth of the female and male parents in a certain proportion, the emasculation and pollination techniques, timings for the same, methods of prevenprotecting from insect attack, etc. Also he has organised seed production and certification for maintenance of purity. Physical and genetic purity tests including germination are carried out before the release of the seeds.

Family Planning

(i) **Mr S. Krishnakumar**, as Collector of Ernakulam District, in Kerala, conceived, initiated and brilliantly organised mass vasectomy camps between 1970 and 1972. Intensive propaganda and motivational effort was carried out. Involvement of public and opinion leaders at the grass root level was ensured. Indeed no less than 500 popular committees were organised. As a result, these vasectomy camps were able to protect a total of 32.7 per cent of the district's eligible couples. Concentrating on vasectomy and tubectomy, the camps propogated all the family planning methods approved by government. Consequently the acceptance of family planning among eligible couples went up from 20 per cent to more than 50 per cent in Ernakulam district. The disstrict thus enjoys the proud distinction of having the highest percentage of family planning acceptors in the country and probably anywhere in the developing countries.

The Erankulam camps had set a world record in vasectomies for a given population group in a given length of time. And its experience has been quite successfully duplicated in other parts of the country.

(ii) **Tata Chemical Ltd., Mithapur**: The company has been very active in the field of family planning in the township of Mithapur. Started in 1953, the family planning centre of the company has been in existance for over twenty years which was further fortified in 1970 by putting up a separate ward in the hospital for family planning purpose. The activities of the centre not only encompass the employees but the entire population of Mithapur. In addition, a mobile clinic has been created to operate even in remote villages of Okhamandal. The company is giving cash incentives of Rs. 200 to an employee or his wife for sterilisation, special leave of 6 days to an employee undergoing vasectomy and 10 days to tubectomy cases. Free contraceptives are also distributed.

In January 1972, the company started making payment of Rs. 100 to non-employees undergoing sterilisations. It has to its credit in all 1604 sterilisations, 686 of them being vasectomy and the rest tubectomy, more than 1000 were non-employees. As a result of the multi-dimensional motivational programme, backed by attaractive cash incentives, the birth rate of the township has come down to about 20 per thousand in 1972 as against 34.62 in 1961.

Industrial Relations

The Century Rayon, Kalyan, enjoys an impressive record of industrial peace and harmony. This is amply demonstrated by the fact that during the past decade and more there was a total absence of loss of man-days. The company has evolved a suitable industrial relations system with the willing cooperation of workers, which permits finding of solutions without third party intervention. During the last one decade not a single case of individual or collective dispute has gone to the labour court or even referred to conciliation. The company involves labour representatives in discussions with the management on all problems of material concern. Besides, it has instituted suggestions and merit award scheme to encourage employees for meritorious acts and to reward them for suggestions for improvement of quality, reduction or elimination of waste and better man-power and equipment utilisation, etc.

The company has also to its credit a record of 2.4 million man working hours totally free from accident in 1973. Its safety efforts have been recognised by the Council of Industrial Safety, Maharashtra, as also by the National Safety Council, government of India, and has been regularly receiving awards for outstanding safety performance since 1966.

Research in Science and Technology

The National Physical Laboratory, New Delhi, has developed a variety of materials, components, and equipments of wide applications, making maximum use of indigenously available resources. It has been engaged in the development of Passive Electronic Components and Materials, using ceramic technology, such as low and medium permeability soft and hard ferrites and high permeability ferrites, low-loss porcelain, steatite, alumina and woollastanite, pyroelectric and piezo-electric ceramics and ceramic capacitors.

The laboratory has successfully developed technical know-how for a manually operated electrostatic photocopying machine using selenium photoreceptors and designed and fabricated a number of sophisticated glass equipments and apparatus for use in industrial and chemical plants, medical and biomedical applications, high vacuum systems and low temparature studies. Development of cathode-ray tube and TV picture techonologies including microwave, high power silicon rectifier is another significant achievement.

The commercial exploitation of the know-how developed at the Laboratory in direct terms has meant a foreign exchange saving of about Rs. 6 to 7 crores. This has also led to the establishment of a number of ancillary industries and created employment opportunities for a number of people.

Cash Award

This year's cash of award of Rs 10,000 is being shared between **Dr. M.R.N. Prasad, Delhi** and **Dr. H.V.K. Udupa, Karaikudi.**

Dr. M. R. N. Prasad, Professor of Zoology, University of Delhi, has made significant contributions in reproductive biomedicine. In the field of control of fertility in the male, Dr. Prasad's researches have provided a major breakthrough in induction of reversible, functional sterility by interfering with the maturation of spermatozoa in the epididymis, resulting in sperms losing their ability to fertilise the egg. A hormonal derivative which interferes with the action of androgen, the male hormone, is administered in minute doses in the form of capsules implanted under the skin, resulting in a selective alteration of epididymal function causing sterility which is reversible following withdrawal of treatment. His researches have led to the use of testesterone for induction of sterility. Investigations by his group have resulted in analysis of the mode of action of antiestrogens and have helped in undertaking of the mechanism of post-coitally effective antifertility agents. The World Health Organisation is conducting clinical trials on Dr. Prasad's research to control fertility in the male which marked a major development in this field. His research work has to be seen and appreciated against the background of the country's struggle to curtail the population growth which threatens to undo the gain of development.

Dr. H. V. K. Udupa, Karaikudi, Director, Central Electro-Chemical Research Institute, Karaikudi, has made significant contribution to electrochemistry. His development of techniques of rotating electrodes for organic reactions has contributed in carrying out the processes at high efficiency. He has also been responsible for popularising the use of electrolytically regenerated inorganic reagents for controlled oxidation of organic compounds.

Dr. Udupa's researches have also led to the development of insoluble anodes for the production of inorganic chemicals. He has devised new techniques wherein a chemical can be produced using metal powder as a reductant which is electrochemically regenerated for rouse in the process for the production of the chemical. He has received Invention Promotion Awards for his processes for the production of dialdehyde starch using electrolytically regenerated periodic acid; for benzidine, for electrolytic preparation of succinic acid, lead dioxide electrodes and production of perchlorates from sodium chloride solution.

Dr. Udupa and his colleagues have been responsible for producing a variety of electro-chemicals for strategic purposes.

Office-Bearers of FICCI

Mr K.K. Birla was unanimously elected president of the Federation of Indian Chambers of Commerce and Industry for the current year. Mr Harish Mahindra was elected vice-president. Besides, the Federation's general body elected following members to the committee for three years in the 12 vacancies caused by rotation—*Industry*: Mr R.P. Goenka, Mr A.K. Jain, Mr H.S. Singhania, Mr S.N. Khaitan, Mr K.R. Podar and Mr B.D. Somani. *Trade*: Mr R.R. Bhiwaniwala, Mr S.N. Dalmia, Mr C.V. Mariwala, Mr M.K. Ramachandra, Mr M. Sen Sarma and Mr H.M. Trivedi. The following were nominated to the committee: Mr Charat Ram, Mr S.C. Chokhani, Mr G.S. Dalmia, Mr L.C. Jain, Mr H. Mangaldas, Mr H.L. Somani and Mr I.M. Thapar. The committee also constituted a standing advisory committee. It will comprise Mr K.K. Birla, Mr Harish Mahindra, Mr Charat Ram, Mr A.K. Jain, Mr M.V. Arunachalam, Mr H.S. Singhania, Mr G.K. Devarajulu, Mr J.H. Doshi, Mr P.V. Gandhi, Mr R.P. Goenka, Mr P.C. Jain Mr S.S. Kanoria, Mr M. Mangaldas, Mr K.N. Modi, Mr H.P. Nanda and Mr D.N. Patodia.

THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS

ASSAM CARBON PRODUCTS LIMITED

(Incorporated under the Companies Act, 1956)

Registered Office : Industrial Estate, Bamuni Maidan, Gauhati-781021 (Assam)

ANNOUNCEMENT REGARDING THE ISSUE OF 2,60,000 EQUITY SHARES OF RS. 10/- EACH AND 7,500 9·8% REDEEMABLE CUMULATIVE PREFERENCE SHARES OF RS. 100/- EACH FOR CASH AT PAR.

Persons interested in full details may obtain copies of the Prospectus and Application Forms from Managers to the issue. Principal Brokers, Underwriters, Brokers and Bankers to the Issue mentioned below.

THE SUBSCRIPTION LIST WILL OPEN AT THE COMMENCEMENT OF BANKING HOURS ON MONDAY THE 29TH APRIL, 1974 AND WILL CLOSE AT THE CLOSE OF BANKING HOURS ON WEDNESDAY THE 8TH MAY, 1974 OR EARLIER AT THE DISCRETION OF THE BOARD OF DIRECTORS OF THE COMPANY, BUT NOT BEFORE THE CLOSE OF BANKING HOURS ON THURSDAY, THE 2ND MAY, 1974.

Application will be made to the Calcutta Stock Exchange for permissions to deal in and for an official quotation of the Equity Shares and Redeemable Cumulative Preference Shares of the Company

HISTORY AND BUSINESS :

The Company was incorporated on 17th April, 1963 in the State of Assam as a Public Limited Company under the Companies Act, 1965 under the name "Assam Coke Oven & Briquette Co. Ltd." and its immediate main object was to set-up a Coal Chemical Complex in Khasi and Jayantia Hills which however did not materialise.

By Resolutions passed on 5th April, 1966, the Company changed its name to the present name and its main objects entitling it to carry on inter alia the business of manufacturing of and dealing in Carbon Blocks, rods and slabs Carbon Brushes, electro carbons, Cinema arc carbon, etc. The Company now has well established factories at the Industrial Estate, Gauhati (Assam) for processing and sale of various carbon materials and the manufacture of Electrical Carbon Blocks, principally of Metallic Carbon Group and the manufacture of Electrical Carbon Brushes, and contacts of all types commonly used in electrical Machines. The registered capacities of the existing units are:—

(i) Metallic Carbon Blocks--80,000 Kgs p.a., Silver Graphite Blocks 500 Kgs p.a., Electrographitic & Hard Carbon Blocks—16,000 Kgs. p.a., (ii) Carbon Brushes—6,00,000 Nos. p.a. (iii) Mechanical Carbons—20,000 Kgs. p.a.

PROJECT :

The Company proposes to set up a new plant at Gauhati (District Kamrup, Assam) for the manufacture of Electrographitized and Resin Bonded grades of Carbon Blocks with an installed capacity of 1,00,000 Kgs per year at present. These products will be according to the specification of and standard of quality laid down by Morganite Carbon Limited, London, England, with whom the Company has entered into a Technical Collaboration Agreement. The demand for Carbon Brush and other Carbon components is literally universal and constantly growing. Every time a button is pushed or a switch is thrown there is a carbon component involved somewhere in the consequent chain of events from generation of current in a massive 500 MW Turbo alternator to such simple operations as starting a motor, sweeping a carpet or running a domestic fruit juicer or an electrical shaver.

There are over 120 Carbon Brush Manufacturing factories in India having a total registered capacity of over ten million Carbon Brushes per annum of all varieties and types. These factories, including Company's own Brush Manufacturing Unit at Gauhati, are largely dependent on imports in respect of their requirements of the Carbon Blocks proposed to be manufactured under the scheme.

FINANCIAL AND TECHNICAL COLLABORATOR:

Morganite Carbon Limited ('Morganite') of London is a subsidiary in the U.K. of the Morgan Crucible Company Limited, a British Company of international repute. In 1903 the Morgan Crucible Company Limited began to manufacture Carbon Blocks and Carbon Brushes and to sell these products worldwide. It established a factory in U.S.A. in 1910 and now has factories in many countries. Morganite was created in 1961 as a specialist carbon company and is now associated with sister companies in the U.K., U.S.A., Japan, Australia, Italy, Mexico, Brazil, Luxemburg and Venezuela.

