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Strength for shipping

ON THE invitation of the government of India, a team of technical experts from Yugoslavia came to India in September this year and visited Haldia, Paradeep, Goa and other places in order to select a suitable site for locating a shipyard. This month a technical team from Britain is also due to come on a similar mission. The government of India, however, should be able to make up its mind on this issue without further delay since already a great deal of time has been spent in assessing by Indian experts the merits of various sites for building a shipyard. In view of the crucial importance of shipping to the development of our foreign trade, the government should help to acclerate the implementation of the expansion programme of the existing shipyards, set up new capacity for building ships, and what is also equally urgent and important, provide effective incentives to the shipping companies to augment their fleet and operate profitably.

The export policy resolution of the government of India, adopted in 1970, laid great emphasis on improving the shipping facilities. It declared that the government was determined to intensify its efforts to expand the national merchant marine, to provide new services and strengthen the existing ones, and to secure fair freight treatment for our export cargo. But this aspect of the export policy resolution also seems to have received inadequate attention from the government. There has been hardly any export seminar or workshop held in recent months at which exporters have not voiced vigorously their grievances relating to the absence of shipping facilities of various types as well as the excessive and discriminatory freight rates.

A glaring instance of New Delhi's lack of realism in regard to the growth of the shipping industry is seen in its approach to the development rebate. This was a very useful and effective incentive which greatly facilitated the expansion of the shipping industry. But the government decided to withdraw this facility from the shipping industry as well. The fact that shipping is a highly capital intensive industry, requiring substantial amounts of money for its expansion, was not properly appreciated by the union Finance ministry. The shipping industry repeatedly represented to the government of India that the withdrawal of the development rebate would seriously cripple its capacity to expand rapidly and that the alternative of initial depreciation would be only a feeble substitnte. Even the National Shipping Board recommended the continuation of the development rebate.

The government therefore has decided to extend the rebate for another year but it does not seem to realise that offering incentives in a half-hearted manner will only create uncertainty for the shipping industry and weaken its effort and enthusiasm to go ahead with its schemes of expansion. Countries like Britain, Greece and Norway have been able to expand their shipping industry vigorously mainly by the grant of liberal incentives. New Delhi therefore cannot afford to be niggardly in this matter if it is serious in giving a big boost to export promotion.

The fourth five-year Plan had fixed a target for shipping at four million GRT with 3.5 million GRT in operation and 0.5 million GRT on order at the end of the Plan period. Against this target, the tonnage in operation and under construction was 3.02 million GRT and about two million GRT respectively. It may be that the fourth Plan's target has not only been reached but even exceeded. But this should not give the impression that we have been making rapid progress in shipping. The fact is that the bulk of our trade is in commodities like iron ore, foodgrains, fertilisers and petroleum products, in the carriage of which the overall share of Indian shipping is only about 16 per cent. The present tonnage of Indian shipping is given in the table on the next page.

There is therefore an imperative need to strengthen the shipping industry so that it will be able to achieve the target in the fifth Plan of 8.6 million GRT. The government of India should sympathetically consider the financial difficulties of the

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shipping industry and create suitable conditions to enable it to plan its programme with confidence on a long-term basis. In his chairman's speech at the annual meetings of the India Steamship Company on September 19 and the Ratnakar Shipping Company on September 20 Mr. K. K. Birla made several constructive suggestions for giving a strong fillip to the expansion of the shipping industry. One of them was that the Shipping Development Fund Committee (SDFC) should be provided with sufficient funds so that it could disburse loans promptly.

The present practice of replenishing the SDFC by annual budgatary allocations has not worked smoothly since, due to the paucity of funds, it has not been possible for the shipping companies to secure loans at the appropriate time. The shipping companies have to rely heavily on the money available from the SDFC since the raising of foreign exchange loans has become more difficult because of the high interest rates and the need to repay them over a period of seven to eight years. Mr Birla said that the provision of Rs 243 crores in the fifth Plan to be advanced to the shipping companies inclusive of the spill-over provision of Rs 37.57 crores from the fourth Plan, and an additional Rs 10 crores provided for subsidising the cost of the concessional rates of interest on its loans, needed a careful review. Further, the relaxation of the debt equity ratio from 6:1 to 10:1 should be extended to all shipping companies.

Another suggestion made by Mr Birla related to the manner of disbursing the loan by the SDFC. He pointed out that, although the SDFC granted a loan to the extent of 90 per cent of the price of the ship, the amount was actually disbursed over a period of years. But the repayment of the loan starts immediately after the delivery of the ships with the result that, at any point of time, the actual maximum loan outstanding will only be about 50 per cent of the cost of the ship. This takes away the very benefit that is intended to be given to the industry. Mr Birla therefore suggested that the mortgage of the ship itself should be considered as a sufficient security for the loan guarantee.

Present Tonnage of Indian Shipping

	Coastal		Overseas		Total	
	No. of ships	GRT	No. of ships	GRT	No. of ships	GRT
As on April 1, 1973	59	201,182	201	2,453,257	260	2,654,439
Tonnage scrapped/sold	9	38,034	5	30,373	14	68,407
Tonnage transferred from overseas to coastal	3	26,340	3	26,340	..	..
Tonnage added	5	41,788	17	3,89,437	22	4,31,225
Tonnage as on January 1, 1974	58	2,31,276	201	2,785,981	268	3,017,257

An impediment to the rapid development of the industry is the stipulation by the government of India to the effect that when the companies decide to buy ships abroad they should place orders for a similar tonnage on the Indian shipyards. Mr Birla pointed out that with the order books full till 1978 in most Indian yards, the *pari passu* clause had become impracticable to implement. Moreover, the existing capacity of the shipyards is also very limited. It is clear therefore that New Delhi has to do a great deal more to enable the shipping industry to develop on sound lines. Mr Birla said that Mr Raj Bahadur, while he was minister of Shipping and Transport, had given an impetus to shipping by his "dynamic policy" and he added that Mr Kamalapathi Tripathi who is now handling this portfolio "with his acumen, administrative experience, and foresight is ideally suited to further that policy with such innovations as would help the shipping industry". It remains to be seen how soon, and to what extent, Mr Tripathi will be able to fulfil the high hopes that he seems to have raised in the shipping industry.

Cloth to garments

SOON AFTER the last world war ended, India was briefly the world's largest exporter of cotton textiles. Although this was an accident caused by the dislocation or disruption of the economies of the leading cotton textile countries, Japan and the UK, which had been battered by the war, it did give India a vantage point from which it could have built itself up as a strong and durable contender for the top place in the world textile economy. It was clearly within the power of the Indian cotton textile industry to aspire for this ranking. War demands for cotton textiles had forced the industry to carry out an internal revolution of truly large dimensions within a period of three or four years. Although the machinery was mercilessly overworked, leaving the industry with heavy arrears of replacement or renovation to clear up, it had also been possible for the mills during this period to learn, under high pressure, how to diversify production in response to new patterns of consumption or maximize output from available capacity and, in the course of this learning process, also earn relatively large profits some of which could in the future be used for modernization and expansion.

Unfortunately, in the years after independence, no clear view was taken by policy-makers in government of the challenges and opportunities facing this industry both in the home market and abroad. On the contrary, controls on prices and production were imposed in a way which greatly discouraged further investment in the growth of the industry. Worse still, there even came to be a strong tendency to disinvest, in the sense that the reserves or other internal resources thrown up by war-time earnings, which would normally have been invested in the industry itself, were either being frittered away or diverted to the setting up of other industries considered to have greater chances of functioning more profitably in the coming years and, above all, without attracting the restrictive ministrations of the government.

Added to this was the thinking in certain influential political circles, buttressed by the notorious proposition in the Mahalanobis' plan frame for freezing cloth production in the organized mill sector during the second plan period for the supposed benefit of the decentralized textile sector. The grosser advocacies of the plan frame were rejected, no doubt, but there still persisted obscurantist attitudes supported by, among others, short-sighted trade union leaders who successfully opposed in the fifties the introduction of automatic looms. Coupled with the fixation of miserly targets of *per capita* consumption of cloth during successive plan periods, this policy posture effectively succeeded in frightening off both the potential and the performance of the cotton textile industry in both domestic and foreign markets.

Thus it was that, although India had scored an export achievement of about 1,100 million metres of piecegoods in the year 1950-51, it then started losing ground steadily in the face of the re-building and re-emergence of the cotton textile industry in Japan as a powerful force in the international trade in cotton textiles. Not much later, Hong Kong, South Korea and Taiwan became powerful competitors for the world cotton textile business both in respect of the less expensive varieties and as regards sophisticated fabrics. Although Japan lost fast enough its comparative advantage in labour costs, its rapid advances in cotton textile technology enabled it for a long time to maintain its pre-eminent position in the international trade in cotton textile manufactures.

It was only later as Japanese export production deliberately began to move over to steel, heavy machinery, electronics, automobiles, chemicals and other techologically sophisticated manufactures, that Japan began to emphasize less and less its concern with cotton textile exports, a change strengthened also by the rigorous practice of protectionism against Japanese textile imports by other countries including those which were industrially advanced. At this point Hong Kong, South Korea and Taiwan forged ahead in the international trade in cotton textiles while, during all this chopping and changing of patterns of the world trade in cotton textiles, Indian industry could barely manage to struggle at levels of exports much below what sound and farsighted planning could have helped it to reach. As a matter of fact, by 1958-59, exports of mill-made cotton piecegoods had declined to 517 million metres, but this was not by any means the end of the story. Even in 1973-74, when textile exports recovered sharply after a steady decline, the quantity of cotton fabrics shipped abroad was only 648 million square metres which, nevertheless, was a substantial improvement over the export figure of 387 million square metres for 1971-72.

It must be noted, however, that India had been building up a growing trade in the export of cotton apparel in recent years. The earnings from this source were less than Rs 2.7 crores in 1967-68, but they have been increasing steadily since, touching nearly Rs 14 crores in 1971-72 and about Rs 30 crores in 1972-73. There has been a big spurt in 1973-74 during which the export of cotton apparel has earned the country very nearly Rs 50 crores. It seems to us that, while exports of cotton textile fabrics would continue to account for the bulk of the earnings from this trade, India could expect a fairly fast rate of growth in the export trade in cotton textile garments.

Speaking at the all-India garment fair held in Bombay a few days ago, Mr P.N. Amersey, president of the clothing manufacturers' associations, made an important point when he said that this country enjoyed several favourable circumstances bidding for leadership in the world textile garment trade. As he pointed out, a strong and wide base has been established by the basic textile industry which makes not only a wide variety of cotton textile fabrics but also man-made textiles, both cellulosic and synthetic. This could be vastly helpful to the export drive in made-up garments since blended fabrics are enjoying a large demand the world over. Here it may also be noted that the more efficient cotton textile mills have been steadily improving the quality and sophistication of their fabrics keeping in view world trends in requirements of wash-and-wear qualities and changes in fashion in respect of designs, textures and other attributes.

As regards labour costs, our wages have been rising perhaps even faster than productivity but this situation could be remedied provided modernization and technological advances are undertaken in time and on an adequate scale. Meanwhile labour costs of competing Asian manufacturers have been rising even faster and this has resulted in Hong Kong, for instance, no longer enjoying any advantage in this respect. Hopeful too are the attitudes of the industrially advanced countries which, partly out of self-interest aud partly on an enlightened view of international trade, are increasingly inclined to encourage and facilitate textile fabric and garment imports from developing countries.

The EEC in particular has been quite forthcoming, an indication of which is that the Indian cotton trade has now been persuaded that it could sell well enough in some European countries provided it could offer the right goods at the right prices in the right quantities and at the right time. Fortunately, this awareness has coincided with dynamic and even aggressive marketing efforts on the part of the garment industry and exporters.

It is true however that even as tariff or other trade restrictions on the import of textile manufactures from developing countries are being relaxed by industrially advanced countries, the latter are beginning to experience some recession in their economies. This has already begun to result in some resistance developing against imports into those countries and the international trade in textiles has started feeling the effects of this development. But, as Mr G.D. Birla, inaugurating the garment fair has argued, there is no need for our exporters to take fright; on the contrary, they should see in this development a challenge that could get the best out of them in terms of improving the quality of export goods as well as bringing down the cost of production.

At this point, however, what policies the government would follow for the textile industry in the immediate future could be very important indeed. The government has just passed an ordinance acquiring for public ownership 103 'sick' textile mills the management of which had been taken over earlier. While this act has the advantage of settling and perhaps stabilizing the future of these particular textile mills, it is to be hoped that the government will remind itself on this occasion that it is more important to avoid policies which result in mills falling sick than to invest public funds in the management or ownership of mills after they have become sick. It is highly important here that the priorities should be right.

First there is need to strengthen the foundations of the textile industry by vigorously promoting an improvement in the yield per acre of the cotton crop and ensuring that the size of the crop itself increases steadily. Secondly, since cloth prices have risen to a level where the sellers' market is rapidly disappearing within the country, it should be possible for the government to do away with production, price or distribution controls.

We are aware that there is a real social need for the output of popular varieties of cloth being increased so that prices are not driven up through shortages but we do believe that the freer functioning of the textile industry, with emphasis placed properly on increasing the availability of raw cotton and the creation of a climate which would favour mill management investing confidently in modernization and expansion, would lead to a proper balance between the pattern of production and the clothing requirements of the people. If necessary, however, there could always be a voluntary agreement for allotting a certain percentage of loom capacity for the manufacture of a few popular varieties of fabrics provided the government does not also insist simultaneously on these varieties being sold at uneconomic prices; once the industry as a whole is permitted to grow dynamically, it should be possible for whoever wants to buy these qualities of cloth to do so at reasonable prices through the normal trade channels.

The government is quite properly keen on stepping up exports so that the country could pay for urgently needed imports. For the sake of this praiseworthy objective, New Delhi should realize that an industry can perform well on the export front only when the government's policies are sound in their totality and helpful in keeping the industry in good shape in terms of the home market as well.

Borrowing right and left

WITHIN BARELY one month of the floatation of loans by 16 state governments for an aggregate gross amount of Rs 226.59 crores and net borrowing of Rs 128.10 crores, 13 new state loans have been raised with a notified amount of Rs 75.25 crores*. Eight state governments have effected re-issues for Rs 60.50 crores while five small state governments, Himachal Pradesh, Nagaland, Manipur, Meghalaya and Tripura have asked for Rs 14.75 crores. The states have thus been helped to raise a record amount of Rs 218.40 crores against Rs 165.88 crores in 1973. The Reserve Bank is apparently determined to prevent the emergence of sizeable uncovered deficits in the state budgets for 1974-75 and an effort is being made to mobilise the maximum amounts possible through issues of open market loans.

It was obviously decided to stagger the borrowing programmes of the states as in the first tranche only 16 state loans were offered for public subscription on August 27, 1974 and all the loans were oversubscribed in two days. Every state government was enabled to accept subscriptions up to 10 per cent in excess of the notified amounts. Thus after repaying maturing loans for Rs 94.89 crores, a net amount of Rs 128.10 crores was raised in the first stage. As the requirements of eight states were not fully met, and only three states, Jammu and Kashmir, Haryana and Punjab raised larger net amounts in the first attempt itself, reissues of earlier loans have been effected for the first time in the history of state government borrowing in recent years.

The states now effecting reissues are Andhra Pradesh Rs 12.75 crores, Gujarat Rs 1 crore, Karnataka Rs 6.75 crores, Kerala Rs 1 crore, Maharashtra Rs 9.75 crores, Rajasthan Rs 2.25 crores, Uttar Pradesh Rs 18.25 crores, and Tamil Nadu Rs 8.75 crores. The five states of Himachal Pradesh, Manipur, Meghalaya, Nagaland and Tripura are asking for Rs 1.25 crores, Rs 3.25 crores, Rs 3.50 crores, Rs 5.25 crores and Rs 1.50 crores respectively. Tripura is coming on the market with a new loan for the first time after it became a state. The deficiencies in net borrowing in respect of some state governments has therefore been made good through re-issues and in the final tally eight state governments have been allowed to raise larger net amounts with eight other major state governments being content with only more or less the same net amounts raised in 1973. The five smaller states of course are raising

*Subscriptions to the 13 six per cent state loans 1984 have amounted to Rs 82.76 crores as against the notified amount of Rs 75.25 crores. Subscribers to all loans will receive full allotment.

as much as Rs 16.23 crores (including over-subscription) against only Rs 6.89 crores on the former occasion*.