SHARE CAPITAL :

		Rupees
Authorised :		
,00,000	Equity shares of Rs. 10/- each	80,00,000
20,000	Redeemable Cumulative Preference shares of Rs. 100 each	20,00,000
		1,00,00,000
Issued and Subscribed :		
,40,000	Equity Shares of Rs. 10/- each	24,00,000
7,500	Redeemable Cumulative Preference Shares of Rs. 100 each	7,50,000
		31,50,000
Paid-up :		
,60,000	Equity shares of Rs. 10 each paid up in full (of these 1,17,500 Equity Shares have been issued and allotted credited as fully paid up for consideration otherwise than in cash, including 40,000 Equity Shares issued and allotted to Morganite Carbon Limited U.K. in terms of the Financial and Technical Collaboration)	16,00,000
80,000	Equity Shares of Rs. 10/- each paid up at the rate of Rs. 5 per share (The balance of Rs. 5 on these shares will be called up along with the calls on the shares offered to the public in terms of the Prospectus)	4,00,000
7,500	9·8% Redeemable Cumulative Preference Shares of Rs. 100/- each paid up in full	7,50,000
		27,50,000
Present Issue for Cash at Par :		
4,20,000	Equity Shares of Rs 10 each	42,00,000
7,500	9·8% Redeemable Cumulative Preference Shares of Rs. 100/- each	7,50,000
		49,50,000
Out of the Present Issue:		
1,60,000	Equity Shares of Rs. 10/- each have been reserved for subscription for Cash at par by Morganite Carbon Limited	16,00,000
Now offered to the public subscription for cash at par in terms of the prospectus :		
2,60,000	Equity shares of Rs. 10/- each	26,00,000
7,500	9·8% Redeemable Cumulative Preference Shares of Rs. 100/- each	7,50,000
		33,50,000

TERMS OF PAYMENT :

The amount payable on respective shares shall be as follows:—

	Equity Shares	*Preference Shares*
(a) On Application	Rs. 5.00 per Share	Rs. 50/- per Share
(b) On Allotment	Nil	Rs. 50/- per Share

The balance of Rs. 5/- per Equity Share shall be payable in one or more calls as may be determined by the Board of Directors of the Company provided that no call shall be made earlier than three months after the date of allotment of the shares and not less than three months shall intrvene between two calls, if any.

APPLICATIONS:

Applications for shares must be for a minimum 50 shares or multiples thereof in the case of Equity Shares and 5 Shares or multiples thereof in the case of Redeemable Cumulative Preference shares.

EVERY APPLICANT SHOULD SUBMIT ONLY ONE APPLICATION FOR THE NUMBER OF SHARES REQUIRED. MULTIPLE APPLICATIONS AND APPLICATIONS IN JOINT NAMES ARE LIABLE TO BE REJECTED.

Underwriters:

The shares offered to the Public for subscription have been fully underwritten by the following Underwriters:—

Name of Underwriters	Amount Underwritten Equity Rs. (In lacs)	Preference Rs. (In lacs)
Place, Siddons & Gough (Private) Ltd., Calcutta	4·00	—
Brijnath Khandelwal & Co., Calcutta	3·00	—
Varma & Co., Calcutta	0·50	—
N. L. Roy & Co., Calcutta	0·50	—
G. M. Bosu, Calcutta	0·50	—
Stewart & Co., Calcutta	1·00	—
Amrit Lal Bajaj & Co., Delhi	1·00	—
H. P. Mehta & Co., Delhi	1·00	—
Harbans Singh Mehta & Co., Delhi	1·00	—
Vinod Kumar & Co., Delhi	0·50	—
Behari Lal & Co., Delhi	0·50	—
Bharat Bhusan & Co., Delhi	0·50	—
Raja Ram Bhasin & Co., Delhi	0·50	—
Sikander Lal & Co., Delhi	0·50	—
Merwanjee Bomanjee Dalal, Bombay	1·00	—
D. S. Purbhoodas & Co., Bombay	1·00	—
Lewis & Jones, Bombay	1·50	—
Valji Bhimji, Bombay		
L. K. Pandey, Bombay	1·00	—
Bhupendra Champaklal Devidas, Bombay	1·00	—
Harish Chandra Gutt & Co., Bombay	0·50	—
Jasvantlal Chhotalal & Co., Bombay	0·50	—
Prabhudas Lilladhar, Bombay	0·50	—
Suresh F. Gundaria, Bombay	0·75	—
Dalal & Sons, Bombay	0·50	—
Jasvantlal Chhaganlal, Bombay	0·50	—
Hira Lal Lilladhar, Bombay	0·75	—
M. Nanjappaiah Jahgirdar, Bangalore	0·50	—
Vijai & Co., Bangalore	0·50	—
Pushkarlal Ghudawala, Indore	0·50	—
Oriental Fire & General Insurance Co. Ltd., 10, Middleton Row, Calcutta-700016	—	2·0
The New India Assurance Co. Ltd., 87, Mahatma Gandhi Road, Bombay-400001	—	1·5
National Insurance Co. Ltd., 18, Rabindra Sarani, Calcutta-700001	—	2·0
United India Fire & General Insurance Co. Ltd., I.O.B. Building, 151, Mount Road, Madras 600001	—	2·0
	26·00	7·5

In the opinion of Directors, the resources of the above named Underwriters are sufficient to discharge their respective underwriting obligation.

BOARD OF DIRECTORS :

Name, Address, Occupation and Other Directorships:

Shri Bhagwati Prasad Himatsingka, (Chairman)
(Son of Shri Gajanand Himatsingka)
11, Queens Park, Calcutta-700019
Industrialist.
Managing Director : India Carbon Limited
Director of: Assam Industrial Development Corporation Limited; Assam Petro-Chemicals Limited; Goa Carbon Limited and ohers.

Dr. Robin Thompson
(Son of Mr. T. W. Thompson)
11, West Hill, South Croyden, Surrey (U.K.)
Business Executive.
Chairman of: Morganite Carbon Limited.*
Director of : The Morgan Crucible Company Limited*; Le Carbon Lorraine S.A.*; Morganite Electrical Carbon Limited* and others

Mr. Herbert William Dudley Musgrave
(Son of Major M. Musgrave)
Glangarnat House,
Lower Brynamman, Ammanford, Carms, U.K.
Business Executive
Managing Director : Morganite Electrical Carbon Limited*.
Director of: Morganite Carbon Limited*; Morganite Special Carbon Limited*. Morganite International Limited* and others.

Mr. Ruari Ian Lambert Chisholm
(Son of Mr. U. N. Mc. U. Gooden Chisholm)
16, Spencer Hill, London, S.W.-19, U.K.
Technical Executive
Director of : Morganite Carbon Limited*.

Shri Ganesh Chandra Phukan (I.A.S., Retd.)
(Son of Late B. N. Phukan)
"Hatigarh" Zoo-Narangi Road, Gauhati-781021
Company Director
Chairman : Assam Financial Corporation.
Member of : Reserve Bank of India, Eastern Regional Board.
Director of : Everest Cycles Limited.

Shri Durga Narain Kapur
(Son of Lala Rai Bahadur Raj Narain Kapur)
9/1, Lower Rawdon Street, Calcutta-70002.
Stockbroker
Director of : Dishergarh Power Supply Company Limited; Howrah Mills Company Limited; J.K. Steel & Industries Limited; Texmaco Limited and others.

Shri Krishna Prasad Barooah
(Son of Late I.P. Barooah)
Uzanbazar, Gauhati-781001
Company Director :
Director of : United Bank of India; Assam Industrial Development Corporation Limited; Meghalaya Industrial Development Corporation Limited and others.

Shri Prabhakar Raghunath Deshpande
(Son of Shri Raghunath Deshpande)
"Rushilla" 17, Carmichael Road, Bombay-400026.
Business Executive
Managing Director of : Crompton Greaves Limited.
Director of: Asha Pavro Electronic Private Limited; John Fowler (India) Limited; Hind Lamp Limited and others.

Shri Anirudha Kumar Himatsingka
(Son of Shri Gajanand Himatsingka)
44, Somerset Mansion, Off Warden Road, Bombay-400026.
Industrialist.
Managing Director : Amines & Plasticizers Limited.
Director of : India Carbon Limited; Hypine Carbons Limited and others.

Shri Premchandra Goenka (Managing Director)
(Son of Late Asharfi Lal Goenka)
New House
Bamuni Maidan Hill, Gauhati-781021.
Businessman
Director of : Hypine Carbons Limited; Naidoli Agro-Industries Limited and others.

(*Indicate bodies corporate incorporated outside India).

AUDITORS :
PRICE WATERHOUSE, PEAT & COMPANY
B-4, Gillander House, Calcutta-700001.

SOLICITORS TO THE ISSUE :
ORR. DIGNAM & CO.,
29, Netaji Subhas Road, Calcutta-700001.

BANKERS TO THE ISSUE :
STATE BANK OF INDIA,
1, Strand Road, Calcutta-700001.
UNITED BANK OF INDIA,
16, Old Court House Street, Calcutta-700001.

MANAGERS TO THE ISSUE :
MERCHANT BANKING DIVISION
STATE BANK OF INDIA
Madame Cama Road, Bombay-400001.

REGISTRARS :
ANDREW YULE & CO. LIMITED
8, Clive Row, Calcutta-700001.

PRINCIPAL BROKERS :
PLACE, SIDDONS & GOUGH (PRIVATE) LIMITED
6, Lyons Range, Calcutta-700001.

OTHER BROKERS :

Calcutta

PLACE, SIDDONS & GOUGH (PRIVATE) LTD., 6, Lyons Range, Calcutta-1; BRIJNATH KHANDELWAL & CO., 13, India Exchange Place, Calcutta-1; VARMA & CO., 7, Lyons Range, Calcutta-1; N. L. ROY & Co., 7, Lyons Range, Calcutta-1; G. M. BOSU, 7, Lyons Range, Calcutta 1., STEWART & CO., 14, India Exchange Place, Calcutta-1; BHUWALKA & SONS, P32 & 33, India Exchange Place, Calcutta-1.

Delhi

AMRIT LAL BAJAJ & CO., United India Life Building, F-Block, Connaught Place, New Delhi; H. P. MEHTA & CO., Surya Kiran, IIIrd Floor, Kasturba Gandhi Marg, New Delhi-1; HARBANS SINGH MEHTA & CO., 33, Regal Building, Parliament Street, New Delhi-1; VINOD KUMAR & CO. A-6 Connaught Place, New Delhi; BEHARI LAL & CO., Stock Exchange Building, Asaf Ali Road, New Delhi-1; BHARAT BHUSAN & CO., H-45, Connaught Place, New Delhi-1; RAJA RAM BHASIN & CO., Jeewan Mansion, 8/4, D. B. Gupta Road, New Delhi; SIKANDER LAL & CO., 42, Delhi Stock Exchange Building, Asaf Ali Road, New Delhi-1; J. C. MEHTA, 44, Delhi Stock Exchange Building, Asaf Ali Road, New Delhi-1.

Bombay

MERWANJEE BOMANJEE DALAL, Allahabad Bank Building, Apollo Street, Bombay-400001, D. S. PURBHOODAS & CO., Stock Exchange Building, Apollo Street, Bombay-400001; LEWIS & JONES, Bank of Baroda Building, Apollo Street, Bombay-400001; VALJI BHIMJI, Old Stock Exchange Building, Dalal Street, Fort, Bombay-400001; L. K. PANDAY, Bank of Maharashtra Building, 45/47, Apollo Street, Fort, Bombay-400001; BHUPENDRA CHAMPAKLAL DEVIDAS, Bhupendra Chambers, Dalal Street, Bombay-400001; JASVANTLAL CHHOTALAL, Bhupendra Chambers, Dalal Street, Bombay-400001; HARISH CHANDRA GUTT & CO., 45, Apollo Street, Bombay-400001; PRABHUDAS LILLADHER, Stock Exchange Building, 5-A, Hamam Street, Fort, Bomby-400001; SURESH F. GUNDARIA, Stock Exchange Building, Dalal Street, Bombay-400001; HARKISONDASS, LUKHMIDASS, Stock Exchange Building, Apollo Street, Bombay, JAVAHIR JAYASUKHLAL JAGIRDAR, 122, Stock Exchange New Building, Apollo Street, Bombay; CHIMANLAL J. DALAL & CO., 107, Stock Exchange New Building, Apollo Street, Bombay; DALAL & SONS; Stock Exchange Central Building, Room No. 18, First Floor, Dalal Street, Bombay-400001; JASVANTLAL CHHAGANLAL, 68, Stock Exchange New Building, Apollo Street, Bombay-400001; HIRALAL LILLADHER, Stock Exchange Building, 5A, Hamam Street, Bombay-400001.

Madras

PATERSON & CO., Vanguard House, 11/12, Second Line Beach, Madras-1; CHITRA & CO., 322/323, Linghi Chetty Street, Madras-1.

Ahmedabad

CHINUBHAI CHIMANLAL DALAL, Fatehbhai's Haveli, Ratanpole, Ahmedabad-1.

Bangalore

M. NANJAPPAIAH JAHGIRDAR, 205, Cavalry Road, Bangalore-560042; VIJAI & CO., 9, Eleventh Main Road, Malleswaram, Bangalore-3.

Hyderabad

P. B. AFZULPURKAR, 4-5-195, Sultan Bazar, Hyderabad-1.

Indore

PUSHKARLAL GHUDAWALA, 44, Bada Sarafa, Indore-2.

SOLICITORS

P.D. HIMATSINGKA & CO., 6, Old Post Office Street, Calcutta-700001.

TRADE WINDS

RBI Raises Export Credit Rate

The Reserve Bank of India announced on April 18 an increase of one per cent in export credit with immediate effect and linked such credit to specific periods so as to minimise misuse. The Bank also increased food procurement credit, mainly availed of by the Food Corporation of India and other official agencies from 8.50 per cent to nine per cent. The credit policy revision, applicable for the next ten months of the slack season commencing next month, provided for a reduction of two per cent, in the additional cash reserve stipulation on banks, coupled with an increase of one per cent, in the statutory requirements from 32 to 33 per cent, and a further tightening of the Reserve Bank's accommodation to banks.

It has been decided that the concessionary rate of nine per cent on export credit (other than on deferred payments) should be made applicable only to credit extended for a period not exceeding 90 days in respect of pre-shipment credit. A similar limitation of 90 days for the concessionary rate will also apply in respect of post-shipment credit (except in the case of exports to the countries in the western hemisphere where the period will be upto 120 days. However, the provision of export credit beyond these stipulated periods, where necessary, is not precluded, but such credit has to be charged not less than the minimum lending rate of 11 per cent for the excess period beyond 90 days and will not be eligible for the subsidy of 1.5 per cent. The policy of not allowing automatic recourse to the Reserve Bank for refinance facilities will continue and any assistance provided will be at the discretion of RBI.

Eight-point Plan for UN Assembly

The External Affairs minister, Mr Swaran Singh, presented to the sixth special session of the UN General Assembly on Raw Materials and Development, on April 19, an eight point plan of action to meet the economic difficulties facing the developing countries. The eight-point plan is:

(i) Development targets set out in the international developmt strategy adopted in 1970 should be reaffirmed and amplified; (ii) a comprehensive policy of revalorisation of raw material prices should be elaborated and clearly spelled out; (iii) emergency need of specially affected countries should be met by timely provison of additional liquidity and oither measures such as partial neutralisation of increase in export prices and suspension of export taxes; (iv) the international monetary system to provide a substantial degree of stability should be formulated and implemented as soon as possible; (v) the target for development aid should be fulfilled and current arrangements revised to provide for speedier disbursement on softer terms; (iv) a comprehensive policy to meet the staggering burden of debt repayment should be worked out based on equity and development needs; (vii) a scheme should be devised in the coming months to tap the larger sums of money likely to be available in international capital market for development funds; and (viii) financial and technical assistance should be made available to developing countries for creation of additional, capacities for production of scarce commodities such as fertilisers and steel.

Mr Swaran Singh said that price behaviour has been very uneven, and while steel prices have shot up, the cost of iron ore has declined sharply. Similarly the price index of tea has declined from 100 in 1963 to 78 in 1973 while the retail prices for consumers have gone up. He said that those who control the levers of price mechanism have successfully denied to the producers of a number of raw materials exported from developing countries their due profits for their labour. In these circumstances, he said a "reference line for prices" should be established and norms evolved for their progressive improvement.

Wheat Procurement Drive

Representatives of foodgrain dealers from Bombay, Calcutta and Delhi met the president of the Federation of Indian Chambers of Commerce and Industry, Mr K.K. Birla, to seek the assistance of the federation in the proper implementation of the policy regarding wheat procurement. Mr Birla urged upon the wholesale traders to do everything possible to make the new scheme a complete success, by maximising procurement to meet the needs of the public distribution system in metropolitan cities and to ensure that the consumer interests in the deficit states are also adequately safeguarded. He said, the trade should fully justify the trust and confidence that has been reposed in it by the government. Mr Birla was informed that, while wheat has begun flowing to the mandis, the wholesalers in the five surplus states, of Punjab, Haryana, Uttar Pradesh, Rajasthan and Madhya Pradesh, were finding it difficult to undertake procurement, as licences have not yet been granted to the wholesalers and other arrangements were yet to be made.. This was leading to delays in procurement.

Pursuant to the meeting, Mr Birla has approached the government of India to make the required administrative arrangements expeditiously. He has also suggested to the union government that representatives of the state governments should be invited to Delhi to finalise arrangements in this behalf, He felt that representatives of foodgrain dealer be fully associated with the formulaton of the scheme to ensure its total success.

Government's Industrial Policy

Addressing the luncheon session of the Federation of Indian Chambers of Commerce and Industry which held its annual session in the capital recently, Mr C. Subramaniam minister for Industrial Development, said that in regard to industrial policy the government had come out with an unambiguous statement of its approach and expectation, which it also intended to keep stable by and large for at least the duration of the fifth Plan.

The targets indicated in the draft fifth Plan, together with the annual guidelines for industries that his ministry brings out would give fairly precise indications of where demand was likely to outstrip supplies and where, therefore, additional production was urgent. This was according to Mr C. Subramaniam, the basis of the so-called indicative plan for industry in a mixed economy. He said that government had recognised that all pre-investment approvals should be given expeditiously and in a rational and objective manner. Streamlined procedures were important in attracting investment in crucial sectors in order that production may match requirements.

The setting up of the unified secretariat for Industrial Approvals in

November 1973 marked an innovation, as it represented an institutionalised system of streamlined and time-bound decision-making on various types of applications for according approvals. He said 90 to 95 per cent of applications were being cleared within the specified time limits. There was a certain backlog to be taken care of; even here the government was making rapid progress. He hoped that during the next five or six months it would be possible to dispose of the old cases and get on to the new cases as they came in, on a three-month cycle of receipt and disposal. He expected the cooperation of the business community for adhering to these time limits for disposal.

In regard to the efficient use of our raw material resources, Mr Subramaniam said any rational view of managing our resources in the long run would demand that our non-renewable sources of energy and industrial raw materials are exploited with care and restraint. He stressed the importance of a price policy that would stimulate production and not, at the same time, call for heavy government subsidies in favour of the consumers on a long term basis. This meant in effect a stream-lined system of production based on efficient technology and management, with due attention paid to problems of transport, storage and distribution.

Progress in Atomic Energy

The Tarapur Atomic Power Station generated 7583 million units from October 1969 when commercial operation commenced on February 28, 1974. This is equivalent to an output of about 4090 Kwh/KW of installed capacity per annum and, despite the inclusion of two lean years, compares favourably with that for conventional thermal stations in the country. For the year 1973-74 it was expected to be 4390 Kwh/KW. This is revealed in the annual report of the department of Atomic Energy for 1973-74. The first unit of the Rajasthan Atomic Power Station, according the report, was operating at a power level of 135 to 140 MW and was expected to reach full capacity by August-Sepetember 1974. The station had been supplying to the grid almost three million units per day on an average since December 16, 1973, which means a daily revenue of approximately three lakh rupees. In Unit II, which is under construction, the reactor vessel and end-shields are being installed. As regards the commencement of work on India's fourth nuclear power station at Narora in Uttar Pradesh preliminary surveys for location of various buildings had been completed and plant layout and the detailed layout for the reactor building were in an advanced stage.

Four heavy water plants were being erected at Kota, Baroda, Tuticorin and Talcher, says the report, to produce about 300 tonnes of heavy water for use in nuclear power plants in the country. The Baroda plant is scheduled to be ready for commissioning by June 1974. Erection of plant and machinery and equipment in the Kota and Tuticorin plants was expected to commence in April 1974. The Tuticorin plant would be ready for commissioning by the middle of 1975 and the Kota plant by early 1976. The Talchar plant was expected to be ready for commissioning by mid 1976. According to the report, a 100 MW thermal reactor using natural uranium and heavy water was to be built at Trombay. Radioisotopes, labelled compounds and equipment were exported to several countries, including Australia, Austria, Denmark, France, Indonesia, Malaysia, Nepal and Singapore. A gamma chamber-900 unit has been exported to Sri Lanka under the UNDP programme.

The manufacture of the fuelling machine head at Bhaba Atomic Research Centre for the first time in the country, for the second unit of the Rajasthan Atomic Power Project was a notable achievement according to the report. This is is an extremely sophisticated item for power reactors having over 500 sensitive components. Another significant landmark was the delivery of the first India-made rector vessel, the Calandria, for installation in Unit II of the Raajasthan Atomic Power Project.

Hindustan Shipyard to Treble Capacity

Hindustan Shipyard will treble its production capacity at an additional investment of Rs 21 crores during the fifth Plan. Mr S. Balakrishna Shetty, Chairman and Managing Director of the Shipyard, addressing a press conference on April 18 said that the annual production was proposed to be stepped up from 44,000 DWT to 132,000 DWT. He said that six ships of 22,000 DWT each would be built in the last year of the fifth Plan as against three ships of a smaller size during 1973-74, the 1st year of the fourth Plan. Mr Shetty said that the fifth Plan expansion and development programme was based on the British experts group report, which was accepted by the shipyard. Mr Shetty said that the per capita production has gone up from Rs 12,900 in 1969-70 to Rs 24,000 in 1973-74. The chairman revealed that the shipyard had got orders to build 24 ships of different sizes which would engage the yard till 1980. This was the fullest and biggest order book position that Hindustan Shipyard ever had so far. Out of these 24 ships, only one would be covered under the usual subsidy scheme.

Cadbury - Fry

In a recent press conference in the capital, Mr D.W. McPhie, Director of Cadbury-Fry (India) Ltd. refuted some of the reports which had appeared in the press regarding the operations of the company. For example, the company is alleged to have remitted crores of rupees since it became an incorporated company in July 1948. According to Mr McPhie between 1948 and 1973, a sum of Rs 96 lakhs only had been remitted. It worked out to be Rs 3.69 lakhs a year on an average representing only one per cent of the turnover of the company during this period. Again, the company is alleged to have built up large reserves which represent a foreign exchange liability but in point of fact, the total reserves resulting from the ploughing back of the profits into the business in this country amounted to Rs 2.3 crores. Even though they were legally remittable profits, they had been retained in this country to finance indigenous cocoa cultivation and various other projects.