The Reserve Bank has not bothered to revise the basis of borrowing as all the loans carry interest at six per cent and mature after ten years. The issue prices have been fixed uniformly at a discount of one per cent. These were the same terms as applicable to the loans issued on August 27, 1974, the list for 13 new loans in the second tranche being opened on September 27, 1974. The absence of any change in the terms of state loans is perhaps due to the fact that the Reserve Bank is not engaging itself in open market operations in this class of securities and there is no disposition to adopt a logical approach in respect of yields on new loans in relation to the interest rates prevailing in other directions. It is significant that against a Bank rate of nine per cent, state loans are being offered at six per cent, while the scheduled commercial banks are charging as high as 16 per cent even in respect of fully secured loans.

The compulsion to invest large amounts in new loans and bonds of the central and state governments and public bodies with the maintenance of a higher liquidity ratio, not to speak of the disability arising out of a higher cash reserve ratio, has been mainly responsible for inordinately high interest rates being charged by banks on advances to industry and trade. The strain on the banking system is bound to be felt severely as a result of heavy borrowing by the governments and public bodies. The states have already secured for their share an additional amount of Rs 45 crores. The public bodies may also attempt to raise an extra Rs 25 crores while the central government is yet to complete its target of Rs 700 crores for gross borrowing. It has still to issue loans for a net amount of Rs 261.65 crores.

While the Industrial Finance Corporation is seeking to issue bonds for Rs 10 crores on the same basis as the state governments and other public bodies are expected to issue also their own bonds there is speculation in money market circles whether the central government will attempt to exceed the target for gross borrowing by at least Rs 50 crores. In that event, new loans will have to be issued for Rs 311 crores. This amount cannot obviously be raised in one stage before the onset of the 1974-75 busy season. It can at best be hoped to mobilise Rs 150 crores before the end of October and again effect reissues in December besides handing over some blocks of loans to the Reserve Bank for effecting tap sales.

The anxiety of the central government to avoid large-scale deficit financing on its own account and restrain also the state governments from using the overdraft facilities provided by the Reserve Bank beyond the stipulated amounts will necessarily create problems for the credit institutions. Even assuming that the Life Insurance Corporation and Provident Funds will be investing larger sums in new loans and bonds, can it be expected that these institutions will be in a position to subscribe additionally Rs 100 crores in 1974-75? As for the scheduled commercial banks, their ability to subscribe to new loans is dependent on the rate of growth in deposits and a reduced demand for funds from industry and trade and borrowers in the priority sectors.

An analysis of the trends in deposits and advances of the scheduled commercial banks in the first eight and a half months of 1974 shows that the Reserve Bank's new strategy will result in a considerably reduced availability of resources for other classes of borrowers. The increase in deposits of member banks in the first 8½ months has been only to the extent of Rs 1,086.77 crores against Rs 1,173.38 crores in the corresponding period in 1973 with advances rising by Rs 801.43 crores against Rs 685.41 crores respectively. The decline in growth in deposits in the period under reference as compared with the same period in 1973 was thus Rs 86.61 crores, while there was an increase in advances in 1974 by Rs 116.02 crores over the growth under this head in the same period in 1973.

With the need to raise additionally Rs 150 crores on central account before the end of October and a siphoning away of Rs 125 crores through state loans and bonds of public bodies, banks, the Life Insurance Corporation and provident funds will have to put up Rs 275 crores in September and October, mortgaging fully the fresh additions to resources of the Life Insurance Corporation and provident funds and a new growth in deposits of banks and even a portion of the contraction in advances of the latter. How then will it be possible for the commercial banks to reduce the outstanding amount under the bill market scheme by over Rs 50 crores and meet also the needs of the busy season at least in the earlier stages without being obliged to borrow heavily from the central banking institution?

The stringency in the money market will not therefore be relieved and the rate of growth in bank deposits can remain unaffected only if there are prompt payments against outstanding bills by the central and state governments. The Reserve Bank has to take full note of the new developments in the money market and formulate the credit policy for the new busy season appropriately. Any inflexible policy may have serious harmful effects especially as it is being already complained that the inability of the banks to provide larger credits to industrial units even for genuine purposes is hampering production.

Several units are reported to have experienced considerable difficulty in effecting tax payments because of a difficult ways and means position. It has also been not possible to effects sales of manufactured goods to the desired extent because of the difficulties encountered in finding funds for paying excise duties. The accumulation of stocks may well result in shortages in the open market and even compel the manufacturers concerned to reduce output if these accumulations have a recoiling effect. A stage has now been reached where the Reserve Bank has to take a correct overall view and decide about an equitable allocation of available resources, particularly as the banks are fully committed and fresh expansion of credits is determined by new additions to deposits and the facilities provided by the Reserve Bank by way of refinance and under the bill market scheme.

*Subscriptions were as follows: Andhra Pradesh Rs 13.89 crores, Gujarat Rs 1.10 crores, Himachal Pradesh Rs 1.37 crores, Karnataka Rs. 7.42 crores, Kerala Rs 1.14 crores, Maharashtra Rs 10.73 crores, Manipur Rs 3.58 crores, Meghalaya Rs 3.88 crores, Nagaland Rs 5.79 crores, Rajasthan Rs 2.48 crores, Tamil Nadu Rs 9.62 crores, Tripura Rs 1.66 crores, and Uttar Pradesh Rs 20.10 crores. All these sums will be accepted in full.

Farm planning must not gamble on rains

C. Subramaniam

AM happy to have this opportunity of ttending a FAO conference after a apse of several years. At the outset, I vould like to express our appreciation of everal initiatives taken by Dr Umali and is colleagues in furtherance of the accepted goals of agricultural growth coupled vith social justice.

In the mid-1960s, I had participated n several FAO conferences and meetings, some of which related to the formulation of the Indicative World Plan. There was then much pessimism in the world about the capacity of the developing nations to increase food production at a rate which can keep pace with the increase in population. The Indicative World Plan was a bold attempt to develop criteria and indices for agricultural growth and to provide a data framework within which member-government of FAO could take appropriate policy decisions to promote rapid agricultural development and trade. Though recent events have shown that such Indicative Plans could become obsolete rapidly, the steps taken by FAO and national governments in the mid-sixties to focus attention on a technological upgrading of ancient agricultural systems, did succeed in getting agriculture to move forward.

breathing time

Towards the end of 1960s, there was much optimism about man getting at least a breathing time, thanks to the new agricultural technology in wheat and rice, for him to achieve stability in population growth. Unfortunately, the global weather disaster of 1972 has made even this breathing spell very short. Once again, Malthusian checks on population growth like hunger, famine, disease and conflict loom on the horizon as the means by which equation between supply and demand may be achieved on the food front. This is indeed a shame since during the last ten years we have seen a great technological explosion leading to unbelievable achievements such as landing of man on the moon and transferring genes from one species to another through what is called "plasmid engineering". We must find out what has gone wrong and try to reorient our priorities and programmes in such a way that we deploy our best talents and resources to overcome hunger and malnutrition. Evolutionary process, to judge by history, is such that species which do not learn to adapt themselves quickly to altered conditions of environment are likely to decay and perish.

> Text of a speech on September 24 at the 12th Session of the Regional Conference of the FAO held in Tokyo.
>
> A World Food Conference is to be held in Rome from November 5 to 16 under the auspices of the FAO.

I do not know how much scientific basis there is behind the various predictions now being made, on some likely changes in global weather pattern. It cannot be denied, however, that we have been witnessing in the last two years simultaneous weather aberrations over large parts of the globe. Even during this year, large parts of my country have suffered greatly either from floods or drought or delayed onset of monsoon or its premature withdrawal. Our neighbour, Bangladesh has also undergone great suffering due to floods. Even countries like United States and Canada, which have abandoned restrictive policies on the acreage under wheat in order to maximise output, have also had unfavourable weather in certain regions and are hence expecting less than the anticipated output. The Sahelian zone in Africa has undergone the greatest hardship owing to continuous drought for several years now. Fortunately this year, there has been some rain in some parts of this zone.

This brings me to the first major point I wish to make, namely, that we must reorient our agricultural development strategy in such a way that adjustments for aberrant weather becomes an integral part of the planning process. Research done in my country under the All-India Coordinated Dryland Farming Project has revealed that this, indeed, is possible. Our scientists have been working on areas such as "risk distribution agronomy" which would help to minimise risks during bad weather and "crop life-saving techniques", which would help to save the total destruction of a crop during a period of drought. I am happy that the FAO Regional Office along with other agencies had organized last month in Bangladesh a seminar on the improvement of deep water and floating rice cultivation.

alternative strategies

I am aware that in parts of our region, typhoons, cyclones and floods are as important causes of instability in food production as drought and aridity. We must develop alternative cropping strategies for all such areas in order to minimise the impact of such natural calamities. In several flood-prone areas as, for example, in the Brahmaputra valley in my country, the flood-prone season is unfortunately the major cropping season. If we are to develop the flood-free season into the major cropping season, we have to develop rice and other varieties which are cold tolerant and also arrange for irrigation either by lift irrigation from perennial streams or from shallow tubewells. It would be a tragedy if in spite of all our scientific and technological advances and capabilities, we have to be silent on-lookers to millions of men, women and children going without food and shelter year after year as a result of floods or drought. I would, therefore, suggest to this conference that we accord the highest priority in our region to the development of techniques for the elimination of factors causing serious undulations in production.

An equally immediate task is of course to improve productivity. The "Limits to Growth" document estimates the minimum land requirement for producing the food, clothing and other needs and for providing shelter to one individual at 0.4 hectare (i.e. one acre). On this basis, we will need many millions of hectares of land every year in our region to cater for the needs of the additional population added during that year. In reality, however, due to the pressure of even the existing population what is happening is a gradual withdrawal of land from agriculture for providing houses, roads, factories and other needs. Forests are disappearing at an alarming rate. In other words, the additional needs of food should hereafter be met through a vertical growth in productivity and not through any large expansion in area.

intensive cropping

However, some area expansion can be achieved through increasing the intensity of cropping by popularising multiple-cropping and relay-cropping techniques. In this connection, I would like to reiterate what Mr. R.S. McNamara, President of the World Bank Group, said last year at Nairobi and I quote, "If Japan could produce 6720 kgs. of grain per hectare on very small farms in 1970, then Africa with its 1270 kgs., Asia with 1750 kgs. and Latin America with 2060 kgs. per hectare have an enormous potential for expanding productivity". Since our meeting is being held in beautiful and prosperous Japan, it would be appropriate if with the help of our Japanese hosts we draw up a detailed strategy to raise within the next three years the average productivity level of the developing countries in our region to at least 50 per cent of that achieved by our host country. Only in this way will we be able to improve the real income of our rural population and provide greater opportunities for gainful employment. May I, therefore, suggest to the FAO Regional Organisation that they accord the highest priority to productivity improvement in both field crops and farm animals. In this connection, it would be useful to learn from the honourable delegate from Sri Lanka the experience gained in implementing the Agricultural Productivity Law enacted by the Sri Lanka National State Assembly in 1972. Perhaps other countries of this Region would like to consider enacting similar legislation and setting up a suitable machinery for implementation.

I am glad to see the emphasis given by the FAO Regional Office to integrated rural development. Historically, a rise in standard of living in the industrialized nations, including Japan, has taken place through a diversification of labour use resulting from a gradual withdrawal of labour from the routine operations of farming to more industrial pursuits. In retrospect, the Japanese programme of "taking power to people" (I do not refer to political power but to electricity and other forms of energy) has proved to be an act of great wisdom. It is the supply of energy that has rendered the development of agro-industries and the diversification of labour use in rural areas possible.

Today, we find ourselves in a difficult situation due to the escalation in the costs of petroleum products and due to uncertainties of hydel power in several countries including my own, caused by abnormal weather. For example, in my country, in the Punjab, which is our leading agricultural state, there is a setback to this season's rice crop due to the inadequacy of power to operate the tubewells. The water level in the Bhakra reservoir, which helps to generate a considerable quantity of electricity, and which irrigates the fields in Punjab is at its lowest point in its history. I am glad that the power needs of water utilisation are being discussed at this meeting. How are we going to provide the power and energy needed not only for irrigation but for the organisation of rural industries? We must address ourselves to this important question.

a marked feature

A marked feature of the mechanised agriculture of Europe and North America is the high consumption of energy derived from the non-renewable resources of the earth. For example, it has been calculated that while in India or Indonesia about 286 kilo calories of energy may be used to produce one kg. of rice protein, over 2800 and 65,000 kilo calories are used in the rich nations to produce one kg. each of wheat and beef protein respectively. Although agriculture is theoretically an efficient energy conservation and recycling system, it has become today another major consumer of non-renewable forms of energy. What pathway of agricultural growth can then the poor nations take, which will on the one hand help them to realise the great potential for improving productivity and on the other, make them less dependant on scarce, expensive and pollution-inducing forms of energy? This question needs to be faced by us square and new models of growth worked o urgently. Energy and protein suppli in the developed regions are well excess of requirement and have continue to rise in the sixties. In contrast, as th US Journal "Science" pointed out in recent issue, "To feed the people India at the US level of about 3000 foo calories per day, India will need mo energy than it now uses for all purposes'

organic recycling

A recent analysis indicates that 32 per ce of the energy needed for producing on kg. of maize in the United States is con tributed by nitrogenous fertilizer. Th is in addition to the nitrogen comin from the air. We know that this quantit of nitrogen can also be supplied throug the manure produced by one dairy co or 84 chickens during a year. If efficien organic recycling procedures can b worked out, we can save 1.1 out of 1. million kilo calories of energy per year i a hectare of maize land. This is wher bio-gas plants and energy plantation consisting of quick-yielding fuel tree assume such importance. Developin countries, which are not endowed wit fossil fuels, can achieve the fulfilment o their agricultural goals only throug mastering the principles of energy con servation and recycling. I am glad FA is organising an expert consultation meet ing on recycling techniques.

The FAO has warned that from 1975 a serious shortage of pesticides will hi developing countries even more than th shortage of fertilizers. Tropics and sub tropics, blessed with abundant sunligh and green plants throughout the year, also provide environmental condition favourable to pests. The pest problem is particularly serious during the humid, monsoon season, when much of the rice in our region is grown. How can this situation be successfully faced? Here again, the answer is only the development of locally relevant pest-management procedures based on principles of pest avoidance than of control. Unfortunately, an understanding of the role of non-monetary inputs in solving problems of this kind has not been wide. I would suggest that the FAO Regional Office may convene a special meeting soon to discuss the implications of the impending pesticide crisis and to stimulate the development and adoption in the different ecological regions of an integrated pest management system, involving an appropriate admixture of agronomic, genetic

POINTS OF VIEW

iological and chemical methods of ontrol.

There is need for a continuous search or technological approaches which are levant to specific agro-ecological and ocio-economic milieu. For example, uring the monsoon period, there is a onsiderable loss of nutrients due to aching. Our scientists have found that ich losses of valuable nutrients in crop elds can be minimised by mixing rtilizer with neem cake, derived from the eds of neem tree. It is this kind of cal solutions to local problems that we ust increasingly seek and spread.

roblems of rice

Rice is a major crop in our region. on after it was founded, FAO organized International Rice Commission in der to promote the growth in rice out- it in Asia which grows more than 90% world's rice. The International Rice ommission after a careful study of the tors responsible for the stagnation in field of rice in monsoon Asia, came to conclusion that what the *indica* rice rieties lacked is the character of fer- izer response present in *japonica* rieties. This analysis led to the *indica-onica* hybridization programme sponred by FAO in 1952 with its head- arters at the Central Rice Research stitute at Cuttack in my country. We d made a large number of crosses tween *indica* rice varieties from different untries in this region and *japonica* rice rieties from Japan. This programme s started with great expectations but, fortunately, due to a variety of reasons ny of these expectations were not lfilled. It was, therefore, a matter for ppiness when Taiwan discovered the tilizer-responsive dwarf *indica* types d when the International Rice Research stitute in the Philippines propagated is kind of rice from about 1964. The arf *indica* was soon christened as Miracle" rice by mass communication dia and it was hoped that it would lp to improve rice production and oductivity speedily.

Our earlier hopes of bringing about olutionary improvements in per acre lds of rice in our farmers' fields ough introduction of "Miracle" seed ieties, have not been fully realised, ept in certain non-traditional rice as and in non-traditional rice-growing sons. We must examine critically as why the high-yielding rice varieties e not been able to make the anticipated impact during the major monsoon in most of our regions. I know that there is no single simple answer to this question; but the reward for studying this problem critically and taking corrective steps is certainly very high. Pests like brown and green plant hoppers, which transmit dangerous virus diseases, are becoming serious in our region. What is often forgotten is that a high-yielding environment resulting from a better plant population and improved supply of nutrients and water, is also conducive to the multiplication of pests and pathogens. Eternal vigilance is hence the price of agricultural progress.

I firmly believe that given the political will and technological and resource backing, we can make a frontal attack on the rice yield dilemma in monsoon Asia. What we need is concrete action programmes tailored to specific locations and situations. In my country we have taken up during this year a few operational research projects based on a watershed to introduce the new rice technology involving, scientific water and pest management and nutrient supply. Under conditions of small and fragmented holdings, the introduction of these techniques involves the generation of some degree of community endeavour among farmers. Therefore, social scientists, agricultural scientists and extension workers will have to work together in order to bring about a proper match between movements in science and in society. If attention is not paid to social factors and to the problems of management of small farms, we cannot make the technology yield beneficial results.

animal productivity

I am glad that FAO Regional Office has taken active steps to improve animal productivity in this region through the development of disease-free zones. What is equally important is a major programme in inland and coastal aquaculture. For too long, our peasants and fishermen have been concentrating only on capture fishery. They should now be introduced into the art and science of culture fishery. There is a tremendous scope for this and I am happy to learn that the Consultative Group for International Agricultural Research is planning to sponsor a large-scale training and research programme on aquaculture in our region. We need massive training programmes as well as arrangements for the breeding and distribution of fish fingerlings. Activities of this kind covering not only fishing, but also animal husbandry, farming, and horticulture call for the organisation of integrated supply of physical inputs and services to the farming community. In this connection, I wish to commend to you a report of the National Commission on Agriculture in my country on the development of integrated farmers' service societies. The major aim of such societies is to provide credit in the form of the needed inputs and services, with particular reference to the needs of small farmers commanding limited resources of their own. Every package of economically viable technology will have to be matched by appropriate packages of services and of public policies.

world food conference

Before I conclude I wish to make a few remarks on the forthcoming World Food Conference.

In the First World Food Congress held in the United States in 1963, the Late President Kennedy said that "we have the means and know-how to eradicate hunger and malnutrition from the world within our life time; what we need is the *will*." In the Second World Food Congress held in the Netherlands, the Director-General of FAO, Mr. Boerma, said that the time for words has gone and what we need now is "Action". In all international forums including the UN General Assembly, resolutions have been passed from time to time on problems of hunger, protein-calorie malnutrition and its impact on children and pregnant and lactating mothers and on the need for a new international economic order. An UN Panel chaired by me had made concrete suggestions for eradicating protein-calorie malnutrition from the vulnerable sections of the population. Lord Boyd Orr had proposed nearly 30 years ago that a way should be found for achieving a rational and human world food budgetting. A Food Aid Convention was signed in 1967 and renewed in 1971 and the World Food Programme of FAO, which aims to undertake emergency feeding projects and to assist economic and social development in developing countries, is now in the 11th year. FAO has also been formulating a proposal for ensuring a minimum level of world food security and for international action to assure adequate basic food stocks.

We are now in the second UN Development Decade. By every major economic and social yardstick, the con-

ditions of poverty and malnutrition have worsened during such "development decades" in many developing countries. Trade patterns have also often gone against the interests of poor nations. The FAO concept of agricultural adjustment remains primarily on paper. As pointed out in one of the Conference documents, the average annual rate of growth of agricultural production in the developing countries of our region has been only 2.6 per cent during the last 13 years, far below the target of four per cent. The time has, therefore, come to ask ourselves, "What has gone wrong with the pattern of development and international action sponsored during the last 25 years? Why is it that despite all the efforts of the United Nations and its specialized agencies like FAO, UNICEF, WHO, etc., there has been increase in hunger, poverty and want?" The World Bank has calculated that about 800 million people are living today under conditions of absolute poverty and that these people neither partake in nor benefit from developmental activities. Why has such a large segment of the human family been bypassed in this manner? Why is it that while the people of the affluent nations have forgotten the significance of the prayer: "God, give us our daily bread", to over half of the human population, to quote Mahatma Gandhi, "God is Bread"?

The forthcoming World Food Conference is different from the earlier ones inasmuch as the sponsorship of this conference is based upon a resolution of the non-aligned nations held at Algiers last year and on a suggestion made by the US Secretary of State at the UN General Assembly. The conference is appropriately being held under the auspices of the United Nations where countries like the USSR which are not yet members of the FAO are also members. Therefore, this conference is ideally placed for providing the political will to eradicate hunger and poverty. The prime minister of India, Mrs Indira Gandhi, pointed out at the UN Conference on Human Environment held at Stockholm in 1972 that poverty is the greatest pollutent of humanity. May I venture to suggest that the Ministers of Agriculture from Asian countries present here perhaps get together informally and discuss methods by which the three objectives of the World Food Conference namely, improving food production, organizing a minimum world food security and developing a system of rapid food aid, could all be achieved.

In my view, the coming World Food Conference offers probably the last chance to 20th century man to generate the required will, resources and effort to both increasing food production and achieving equitable distribution, before we are overtaken by hunger and suffering of unprecedented dimensions. The Imperial valley in California and the Jordan valley in Israel, which were formerly regarded as hopeless deserts, as well as our host country provide proof of what can be accomplished by integrating capital, technology and social organisation. Hence, the World Food Conference will have meaning and purpose only if the developed and oil-rich nations can commit substantial quantities of food, energy, fertilizer and other inputs for removing hunger and promoting agricultural growth. The Asian farmer has exploded the myth that he is not receptive to new ideas and technology. Are we ready to help him?

Medicines for millions

V. Ramamurti

AT ABOUT this time last year serious shortages of the several essential commodities and raw materials began to develop in the country. But no shortage of essential drugs was then in evidence and the pharmaceutical industry in Bombay, where the bulk of that industry is located, was justly proud of this salutary trend. The situation has since changed almost imperceptibly and the drug shortage that has surfaced in recent weeks threatens to become widespread. As many as 40-and-odd drugs used in the treatment of a wide range of diseases are now in short supply, primarily because the vital raw materials required for their manufacture have not been available in adequate quantities. The more important of the bulk drugs in shortage are Tetracycline, Streptomycin, Chloramphenicol, Analgin, Aspirin, Phenacetin, and Vitamins C, B_1, B_2, and B_6. Glycerine, Sorbitol, Alcohol, Iodine, and Nitric, Citric, Sulphuric and Tartaric acids are some of the more glaring instances of raw materials in short supply.

The single biggest factor responsible for the shortage of raw materials is canalisation of their imports through the STC. The items canalised number 36, and the imports of many of them have been neither adequate nor timely. It is true the oil crisis has worsened the chemical raw materials position in the world markets. Restricted supplies and much higher prices are the order of the day everywhere. These are no doubt extenuating circumstances, but they do not serve to set at rest the industry's doubts whether the STC, as a bulk buyer, could not have adopted a more aggressive purchase policy in the world-wide scramble for basic chemicals.

A suitable purchase policy based on anticipation of chemical shortages—of which the world was forewarned about two years back—might have helped despite the inherent limitations of a bureaucratic state trading agency with its relative lack of expertise in the workings of the sophisticated chemical markets abroad. This has not happened, with the result that the public sector IDPL, which allocates to domestic pharmaceutical manufacturers the raw materials and some bulk drugs imported by the STC, has partially failed in its role of distribution. The IDPL has likewise partially failed in its role of manufacture, too, as it has been working far below rated capacities in respect of such bulk drugs as Analgin and Tetracycline.

In sum, some of the raw materials and drug intermediates that have necessarily to be imported to maintain production of several bulk drugs have been in short supply—a situation worsened by the fact that the government has been allocating raw materials to the organised sector of the industry on the basis of its consumption of such raw materials in the past two years. As this policy of allocation has not provided for the requirements of future growth, the organised sector which accounts for about 80 per cent of the country's pharmaceutical production is finding it more and more difficult to meet the rising demand for drugs. Besides, inadequate imports of those bulk drugs which are being produced in insufficient quantities in the country at present have also set limits to formulations manufacture and thus to the availability of medicines for final consumption. It is not surprising, therefore, that

:cific instances of drug shortage are in- :asing day by day.

This atmosphere of shortage, inciden- ly, has been anticipated by some anti- :ial elements who have taken to the parently lucrative business of manufac- ·ing and distributing spurious and :en injurious drugs. The latest in- .nce of the menace of spurious drugs ates to the discovery in Bombay of ıs of thousands of Tetracyline capsules ntaining not the genuine medi- e but only turmeric powder. There ve been reports earlier this year spurious drugs causing deaths in some es. The heavy toll of human lives :en by spurious glucose saline which s intravenously administered to patients a Kanpur hospital is a most livid in- nce in point. A number of deaths have o been caused in Tamil Nadu by admi- tration of preparations containing a .ic substance. There have been lately eral other disquieting reports of ırious drugs in the market. The orga- ed sector of the industry is therefore ›alled by the threat that fake drugs se not only to public health but also public confidence in modern medicine.

lustry's stand

Viewed against this background of ›wing drug shortages that provide a ıpting atmosphere for racketeers in ırious drugs, the basic stand of the lustry that an overriding policy con- eration should be adequate production high-quality drugs is unexceptionable. ıat emphasises the need for 'adequate ›duction' is the ambitious Health Plan ich calls for a near-doubling of drug ›duction, in terms of value, from the :sent annual level of about Rs 350 ›res to Rs 600 crores of formulations :cluding the value of bulk drugs used them) in 1978-79, the end-year of the h Plan. This, in turn, would require 100 per cent increase in capital invest- :nt from Rs 225 crores to Rs 450 crores; ıearly four-fold increase in basic (bulk) ugs manufacture for formulations ›m Rs 50-60 crores to Rs 150-200 ›res; a seven-fold increase in Research d Development (R & D) outlays from ; 5 crores to Rs 35 crores; and a three- d increase in exports of pharmaceuti- ls—from Rs 11 crores to Rs 30 crores to broadly match imports of critical w materials and intermediates. As the lustry has thus to grow in the next five ars just about as much as it did in the st 25 years—its production in 1948 ıs valued at no more than Rs 10 crores—, it continues to urge that it should be encouraged to maximise production in all possible ways.

The principal elements of a appropriate policy suggested by the industry are briefly told. First and foremost is the plea for a fresh look at the various restrictions and controls on units wanting to expand, particularly on those belonging to the large-scale sector. Two other elements relate to the need for ensuring adequate supply of essential raw materials at the right time and at reasonable prices to maintain and increase production and for evolving a stable and fairly long-term pricing policy for bulk drugs and formulations.

brand names

On the question of abolition of brand names the industry's stand is forthright. It is against any move in this direction on the ground that abolition of brand names could lead to a situation in which both the physician and the patient would be denied the quality assurance that goes with a brand name and the manufacturer deprived of the incentive to make high-quality drugs which are vital for health and medical care. If the manufacturer's guarantee of quality and efficacy, which the use of a brand name signifies, is taken away, the government will have to step in to fill the void by assuming the responsibility for assuring the quality and efficacy of all drugs marketed under generic names. This is a responsibility which the Drugs Control Organisation at the centre and in the states is in no position to assume, considering that it is far too inadequate and ill-equipped even for effective routine supervision. Abolition of brand names, it is feared, might also aggravate the threat posed by spurious drugs.

The other elements of the policy canvessed by the industry are that the public sector units, in which Rs 60 to 70 crores have been invested so far, should utilise their installed capacities to the maximum, that these units should concentrate on basic research, manufacture of bulk drugs not produced in the country, and import substitution work and that no monopoly in the manufacture of any item should be allowed for the public sector. The industry has urged further that no other drugs should be added to the list of canalised drugs, and that no unrealistic export conditions should be imposed on units wanting to expand or establish new basic manufacture as promotion of exports to the highly competitive international markets is ar expensive and long-term operation.

The industry's stand *visa-vis* small scale drug units is that their role in certair fields in which they have definite advan tages—fields relating to the manufactun of some pharmaceutical aids, excipients intermediates, raw materials and packag ing materials, and certain types of phar maceutical machinery and components— could well be expanded. Their role ii the manufacture of bulk drugs and for mulations should not be exaggerated For, even if the small-scale sector were t(double its production of formulation: and increase its production of bulk drug ten-fold (which is doubtful), it woul(account for only Rs 100 to 120 crore worth of formulations and Rs 50 crore worth of bulk drugs which would mee no more than one-sixth of the country': requirements of formulations and one fourth of the requirements of bulk drugs In other words, the country would stil have to depend on the large-scale secto for meeting over 80 per cent of its re quirements of medicines. Any restric tions that may impair the ability of th large-scale sector to produce drugs o that scale are therefore fraught wit grave consequences for the health of th nation. 'Drugs for the Millions' wi then prove to be an elusive or ever-reced ing goal.

pragmatic approach

This, in brief, is the approach of th pharmaceutical industry to issues c policy relevant to its further growth an development. It strikes one as funda mentally sound and pragmatic. But th organised sector of the industry—a secto which has been rendered most dynami and efficient by foreign collaboration— should have no illusions about the sounc ness of its stand being readily and widel recognised. What it has to conten against are not only chauvinistic natior alism and emotional hangovers of th country's anti-colonial past but wid spread ignorance of the special chara teristics of the pharmaceutical industr and an unrealistic preference for smal scale enterprise.

To acknowledge generously the role c foreign collaboration in the rapid dev lopment of the pharmaceutical industı since the fifties would mean an end t nationalist prejudice. If the UNIDO h adjudged that India's pharmaceutical i dustry has now attained a level of oper tion comparable to international standards in production, technology and the quality of its products, it is because international collaboration has played a key role in the growth and development of the industry in the era of planning. A better understanding of the special characteristics of the industry would also make for the promotion of a positive climate for its further rapid growth over the fifth Plan period and beyond. These characteristics are that the industry, by the very nature of its operations and of its products, is international in character because diseases respect no national boundaries and the search for new knowledge and new chemotherapeutic agents to combat disease and relieve human suffering are international in scope and coverage: and that the industry, being science-based and research-oriented to a greater extent than many other industries, is subject to a high rate of technological and product obsolescence in the wake of introduction of newer technologies in production and newer products in therapy, thanks to the high tempo of research activity and innovation in the industry.

Another characteristic is that the industry attaches the utmost importance to the quality of its products as these impinge on the health and, sometimes, the very life of patients. Yet another characteristic is that pharmaceutical promotion is unique in that it involves dissemination of essential medical information to doctors in special ways. Given a better understanding of such characteristics and a surer realisation of the limitations of small-scale units on the quality control side, a fairer deal for, and a more imaginative handling of, the industry should follow as a matter of course. Such a result would be in the lasting interests of the nation as medicines for the millions are no less essential than food or cloth for the millions.

Impact of a reopened Suez canal

Jossleyn Hennessy

THE SUEZ Canal's re-opening expected in the near future will have an impact on shipping, particularly of oil, but also of dry cargo. Facts, figures and estimates are contained in the newly published OECD Maritime Transport Committee's Annual Report, which discusses international shipping policies and recent trends and prospects in shipping demand and supply, of which a re-opened Suez Canal is one factor.

The development of world shipping up to 1973, by main commodity groups, is shown in Chart A (p. 606). Oil, iron ore and coal account for about 80 per cent of world sea transport requirements in ton-miles. Imports of these commodities into three major OECD regions (North America western Europe, Japan) represent more than two-thirds of total world shipping demand (western Europe alone accounts for 41 per cent). Oil imports are of overriding importance; the three OECD regions themselves account for 56 per cent of total shipping demand (Table I).

In 1966, about 18.5 per cent of all international oil tonnage shipments and 8.1 per cent of dry cargo passed through the Suez Canal. Northbound oil made up 86 per cent of total movements through the Canal Chart B (p. 607). In addition, among the ships passing through the Canal, there were 4,470 southbound tankers in ballast with a total tonnage of 211 million dwt (deadweight tonnage). In 1966, virtually all tankers operating westward out of the Persian Gulf could pass through the Canal in ballast on the return trip and the Canal Authority was preparing to receive 200,000 dwt vessels in ballast by the end of 1967, as well as fully laden tankers of up to 60,000 dwt. However, before this could take place the Suez Canal was closed.

Since the Canal's closure, the pattern of world oil movements has changed considerably and tanker sizes for westbound movements for the Persian Gulf have increased dramatically. In 1972, roughly 85 per cent of total crude oil movements from the Persian Gulf to North America, Europe and Mediterranean destinations moved in vessels over 60,000 dwt and 45 per cent in vessels over 200,000 dwt.