Regarding the charge that the company had been making exorbitant profits, it was disclosed that project in 1973 gave a return of 18 per cent (before tax) on captal employed. What is more, the company was a net earner of foreign exchange. In 1973, it earned Rs 66 lakhs through the export of its products while foreign exchange utilised for imports was valued at Rs 46 lakhs and the royalties and profits remitted abroad were valued at nine lakhs of rupees only. The company thus earned a sum of Rs 11 lakhs in its foreign transactions.

Regarding the pricing policy of its products, it was revealed that the retail prices had increased between 21 and 27 per cent during the nine months ending in March 1974 while the prices of raw materials needed by the company had increased from 54 to 95 per cent during the same period. The highest price increase had taken place in the case of cocoa beans.

The company had agreed to offer 40 per cent of the equity capital to the public in August last year but no decision in this regard was taken by the government; Under the Foreign Exchange Regulation Act, it will be asked by the government to dilute its foreign shareholding; a decision in this regard is likely to be taken some time later this year.

Delegation to West Germany

In response to an invitation of the DIHT (Federation of German Chambers of Commerce and Industry) the Indo-German Chamber of Commerce has organised the visit of a 11-man delegation to the Federal Republic of Germany next month. The delegation consists of industrialists, chartered accountants and lawyers.

The programme of the delegation includes: (a) General discussions and short lectures on such topics as the investment climate in India, Indian government policy regarding the sanctioning of collaboration agreements, the experiences of Indo-German joint ventures, and Foreign Exchange Regulation Act. (b) Advising German firms through individual discussion between members of the delegation and representatives of German industry.

The delegation will lay emphasis on bringing complete plants from W. Germany for export-production. Discussions of the delegation with officials of the ministry of Commerce revealed that the government was willing to sanction joint ventures even in low-priority industries if the bulk of the output was exported.

Price of Bulk Drugs Increased

Prices of bulk drugs have been raised following a recommendation by a working group of the Bureau of Industrial Costs and Prices. While the prices of bulk drugs have gone up, the prices of medicines in their final shape at the retail level will remain the same for the time being. Several manufacturers, including public sector enterprises, had represented that they be allowed to increase the prices in view of the increased cost of raw materials since the freeze on drug prices in 1970. The manufacturers had told the government that unless they were permitted an increase in prices, they might have to close down their units. As an alternative, they had suggested that they be granted a subsidy which would make up for the losses. This the government had refused.

The government had set up a permanent committee to study the availability of drugs and suggest prices for them. In the meanwhile the Beureau of Industrial Costs and Prices was requested to work out revised prices. The bureau submitted the report in March this year recommending revised selling prices based on cost as in December 1973. These prices have now been accepted by the government.

Management of Resources

Inaugrating the Programme on Marketing — its Role in

Management, organised by the Management Development Institute recently, the Commerce minister, Prof D.D. Chattopadhyaya, stressed the need for careful monitoring and management of resources. Marketing, was, he said the focal point of the managerial function to identify products, locate the consumers, both actual and potential, undertake sales promotion through advertising, distribution of products and other means, and to devise a mechanism to ensure the retention of markets.

In this process, optimisation of resources in terms of finance of and human effort, had to be attempted, periodical appraisals of performance had to be made, and alternative ranges of policies and objectives to be explored to determine the future course of action. In the realm of international commerce, rapid technological development was taking place in the economies of both developing and developed countries, the minister observed.

As a direct consequence of this, consumer preferences were undergoing frequent and dramatic changes. International marketing therefore had become a highly sophisticated and specialised field. Managers entrusted with marketing operations abroad have to develop not only a basic aptitude and expertise, but also specialised knowledge of the the behaviour pattern of individual markets.

For a country such as ours, which is now entering the field of international trade in a significant and purposive manner, the need for such specialisation in the field of marketing is assuming great importance. Referring to the energy crsisis and the world-wide inflation, the minister said these tendencies had induced the re-formulation of our import requirements and our commitment to earn foreign exchange to meet the rising import bill and debt service obligations. We had to augment the proportions of our export effort in terms of both goods and services.

Sugarcane Production

The Indian Sugarcane Development Council approved the annual action programme of sugarcane development in different states during 1974-75 with an all India target of 141.8 million tonnes of sugarcane production against the estimated output of 134 million tonnes this year. The council which met recently emphasised the need for reducing the cultivation cost of cane by adopting new techniques evolved by the research stations. The council felt that the cost of production of sugar should also be brought down by reducing the losses in the factories. This will help in bringing down the price of sugar. The council felt that the cultivator would be very much induced to adopt new techniques if he was assured a remunerative price for his produce. The council considered the centrally sponsored scheme on sugar-cane and sugarbeet proposed to be launched during the fifth Plan. The scheme envisaged the establishment of foundation seed centres to provide quality seed cane for commercial cultivation. The scheme also provided for plant protection measures, training of cane development workers at state level and construction of link roads in factory areas. During the fifth Plan, it was proposed to take up sugarbeet cultivation for commercial utilisation in about six factories in potential areas. The council also decided to set up a standing technical committee to examine sugarcane development and its marketing and to advise the council in these matters.

Paper Prospects

Mr Sailendra Nath Dey, President of the Indian Paper Mills Association, observed at the annual general meeting of the association held recently at Bombay that during 1971, production of paper and paper board was only 781,000 tonnes and that there was no substantial improvement in the subsequent year because production during 1972 amounted to 803,543 tonnes against the installed capacity of 961,820 tonnes. Production during the first six months of 1973 had been 356,600 tonnes showing a decline of 25,000 tonnes in the corresponding period of 1972. Mr Dey expressed his doubt as to whether the industry had been able to make up this loss of production during the second half of 1973 because of unsettled conditions in many parts of the country. Continued power cuts, labour unrest and transport difficulties had handicapped the industry. He stated that the Development Council for Pulp, Paper & Allied Industry had recommended a target of 1.13 million tonnes by way of capacity and 960,000 tonnes production to be achieved during the fourth five-year Plan; that the present installed capacity for the manufacture of paper and paper board was of the order of 961,820 tonnes a year and that of newsprint 75,800 tonnes a year. The council had also recommended the targets both in respect of capacity and production of paper and paper board for the fifth five-year Plan at 1.5 million tonnes and 1.33 million tonnes respectively; similarly, for newsprint, the targets of production and capacity had been estimated at 350,000 tonnes and 400,000 tonnes respectively.

Names in the News

Prof Mukut Vehari Mathur has taken over as Director General of the National Council of Applied Economic Research in place of Mr S. Boothalingam. Till recently Mr Mathur was the Director of the Asian Institute of Educational Planning and Administration, New Delhi. Earlier he was Vice-Chancellor of the Rajasthan University and member of the third Finance Commission. He was a member of the Educational Commission also.

Mr N.B. Parsad has taken over as Chairman Oil and Natural Gas Commission, succeeding **Mr B..C. Negi.** Mr Parsad was the head of the Reactor Operations Division of the Atomic Energy Commission. He is also the Director of the Electronics Corporation of India.

Mr Russi Mody, Joint Managing Director, has assumed charge as Managing Director of Tata Steel. Mr Mody is on the boards of Tata Industries Private Limited and Indian Tube, and is also Chairman of West Bokaro Limited. Mr Mody is keenly interested in sports. He was Vice-President of the Board of Control for Cricket in India.

COMPANY AFFAIRS

EID-Parry

As a result of negotiations and discussions EID—Parry Ltd have had over a period of time with the Government of India on various issues concerning the scheme of conversion of the company into an Indian company, a stage has now been reached where after obtaining MRTP and other clearances it should be in a position to take the required legal steps to give effect to its scheme. The scheme envisages the formation of an Indian company which, after receipt of the sanctions of the courts in India and the UK, will take over all the assets and liabilities of the existing company in a scheme of amalgamation. The position of the shareholders will, by and large, remain unaffected except that instead of sterling capital the company will have rupee capital. In evolving the scheme care has been taken to ensure that the interests of shareholders, creditors and lenders are fully protected and to the maximum extent possible. This was disclosed by the Chairman Mr R. Venkataswamy Naidu while addressing the annual general meeting of the company.

Impressive improvements in working results have been reported by EID—Party during the year ended September 30, 1973. The good performance by almost all the divisions in the Group have been primarily responsible for the striking improvements in its working during the year. Encouraged by the working results the directors have declared after a break of three years a total equity dividend of 10 per cent. The Group's liquidity position has improved considerably in the last two years. The management is considering how best to utilise the internal resources now available and will accrue in new manufacturing activities and other schemes for which plans have been drawn up. In pursuance of this policy the company is seeking the government's permission to go in for the manufacture of a number of products. Two such proposals are for the diversification of Ennore factory which is under the consideration of the government and for putting up a ceramic factory in a developing area in Maharashtra. Two marine processing and storage units, a new seed processing unit and a cattle feed plant are also under execution.

The company is planning to set up factories in backward districts. In the export field the company apart from exporting its own manufactured goods has also commenced exporting marine products, textile and leather garments. A separate division has been set up exclusively to promote the growth of exports.

SPIC

Southern Petrochemical Industries Corporation's urea plant, claimed to be largest plant of its kind in the world, has been mechanically completed and it was formally dedicated on April 14,—the Tamil New Year's Day—by Mr V. V. Chari, Vice-Chairman of Industrial Development Bank of India. The plant will have an installed capacity of 1600 tonnes per day and it has been completed in a record time of 22 months from the effective date of contract. Construction of the country's largest ammonia plant, with a production capacity of 1100 tonnes per day is being carried out and is scheduled to be completed within the next two months. With the availability of ammonia and carbon-di-oxide when the ammonia plant is commissioned by August 1974, 250,000 tonnes of urea is targetted to be produced by March 1975. Erection of plants for producing annnually 151.000 tonnes of sulphuric acid, 52,800 tonnes of phosphoric acid and 185, 000 tonnes DAP|NPK is proceeding apace and is expected to be ready in about eight to nine months after the completion of the main ammonia urea plants. Work on other projects is progressing at an accelerated pace and is expected in many cases, to be completed well ahead of schedule. Until the end of March 1974, an amount of Rs 61.52 crores has been spent on the project against the revised project estimate of Rs 89 crores up to December 1974. Strict control over the finance outflow is being maintained and periodical reviews and assessments are being made to achieve a high degree of financial returns. With the third and final call of 10 per cent, the shares of SPIC are now fully paid-up. The shares are now being quoted at various stock exchanges around Rs 23 against the face value of Rs. 10.

Union Carbide

Despite severe power restrictions, shortages of raw materials, unprecedented rise in manufacturing costs and intermittent but minor labour problems, Union Carbide India Ltd was able to effect an eight per cent increase in its sales turnover to Rs 75.4 crores in 1973 from Rs. 70.0 crores in the preceding year. A record level of production was achieved during the year in the chemicals unit. B[...] production of batteries was s[...] riously affected by 116 day[...] strike|lock out at Madra[...] Scarcity of raw materials, i[...] creased competition and t[...] general depressed level of ec[...] nomic activity during most [...] 1973 affected sales of batt[...] ries while shortage of pow[...] caused lower sales of nation[...] cinema arc carbons. Produ[...] tion of flashlight cases, zi[...] and carbons was maintaine[...] at levels required by sale[...] Electrolytic manganese di[...] xide production reached [...] new high enabling the com[...] pany to earn valuable forei[...] exchange by exporting part [...] the output. Additional avail[...] ability of technical Sevin du[...] ing the year permitted pro[...] duction of pesticides to b[...] increased. Exports during th[...] year went up by Rs. 1.7 mil[...] lion to Rs 16.5 million. Ex[...] ports of shrimp almost doubl[...] ed to Rs 7.3 million from R[...] 3.9 million in the previous year.