Re-opening the Suez Canal would reduce the length of three of the principal oil transport routes by as much as 30 to 55 per cent, as shown in Table II (p. 606).

If, in 1972, all crude oil carriers up to 60,000 dwt on these three routes could have used the Canal **in both directions** and all ships under 200,000 dwt **on the ballast leg**, the round trip would

TABLE I

The Importance for World Shipping of the Main Regional Bulk Commodity Imports, 1972

(in per cent of total shipping demand measured in ton-miles)

	Oil imports	Iron ore imports	Coal imports	Total oil/ore/coal
Japan	11.8	5.2	2.3	19.3
Western Europe	37.4	2.2	1.0	40.6
North America	7.2	0.5	—	7.7
Main OECD Regions	56.4	7.9	3.3	67.6
All Others	11.2	0.9	0.1	12.2
Total oil/ore/coal	67.6	8.8	3.4	79.8

Source: Derived mainly from Fearnley and Egers Chartering Co. Ltd. and BP Trading Ltd.

ıave been about 3,000 instead of 4,800 nillion ton-miles. A saving on this cale would have corresponded to ·oughly 10 per cent of total inter-regional ›il transport in 1972.

TABLE II

Approximate Shipping Distance via Cape and via Suez Canal

(in nautical miles)

Persian Gulf to	Via Cape	Via Canal
⁄lediterranean	10,800	4,700
⁄lorth-west Europe	11,100	6,400
JS East Coast	12,000	8,300

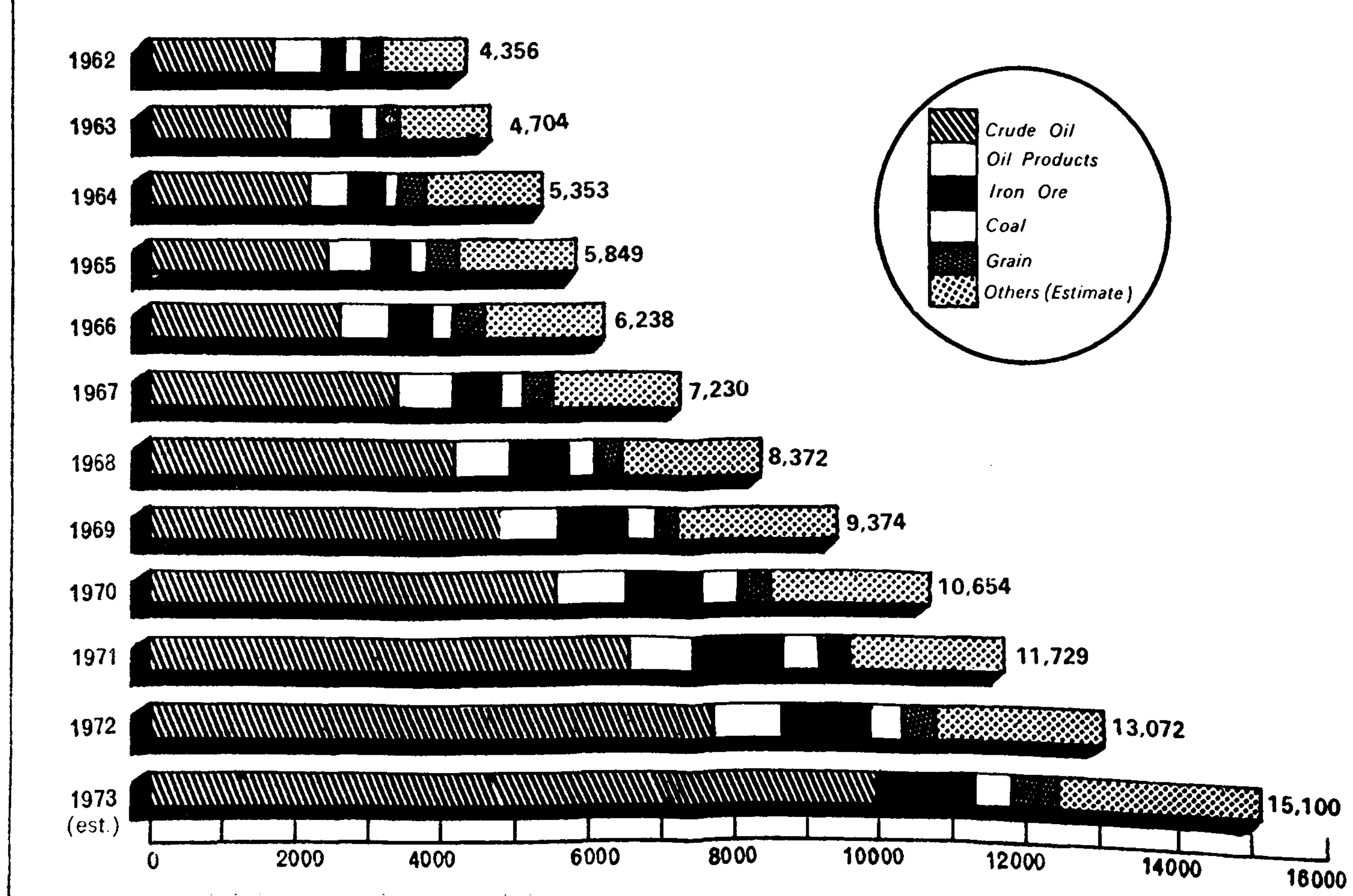
Thus the possible impact on oil shipping demand of a re-opened Suez Canal, according to the OECD Maritime Transport Committee's report, cannot be ignored, despite the increase in the size of ships which has taken place over the last seven years. The actual impact will depend on numerous factors apart from the capability of the Canal to accommodate laden vessels of 60,000 dwt and vessels in ballast of up to 200,000 dwt.

The future volume of oil shipping using the Suez Canal will not only be determined by capacity limitations, but will also depend, among other things, on the levels of Canal dues, freight rates and bunker (ship fuel) prices, which more than trebled between October, 1972, and January 1974. The report of the Maritime Transport Committee contains a special section on the effects of these changes on future shipping supply. Higher bunker costs, as compared with conditions prior to the Canal's closure, will in fact tend to make the Canal relatively more attractive.

In 1966, about eight per cent of all

A. TOTAL TRADE ESTIMATE

(in thousand million laden ton-miles)

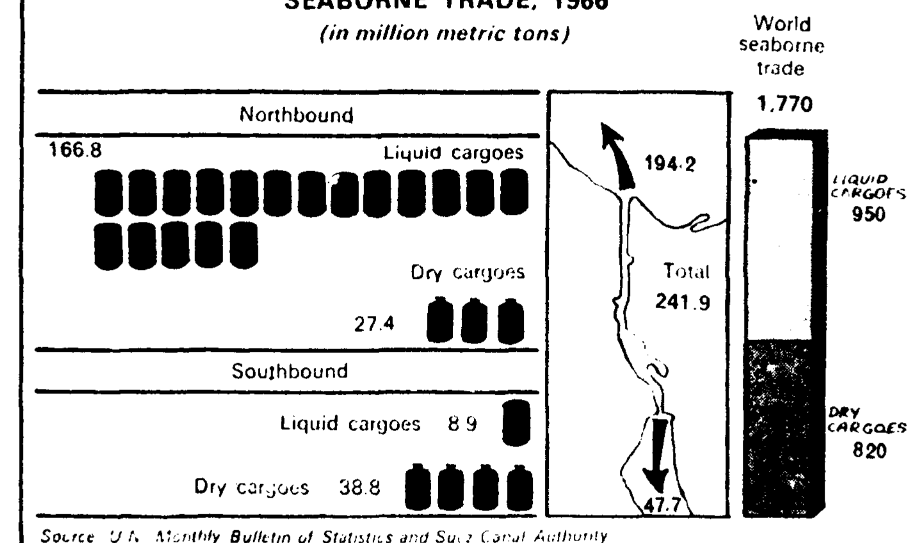


Source: Fearnley and Eger's Chartering Co. Ltd. Review 1973; 1973 estimates with additional information from Fearnley and Eger and BP Trading Ltd. • Crude Oil and Oil Products

world dry cargo tonnage movements passed through the Canal. Potential dry cargo movements for 1970 through a theoretically re-opened Canal have been estimated by UNCTAD at eight per cent of total dry cargo tonnages a figure confirmed by OECD's own estimate, based on detailed statistics involving some 70 per cent of international dry cargo movements for the same year.

OIL AND DRY CARGOES MOVING THROUGH THE SUEZ CANAL AND WORLD INTERNATIONAL SEABORNE TRADE, 1966

(in million metric tons)



Source: U.N. Monthly Bulletin of Statistics and Suez Canal Authority

Among the principal dry cargo commodities using the Canal in 1966 were fertilizers, particularly phosphates. Southbound movements included 2.5 million tons of phosphate rock, close to 10 per cent of the world phosphate rock trade, and total southbound fertilizer shipments through the Canal were 6.7 million tons or 17 per cent of southbound dry cargoes.

Fertilizers could undoubtedly play an important role again if the Suez Canal were re-opened; eastbound phosphate shipments from Morocco and Tunisia would benefit especially. Other important bulk trades which could benefit from a re-opening of the Canal, include, for example, iron ore from Australia to southern Europe. The Canal shortens this route by about 30 per cent.

TABLE III

Total Trade Estimate : 1962-1973

(In thousand million laden ton-miles)

Year	Crude oil	Oil products	Iron ore	Coal	Grain	Others (estimate)	Total
1962	1,650	650	314	170	272	1,300	4,356
1963	1,850	600	348	202	304	1,400	4,704
1964	2,150	620	456	199	378	1,550	5,353
1965	2,480	640	527	216	386	1,600	5,849
1966	2,629	700	575	226	408	1,700	6,238
1967	3,400	730	651	269	380	1,800	7,230
1968	4,197	750	775	310	340	2,000	8,372
1969	4,853	760	919	385	307	2,150	9,374
1970	5,597	890	1,093	481	393	2,200	10,654
1971	6,554	900	1,185	434	406	2,250	11,729
1972	7,670	950	1,156	442	454	2,400	13,072
1973 (est.)	9,990	—	1,365	470	575	2,700	15,100

If and when the Canal is re-opened —and, above all, if Canal dues are fixed so as to make transit an economic proposition for all dry cargo ships which could save substantially on voyage distance and time—demand for dry cargo shipping might well be reduced by about five per cent within a fairly short period.

The corresponding 10 per cent figure for oil shipping demand is merely illustrative of possible developments. It could probably be reached only after a certain time, but it might even be exceeded if the facilities of the Canal were such as to give an incentive for again modifying the size of vessels transporting oil between the Persian Gulf and Europe—this time by smaller ships which could use the Canal fully loaded and/or in ballast.

Tourism around the world

London

Jossleyn Hennessy

WINDOW ON THE WORLD

I

Many Facetted Sectors

URISTS SPENT an estimated $28,000 mil-
n around the world in 1973. This is
; business. It is also a complex busi-
ss because of the number of activities
d concepts that it covers. Its growth,
:ilitated by the speedy development of
tels and transport facilities—especially
transport—has gathered pace through-
t the postwar period, averaging a 12
r cent annual rate of increase.

The word "tourist" was coined in
itain in 1800 and the first recorded
: of "tourism" was in 1811. For a
ıg time, the meaning of both words
mained vague, but a definition had to
found if statistics were to be collected
the size of the market. In 1937, the
ague of Nations defined a foreign tourist
"any person visiting a country, other
an that in which he usually resides, for
period of at least twentyfour hours, for
y reason other than following an
cupation remunerated from within the
untry visited". In 1963, the UN drew
: distinction between the tourist and
: excursionist (the latter staying less
an twentyfour hours outside his country)
d used the general label "visitor" to
ver both kinds of traveller.

Although these definitions can be used
gather statistical data, they do little to
tinguish between the reasons under-
ng travel. In the first instance there is
ifference between urban and other
ms of tourism. Clear examples of the first type are Venice, or any of the great capitals (26 per cent of the total tourist nights in Portugal last year were spent in Lisbon). Non-urban tourism has many aspects. The seaside, mountains, or the countryside may be visited for different reasons.

The purpose of pleasure travel may be relaxation in a different environment, and the means used may range from a package tour, outdoor camping, residence in a hotel, or the rental or purchase of independent accommodation.

Health travel is another form of tourism obviously centred on spa facilities. The list also includes pilgrimages or spectator attendence at sporting events, and cultural travel intended to deepen the tourists knowledge of a country's art and civilisation.

Business travel mushroomed in the form of attendance at conventions and short missions to national and international conferences, where the seriousness of the proceedings is tempered by extracurricular activities of an altogether different nature (the last meeting of the International Monetary Fund in Nairobi offered a safari as a side benefit!). In the USA business tourism provides 45 per cent of hotel takings. These receipts are independent of participants' personal income, or the climate and geography of a city, but they do call for special welcome arrangements and organised facilities.

The various types of tourism naturally interpenetrate, and the overall figures must be interpreted with care. In reality, they are no more than estimates, compiled in different ways in different countries, and often in different ways in the same country at different times. At all events the economic and social importance of tourism has led both receiving and source countries to assign responsibility for it to specially designated bodies.

Most countries treat tourism as an independent economic sector. Its administration may be centralised as in Turkey or Spain, which have a full scale ministry of Tourism, or de-centralised as in Italy or more particularly, in Yugoslavia, where the government has evolved responsibility for it to the individual republics. In Sweden, a new tourist authority is to be set up next year to replace the present State Tourism Commission which is part of the ministry of Agriculture. In all countries, the objective of the tourist authorities is to collect relevant information and to formulate policies. which may range from developing the tourist assets of certain regions to prospecting foreign markets to increase the inflow of visitors.

II

The Main Tourist Flows

OECD's Tourism Committee estimates that tourist arrivals rose from 25 million in 1950 to 215 million in 1973, of whom 75 per cent were visitors to OECD countries. Five per cent of the world's population travels annually, a small figure yet five times the proportion twenty years ago.

Most tourists are from the industrialised countries and almost two-thirds originate in eleven countries: USA, UK, France, West Germany, Canada, Benelux, Italy, Switzerland, Austria and Sweden. The USA outstrips the others, accounting for almost 20 per cent of the world total, although the share of the US population travelling abroad is lower than the corresponding figure for Canada, Switzerland, Belgium and the Netherlands. Until five years ago, few Japanese travelled, but last year there were over 1,000,000 Japanese tourists, 45 per cent more than in 1972.

Europe has long been the main destination; it receives three out of every four international tourists, almost 75 per cent of international travel, compared to 16 per cent who go to North America.

A mere three per cent of the traffic goes to Latin America and the Caribbean and one per cent to Africa.

The political situation affects the rate of tourist flow to West Asia: arrivals dropped by 25 per cent in 1967, and it was four years before the 1966 level was reached again. I surmise that when the figures for 1974 are compiled they will show a severe drop. Tourists don't like guns going off around them.

The regions which at present account for the smallest share of the world's tourist trade are also those which are increasing their markets fastest: at an annual average rate of 15 per cent for Asia, Australia and west Asia compared to seven per cent in Europe and America.

Tourists seem to prefer countries offering a combination of such features as sunshine, sea, beaches and architectural distinction. The Mediterranean countries have these assets and they reap 30 per cent of the annual tourist harvest. Several countries are so located as to attract stopover visits of less than 24 hours en route to another destination. France and Italy are examples. Italy also has a large excursion traffic, with 20 million short trips in 1972 accounting for 57 per cent of total frontier crossings. This last figure was 62 per cent for Canada and 44 per cent for Cyprus, but only 12 per cent for Japan.

excursion trips

The substantial number of excursion trips is mainly recorded between neighbouring countries. Portugal, which is classified as a Mediterranean country, received four million visitors in 1972, of whom half were Spanish arrivals, only seven per cent stayed in hotels, inns or camps; the remainder were day trippers. The opposite position exists in north Africa, where most visitors come in by plane for a long holiday stay. In Tunisia, German, English and French nationals alone account for 60 per cent of tourist arrivals and 70 per cent of tourist nights.

Despite the substantial numbers of persons travelling, the average length of stay in a country is often short: 12 days in Greece, five in Italy, eight in Portugal, less than nine in Tunisia and six in Spain and Turkey. And there is, of course, a strong seasonal pattern: in Spain, for example, there were one million tourist arrivals in January 1972 and seven millions in August.