A significant step was taken by the company in 1973 by constructing new building for Research and Development at Bhopal. The type of work at this centre includes synthesis of new molecules, toxicology, metabolism processes and product development. Efforts on research and development activities was continued on an accelerated scale so much so that R & D expenditure was stepped up to as high as to Rs 7.7 million during the year as against only Rs 3.7 million in 1972. The company is now going ahead full steam with the implementation of its Sevin project. Meanwhile the company has obtained an industrial licence to process sea foods at Visakhapatnam. It has also been permitted to obtain seven additional trawlers which are intended to be built within the country. Besides a letter of intent has been received to expand polyethylene production to 20,000 tonnes. The directors, however, point out that the availability of naphtha will pose problems in the content of the present world petroleum crisis.

Although the company's

operations resulted in a handsome rise in sales, profit before taxation at Rs 103.8 million remained almost at the same level of Rs 103.1 million in 1972. The net profit after taxation amounted to Rs. 40.8 million as compared to Rs 39.6 million in the previous year. The directors have proposed a final dividend of Rs 1.0. It will absorb Rs 12.3 million and will be paid out of the general reserve. Together with the interim dividend the total dividend payment will amount to Rs 24.6 million. Besides the directors have decided to issue bonus shares on the basis of one bonus share for every two shares held. After the issue of these shares the paid-up capital of the company will be of the order of Rs 184.3 million.

SIPCOT

State Industries Promotion Corporation of Tamilnadu Ltd-sponsored by Tamilnadu government with the twin objectives of quickening the pace of industrial growth and diversification of the economic activity on the basis of rapid and balanced industrial growth—has been doing excellent work during the last two years since it was launched. It has done exceedingly well in its role to plan, promote and assist medium and major industries in the private sector besides offering direct stimuli for attracting industries to the backward areas of the state. SIPCOT has ensured that no feasible project is allowed to suffer due to inadequacy of institutional support. Reviewing the progress at a press-conference held recently in Madras, the Chairman, Mr M. G. Rajaram, said that within the short period of two years, it had sanctioned assistance to the tune of Rs 6.46 crores under various schemes which had catalysed a total investment of Rs 55.37 crores with direct employment potential for over 9500 persons. Besides assisting a number of medium and major industries SIPCOT is also fast developing a prestigeous industrial complex at Ranipet, a backward area. Out of the 29 feasibility studies commissioned by SIPCOT during the last two years, as many as 16 had already been taken up for implementation by entrepreneurs, which, indeed is a significant achievement looked at from any point of view.

Furthermore, SIFCOT had been implementing the central outright grant or subsidy scheme of government of India as the agent of the state government. This subsidy was availed of by as many as 138 units, the total amount secured by them being of the order of Rs 168.77 lakhs. The registration of applications has already exceeded 1,000. The total amount actually disbursed was Rs 31.48 lakhs. Interest free sales tax loans given by state government through SIPCOT amounted to Rs. 43.75 lakhs although final eligibility certificates had been issued for a total amount of Rs 136.92 lakhs. During the last two years SIPCOT had extended term loans to 27 medium and major industries for a total amount of Rs 298.84 lakhs and the actual disbursement amounted to Rs 60.01 lakhs. SIPCOT had also underwritten shares of nine companies. In about seven to eight years nine backward districts of Tamilnadu will have major industrial complexes, thus taking industry to backward areas, thanks mainly to the pioneering work of SIPCOT.

Philips India

Philips India Ltd has submitted a number of proposals to the government for the manufacture of electrnic components entirely or mainly for exports, on which decisions are awaited. The company has been recognised as an export House by the government. Meanwhile the company is continuing its discussions with the government of India on its long term industrialisation plan. The government has rejected some applications made by the company for manufacturing new products and expansion of present range of products, which included projects involving advanced and modern technologies. Some of these projects also envisaged considerable exports. For some pending cases, the company has applied for clearance under the MRTP Act.

The company's factory at Kalwa maintained production of in candescent and flourescent lamps, glass shells, glass tubing and wires and coils at full capacity. However, production of fluorescent power was restricted because of low demand. In 1973 the company commenced production of lead-in-wires. This is a further step in the vertical integration of the production process of lamps and will help reduce the foreign exchange requirements of the company. The company has received the industrial licence and the capital goods licence for the manufacture of high wattage incandescent lamps, infra-red lamps, mercury vapour lamps and halogen lamps. The plant and the equipment is being installed and production is expected to commence by the middle of 1974. Production of welding electrodes in 1973 was below the installed capacity because of power cuts and acute shortages of mild steel core wires. Production of electronic components was increased in 1973 to cater for exports which showed a growth of 28 per cent over the previous year.

In spite of shortages of raw materials and the depressed economic conditions in 1973, the company maintained production and sales of radio receivers at the planned level. Several new models were introduced, including one specifically for the export market. Production of record players at the company's factory at Calcutta was maintained at full capacity. The range of Gramaphone equipment was extended to include a portable system and a high-power stereo system. Production at the telecommunication factory was below the planned level because of delays in the receipt of import licences for some raw materials and components required to execute the order for transistorised portable transreceivers for the government. During 1973 the factory for the production of electronic instruments and public address systems was transferred from Bombay to the factory at Pimpri, Poona. The trasfer caused some temporary interruption of work. This together with the difficulties in the procurement of raw materials resulted in a lower level of production than planned. The government has accorded recogntion to the Research and Development laboratories attached to the various factories of the company as per the Import Trade Control Policy. This will allow the company to import much needed modern equipment and materials to improve and extend its Research and Development efforts. The directors, propose to issue, out of the share premium and other free reserves, 6,790,000 equity shares of Rs 10 each as fully paid up bonus shares in the ratio of one bonus share for every one existing equity share, subject to the approval of the shareholders and the controller of Capital Issues.

News and Notes

[*Expansion and diversification*]

Sundatta Foods and Fibres Ltd., is at present examining the possibility of acquiring and setting up as part of a developmental project the pilot plant installed at its premises by Messrs Dorr-Oliver (India) Ltd. for the production of edible and pharmaceutical grade high protein cottonseed concentrate. A much larger commercial plant, using the same liquid cyclone process, for production of edible cottonseed protein concentrate for human consumption, has already gone into trial production in the United States at Lubbock, Texas. With the permission of Dorr-Oliver (India) Ltd., the assistance of the designers of this US commercial plant (EMI Corporation of Illinois, USA) has been sought for evaluating and help developing the Dorr-Oliver pilot plant. The company has also retained the Regional Research Laboratory at Hyderabad as its Indian consultants for the project and is also seeking the financial assistance of the National Research Development Corporation, who have acquired from Dorr-Oliver (India) Ltd the patents for the liquid cyclone process of manufacture of edible cottonseed concentrate. The directors feel confident that there is a good potential and possibility of increased profits for the company if it enters this field.

New Issues

Assam Carbon Products Ltd., is embarking on an ambitious expansion programme and as a part of this scheme the company is setting up a new plant at Gauhati in Assam for the manufacture of electroghitized and resin bonded grades of carbon blocks with an installed capacity of one lakh kgs. per year. These products will be manufactured according to the specification and standadrs of quality laid down by Morganite Carbon Ltd of the UK with whom the company has entered into a technical collaboration agreement. The company already has well established units at the industrial estate at Gauhati for processing and sale of various carbon materials and for the manufacture of electrical carbon blocks, principally of metallic carbon group, electrical carbon brushes and contacts of all types commenly used in electrical machines. The existing units have capacities to produce annually 80,000 kgs of metallic carbon blocks 15,000 kgs. of electrographitic and hard carbon blocks, 20,000 kgs. of mechanical carbons, 500 kgs. of silver graphite carbon blocks and six lakhs of carbon brushes. The company is now going ahead full steam with the implementation of its new project and the plant, according to current indications, is expected to go into commercial production by the middle of next year.

The company has an authorised capital of Rs one crore and an issued and subscribed capital of Rs 31.50 lakhs. The paid-up capital of the company is of the order of Rs 27.50 lakhs. The present issue is for Rs 49.50 lakhs comprising 420,000 equity shares of Rs 10 each and 7500 (9.8 per cent) redeemable cumulative preference shares of Rs. 100 each, both at par. Out of the present issue, equity shares worth Rs 16 lakhs have been reserved for the foreign collaborators, Morganite Carbon Ltd. The remaining equity capital of Rs 26 lakhs in shares of Rs 10 each and the entire preference shares are new offered for cash at par to the public for subscription. Application for shares must be for a minimum of 50 shares or multiples thereof in the case of equity shares and five shares or multiples thereof in the case of preference shares. The subscription list for this fully underwritten issue opens on April 29 and will close on May 8 or earlier but not before May 2. The issue is being managed by the Merchant Banking Division of the State Bank of India. The proceeds of the issue will be utilised to meet a part of the cost of the expansion programme which is estimated at Rs 1.53 crores. The project will be financed by the share capital of Rs 69 lakhs including the present issue of Rs. 49.50 lakhs, term loans from State Bank of India and Assam Financial Corporation of Rs 69 lakhs and government subsidy of Rs 15 lakhs. The company expects a ready market for its products in view of the fact that the present internal requirements are met largely from imports. The company's sales within a few years from the commencement of commercial production are expected to increase about three times the present performance, with considerable scope for further expansion in subsequent years. What is more the expanded operations of the company are expected to yield sizeable profits so much so that the directors are confident of paying the arrears of dividends to the holders of preference shares in 1976-77 and declare a handsome maiden equity dividend in the subsequent year.

Dividends

Per cent

Name of the Company	Year enned	Equity dividend declared for Current year	Previous year
Higher dividend			
Asiatic Oxygen	September 30, 1973	6.0	Nil
Matchwel Electricals (India)	September 30, 1973	9.0	6.0
Amar Dye-Chem	December 31, 1973	16.0	14.0
National Rayon	December 31, 1973	30.0	28.0
Laxmi Vishnu	December 31, 1973	12.5	Nill
Vasantha Mills	December 31, 1973	12,0	9.0
Boots (India)	December 31, 1973	20.0	19.0
Same dividend			
Bhopal Sugar	Septeuiber 30, 1973	20.0	20.0
East Anglia Plastics (India)	June 30, 1973	Nill	Nill
Maharashtra Sugar Mills	September 30, 1973	16.0	16.0
Parrys Confectionery	September 30, 1973	14.0	14.0
Blue Star	December 31, 1973	15.0	15.0
Sardesai Brothers	December 31, 1973	12.0	12.0
Reduced dividend			
Indian Sugars & Refineries	September 30, 1973	Nill	8.0
Shree Digvijay Cement	December 31, 1973	6.0	12.0

RECORDS AND STATISTICS

Steel: production, prices and distribution

DURING the period from April, 1973 to December, 1973 the production of steel ingots and saleable steel in India reached respectively 81 per cent and 79 per cent of the target only, according to the report of the ministry of Steel and Mines for 1973-74.

During the first six months of 1973-74, production was considerably affected by shortage of power. This resulted in serious curtailment of the operations of the coking coal mines and the coal washeries, which in turn badly affected the avilability of supplies of coal to the steel plants. Inadequate supply of coal affected the availability of coking coal and coke oven gas for rolling. Power shortage also directly affected the rolling of steel in all the plants except Bhilai. To tide over the difficulty arising from power shortages, action was taken in consultation with the Ministry of Irrigation and Power, Damodar Valley Corporation and the state electricity boards concerned to step up the supply of power. In spite of these efforts, some loss in production could not be avoided. Serious consideation is also being given to proposals to provide additional captive power plants so that production at a high level can be maintained.

During 1973-74, a new pricing policy was also brought into effect. The earlier "Cheap Steel" policy had led to excessive consumption of steel in some areas and added to the demand for other scarce resources like cement, aluminium etc. In has also resulted in some cases in undue benefit to middle-men, to the detriment of steel producers. A revised pricing policy was, therefore, evolved for steel and the Joint Plant Committee (JPC) announced the new steel prices with effect from October 15, 1973. The highlights of the new policy are given below:—

(1) There is no change in the three main categories of plates, structurals and railway materials which are predominatly used by the state and central governments, public sector undertakings and basic industries;

(2) The prices of other categorles of steel have been increased by varying amounts;

(3) The interests of exports of enineering goods are to be protected;

(4) A system of retention prices for steel plants is being worked out keeping in view cost, productivity and investment. While the entire sale proceeds will belong to the respective steel plants, the additional income above the retention prices is to be funded with the Steel Authority of India Ltd. and used by the plants for such purposes as may be decided by the SAIL in consultation with the Planning Commission.

A study of the open market prices before and after the price increase of the October 15, 1973 in relation to JPC prices shows that the open market premium has, to a large extent, been absorbed by the increase in JPC prices announced for the Tor steel, round, GP/GC Sheets etc. In the case of these items, the open market premium has come down considerably. However, in the case of structurals and plates the open market prices have gone up to some extent.

A Study Group was appointed in November, 1972 to review the working of the existing distribution system. The main recommendations made by the Study Group have already been accepted and are being implemented. The Study Group has also made some other recommendations which are being considered by the government. An important recommendation of the report of the Study Group relates to reducing the 'lead time' involved between the decision to acquire steel and its actual despatch. In terms of the recommendations of the Study Group, the indenting procedure has been revised and the revised procedure has been given effect to from November 1, 1973. Under the new procedure, the JPC is to nominate the producers on behalf of the indentors after taking into account the comparative outstanding orders on and despatches by producers. The indent form has also been suitably amended so that it can be used by the computer. The procedure for requisition for priority allocation has also been revised with effect from the quarter January-March, 1974. Requisitions are now to be sent directly to the JPC with copy to the sponsoring authorities instead of through the sponsoring authorities. However some sponsoring authorities have since expressed views preferring the requisitions being routed through them. The matter is under examination so far as such sponsoring authorities are concerned. The time-table for submission of requisition for priority allocation has also been recast for the convenience of the consumers.

The following important measures also deserve to be mentioned, as these have an important bearing on the rationalisation of the system of distribution:

(a) As authorised under the existing procedure for distribution of steel materials from the producers, stockyards, the Regional Iron and Steel Controllers have been making allocations of steel from the stockyards. They are also operating matching steel reserves kept in some selected stockyards. This new sytem has been working satisfactorily by locally meeting small requirements of government departments/public sector undertakings/priority projects.

(b) The Regional Iron and Steel Advisory Committees (under the Chairmanship of the respective Regional Iron and Steel Controllers) which includes representatives of the concerned State Directorates of Industries, SSI Corporations and main producers' stockyards within the respective jurisdictions have been functioning effectively. The Regional Iron and Steel Advisory Committee sorts out problems relating to releases from stockyards and other problems relating to distribution of steel in the regions as a whole.

(c) Regional "Core Project Committees" have also been set up, to meet their demands for steel speedilly. Fifty core projects have been selceted on the basis of their importance in the national economy. For each region, a Regional Core Project Committee has been set up with the Regional Iron

TABLE I

Production of Steel Ingots

(In '000 tonnes)

Year	Bhilai	Durgapur	Rourkela	TISCO	IISCO	Total	MISL	Others	Grand total
1961-62	789	462	354	1,643	934	4,182	49	54	4,285
1962-63	1,060	731	700	1,799	1,002	5,292	46	57	5,395
1963-64	1,143	972	800	1,892	1,027	5,834	48	63	5,945
1964-65	1,131	1,006	979	1,956	950	6,022	47	69	6,138
1965-66	1,371	1,001	1,065	1,979	970	6,386	69	72	6,527
1966-67	1,852	754	943	2,001	897	6,447	75	75	6,597
1967-68	1,785	738	924	1,933	791	6,171	91	70	6,332
1968-69	1,735	823	1,162	1,816	777	6,313	120	73	6,506
1969-70	1,876	818	1,104	1,708	700	6,206	136	92	6,434
1970-71	1,940	634	1,038	1,715	627	5,954	91	94	6,139
1971-72	1,953	700	823	1,708	617	5,801	133	364	6.300
1972-73	2,108	723	1,177	1,690	431	6,129	155	696	6.980
1973-74* (up to Dec. 73)	1,443	598	785	1,135	325	4,286	114	560	4,960

*Provisional

Sources:— 1. Statistics for Iron and Steel Industry in India (issued by HSL)
2. Iron and Steel Control Bulletin

TABLE II

Production of Tool, Alloy and Special Steels

(In tonnes)

Producers	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74* (Upto Dec 1973)
Canara Workshops Ltd., Mysore	1,834	2,163	3,801	2,834	2,090	1,620
Firth Sterling Steel Co. of India Ltd, Maharashtra	135	533	921	985	944	1,384
Globe Motors (P) Ltd., New Delhi	945		7,816	4,306	12,966	9,850
Guest Keen Williams Ltd, West Bengal	31,022	24,619	29,686	35,095	38,000	28,668
Alloy Steels Project, Durgapur	24,046	41,189	38,621	35,006	35,835	28,195
Hindustant Steel Ltd. (Bhilai, Rourkela and Durgapur Steel Plants)	24,142	37,383	113,964	94,530	83,683	59,756
Indian Iron and Steel Co., West Bengal	1,784	1,544	Nil	Nil	NA	NA
Lasco Steel Ltd., Madras	..	..	..	85	Nil	NA
Mahindra Ugine Steel Co. Ltd. Maharashtra	17,963	19,679	28,174	32,561	28,391	21,054
Mysore Iron and Steel Ltd, Mysore	16,318	46,362	48,527	52,052	45,275	36,090
Singh Engg. Works Ltd., (UP)	..	..	467	Nil	NA	NA
Tata Iron and Steel Co., Bihar	64,157	66,926	**132,308	**1,73,698	**1,76,071	50,035
JK Iron and Steel Co. Ltd, Kanpur	..	..	67	78	12	..
Krishna Steel Industries (P) Ltd, Bombay	..	..	Nil	Nil	Nil	Nil
Mukand Iron and Steel Works Ltd Bombay	..	19,318	5,241	2,939	3,848	3,644
The National Iron and Steel Co Ltd, Calcutta	..	1,225	657	159	269	728
Textool Co. Ltd., Coimbatore	..	..	63	395	398	422
Himmat Steel Foundry, (MP)	..	..	..	1,769	Nil	Nil
Upper India Steel, Punjab	..	..	..	2,043	5,169	9,420
Total	2,00,346	2,61,061	4,10,918	4,38,535	4,32,851	2,50,866

*Provisional **Inclusive of saleable semis

Sources: 1. Statistics for Iron & Steel Industry in India (issued by HSL)
2. Iron & Steel Control Bulletin.
3. Plants concerned.

and Steel Controller as the Chairman, and representatives from the main producers as Members and JPC Officer as Convener. The Regional Core Project Committees are entrusted with the task of assessing the genuine requirements of these core projects within their jurisdictions and then of recommending priority allocations in favour of the core projects against specific sale orders which are pending with the main producers of the steel. In other words, the Regional Iron and Steel Controllers as Chairman of the respactive Regional Core Projects Committees have now to function as the sponsoring authorities in respect of selected core projects within their respective jurisdications.

It was reported to government that there was considerable scope in economising the consumption of steel. Some of the possible methods for saving of steel are use of welded girders and scrap rails, rolling of parallel flanged beams and use of PVC/RCC pipes in water supply schemes, etc. A Committee was set up for making recommendations on the scope for effecting economies in the consumption of steel in the country. Its report was received in January, 1974 and it is under examination.

Imports

Imports of steel continued during 1973-74 in order to maintain industrial growth as domestic production was inadequate to meet the essential requirements.

In framing the import policy for steel and ferro-alloys, it has been the endeavour of government to ensure that, whereas the industries do not suffer for want of these essential raw materials, there is also a concerted effort for maximisation of output from installed capacity in the country for production of steel and ferro alloys. Tables (I to VI).

With the rapid growth of industries in the country there have been higher imports of Tool and Alloy Steel.

Imports during 1972-73 and 1973-74

During 1972-73, total value of licences issued for import of Iron and Steel and ferro-alloys items was Rs 232.49 crores. The actual import in 1973-74 was, however, of the value of Rs 220.11 crores of which Rs 150.28 crores were for mild steel imports. This, however, included spill-overs from ordering against licences issued in previous years.

The value of import licences issued during April 1, 1973 to December 31, 1973 was Rs 94.20 crores. This figure, however, excludes the value of steel imports allowed against composite licences issued under IDA. Actual imports during April to June, 1973 were 2,35,407 tonnes valued at Rs 50.26 crores. Of this, mild steel accounted for 182,565 tonnes valued at Rs 32.36 crores. These actual imports, are inclusive of import against valid licences issued in earlier years.

Agencies for Imports

The import of steel is being effected by:

(1) actual users under the Actual Users' Import policy;

(2) registered exporters/their nominees/export houses under the Registered Exporters Import policy; and

(3) canalising agencies viz. Hindustan Steel Limited, Minerals and Metals Trading Corporation Limited, and Metal Scrap Trade Corporation.

In addition, bulk imports are made by HSL for the Steel Bank. Imports by canalising agencies are generally restricted to the canalised items. Sometimes, they are also required to import certain non-canalised items like sections, bars etc. required in bulk, by government projects and departments as well as private sector units.

The canalisation scheme during 1973-74 covered the following items of steel and ferro-alloys is given below.

From early 1973, the inter-

Iron and Stesl and Ferro-Alloys Items

Items	Canalised Agency
Ferro-Molybdenum	MMTC
Ferro-Tungsten	MMTC
Ferro-Vanadium	MMTC
Ferro-Phosphorus	MMTC
Ferro-Selenium	MMTC
Ferro-Cobalt	MMTC
Ferro-Nickel	MMTC
Ferro-Aluminium and Silico-Aluminium	MMTC
Ferro-Silico Zirconium	MMTC
Ferro-Boron (including stabilised Ferro-Boron with Aluminium and Titanium like Grainal or Batsally)	MMTC
Ferro-Columbium (Niobium)	MMTC
Ferro-Chrome (containing 0.0 per cent or less carbon or nitrogen bearing)	MMTC
Ferro-Manganese (containing less than 0.05 per cent carbon)	MMTC
Ferro-Titanium (containing less then one per cent Aluminium)	MMTC
Ferro-alloys in power form (except ferro-titanium) for welding industry only	MMTC
All mild steel, high carbon steel (other than stainless steel) wire rods in eoils)	HSL
All mild steel, high carbon steel semis, including ingots, blooms, slabs, billets and heavy rounds above 160 mm.	MMTC
Stainless, steel sheets, plates and strips in cut length or in coils	MMTC
All electrical steel sheets, strips other than cold rolled grain oriented, whether in cut lengths or in coils	MMTC
Cold rolled grain oriented electrical steel sheets/strips, either in cut lengths or in coils	MMTC
All mild and special steel shttes, strips and skelp both hot rolled and cold rolled either in cut length or in coils, including defective sheets and sheet cuttings	HSL
All G.P. Sheets and strips either in cut lengths or in coils	HSL
All mild steel and special steel plates including ship building quality, boiler quality and chequered plates, whether in cut lengths or in coils	HSL
All prime tin plates including open top sanitary can quality	HSL
Tin plate waste/waste, tin plate secondaries	HSL
melting scrap	MSTC
Re-rollable scrap in the form of old ships for dismantling	MSTC

TABLE III

Production of Saleable Pig Iron

(In '000 tonnes)

Year	Bhilai	Durgapur	Rourkela	TISCO	IISCO	Total	MISL	Bokaro	Others	Grand total
1963-64	407	418	98	0	203	1,132	—	—	31	1,163
1964-65	349	385	79	23	207	1,043	—	—	42	1,085
1965-66	509	336	68	18	219	1,150	—	—	26	1,176
1966-67	550	201	59	3	172	985	—	—	28	1,013
1967-68	656	278	64	1	197	1,196	—	—	22	1,218
1968-69	591	375	147	2	346	1,461	13	—	31	1,505
1969-70	649	376	113	1	322	1,461	4	—	74	1,539
1970-71	553	330	96	1	235	1,234	30	—	56	1,320
1971-72	476	269	127	2	211	1,085	54	—	91	1,230
1972-73	550	279	70	2	72	973	41	308	93	1,415
1973-74* (Upto Dec '73)	399	55	33	3	91	581	33	521	65	1,208

*Provisional

Sources: 1. Iron and Steel Control Bulletin
2. Statistics for Iron and Steel Industry in India (issued by HSL)
3. Plants concerned.