The expansion of tourism has led to the development of a significant economic market fed by the foreign exchange spent in the countries visited. This market is not easy to measure statistically, but the International Union of Official Tourist Organisations puts it at $28,000 million in 1973. Exchange rate fluctuations over the past two years have considerably influenced where money is spent, and how much. Europe and North America, because of their dominance, clearly capture the lion's share. At all events, receipts from tourism have risen by a factor of 12 between 1950 and 1972, whereas the number of tourists has risen only eight-fold. Excluding transport costs, expenditure per person is three times higher in Latin America and the West Indies than in Europe. Several reasons account for this. European tourism now embraces more lower income bracket travellers, while reduced fares and the new networks established in consequence have brought more distant destinations within reach. Also, while business tourism means more frontier crossings, stays are shorter, leaving less scope for a sharp rise in spending per person.

the invisible balance

Countries' tourist receipts, and the tourist expenditures of their nationals abroad are far from negligible components of the invisible balance. In 1969, tourist receipts were equal to 33.5 per cent of the proceeds of merchandise exports for Spain, 22.1 per cent for Austria, 17.8 per cent for Morocco, 17.1 per cent for Tunisia, 14.3 per cent for Greece and 8.8 per cent for Cyprus. Expenditures of nationals abroad were much lower in relation to import costs, ranging from 2.4 per cent for spain to 8.4 per cent for Austria.

Tourism makes an important contribution to economic growth in several countries, particularly the developing countries, in the form of hotel facilities, retail outlets, job creation and infrastructural development. Some countries provide finance at especially attractive terms for investment in hotels by foreign nationals, and the major banks have developed imaginative loan formulae. Such international chains as Holiday Inns, ITT, Sheraton and Hilton Motels offer accommodation round the world. France's Club Mediterranee associates tourism and recreation and has expanded to occupy an important position in the industry; several of its tourist villages are located in developing countries.

In the industrial countries tourism has become a substantial activity with its own specialities—travel agencies, festivals cruises, etc. The international airlines have done particularly well from its growth: 59.3 per cent of the tourists arriving in Greece flew in; 35.6 per cent in Portugal, 22.4 per cent in Spain.

III

The Outlook and the Limits of Growth

The structure of international tourism has become fairly stable, and its growth will change only as a function of certain factors which tend to evolve slowly. Individual events can of course influence the flow to certain countries in the short term: West Asia is one example. Northern Ireland (14 per cent of whose hotels closed down in two years) another. The oil crisis may also have an effect: dear gasoline and higher airfares could reduce distances travelled. To a lesser extent, changes in exchange rates may impinge on travel patterns. For example fewer American tourists were to be seen in France in 1973.

Leaving aside these short-term influences, it is possible to make a forecast of basic trends. As the number of tourist arrivals depends on the existence of facilities to receive them, objectives must be set at country level, and form part of national plans. The studies made by the international organisations show that a relationship exists between the growth of world population, its age distribution, its location, and the outlook for tourism.

World population was 3,600 million in 1970, and is expected to reach 4,000 million in 1975 and 4,400 million in 1980. Most of the increase, however, will occur in the developing countries, which will have 73 per cent of humanity in 1980 against 70 per cent in 1970, following an annual average increase in population of 2.4 per cent against 1.1 per cent for the industrialised countries.

Other points are that population concentration in the developed world (over 65 per cent of the population will be urban dwellers in 1980) fosters the desire to travel, and that the substantial increase in the economically active population, with women joining the labour force in growing numbers, tends to raise income levels and therefore the number of people who can afford to travel. In short, the flow of tourists from the developed countries may safely be expected to expand.

By contrast, little additional tourism

may, barring the unforeseen, be expected from the developing countries. Although numbers employed in the agricultural sector will decline, they will still account for 60 per cent of population in 1980. Thus, the origin of most tourist traffic will be broadly as at present, with North America and Europe generating 60 per cent of the flow. The destination pattern will also be much the same with Europe continuing to dominate. The rate of increase could slow down in those countries which have experienced rapid expansion over the past few years, and whose facilities are to some extent saturated, but such countries are still few in number.

The forecast for 1980 is for a world total of 280 million tourist arrivals, of which 200 million in Europe, 45 million in North America, and 10 million in Latin America and the Caribbean. Of the seven million tourists forecast to go to Africa, 5.5 million will patronise countries in North Africa, of which Morocco 1.25 million, Libya 400,000 to 700,000 and Algeria 600,000. These estimates are often below the target figures in national plans. Morocco, for example, expects two million tourist arrivals in 1976, increasing at an annual rate of 21.6 per cent. Other Mediterranean countries have also produced high estimates: Greece six million in 1977, Lebanon 3.5 million and Spain 62.5 million in 1980. Some countries with an assured future have made no estimates at all. Egypt is one. Its monuments are a gilt-edged tourist asset, but it is less known that miles of Egypt's golden sandy beaches await some enterprising developers.

However bright the outlook for tourism in those countries which have fostered it, there are limits. Spain, believe it or not, welcomes as many tourists in a year as there are Spaniards! Beyond a certain threshold, the drawbacks may outweigh the advantages: it has been observed that an excessive inflow of prosperous foreigners generates distortions in the living standards of the local population, arousing resentment and unwelcome increases in price levels.

In some of the smaller countries, the investment required may be more than the local economy can finance: in some islands of the West Indies, the additional imports required to service tourism amount to 40 per cent of total export proceeds. Finally tourism is extremely sensitive to the ruling economic climate and the maintenance of activity in the industrial countries. This is a risk for those countries which have seen tourism as a main contributor to their economic development. Further, over-rapid development of some areas will entail problems which will be expensive to solve, including sociological disparities, pollution and environmental protection, but must be dealt with.

Sources and acknowledgements: The foregoing summarises a report in the latest issue of the *Economic Digest* published by the Societe Generale (29 Boulevard Haussmann, 75009 Paris, France) but the bank is responsible neither for the emphasis of my summary nor for my interspersed comments, based on a variety of sources.

IMF facility for medium term aid

THE INTERNATIONAL Monetary Fund has established an extended facility to provide medium-term assistance for members in certain special circumstances of balance of payments difficulty. The extended facility represents an important development in Fund practice in that, whereas the usual duration of a stand-by arrangement does not exceed 12 months, an extended arrangement will provide an assurance of support by the Fund for a period of up to three years. The extended facility, in its formulation and administration, is likely to be beneficial for developing countries in particular.

Certain situations to which the extended facility could apply are those in which an economy is suffering serious payments imbalances relating to structural maladjustments in production and trade and where prices and cost distortions have been widespread; or in which an economy is characterized by slow growth and an inherently weak balance of payments position which prevents pursuit of an active development policy.

The extended facility

Under the extended facility the Fund is prepared to give special assistance to members to enable them to meet balance of payments deficit for longer periods and in amounts larger in relation to quotas than has been the practice under existing tranche policies. Such assistance will be given in support of comprehensive programmes that include policies of the scope and character required to correct structural imbalances in production, trade, and prices when it is expected that the needed improvement in the member's balance of payments can be achieved without policies inconsistent with the purposes of the Fund only over an extended period. The Fund will pay particular attention to the policy measures that the member intends to implement in order to mobilize resources and improve their utilization and reduce reliance on external restrictions.

A request from a member for an extended arrangement under this decision will be met if the Fund is satisfied that the solution of the member's balance of payments problem will require a longer period than the period for which the resources of the Fund are available under existing tranche policies; and the member has presented a programme, setting forth the objectives and policies for the whole period of the extended arrangement, and a detailed statement of the policies and measures for the first twelve months, with the understanding that, for each subsequent twelve-month period, the member will present to the Fund a detailed statement of the progress made, and the policies and measures that will be followed, to further the realization of the programme.

Extended arrangements under this decision will be limited to periods of not more than three years. Purchases outstanding under this decision will not exceed 140 per cent of the member's quota, or be allowed to raise the Fund's holdings of the member's currency above 265 per cent of the member's quota (excluding holdings obtained by the Fund as result of purchases under the facilit relating to compensatory financing, buf stock financing, and the impact of t increased cost of imports of petrole and petroleum products).

Amounts made available under t extended facility by the Fund w be repaid by the member as soon its balance of payments problems ha been overcome and, in any event, with an outside range of four to eight ye after each purchase normally in sixte equal quarterly installments. Memb will pay charges on amounts purchas under the extended facility at an ann rate of four per cent for the first ye that a purchase is outstanding and t rate would rise by one half per cent p annum for each succeeding year, up a level of 6½ per cent per annum.

—*IMF SURVEY, September 16, 19*

Oil Facility in Action

The International Monetary Fund has completed borrowing agreements with seven lenders. The agreements provide for the Fund to borrow, in the period up to December 31, 1975, resources from these lenders to finance drawings under the Fund's oil facility which has been established to assist members with balance of payments needs in meeting the impact on their balances of payments of increases in the net import costs of petroleum and petroleum products. The seven lenders that have agreed to lend to the Fund and the amounts (expressed in special drawing rights) up to which they have agreed to lend are as follows:

Abu Dhabi	SDR	100,000,000
Canada		257,913,900
Central Bank of Iran		580,000,000
Central Bank of Kuwait		400,000,000
Oman Currency Board		20,000,000
Saudi Arabian Monetary Agency		1,000,000,000
Central Bank of Venezuela		450,000,000

(Canada will lend the Fund an amount up to the equivalent of 300 millon Canadian dollars which, expressed in special drawing rights on the effective date of agreement, was SDR 257,913,900).

The lenders concerned have agreed to lend to the Fund in their national currencies or, in some cases, in US dollars. Interest on these borrowings will be at an annual rate of seven per cent Repayment of the loans will be made in eigh equal semiannual installments to commenc after three years and be completed not later tha seven years after the transfer of currency to th Fund. In the case of Canada, repayment will b made in a lump sum five years after a transfe However, provision is also made for earlier re payment in certain circumstances.

The first transactions under the oil facilit have been acted upon by the International Mone tary Fund. Resources obtained under the o facility are supplementary to any financial assi tance available to members under other Fun policies on the use of its resources. The coun ries and the amounts of their purchases in equ valents of SDRs are:

Bangladesh	SDR	12,430,00
Chile		41,470,00
Haiti		1,150,00
Kenya		9,210,00
Korea		21,000,00
Pakistan		30,610,00
Sri Lanka		11,000,00
Sudan		9,410,00
Tanzania		6,320,00

World Bank group in 1974: highlights

INDIA RECEIVED a total of $442 million from the World Bank Group during the fiscal year ended June 30, 1974, according to the Annual Report of the World Bank and its affiliate, the International Development Association (IDA).

As in previous years, India was the largest single recipient of the Group's commitments during fiscal 1974. The bulk of the financing from the Bank Group to India during the year ($390 million) has come from IDA. The Association's credits to date have been for 50 years, free of interest, but carry a service charge of 3/4 of one per cent. The year's commitments brought the cumulative total of Bank and IDA lending to India to $4,031 million — $1,228 million from the Bank and $2,803 million from IDA.

range of activity

The range of the Group's activities in India was expanded to include dairy and urban development. An IDA credit of $30 million is financing a dairy development project in Karnataka (formerly Mysore). Another credit of $35 million in fiancing a project in support of the Calcutta Metropolitan Development Authority's programme to rehabilitate and improve basic urban facilities in a metropolitan area of almost nine million people.

The year's lending has sought to spread the benefits of economic development to a larger number of the poor. In Karnataka, for instance, about 450,000 farming households, or about 2.5 million people will benefit from the dairy development project. In Bihar, the incomes of about 100,000 farmers are expected to increase substantially as a result of an IDA-financed project to expand institutional credit.

A brief description of Bank/IDA operations in India during fiscal 1974 follows:

Agricultural Credit in Bihar: The IDA credit of $32 million is supporting a three-year lending programme for investments in minor irrigation, tubewells and pumpsets to farmers in the state. Incomes of about 100,000 farmers are expected to increase substantially as a result of the project. In addition, the project will generate year-round employment for almost 45,000 persons.

Apple Processing and Marketing in Himachal Pradesh: The IDA credit of $13 million is assisting a $21.7 million project to improve apple processing facilities and to assist an integrated apple-marketing system. About 10,000 small farmers are expected to increase their incomes.

Dairy Development in Karnataka (Mysore): The IDA credit of $30 million represents the first Bank Group operation in support of dairy development in India. The project seeks to contribute to an annual production increase of one million tons of milk. About 2.5 million people, most of whom are either landless or own less than five acres will benefit.

Chambal Command Area Development in Rajasthan State: The Bank loan of $52 million will finance improvements to an existing irrigation project. The project will help to increase 20,000 jobs over the next decade and to increase foodgrain production from 140,000 tons to 350,000 tons. More than half of the farmers in the project area are within the lowest 40 per cent on India's national income scale.

basic amenities

Urban Development—Calcutta: The $35 million IDA credit is helping to finance 44 schemes covering water supply, sewerage and drainage, roads and traffic improvements, environmental hygiene, garbage disposal, and housing. The credit supports the Calcutta Metropolitan Development Authority's programme for the rehabilitation and improvement of basic urban facilities.

Indian Railways: The $80 million credit is supporting the expansion of the railways during the fifth five-year Plan period (1974-79). The $654 million project will help to replace steam locomotives with diesel or electric ones. The wagon fleet will be increased, and electrification of main lines will be furthered.

Industrial Imports: The credit of $150 million will enable 800 medium and large-scale enterprises in selected priority industries to maintain and expand production. The credit will meet part of the industries' foreign exchange requirements of about $550 million during 1974-75 for imports of raw materials, components and spare parts. The credit brings the total of IDA assistance for industrial imports in India to $930 million.

Fertilizer—Trombay: Almost two-thirds of the IDA credit of $50 million will go toward expanding the capacity of the Trombay fertilizer plant, located near Bombay. The remaining funds will provide India with urgently needed assistance to improve operations in other government-owned fertilizer plants. The credit marks the sixth Bank Group fertilizer project in India.

record assistance

For the sixth consecutive year, the World Bank Group has approved a record total of development assistance to the poorer nations of the world. The figure of $4,517 million for the fiscal year 1974, was $962 million higher than in the previous years. The World Bank's borrowings also reached a record—of $1,853 million. Over 30 per cent of this amount came from oil-exporting nations.

Compared with fiscal 1973, the Bank's lending rose by almost $1,200 million to $3,218.4 million. As had been expected, IDA committed virtually all the resources available to it by the end of the year. Its commitments totalling $1,095.2 million, were $250 million less than in fiscal 1973.

The International Finance Corporation, the Bank's other affiliate, made investments totalling $203.4 million.

With loans and credits totalling $1,361.8 million, Asia was the principal regional recipient of Bank/IDA assistance. Bank and IDA lending went to 12 Asian countries—Bangladesh, Burma, India, Indonesia, Korea, Malaysia, Nepal, Pakistan, Papua New Guinea, the Philippines, Singapore and Thailand.

II

The World Bank warned that without a major, worldwide effort, 800 million people in the developing countries of the world can expect almost no improvement in their lives during the rest of the 1970s. For hundreds of millions more, any improvement will, at best, be meager without such action.

The warning by the world's largest multilateral supplier of development finance is contained in the World Bank's Annual Report for 1974. It follows what the Report describes as a year of "momentous" changes in the international economy.

During that period, marked though it was by confusion and controversy, one point stood out clearly, the Report states.

"The prospects for the economic and social progress of a large number of developing nations have been seriously jeopardized. The jeopardy is greatest for those that are poorest."

significant developments

Five significant developments in the recent past hit the developing countries particularly hard, the Report says. They were: the realignment and floating of exchange rates; accelerated inflation, especially in the prices of most primary commodities and industrial goods; the rise in petroleum prices; shortages of foodgrains and fertilizers; and a slowdown in the growth rates of industrialized countries.

The impact of these developments has been far-reaching, the Report says. Barely a year ago, the prospects were that the developing countries, taken together, would be able to achieve an annual rate of growth of GNP in real terms somewhat higher than six per cent, in line with the target set for the second Development Decade. However, it is now expected that although some petroleum and mineral exporting countries may exceed the target, GNP growth in many other developing countries will fall below six per cent per year over the rest of this decade. The rate of growth in the poorest countries, including the most populous, will be so low that per capita incomes will either stagnate or rise very little between now and 1980.

If even moderately acceptable growth rates are to be achieved, there will have to be a massive increase in the flow of external resources to developing countries, the Bank says.

The outlook for the mobilization of such additional capital, the Bank notes, is "uncertain." That uncertainty rests most heavily on the poorest countries, whose needs will have to be financed "almost entirely" on concessionary terms, the Report concludes.