TABLE IV

Production of Saleable Steel by Main Products

(In '000 tonnes)

Year	Bhilai	Durgapur	Rourkela	TISCO	IISCO	Total
1961-62	551	362	186	1,318	737	3,154
1962-63	803	486	421	1,413	795	3,918
1963-64	884	731	566	1,507	810	4,498
1964-65	916	721	689	1,568	755	4,649
1965-66	1,028	684	782	1,568	723	4,785
1966-67	1,328	550	683	1,568	709	4,838
1967-68	1,252	527	640	1,534	613	4,566
1968-69	1,344	500	773	1,465	640	4,722
1969-70	1,496	494	796	1,440	568	4,794
1970-71	1,549	413	683	1,375	523	4,543
1971-72	1,568	432	598	1,387	493	4,478
1972-73	1,744	477	765	1,456	351	4,793
1973-74* (Upto Dec 73)	1,281	260	516	890	259	3,206

*Provisional

Source:— 1. Statistics for Iron and Steel Industry in India—issued by HSL.
2. Plants concerned.
3. Iron and Steel Control Bulletin.

national steel market has been experiencing a trend of scarcity and spiraling prices. This is mainly due to growth in home demand in exporting countries. The recent fuel crisis has aggravated the situation.

HSL Imports

Keeping in view the domestic demand pattern, availability within the country, imports in the past and, the international scarcity conditions HSL had gone in for anticipatory buying in steel for servicing release orders. They have planed orders for one million tonnes of canalised items. The value of these estimated at about Rs 200 crores.

HSL imports are generally from Rupee Payment area (RPA) and General Currency Area (GCA)—RPA countries are the USSR, Poland, Bulgaria, Romania. Hungary. Czechoslovakia and the GDR. None of these countries except the USSR has any substantial quantity to offer for export. Availability from West Europe or from the UK is poor. Of the CGA countries, Japan, traditionally enjoys price advantage over others and freight rates from Japan to India are lower.

HSL made direct approaches to Japanese mills followed by the visit of a delegation from HSL led by its Chairman. The Japanese mills have agreed to offer to HSL 75,000 tonnes for shipment during 1973-74 and 500,000 tones during March 1974—December 1974. Contracts have been concluded for 210,000 tonnes of which 75,000 tonnes were to be shipped in January, 1974 the balanee commencing from March 1974.

Total ordering by HSL till mid-December, 1973 was to the extent of 595,100 tonnes for 1973-74. Against this and the quantities ordered in 1972-73, a total quantity of about 3,74,000 tonnes arrived during April to October, 1973 at c.i.f. value of about Rs 66 crores. During the same period, HSL servicing of release orders/allocations added up to 3,78,000 tonnes.

Till October 31, HSL received release orders for Rs 86.65 crores in 1973-74 and hada balance of Rs 11.39 crores on April 1, 73. On October 31, 1973. they had release orders for Rs 32.69 crores pending with them.

Imports by MMTC

Imports of steel by MMTC, as a canalising agency in 1973-74 (April-September, 1973) and foreign exchange allocation and utilisations because of the high prices for billets did not facilitate utilisation of Rupee exchange for import of billets.

Steel Bank

The Steel Bank caters to the emergent requirements of priority users on off-the-shelt basis for critical items of steel.

During April-October, 1973, HSL placed orders for 5,870 tonnes of boiler quality steel plates, 7,246 tonnes of channels, angles and joists, 698 tonnes of stainless steel sheets and plates, for the stock of the Steel Bank for supply 'off-the-shelf'.

Arrivals during April—November, 1973 against Steel Bank orders placed in April-October, 1973 and earlier were 11,175 tonnes of which 4,966 tonnes were sold to the various consumers. Th Steel Bank expects further stock by March, 1974 as shown below:

M.S. Sections. . 1,400 tonnes
Boiler quality plates. . . 1,160 tonnes

Stainless steel
sheets and plates. . 59 tonnes

Further ordering of 4,000 tonnes of boiler Quality Plates, 1,000 tonnes of Stainless Steel Sheets and Plates and 75 tonnes of Stainless Steel Pipes and Tubes is under consideration.

Metal Scrap Trade Corporation

The MSTC is now is subsidiary of SAIL. Import of Rerollable Scrap in the form of old ships and Heavy melting Scrap is canalised through MSTC. Export of ferrous scrap is also canalised through MSTC.

During 1973-74 MSTC received release orders for Rs 4.69 crores till the end of November, 1973. Due to the high prices of scrap abroad, it has not been possible to go in for import as the domestic scrap users find the price too high for them.

A statement showing import of various items of steel during 1971-72, 1972-73 and April-August, 1973-74 are given in Table VII.

Export of Mild Steel

With the increase in domestic demand, export of steel has now been reduced to the minimum required to retain market contracts developed in the past and for meeting some requirements of neighbouring countries.

The Export Policy includes items in three groups viz. (i) Freely exportable items subject to a ceiling limit (ii) Exportable on merits; and (iii) Exports not allowed. The policy as formulated for 1973-74 for Iron and Steel, Ferro-alloys and Ferrous Scrap is given below.

Export of Pig Iron.—The Export policy did not specify and ceiling limit for export of basic grade pig iron for foundry grade a ceiling of 50,000 tonnes was provided. During April-December, 1973, HSL exported 390,800 tonnes of pig iron valued at Rs 13.8 crores and had pending contracts entered into for export of 493,000 tonnes of pig iron valued at Rs 25.4 crores for exports during November 1973 to September, 1974. However, during the year, due to power crisis and other production bottlenecks, a situation of shortage in pig iron availability for domestic needs developed. It was, therefore, decided that no fresh commitment for export of pig iron should be entered

Freely Exportable Items Subject to Ceiling Limits

Iron and Steel	*Ferro-Alloys*	*Ferrous Scrap*
(A) Exportable		
Pig Iron (Basic and Foundry grade) Ingots Billets	Ferro Manganese (other than Ferro Manganese containing less than 0.05 percent Carbon)	Cast Iron Borings, Detinned Scrap, Mill Scale Scrap. Iron Skull Scrap, Ingot Moulds.
Heavy and Medium (rolled Structurals —by main Producers)	Ferro Manganese Slag	
Rails G. C. Sheets Alloy Constructional steels. Electrical steel sheets (Dynamo Grade)	Ferro-Silicon Ferro-Chrome (Other than Ferro-Chrome containing less than 0.03% Carbon and Nitrogen bearing Ferro-Chrome/Silica Chrome)	Bottom plate scrap
Wild Steel Bars and rods including wire rods (other than those mentioned in schedule 'B' Appendix 41 of Import Trade Control Policy 1973-74) Cold twisted bars and light structurals rerolled by re-rollers) M.S. Wires.		

— Contd. on P. 875

TABLE V

Production of Finished Steel—Producer-Wise

(In '000 tonnes)

Year	Bhilai	Durgapur	Rourkela	TISCO	IISCO	Total	MISL	Others	Grand Total
1961-62	354	81	178	886	557	2,056	39	844	2,939
1962-63	555	234	427	977	632	2,852	39	1,000	3,864
1963-64	658	374	527	1,035	652	3,246	41	1,009	4,296
1964-65	654	493	626	1,108	637	3,518	39	876	4,433
1965-66	726	511	717	1,084	623	3,661	49	800	4,510
1966-67	722	391	638	1,002	576	3,389	60	1,042	4,491
1967-68	690	342	602	1,002	451	3,087	70	896	4,053
1968-69	903	383	738	1,048	512	3,584	77	1,241	4,902
1969-70	1,134	395	758	1,002	460	3,749	40	1,259	5,048
1970-71	1,215	337	593	983	464	3,592	24	1,272	4,888
1971-72	1,030	337	561	1,002	449	3,379	44	1,538	4,961
1972-73	1,537	359	715	917	293	3,821	54	1,638	5,513
1973-74* (Upto Dec '73)	1,037	177	453	619	235	2,521	36	900	3,459

*Provisional

Sources: 1. Statsitics for Iron an Steel Industry in India-issued by HSL
2. Iron and Steel Control Bulletin.
3. Plants concerned.

TABLE VII

Imports of Iron and Steel

(Quantity in tonnes and value in Rs lakhs)

Items	1971-72 Quantity	1971-72 Value	1972-73 Quantity	1972-73 Value	1973-74 Quantity	1973-74 Value
Pig Iron, Sponge Iron etc.	704	13	571	12	360	7
Ferro Alloys	7,436	285	1,618	73	134	15
Cast Iron	1,240	78	1,180	84	1,459	118
Mild Steel	10,86,399	1,68,30	9,64,096	1,50,28	3,24,639	61,37
High Carbon Steel	1,73,803	33,03	1,96,457	31,10	42,071	8,27
Alloy Steel	87,736	33,99	58,837	31,48	34,118	15,79
Steel Castings and Forgings	6,394	3,96	6,271	4,76	2,929	2,87
Iron and Steel Scrap	18,427	1,75	8,053	80	13,085	1,33
Total	13,82,139	2,44,79	12,37,083	2,20,11	1,18,795	91,03

Source: Basic Data derived from DGCIS monthly statistics of Foreign Trade of Indi

into, till the situation improved. (Table VIII & IX)

Export of Ferrous Scrap.— Keeping in view the international shortage and need for better utilisation of available furnace capacities, the export policy was reviewed and in November, 1973, MSTC, which is the canalising agency for export of ferrous scrap, was advised to stop export of MSTB and Bundles and transfer of broken/semi-broken ingot moulds, Bottom Plate scrap and CI Borings to merit list, Further, the ceiling for skull scrap was fixed at 12,000 tonnes and for silicon steel sheet cuttings, a ceiling of 1,000 tonnes for the present was specified subject to ensuring export of only those quantities which cannot be used within the country (Table X).