The Bank Report notes that even "middle-income" and "higher-income" developing countries may find it difficult to raise the additional capital they will need in the years ahead. The latter—those countries with yearly per capita incomes of more than $375—could afford much of the capital they need on market terms. But the former group, consisting of countries with annual per capita incomes of between $200 and $375, will need a "large concessionary element" in their borrowing.

By 1980, the additional long-term capital requirements of developing countries will amount to $27,500 million, almost half of which — $11,200 million — must be on highly concessionary terms, the Report says.

The Report, while noting that a number of initiatives have been taken in an effort to stimulate the flow of funds, both concessionary and other, cautions, however, that it remains to be seen whether the various initiatives will result in the disbursement of funds, especially concessionary funds, on the scale required.

"It appears almost inevitable," the Report concludes, "that at least in the short run, the flow of concessionary aid will decline even further in real terms. This will happen at a time when the needs of countries which depend mot heavily on such aid will be greater than ever."

In fiscal 1974, the Bank and its soft-loan affiliate, the International Development Association (IDA), made loans worth $4,313.6 million to 75 developing countries. Twentyfive per cent of the total — $1.095.2 million — was in the form of interest-free credits supplied by IDA.

A majority of the poorest people in the developing world live in rural areas. The Bank argues that development assistance must be directed to the poorest among and within developing countries; and in ways in which the productivity of small farmers and the landless in particular can be increased. "This is becoming," the Report says, "more deliberately than ever, the Bank's concern."

But more rapid growth and improvements in productivity— even on a moderate scale — will occur only if there is a "substantial increase in the flow of external resources to developing countries," the Bank's Report points out.

—*IBRD*

MOVING FINGER

The National Cultural Organisation celebrated a Tansen Jayanti festival by organizing musical concerts in the capital on September 22 and 23. The vice-president inaugurated the festival, the minister of state in the ministry of Education presided over it and the chief executive councillor of the Delhi Metropolitan Council was also present. Mr Jatti chose to read a written speech which was as undistinguished in substance, style and delivery as the vice-president himself. It is indeed a pity that a man occupying this high public office could not speak a few words extempore on an occasion like this. Worse still, Mr Jatti covered himself with ridicule by saying at the start of his speech that Tansen (whose 468th birth anniversary was being celebrated) needed no introduction. The man who wrote Mr Jatti's speech for him deserves to be sentenced to hard labour on a diet of platitudes mixed with Delhi tap water. It is true that almost every other successful politician in our country is a mediocrity in most respects, but is it at all necessary for the prime minister to flaunt these mediocrities in the face of the world by placing them in highly conspicuous public positions?

As for Professor Nurul Hasan, he certainly did not have to depend on a prepared text, but this was no reason why he should have let his tongue run away with him and gone on at such great length, especially when Ustad Bismillah Khan was on the dais and waiting to begin the inaugural concert. I suppose an audience getting its entertainment free of payment in cash is to be expected to pay in kind by putting up with VIP speeches on occasions of this sort, but this need not mean that its patience should be tried unduly by three politicians having nothing particular to say which was really significant for the occasion. I said 'three', for Mr Radha Raman also spoke. Fortunately, the mike went dead for a while as the electricity was off. Mr Radha Raman of course kept soldiering on bravely, but not many of us could hear what he was saying. Which was perhaps all to the good. Mr Radha Raman, as we must all admit, is quite capable of orating under the impression that Tansen is alive and well and present on the occasion and that Ustad Bismillah Khan is in fact Tansen, not just in the figurative sense but in the literal physical. For the benefit of the non-cognoscente, I may add that I have in mind that famous occasion when Mr Radha Raman mistook the West German ambassador in India for the chancellor of the Federal Republic, Mr Willy Brandt.

The press has gone to town on the government's crusade against the captains of the smuggling trade. One of the points which has been repeatedly made is that silver is being clandestinely exported in payment for smuggled gold and other goods. The smuggling aspect apart, I do not find this particular exchange of goods objectionable in itself. If silver is worth more abroad than here and gold worth more here than abroad, it is common sense as well as good economics for our people to exchange their silver for other people's gold. It should be clearly understood that the price of silver is a highly speculative one; in contrast, gold is much more reliable as a store of value or as a hedge against inflation. Therefore it is quite legitimate for the people to disinvest in silver so that they may invest in gold. Again, the standard of living of an individual or a family could improve concretely if silver articles such as silver utensils are sold and with the proceeds consumer durables or articles of every-day consumption are bought. It should also be realized that both fashion and taste are veering away from silverware in the kitchen to stainless steelware. Many households are turning more and more towards the use of stainless steel utensils, and for them the obvious thing to do is to dispose of silver utensils so that they may find money for buying stainless steel utensils.

Moreover, under the pressure of the rising cost of living, quite a large number of middle class or lower middle class families are frequently forced to effect distress sale of some of their possessions. The high price of silver makes it attractive for the families to turn into cash such silver as they may possess. In these circumstances the sensible thing would be for the government to provide an organized legitimate market for the silver people may wish to sell from time to time.

Until recently the government had banned totally the export of silver and this naturally put a premium on the smuggling out of this metal or its wares. But, even after the exports have been legitimatized, those who are engaged in smuggling goods into the country have been finding it worth their while to pay more for silver which they could use as a medium of exchange, so to speak, in their trade. This is why the white metal is not flowing freely through the normal trade channels into legitimate exports. Now that the government is cracking down on smuggling the price of silver has begun to ease. It would be good public policy for the government to make arrangements for silver offered for sale by the public to be bought at prices reasonably in accordance with those prevailing in world markets and arrange for the export of the metal for the benefit of the foreign exchange earnings of our country. Such a policy could be specially helpful to people in the countryside a large number of whom can cope with rising cost of living only by turning into cash some of their possessions. It would be obviously unfair that those who make distress sales are also required to make them at distress prices.

The way the CBI inquiry into the import licences scandal is reported to be progressing, it is quite possible that the present minister of state in the ministry of Commerce might fined himself in an extremely embarrassing predicament. During the relevant debates in the monsoon session of parliament, Professor Chattopadhyaya had repeatedly gone on record to the effect that, the controversy over the Tul Mohan Ram memorandum apart, there had been nothing improper or out of the way in the issue of the licences themselves. Professor Chattopadhyaya had also disclosed that the licences were issued only after a senior official of his ministry had gone to Pondicherry and verified the *bona fides* of the applicants and the authenticity of their representations or claims. It is to be hoped that there will be no unpleasent shocks to the people's trust in the government as a result of whatever findings the CBI inquiry may ultimately lead to. It goes without saying, however, that it will be in the ultimate public interest for the truth, whatever it is, to come out and be boldly faced by the government and the country.

VB

TRADE WINDS

Industrial Finance Corporation

THE INDUSTRIAL Finance Corporation (IFC) had disbursed Rs 30.26 crores in 1973-74. During the year it received a further time of credit for eight million D-marks from West Germany. The Chairman of the Corporation, Mr C.D. Khanna said in New Delhi the other day that IFC was facing shortage of funds. Unless the Union government augmented its resources by special allocations, IFC would find itself in a tight corner. On the industrial scene, Mr Khanna said steep increase in the capital costs of new units posed serious problems to the commercial viability of such industries as sugar, cement, paper, cotton textiles and automobiles, the end products of which were subject to price regulation.

Because of the increase in capital costs, several new projects were being considered by the IFC for financing jointly with different all-India financial institutions. Of the 90 projects for which IFC had sanctioned financial assistance of Rs 39.31 crores during the year ended June 1974, 56 projects had involved joint financing. The corporation might have to write off Rs 3.45 crores due from coal companies and sick textile mills taken over by the government because the compensation to be paid by the National Textile Corporation might not be adequate to meet the corporation's dues.

IFC chairman said that the corporation had several proposals for assistance in the pipeline. To augment its resources it had decided to enter the market with a bond of Rs 10 crores. After repayment of the maturing bonds, the net borrowing in the new issue would be four crores of rupees. The bonds will have a currency of 10 years and will be repaid at par on September 28, 1984. These will bear interest at the rate of six per cent per annum. The 4½ per cent IFC Bonds 1974 due for redemption are accepted at par in payment of subscription to six per cent IFC Bonds, 1984.

Record Turnover of STC

The working results of the State Trading Corporation of India Ltd. (STC) for 1973-74 showed a rise of 41 per cent in turnover reaching an all-time peak at Rs 490 crores. Its exports at Rs 273 crores exceeded imports by Rs 67 crores. As nearly half of the profit of the STC during the year under review accrued from exports, it reflected a new trend in the working of the corporation.

More than half of the total business of the STC was concentrated in Europe with the European Economic Community as its largest trading partner. Also, more than one-fourth of the exports of the corporation were to the Soviet Union. Interestingly, sales to west Asia had more than trebled and, according to the chairman, Mr Vinod Parekh, the regions potential had assumed special significance in the corporation's promotional activities.

An interesting element in the working results of the STC for 1973-74 was that exports had contributed Rs 7.4 crores i.e. about 48 per cent in trading profits. The corporation had also contributed one crore of rupees to the Leather Development Fund out of its profits. The equity base of the corporation had increased to Rs 10 crores due to the issuance of bonus shares to the extent of two crores of rupees in 1973-74. Because of the limitation on dividends the corporation allowed the maximum dividend i.e. 12 per cent for payment on the basis of working results for the year under report. The costs of the STC had been kept well under control as the ratio of costs to sales worked out to be 0.9 per cent as against 1.2 per cent in 1972-73.

A mid-year review of the performance budget for 1974-75 indicated that exports of the STC during the half-year ended September 1974 were valued at Rs 194 crores as against the revised budget estimate for the whole year at Rs 525 crores. The value of exports budgeted earlier for the current year at Rs 386 crores has been stepped up to Rs 525 crores because of the favourable trend emerging in regard to the export of sugar. While the value of sugar exported in April-September this year was estimated to be Rs 90 crores, the revised budget estimate indicated its total export value at Rs 260 crores in 1974-75. Consequently, the bulk of the expected increase in exports during the current year was likely to be entirely due to the sharp spurt in sugar exports.

Reviewing the prospects for the current year, Mr Parekh stated at a press conference held in the capital on September 28, that because of the favourable trend in the export of sugar, the budgeted turnover estimate of Rs 780 crores for the STC group had been revised upward to Rs 855 crores of which exports alone would account for Rs 573 crores. He outlined the corporations' new strategy for export promotion through selected products and markets. He said that the corporation intended to select each year certain items and markets for concentrated development. In the current year the programme would include basmati rice, army software, shoe uppers and chemicals. West and south-east Asia, with special emphasis on Gulf markets, had been selected as areas of intensive promotional activity.

In order to expand production capacity for exports, particularly in the small and medium scale sections, Mr Parekh stated that the corporation would provide direct financial assistance which could be in the form of term loans, supply of plant and machinery or imported raw materials.

Despite the uncertain world trading conditions Mr Parekh struck an optimistic note in regard to exports by the STC. He said that reasonably good prospects existed for this country's exports since vast opportunities were expected to be thrown open with increased trade with oil-producing countries. The consumption patterns in western Europe also seemed to suggest that certain agro-based products and consumer goods from our country would continue to enjoy ready markets there.

HMT Profits UP

Hindustan Machine Tools Ltd (HMT) showed a net profit of Rs 1.96 crores in 1973-74 which was 151 per cent higher than the preceding year's achievement. While sales increased by 22 per cent to Rs 43.06 crores, exports rose by 54 per cent to Rs 2.52 crores. This was indeed creditable in view of the fact that the working of the HMT units was hampered by frequent power cuts, raw material shortages, bottlenecks in movement and labour unrest in some of the units. As the long-term wage settlements in all the HMT units expired in the year under review, it took eight months of hard bargaining and negotiations to hammer out a new minimum wage and dearness allowance agreement. Consequently, the tempo of production slowed down during this period. However, consequent upon the wage agreement there was a spurt in production. While the management was afraid that the year would close with a deficit of Rs 35 lakhs, there was a record profit of Rs 1.96 crores, as stated earlier

The corporation signed an agreement during the year to export engineering equipment to Messrs Machine Tool Works Buehrle & Co, Oerlikon, Zurich (Switzerland). The contract was worth 4.5 million Swiss Francs; half of it was for equipment while the other half was for engineering documentation to be prepared by HMT on the basis of designs supplied by the Swiss firm. It may be recalled that this was the parent company which helped HMT to set up in 1953. More than two decades later, HMT has proved that it has come of age.

That HMT has inspired confidence in foreign buyers is clear from the fact that a well-known British manufacturer of machine tools, namely, Messrs Wickman Machine Tools, Coventry, UK, has entered into a collaboration agreement for the manufacture of "mini-chucker designed by the corporation. The prototype of the "mini-chucker" is at present under manufacture and testing and will include some of the modifications suggested by the British firm.

HMT has also decided to move into the manufacture of a new generation of machine tools which will be numerically controlled (NC). At present there is no production of NC tools in this country. Also, there is no significant domestic demand for them within this country though the industrialised countries are moving rapidly towards increased production of such machines. An agreement has been signed with Messrs Kearney & Trecker Marwin (KTM) of the UK according to which HMT will supply the basic machines, while the British firm will do the inter-facing with NC. These machines will be sold abroad. The central idea in this collaboration is that HMT should gradually take on more and more of the NC part of the work so that eventually the entire product may be made in this country.

Besides machine tools HMT has acquired great reputation for the production of other products such as tractors, wrist watches, printing machines and die casting. The Pinjore unit of HMT is turning out tractors while the Kalamassery unit has entered the printing machinery business. The watch factory in Srinagar is expected to be commissioned early next year. HMT has finalised an arrangement with the Citizen Watch Co. of Japan for the manufacture of main springs, hair springs and shock absorbers at the Bangalore watch factories. The production of die casting and plastic injection moulding machines in the Bangalore unit is expected to be further stepped up to reach its optimum capacity. HMT has started exporting technical know-how and it is already giving technical assistance for the establishment of machine tool factories both in Sri Lanka and the Philippines.

According to Dr S. M. Patil, Chairman of HMT, the expansion and diversification programme will increase the sales of the corporation to Rs 100 crores within the next three years. The capital investment of the company is also expected to rise to the same level. The percentage increase in production will be much larger in the case of new items than of machine tools. Eventually, the value of production of machine tools is likely to be less than half of the total output of HMT units.

TI Silver Jubilee

Mr A. M. M. Arunachalam and Mr M. V. Arunachalam managing directors of the well known industrial group of Trade Investments of India Ltd, Madras held a reception at the Oberoi Inter-Continental New Delhi, on September 28, in celebration of the silver jubilee of the firm. Lord Plowden, Chairman of Tube Investments Ltd, UK and Lady Plowden, who had come to India to take part in

The silver jubilee celebrations of their Indian associates, were introduced to the guests. During the reception a twenty minute film was shown to the guests with a view to acquainting them with the progress and achievements of this Madras-based industrial group which now employs over 15,000 persons.

MMTC

The Minerals and Metals Trading Corporation earned a net profit (after tax) of Rs 11.5 crores in 1973-74 against Rs 5.2 crores in 1972-73. The significant improvement in profitability is partly attributable to the upward trend of selling prices. Besides, profits during the year were augmented by a receipt of Rs 3.3 crores towards claims in respect of past shipments of iron ore to Japan.

The total turnover of the corporation rose by Rs 134.8 to Rs 478.3 crores in 1973-74 from Rs 343.5 crores in 1972-73; exports at Rs 125.4 crores were up by Rs 21 crores and import at Rs 351.8 crores by Rs 113.9 crores. Domestic sales at Rs 1.1 crores were only marginally lower than in the previous year. Thus between 1969-70 and 1973-74, in a span of four years, the turnover of the corporation had registered a rise of Rs 340.6 crores.

An indication of the efficiency achieved by the corporation is that despite escalations in costs, the ratio of over-heads to sales has come down to 1.2 per cent against 1.3 per cent in the previous year.

The increase in inventory to Rs 75.2 crores on March 31, 1974 as compared with Rs 56.6 crores on March 31, 1973 was due mainly to high-priced stocks consequent on global inflation. This has naturally strained the liquidity of the corporation. The borrowings from banks and the consequent incidence of interest was, therefore, higher than last year.

The second issue of bonus shares of the value of Rs 1.5 crores by capitalisation of reserves announced at the last annual general meeting raised the capital base from Rs 4.5 crores to Rs 6 crores on March 31, 1974. Over the years, the corporation has built up substantial reserves which stood at Rs 31.8 crores on March 31, 1974. It is proposed to utilise a part of these reserves in raising the equity base further to Rs 8 crores by issue of bonus shares worth Rs 2 crores.

The MMTC Chairman, Mr S. Ramachandran told a press conference that the average price realisation in 1974 compared to 1972 would be 50 per cent higher for iron ore, 85 per cent for manganese ore, and 200 per cent for coal.

The Chairman said that the long-term contract to export iron ore from Bailadilla to Japan would be re-negotiated very soon. The contract did not have any price escalation clause, but Japan had agreed to pay a reasonable price in the light of spot international prices.

Unlike last year, no shortfall was anitcipated in fertiliser imports from east Europe which were canalised through the MMTC. However, Mr Ramachandran complained that fertiliser plants in the country were not prepared to purchase rock phosphate whose import the MMTC had arranged for with much difficulty. It was sad that the MMTC had been forced to default on a shipment of 100,000 tonnes.

Apart from rock phosphate, industrialists were refusing to lift a wide range of imported materials, particularly non-ferrous metals. In, future, he suggested, some penalty should be imposed on those who did not lift imports, they had asked for.

Rise in Revenue Collections

The union government's tax collections in the first four months of the current financial year have shown all-round improvement. From April to July 1974 revenue collection was Rs 346 crores more than in the corresponding period last year.

Official information available here today shows that collections during this period were Rs 1,650.82 crores compared to Rs 1,304 crores during the corresponding period of 1973-74. Collection in July alone was Rs 109.40 crores more than in July 1973. The exact figures of revenue realised are: July 1974 Rs 471.94 crores against Rs 362.54 crores in July last year.

The improvement noticed was in all heads of duties and levies such as customs, excise, corporate tax, income tax, wealth tax, expenditure tax, gift tax, estate duty and opium tax. The details are given in table below.

Union Banks' Progress

In the report of the Union Bank of India for the year 1973, the Chairman, Mr Gutta, has drawn attention to the progress, both quantitative and qualitative, in deposit mobilization. As between the last Fridays of 1972 and 1973 aggregate deposits rose by 34.01 per cent to reach a level of Rs 324.14 crores. This has been the highest growth rate achieved by the bank so far. This increase also compared favourably with the annual growth rate of 20.07 per cent for the banking system. Moreover, time deposits grew faster (38.68 per cent) than demand deposits (29.66 per cent). One result was that the two categories of deposits were about equal. Again, the pace of deposit accretion in rural and semi-urban centres continued to be faster than in urban and metropolitan areas.

The figures relating to advances reflected the effectiveness of the credit control measures adopted by the bank on the advice of the Reserve Bank. The bank's net credit went up by Rs 53.19 crores to reach Rs 227.63 crores as at December 1973, but this growth was well within the deposit accretion, in contrast to the trend in earlier years when the growth in advances had outstripped that in deposits. The incremental credit-deposit ratio was contained at 66.44 per cent as against 87.46 per cent for the banking system (as of last Friday). The sectoral deployment of funds was such that only 23.07 per cent of the credit expansion went to non-food and non-priority sectors. Credit against sensitive commodities accounted for less than three per cent. The share of export credit in the total advances' portfolio of the bank continued to be well over 10 per cent as in the previous year, while the share of priority and neglected sectors (excluding exports) improved from 30.81 per cent to 37.24 per cent. It may be added that the corresponding ratio for public sector banks was 23.80 per cent as at the end of June 1973 (and 26.1 per cent as at the end of September 1973).

(Rs in lakhs)

Revenue heads	During July 1974	During July 1973	Upto July 1974-75	Upto July 1973-74
Customs	11065	7512	39988	30547
Union excise (excluding cess on salt, rubber, coal and iron ore)	*27861	21359	102366*	80541
Corporation tax	*3597	3076	10599*	8685
Income tax	*3984	3903	10799*	9544
Wealth tax	441	225	652	473
Expendilure tax	—	—	—	—
Gift tax	33	27	108	102
Estate duty	46	65	216	236
Opium	167	87	354	337
TOTAL	47194	36254	165082	130465

*Provisional.

The bank has agreed to participate in seven agricultural credit projects which are being financed with the credits made available by the World Bank. The scheme of differential interest rates introduced in late 1972 was extended to districts covered by Small Farmers Development Agencies and Marginal Farmers and Agricultural Labourers Agencies. The pace of progress made in the six Lead Banks assigned to the bank—four in UP and two in Kerala—continued to be quite satisfactory. An ambitious dairy development scheme for implementation in the Lead Districts of Varanasi and Ghazipur in UP was under formulation. Incidentally, the bank had opened during 1973, 48 branches in rural and semi-urban centres and another 25 elsewhere, taking the total to 579.

Rise in Engineering Exports

Engineering goods exports registered a record growth of 111 per cent in July. Their total value was Rs 27.37 crores against Rs 13.05 crores in June. The cumulative export figure for the first four months of the current financial year (April-July) was also considerably higher than that for the corresponding period of 1973-74. There was an increase of 45 per cent, from Rs 47.01 crores to Rs 68.32 crores.

Exports of primary steel and pig-iron based items with Rs 19.84 crores headed the list, followed by capital goods, including plant and machinery and steel structurals, which accounted for Rs 18.66 crores. Bicycles and their components, non-ferrous products, diesel engines, pumps and compressors, data processing machines, telephones and teleprinters were the other major items.

According to the Engineering Export Promotion Council, the industry has finalised contracts worth Rs 350 crores so far. In addition, an order for the supply of a filtration and water treatment plant valued at about Rs 4 crores has been secured. This plant will be for the Bombay water supply scheme which is being financed by the World Bank.

Dr B.V. Bhoota, chairman of the council, is confident of achieving the target of Rs 250 crores provided some of the major constraints which are hindering engineering goods production for export are removed. These included non-availability of steel, power shortage, finance and shipping.

Speculation in Jute

Hectic speculation in raw jute has driven the price up from Rs 48 per maund of Assam Bottoms earlier this year to Rs 77 for September delivery. Speculative buying in raw jute has been combined with similar buying of hessian and sacking. Hessian has gone up for Rs 130 per 100 yards in July to Rs 165 now. Similarly there has been a big increase in the price of sacking (B-Twills). The Commerce ministry has intervened to ensure that the huge stocks collected by some big business houses are liquidated and the market opened to other jute mills which have been virtually shut out by the speculative purchases.

The Reserve Bank also has tightened the flow of bank credit against inventories of raw jute with jute mills. In a letter to banks, the Reserve Bank has stated that no additional credit limits should be sanctioned to mills which would enable them to effect fresh purchases of raw jute over and above the levels prescribed by the Jute Commissioner.

Meanwhile, at a recent meeting with the Deputy Governor of the Reserve Bank, Dr R.K. Hazari, and other bank officials, the representatives of the Jute Corporation are understood to have placed their case for the sanction of a minimum cash credit of Rs 48 crores for procuring 15 lakh bales of raw jute during the current season. A lower credit limit, they feared, would lead to gross underutilisation of the infrastructure facilities now created by the Corporation for marketing a bigger quantity of raw jute this season.

Enhanced Ceiling on Tobacco

The deputy minister of Commerce, Mr A.C. George, who is now in London attending the International Coffee Council meeting, has taken the opportunity to urge the Community member states to enhance the GSP ceiling of flu cured Virginia (FCV) tobacco to at least 35,000 tonnes. The ceiling should also to be fixed in quantitative terms and not in terms of value so that the duty-free ceiling is not eroded on account of rising prices.

It may be recalled that the problem for Indian FCV tobacco has arisen following UK's entry into EEC. Britain is the largest market for Indian manufactured tobacco accounting for about 40 per cent of Indian exports.

Although FCV tobacco was included in the EEC's GSP for 1974, the low tariff quota under the GSP has created problem for India's exports of FCV tobacco. As against our exports of 29,000 tonnes to enlarged Community and 26,000 tonnes to the UK in 1973-74, the GSP ceiling is only about 16,000 tonnes for the enlarged Community and 13,000 tonnes for the UK.

Among the EEC member states, Italy and France are the major producers of unmanufactured tobacco and it is understood that both these governments have agreed to support the Indian request for enhanced GSP ceilings for FCV tobacco. The response of Dublin (Ireland) and Brussels (Belgium) where Mr George had discussions, is also known to be favourable. Following the supports received from the member governments, the working group of the Community on GSP is learnt to be making recommendations in favour of the Indian stand.

Sugarcane Prices Raised

The centre has decided to raise the minimum price for sugarcane for 1974-75 season. The new price effective from October 1, would be Rs 8.50 per quintal for a basic recovery of 8.5 per cent or below subject to a premium of 10 paise for every 0.1 per cent increase above that level. The present minimum price is Rs 8 per quintal of sugarcane linked to a recovery of 8.5 per cent or below with a premium of 9.4 paise for every increase of 0.1 per cent in recovery above 8.5 per cent. The present sugar policy of partial control of 70 per cent levy and 30 per cent sale would continue during the next sugar year, the note said.

Indo-Iranian Shipping Company

The joint shipping venture mooted between India and Iran will be a joint stock company whose equity shares will be held by the two governments only. All the details of the venture to be styled as "Irano-Hind Shipping Company" have now been finalised by the Indian shipping delegation led by Admiral S.M. Nanda, Chairman of the Shipping Corporation of India, which went to Iran recently for negotiating terms and other arrangements. This will pave the way for further talks between the Shah of Iran and the Indian government on October 2 when the Shah visits this country.

The proposed company it is believed will acquire, to begin with, 10 to 12 general cargo ships to move about one million tonnes of cargo between the two countries. The quantum of cargoes would progressively go up as Iran industrialises further and the economic cooperation between the two countries extends to many fields. Before 1978, the company will have bought, according to present estimates, about 25 ships of approximately 500,000 DWT.

By 1978, it is expected that India would be exporting through the ships of the new company about 750,000 tonnes of Kudremukh ore for Iran's steel plant near Shiraz. About eight million tonnes of coal would also move from Haldia.

Iran is industrialising fast and its needs for raw materials are on the increase. Among many other projects that are being finalised, Iran has planned to establish five atomic plants, orders for which have already been placed with France.

Bonus Committee Recommends 'Status Quo'

The Bonus Review Committee has recommended for "status quo" in regard to minimum bonus of 8.33 per cent and the maximum of 20 per cent. It has also rejected any widening of the scope of the Bonus Act to include Government departmental employees and others not presently covered by the Act. The recommendations are by five to two majority with the two labour representatives submitting separate minutes of dissent.

The changes recommended by the majority relate to increasing the maximum payable bonus amount from Rs 750 to Rs 1000 and extending the benefit of bonus to those drawing upto Rs 2000 per month against Rs 1600 per month hitherto.

The majority report also recommended deletion of Section 34(E) of the Act which had provided for a contingency of higher bonus through collective bargaining.

The labour representatives had urged that the minimum bonus should be raised from the existing 8.33 per cent to 10 per cent for 1973 and to 12.5 per cent from 1974. On the other hand, representatives of the employers pressed for a reduction of minimum to a mere 5 per cent.

The majority has also recommended that no category of employees other than those already covered by the Payment of Bonus Act be brought under the purview of the Act.

HSL Keen to Enter Export Market

The unconfirmed order for 13 ships is causing a lot of anxiety, as the two lines — Scindia Steamship and Moghul Lines have not been able to secure financial assistance so far, said Mr. Balakrishna Shetty, Chairman of the Hindustan Shipyards Limited (HSL), at a press conference after the 22nd annual general meeting of the company.

Mr Shetty stressed the need of building of 21,500 DWT Pioneer class ships as he anticipated a big demand for this type of ships after the opening of Suez Canal next year. There had already been some enquiries regarding these ships from Great Britain, middle-east and some south-east Asian countries and as such HSL was very keen to enter the export market.

HSL made a profit of Rs 53.39 lakhs during 1973-74. The ships totalling 41,722 DWT — the highest ever attained in a year — were delivered saving the country Rs 22 crores in foreign exchange. Also the total time taken from keel laying to launching has been reduced from 21 months to 13 months, Mr Shetty pointed out.

International Coffee Pact Extended

The executive board of the International Coffee Organisation (ICO) on Tuesday voted to recommend the extension of the second International Coffee Agreement (ICA) for another year until September 30, 1975. It was the second time that the pact was re-extended for 12 months pending negotiations for a new agreement to last the normal five years.

Indo-Rumanian Cooperation

Rumania will supply to India 1.5 million tonnes of chemical fertilisers during the five-year period beginning 1976, under a protocol signed between the two countries recently. During the same period, Rumania will buy from India 13 million tonnes of minerals.

The protocol signed after the meeting of the Indo-Rumanian Joint Commission aims at doubling the volume of annual trade between the two countries from the current level of Rs 60 crores to Rs 120 crores by 1980. The trade exchanges between the two countries would also include supply to India of oil-field equipment and equipment for refineries on a long term basis. The Indian delegation to the Bucharest session of the Joint Commission was led by minister for Petroleum and Chemicals Mr D.L. Barooah, who is also co-chairman of the Commission.

Apart from development of trade, agreement was also reached between the two countries for economic cooperation in the field of petroleum and chemicals, power and energy, agriculture and water and land management.

Under the protocol, Rumania would cooperate in setting up some units of refineries through grant of technical assistance and supply of designs, technology and equipment. This assistance would be available for the coking unit and the kerosene treating unit of the Bongaigoan refinery. The feasibility of similar cooperation in respect of setting up a catalytic cracking unit at the Mathura refinery would also be examined.

Apart from refinery equipment, Rumania would offer 14 rigs and oil-field equipment and tubings over a period of five years. The possibility of cooperation in oil-field equipment production would also be examined. The two countries have also decided to examine the feasibility of collaboration in oil exploration in third countries.

The two countries are to explore possibilities of cooperation in the field of research, design and delivery of power systems and meeting each others requirements for equipment, installations and materials for power generation. Supply of equipment and machinery for power and hydro and thermal transformer stations, supply of electro-technical equipment as well as designs execution of electrical works including those in dams would also be considered.

India and Rumania are also to cooperate in the field of sunflower and sugarbeet cultivation and production of hybrid seeds. India would also receive technical assistance in geo-hydrological research for identification, development and exploitation of underground water resources for irrigation purposes.

In the field of science and technology, the two countries reviewed the progress of the two-year agreement signed in 1972 and decided to finalise new proposals of collaboration at the time of renewal of the executive programme.

Malaysian Envoy Visits Ashok Leyland Plant

The High Commissioner for Malaysia in India, Tun Haji Abdul Khalid Awang Osman, visited the Ashok Leyland factory at Ennore recently. He later told Pressmen, who accompanied him, that he was "very impressed" with the factory.

The High Commissioner said that there are at present 36 Indo-Malaysian joint ventures in different stages of development, some had already commenced operation. Malaysia was in need of about 1000 trucks to meet her transport requirements and was prepared to consider importing them from India, if they were available. There are no import restrictions in Malaysia and private sector importers will be effecting the imports.

Licensing Fees Raised

The government has increased tenfold the fee for industrial licences from October 1. Applicants for industrial licences will now have to submit treasury receipts for Rs 500 as against Rs 50 so far. According to an official release, the enhancement in the fee, which has remained unchanged since the Industries Development and Regulation Act came into force in 1951, has been necessitated by the creation of a secretariat for industrial approvals to expedite disposal of applications.

The release also pointed out that government had considerably liberalised the exemption from licensing of industrial units. Under this policy investments up to one crore rupees are exempted from industrial licensing. Subject to certain conditions small entrepreneurs in most cases do not require a licence.

The enhancement of the fee is also expected to discourage frivolous applications from overloading the work of the secretariat for industrial approvals, besides safeguarding revenue receipts which had been declining during the past few years after the investment ceiling was raised to one crore rupees.

Iron Ore Export Pact

Chowgules have finalised a Rs 400 crore contract with Japanese steel mills for the sale of 19 million tons of iron-ore pellets for 10½ years from October 1977. The exports will be at the rate of 1.80 million tons per year with an annual foreign exchange earning of Rs 40 crores, Mr V.D. Chowgule, Chairman of the Chowgule group of industries, told newsmen recently.

He said, a new pelletisation plant near Mormugao harbour was being set up — the government has approved this public limited company which will go into production in July 1977 — with an annual capacity of 1.80 million tons to meet the new contract. Fiftyfive per cent of equipment of the Rs 42 crore project would be imported from Austria, he said. At present, Chowgules export 5.50 lakh tons of pellets and four lakh tons of ore limps and fines to Japan.