Freely Exportable Item Subject to Ceiling Limits

Iron and Steel	*Ferro-Alloys*	*Ferous Scrap*
(B) Exportable on Merits.		
All items other than those specified under A and C.	Others not specified for free export	Mild steel turnings and borings in bulk/loose in bags/briquettes. No. 2 quality sheet cuttings and punchings lose/in bags/hand bundles/ hydraulically pressed bundles/ strikers. No. 2A and No. 3 quality sheet cuttings and punchings in hand bundles hydraulically pressed / bundles/ bales. Steel skull scrap Tool and alloy steel scrap (containing alloying elements like tungsten, molybdenum, vanadium etc.) other than stainless steel scrap. Silicon sheet cuttings. Broken/discarded chilled rolls.
(C) Exports Not Allowed.		
Iron & Steel other than cast iron pipes & fittings Slabs.		Heavy melting scrap Stainless steel scrap. No. 1 quality sheet cuttings and punchings loose/in bags hand bundles/hydraulically pressed bundles strikers.
Blooms Plates Tinplate prime secondary Waste/waste. Chequred plates Skelp G. P. Sheets C.R. Sheets and coils		
Wheels and Tyres Axles		Rejected castings scrap (other than cast iron scrap) Defective Slabs/ Blooms Defective billets/billet scrap. Scrapped and unserviceable rails. Other rerollable scrap.
Sleeper (Pressed) Steel wires other than M.S. Wires. Wire rods other than mild steel wire rods.		

Export of Ferro-Alloys.— With the development of the ferro-alloy industry within the country, the categories available as surplus to the domestic requirements are permitted for export. The main items in the export list are ferro-manganese and ferro-manganese slag, ferro-chrome, silico-chrome and ferror silicon. (Table XI)

During the year, it has been the endeavour of Government to meet the requirements of exporters of finished products like engineering goods in preference to export of steel. In this context, export of steel and ferro-alloys has been restricted to the barest minimum. The ministry of Commerce is operating a scheme through HSL for the import and supply of imported steel to engineering goods exporters at JPC price/HSL Ruling Price plus two per cent.

TABLE VI

Production of Finished Steel-Category-wise

(Figures in '000 tonnes)

Category	1970-71	1971-72	1972-73	1973-74* (Upto Dec Dec '73)
A. Mild Steel				
Light and Medium Structurals	641.7	512.0	628.1	316.0
Heavy Structurals	238.3	192.9	207.1	103.0
Heavy Rails				
1st class	243.7	259.7	269.2	158.0
2nd class	145.4	109.6	53.5	44.0
Light Rails	5.5	6.4	3.9	3.0
Black Sheet (Corr)	..	0.7	0.3	.
Black Sheet (Plain)				
Hot Rolled	212.4	219.1	194.1	126.0
Cold Rolled	85.2	96.1	96.2	62.0
G.P. Sheets	72.9	57.7	70.6	45.0
G.C. Sheets	117.2	108.9	92.9	62.0
Plates	271.4	274.9	310.3	167.0
Bars	1,055.7	1,153.8	1,391.7	1,025.0
Rods	517.6	562.8	708.6	464.0
Wires, Black	48.5	81.2	98.3	80.0
Galvanised,	34.8	52.1	58.8	33.0
Others	52.3	90.9	84.2	62.0
Hoops	6.6	8.2	8.2	6.0
Strips				
Hot Rolled	91.6	105.6	175.9	74.0
Cold Rolled	100.1	102.5	100.5	89.0
Box Strappings	6.7	5.1	3.0	2.0
Steel Sleepers	58.8	67.7	55.9	35.0
Tinplates	133.4	114.5	115.6	56.0
Skelp	242.6	232.7	244.0	142.0
Wheel, Tyres & Axels	37.5	32.0	30.4	20.0
Special Sections	57.5	75.4	79.2	32.0
Total: Mild steel	4,477.4	4,522.5	5,080.5	3,206.0
B. Total Alloy & Special Steel	410.9	438.5	432.9	251.0
Grand Total (A &B)	4,888.3	4,961.0	5,513.4	3,457.0

*Provisional

TABLE VIII

Category-wise Exports of Iron and Steel During 1971-72, 1972-73, and 1973-74, with Fob Value

(Quantity in thousnd tonnes and value in Rs lakhs)

Category	1971-72		1972-73		1973-74 (April to Dec.)	
	Quantity	Value	Quantity	Value	Quantity	Value
Pig Iron	218.1	7,43.85	406.7	13,23.23	390.8	13,76.21
Ingots	—	—	—	—	—	—
Billets	—	—	—	—	—	—
Rails	90.0	7,99.83	10.3	74.89	15.7	1,87,99
Structurals	106.7	9,58.33	53.1	4,93.21	0.9	9.32
Rounds/Rods	4.5	37.62	4.5	40.60	5.3	78.35
GC Sheets	0.8	9.19	2.9	36.46	1.7	36.16
Total	420.1	25,48.82	477.5	19,68.39	414.4	16,88 03.

Source: Steel Exporters' Association

TABLE IX

Statement Showing Country-wise and Category-wise Exports of Iron and Steel, During 1972-72 and 197374- (April to December)

(In tonnes)

Country	1972-73					1973-74 (April to December)				
	Rounds/ Rods	Structu-turals	Rails	Pig Iron	GC Sheets	Rounds/ Rods	Structu-turals	Rails	Pig Iron	GC Sheets
Bangladesh	—	—	—	—	2,899	—	—	—	—	1,652
Burma	—	—	5,938	—	—	—	—	—	—	—
Dammam	—	—	—	—	—	694	—	—	—	—
Dubai	—	—	—	—	—	198	—	—	—	—
Hong Kong	—	645	—	—	—	—	—	—	—	—
Iran	1,198	7,371	—	—	—	2,891	599	—	—	—
Indonesia	1,484	3,561	—	—	—	—	—	—	—	—
Japan	—	—	—	1,74,629	—	—	—	—	—	1,42,941
Kenya	—	775	—	—	—	—	—	—	—	—
Korea	—	—	—	—	—	—	—	15,747	6,025	—
Kuwait	—	40	—	—	—	1242	—	—	—	—
Malaysia	—	59	—	—	—	—	34	—	—	—
Philippines	—	—	—	7,005	—	—	—	—	—	1
Sudan	358	169	—	—	—	—	—	—	—	—
Singapore	—	50	—	2,291	—	—	119	—	26,252	—
Thailand	—	479	—	—	—	—	170	—	—	—
Taiwan	—	—	—	6,906	—	—	—	—	—	—
USSR	—	39,917	—	1,85,909	—	—	—	—	—	2,15,608
UAR	1,479	—	4,400	—	—	—	—	—	—	—
Yugoslavia	—	—	—	9,975	—	—	—	—	—	—
Total	4,519	53,066	10,338	4,06,715	2,899	5,324	922	15,747	3,90,826	1,652

Total exports of 1972-73=4,77,537 tonnes

Total Exports April 1973 to December, 1973-74-4,14,471 tonnes

Source: Steel Exporters' Association.

TABLE X

Export of Iron and Steel Scrap

	1971-72		1972-73		1973-74 (April-August)	
	Quantity (Tonnes)	Value (Rs Lakhs)	Quantity (Tonnes)	Value (Rs Lakhs)	Quantity (Tonnes)	Value (Rs Lakhs)
Iron and Steel Scrap for Re-melting						
Re-forging, Filling etc.	26,706	40.53	22,707	43.44	4,124	10.84
Wornout Articles	—	—	—	—	—	—
Others	96.520	124.27	52,888	81.14	37,403	113.47
Sub Total	123,226	164.80	75,595	1,24,58	41,527	124.31
Iron and Steel Scrap used as Prime Varieties						
Bars ends etc.	3.329	5.83	—	—	—	—
Sheet Cuttings (Uncoated)	9,336	19.78	—	—	—	—
Sheet Cuttings (Coated)	—	—	—	—	—	—
Other Remnanats	10,137	9.09	2,943	3.51	232	0.70
Sub Total	22,802	24.70	2,943	3.51	232	0.70
Grand Total	1,46,028	1,99,50	75,538	1,28.09	41,759	125.01

Source: DGCIS Monthly Statistics of Foreign Trade of India

TABLE XI

Category-wise Exports of Ferro-Alloys

	1971-72		1972-73		1973-74 (April-August)	
	Quantity (Tonnes)	Value (Rs lakhs)	Quantity (Tonnes)	Value (Rs lakhs)	Quantity (Tonnes)	Value (Rs lakhs)
Ferro Alloys						
Ferro-Manganese below 3% Carbon	407	4.29	2,461	24.03	2,533	26.17
Ferro-Manganese over 3% Carbon	17,300	1,90.64	72,669	6,30.99	12,000	1,30,69
Ferro Chrome	3,878	98.45	2	0.12	915	14.30
Ferro Silicon	—	—	2,025	15.39	—	—
Others	—	—	69	0.80	—	—
Total	21,585	2,93.38	77,226	6,71.33	15,448	1,71.16

Source: DGCIS Monthly Statiscis of Foreign Trade of India.

Import-Mix of Selected Gulf Countries

Category	Kuwait			Bahrain			Oman		
	1970	1971	1972	1970	1971	1972	1970	1971	1972
Million US $	701.34	792.17	894.92	201.92	264.61	252.26	21.86	39.70	53.79
Total Imports	%	%	%	%	%	%	%	%	%
Machniery & transport equipment[a]	36.0	33.2	34.0	29.8	31.7	39.5	16.7	25.0	27.9
Manufactured goods classified by materials[b]	21.3	22.0	21.5	28.6	29.1	26.6	23.7	18.0	20.0
Miscellaneous manufactured articles[c]	16.0	16.3	18.0	14.0	13.3	15.7	5.1	4.8	5.0
Chemicals[d]	4.6	4.6	4.0	3.9	6.7	6.2	2.4	4.6	4.3
Minerals, fuels, lubricants & related materials[e]	0.7	0.9	1.0	1.0	1.0	1.3	4.4	7.0	4.8
Food live animals[f]	17.0	17.6	17.0	16.8	14.0	14.8	39.4	36.3	30.2
Beverages & tobacco[g]	2.5	2.6	2.5	3.2	2.4	2.9	1.6	3.1	3.5
Category	**Qatar**			**Abu Dhabi**			**Dubai**		
	1970	1971	1972	1970	1971	1972	1970	1971	1972
Million US $	76.37	128.97	151.82	88.82	118.29	190.92	239.47	264.76	368.67
Total Imports	%	%	%	%	%	%	%	%	%
Machinery & transport equipment[a]	29.0	47.2	47.0	48.3	35.0	48.0	22.7	23.3	21.4
Manufactured goods clasified by materials[b]	31.1	16.4	17.5	12.4	11.0	24.0	34.4	33.0	33.2
Miscellaneous manufactured articles[c]	7.5	7.5	18.2	10.2	25.0	6.6	7.3	1.3	11.7
Chemicals[d]	4.7	4.7	4.5	3.0	3.0	3.4	2.0	2.6	1.8
Minerals, fuels, lubricants & related materials[e]	1.1	1.0	0.9	4.0	3.0	3.5	2.0	2.5	6.0
Food live animals[f]	21.8	19.7	18.7	11.4	11.4	9.0	14.0	14.0	13.0
Beverages & tobacco[g]	1.6	1.5	1.3	3.0	3.0	1.7	0.6	1.0	1.0

[a] Capital equipments, sewing machines, diesel engines, water pumps, industrial machinery, cables & wires, airconditioners refrigerators, electrical appliances, radios, batteries, road-transport vehicles, autoparts and cycles & parts.

[b] Rubber tyres & tubes, paper products, textiles & made-up articles, iron & steel, plywood and hard boards, cement, tiles, non-ferrous metals, tools and household ware.

[c] Sanitarywares & fittings, furniture, clothing, footwear, photographic equipment, medical equipment, tape-recorders, toys, and stationery.

[d] Paints, dyes, chemical compounds, insecticides, sulphuric acid, medicines, pharmaceuticals, soaps and perfumes, essential oils, plastic manufactures and explosives.

[e] Fuel & lubricating oils, coal, coke & bitumen and gas natural & manufactured.

[f] Sheep & goats, meat & meat preparations, dairy products & eggs, cereals, fruits & vegetables, tea, coffee, spices, confectionery and sugar.

[g] Alcoholic/non-alcoholic beverages, mineral water, cigarettes and tobacco.