Mr Chowgule said, his company proposed to set up a Rs 240 lakh pelletisation plant near Mangalore with an annual capacity of six million tons.

The new pelletisation plant near Mormugao was expected to go into commercial production by October 1977 by which time new mechanical ore handling facilities would be set up at Mormugao port. This would facilitate quick handling and shipping of the pellets, he said.

Fishing Trawlers in India

An agreement between the government of India and M/s Astilleros Imesa, S.A., Mexican shipyard, was signed recently for the supply of designs and detailed shop drawings of fishing vessels to facilitate the construction of similar vessels in Indian shipyards. Mr Manzolillo, Technical Director signed the agreement on behalf of the shipyard and Mr S.P. Balasubramanian, Joint Secretary (Fisheries), ministry of Agriculture, on behalf of the union government. Contracts were also signed for the supply of four fishing trawlers of 23 meters length at Rs 24 lakhs each between the Mexican shipyard and Indian buyers, as part of the purchase of 20 trawlers from Mexico. Similar agreements are proposed to be signed with Poland and Italy shortly for the supply of designs and purchase of vessels from them. The programme for the import of trawlers is 100 per cent export-oriented. The trawlers are expected to earn their value in foreign exchange in three years by export of marine products. Already our marine exports amount to nearly Rs 90 crores. The fifth Plan envisages the introduction of 200 deep sea fishing trawlers. During the first two years of the fifth Plan it is proposed to import 60 trawlers. Another 60 trawlers of the same design are to be constructed indigenously.

Trade Fairs

Plovdiv Fair

The India pavilion at the Plovdiv International Trade Fair in Sofia (Bulgaria) became one of the centres of attraction for the visitors, according to the information received here. Nearly 38 Indian firms participated in this Fair displaying engineering items, textile goods, coffee, cashew, cigarettes, sports goods, footwear, handloom fabrics and handicrafts.

Zambia Fair

In the Zambia trade fair, where the India pavilion was adjudged the best among the international pavilions, Indian participants were able to secure some substantial orders. These include orders for bicycle and bicycle parts, tractors, diesel engines. This country was also able to get orders for water coolers, deep freezers, pharmaceuticals and diamond drilling mining machinery.

Berlin Fair

In Berlin, the Trade Development Authority organised India's participation in the Overseas Import Fair "Partners in Progress". Importing firms from Belgium, Sweden, Australia, France, Italy and West Germany visited the India Pavilion. The total value of orders booked was Rs. 44 lakhs and as many as 100 enquiries were registered.

Names in the News

Mr Aditya Vikram Birla has taken over as Honorary Consu General of the Republic of th Philippines at Bombay. graduate in chemical enginee ing of the Massachusetts Insti tute of Technology, Mr Birl has wide management experi ence. He has pioneered India joint ventures in Thailand an Indonesia in the fields of man made fibres and textiles and i presently setting up a join textile venture in the Philip pines.

Mr Krishnaraj M.D. Thackersey, ex-chairman of Indian Cotton, Mills Federation, has been elected President of the International Federation of Cotton and Allied Textile Industries, (IFCATI.), a world body representing the textile industry, at its Annual Conference held at Venice Italy, from 16—20 September 1974. This is the first time that an Indian has been elected to the presidentship of this international organisation, enjoying consultative status with United Nations and other inter-governmental organisations. IFCATI is the only international forum for the cotton and allied textile indust- ries of the world. It will hold its next annual conference at Bombay in November 1975.

Readers' Roundtable

Hydergine Rerated

Sir—Thank you for your prompt action in publishing our letter MD; scn. dated August 16, 1974, in your issue of September 6 (p. 438).

We would like to refer to your comments, also in that issue, that the observation in *The Guardian*, which was quoted in your journal dated May 24 (p. 1023), related presumably to the position as it was before the 'upgrading' was effected, on the basis of further evidence.

In reality, Hydergine was upgraded on *March 13, 1974* in spite of which *The Guardian*, published its incorrect report on *May 13, 1974*, that is much after the revaluation of Hydergine, by FDA. We shall be grateful if you could clarify this matter in your journal.

Bombay

SANDOZ (INDIA) LIMITED

We reproduce the "correction' published by *The Guardian*' clarifying the position :

"In an article in *The Guardian* on May 13, it was stated that Hydergine, a drug manufactured by Sandoz for the treatment of cerebrovascular insufficiency, had been rated as "lacks substantial evidence of efficacy for some indications; possibly effective for other indications." We have been asked to point out that Hydergine was rerated by the US Food and Drug Administration on March 13 as effective for indications similar to those for which the drug is promoted in England."

—EDITOR

COMPANY AFFAIRS

National Forum of Shareholders' Plea

THE EXECUTIVE committee of the National Forum of Shareholders has called for the withdrawal of the dividend freeze in order to arrest the rise in prices. The execution committee which met in New Delhi last week noted that the dividend freeze had not achieved its objective of checking inflation. On the other hand, it had abetted inflation. The companies, according to the executive committee, had been allowed to retain about Rs 150 crores which in the normal course would have been distributed as dividend. "This money with the companies" it observed, "has led to further hoarding of stocks, causing further rises in prices." The dividend freeze, it further added, had blocked fresh lines of business activity by new entrepreneurs as no public issue would become successful under the present circumstances.

Meanwhile shares, after initial steadiness, retreated on the Bombay Stock Exchange during the past week on nervous bull unloading coupled with short selling. Trading activity was on a reduced scale and closings showed moderate losses. Distressed conditions prevailed on the Calcutta Stock Exchange during the week following absence of fresh enquiries. There was practically no support in almost all sections. It was a week of moderate activity on the Madras Stock Exchange with select scrips in sugars, coffee, textiles, chemicals and industrials interesting buyers. The undertone was generally steady.

India Steamship

India Steamship Company's fleet completed during the year 30 round voyages in the overseas trade and two in the coastal trade as against 39.5 round voyages of which 30.5 voyages were in the overseas trade and nine in the coastal trade in the preceding year. The earnings from freight during the year amounted to Rs 19.78 crores. After appropriating a sum of Rs 179.96 lakhs to depreciation reserve and meeting all other normal charges, the profit and loss account was left with an amount of Rs 329.32 lakhs. Out of this, Rs 108.00 lakhs was allocated to development rebate reserve. The balance amount after providing for income tax was transferred to the general reserve. The directors have recommended a taxable equity dividend of 12 per cent, the maximum permissible under the dividend ordinance besides payment to the preference shareholders at five per cent grossed up. The equity dividends will absorb Rs 29.70 lakhs while preference dividends will claim Rs 1.62 lakhs and it will be paid out of the general reserve. The company has added three ships to its fleet during the year. Two of these ships have already been taken delivery of and the third one is expected to be delivered in a couple of months. These are very modern and sophisticated ships which are eminently suited for the company's purpose. The fleet of this company will be further augmented by the addition of the first two ships that are being built for the company by the Hindustan Shipyard within the course of this year. With these additions the company would be better equipped to serve the trades. The expansion programme of the company is under active consideration so as to serve the export needs of the country by diversification of its trade and also by making more space available for carriage of goods. In furtherance of this policy, the company has signed an agreement for placing an order for two ships with Hindustan Shipyard Ltd and is also on the look out for the purchase of suitable vessels.

Ratnakar Shipping

Despite difficulties Ratnakar Shipping Co. Ltd has reported fine progress during the year ended March 31, 1974. Gross earnings during the year registered an appreciable rise of 44 per cent over 1972-73 while gross operating profit rose spectacularly from Rs 21.27 lakhs to Rs 110.60 lakhs. The attainment of these results were rendered possible partly on account of the rehabilitation programme undertaken by the company and also due to the economically viable rates that were prevalent in the freight markets. The impressive working results achieved during the year have enabled the directors to recommend a higher dividend of 10 per cent for the year. The company has embarked on an ambitious expansion programmes. Orders for four ships — two on Garden Reach Workshops and two on a Spanish shipyard have already been placed and further proposals are being actively examined. The company hopes to achieve a target of 250,000 dead weight tons by 1976. Much will, of course, depend on the availability of loans from the Shipping Development Fund and the much needed relaxation in its terms. A slight controversy has arisen in connection with the price of the two ships ordered on Garden Reach Workshops. Efforts are being made to resolve the matter with the assistance of the government.

Dunlop

Dunlop India Ltd has reported further improvement in production and sales during the first half of 1974. Its income during Jan-June 1974 was Rs 60.37 crores. After deducting manufacturing and trading expenses, the balance from trading amounted to Rs 3.11 crores. After setting apart Rs 90.56 lakhs to depreciation reserve and Rs 49.66 lakhs to meet interest charges, the profit before tax amounted to Rs 170.88 lakhs. A sum of Rs 90.57 lakhs was provided for taxation, leaving the profit after tax at Rs 80.31 lakhs. Power supplies in the first six months of the year were very much better than in the corresponding period of 1973 and production and sales improved substantially. However, by June 1974, the average cost of raw materials had risen by nearly 50 per cent as compared to June 1973. Selling prices of automotive tyres were decontrolled on April 29, 1974 which gave the company an opportunity to recover, in the last two months of the half year, a part of the raw material cost escalation which had taken place since November 1968, the last occasion on which automative tyre prices were increased. Since August the Sahaganj factory has been restricted to 16 shifts per week due to the West Bengal power rationing scheme and raw material shortages, particularly rayon due to insufficient supplies of imported wood pulp, are beginning to affect production. Nevertheless it is anticipated that with the full half year's effect of improved selling prices, results for the second six months of 1974 will show a further improvement. The board regrets that following the promulgation of the dividend ordinance consideration of the dividend for the year 1974 will be deferred until such time as the results for the full year are available.

Polychem

After several years, Polychem's efforts to obtain a letter of intent for the manufacture of acrylonitrile Butadiene styrene (ABS) resins have become successful. The grant of this letter of intent is conditional upon using indigenous technology to develop indigenous commercial technology for production of ABC resins. A pilot plant based on laboratory scale know-how developed by Sri Ram Institute and purchased through National Research and Development Corporation is expected to be commissioned shortly. The company's application for the grant of a letter of intent for the manufacture of vinyl acetate monomer and other related products is under the consideration of the government and the company looks forward to receiving the same which will permit further diversification. Independent facilities for the manufacture of country liquor have recently been commissioned. This will permit doubling its production as also of Indian-made foreign liquors. It is gratifying to note that the company's potable liquors have been well received by the markets and they are in high demand.

Indian Organic

Indian Organic Chemicals had achieved during the first five months of the current year a substantially higher turnover of Rs 11.71 crores as compared to Rs 7.55 crores in the similar period of last year. The company's polyester fibre plant is operating at about 50 per cent of its capacity and it is receiving at present about 300 to 350 tonnes of DMT. If more DMT becomes available the company would be in a position to step up considerably its fibre production. The Khopoli unit has given an outstanding performance except for the continued stagnation in the plasticisers plant due to the non-availability of phthalic anhydride at the right price. The company had again applied for a licence for the manufacture of phthalic anhydride. The expansion of the benezyl products plant which commenced last year, is expected to be completed this year. The company will also be expanding in the next two to three months its production of monochloro acetic acid. The company is setting a distillery with a capacity of eight million litres of alcohol in the backward region of Marathwada. The project is estimated to cost Rs 1.10 crores and is expected to be completed in a couple of years. The company is also expanding its production of certain chemicals.

Garware Nylons

Garware Nylons Ltd has made substantial progress in the current year despite raw material shortages and higher costs. Sales in the first five months (April — August) have gone up by 23 per cent to Rs 5.19 crores from Rs 4.15 crores in the same period of 1973. The company has also made encouraging progress in the implementation of its diversification programmes. The polyester filament yarn with an annual capacity of 360 tonnes is expected to commence commercial production by second quarter of 1975. The plant for the recovery of caprolactum from polymer waste is also likely to go into production by the same time. The company is exploring the possibility of setting up a weaving unit. The company has signed an agreement with the government of Negeri Sembilan, Malaysia, for the setting up of a joint venture project for the manufacture of fabrics from man-made fibres in that country. The company's equity participation will be to the extent of 30 per cent and it would receive a royalty of two per cent for five years for the supply of technical know-how, engineering services and training.

Kothari Madras

Kothari's two sugar factories — one in Trichy district and the second in Sirugappa in Karnataka—are expanding their capacity. By 1976-77, the two factories together will crush 11 to 14 lakh tonnes of cane and account for a total sugar output of one lakh tonnes. Orders for machinery for the expansion of Sirugappa unit have already been placed and for the expansion of Trichy unit orders will be placed soon. The two factories together will have a turnover of Rs 23 to 24 crores on completion of the expansion plans. The expansion schemes will cost about Rs six crores.

The formulation for setting up a new unit for the manufacture of caustic soda and allied chemicals, it is understood, has reached a fairly advanced stage. The factory will be located in Madras with an annual capacity of 33,000 tonnes of caustic soda. Besides, manufacturing 40,000 tonnes of ammonium chloride, other chemicals such as will also be manufactured. The estimated cost of the project will be Rs 14 to 15 crores.

There are two other projects whose implementation is expected to be completed in three or four years. One is for the manufacture of half-a-million watches to start with and which will go up to one million pieces later. The project, estimated to cost Rs five crores, will have a tie-up with Voumard, the well-known light machine tool manufacturers of Switzerland.

News and Notes

Kanoria Chemicals and Industries has received a letter of intent for substantial expansion of its caustic soda plant from 33,000 tonnes to 66,000 tonnes per annum. The company has also received a letter of intent for expansion of stable bleaching powder plant from 5,000 tonnes to 15,000 tonnes per annum. But its application for increasing the capacity of the plant for the manufacture of toluene di-Isocyanate from 3,600 tonnes to 6,000 tonnes is still under the consideration of the government. The government, however, has approved the foreign collaboration proposal for the Methyl Methacrylate monomer and the company has concluded a collaboration agreement with Messrs Rohm and Haas, Texas Inc., USA. Meanwhile the company has extended the date of redemption of 20,000 (9.5 per cent) redeemable cumulative preference shares issued on March 28, 1962 by 10 years—from March 28, 1974 to March 28, 1984. The rate of dividend has been enhanced from 9.5 per cent to 9.8 per cent with effect from March 28, 1974.

The fee for the grant of an industrial licence has been increased from Rs 50 as at present to Rs 500. The increase will be effective from October 1, 1974. It has become necessary to enhance the fee on account of overall increase in costs. The government has set up a new secretariat for industrial approvals since November 1, 1973. To ensure expeditious disposal of applications. The government has also considerably liberalised exemptions from licensing. Consequently investments upto Rs one crore stand exempted from the licensing provisions subject to certain conditions, with the result that small and medium entrepreneurs in most cases do not require to take out industrial licences.

New Issues

A new pelletisation plant with an annual capacity of 1.8 million tonnes is being set up near Mormugao harbour, Goa. A new company styled **Chowgule Metal Industries Ltd** has been promoted for undertaking this project. The plant is based on a new technique developed through continuous research and tests that Chowgules have carried out at their first plant in Pale. Iron ore fines needed by the plant will be supplied by the Sirigao, Costi and other mines of Chowgules in Goa. The plant is expected to go into commercial production by October 1977. The new company will have an issued capital of Rs 5 crores—Rs 4 crores in equity shares and Rs 1 crore in preference shares. To raise resources for the implementation of the project the company will be entering the capital market some time in March next. Of the total equity capital, Chowgules will take up 40 per cent, financial institutions and the central government 35 per cent and the remaining 25 per cent will be offered to the public.

Shree Vindhya Paper Mills will be raising further capital for financing partly the cost of its expansion programme. The company has a plant at Nasik in Maharashtra to manufacture art-paper, art-board, chromo-paper and black-centred art card. The installed capacity is 1,500 tonnes per annum. These products are extensively used for sophisticated printing jobs, such as, catalogues, technical literature, brochures, calendars, balance sheets, diaries, fancy cartoons, labels and playing cards. The company which has embarked on an expansion programme envisages the establishment of additional capacity near the present unit. The expanded installed capacity will be around 4,000 tonnes per annum and at a later stage the installed capacity would be raised further to 6,000 tonnes annually. The capital outlay on the new unit is estimated at Rs 1.62 crores which will be met by the additional share capital of Rs 60 lakhs, foreign currency loan from ICICI of Rs 40.15 lakhs, rupee loans from IFC and ICICI of Rs 40 lakhs and internal sources of Rs 21.85 lakhs. Of the additional equity capital, Rs 15 lakhs will be reserved for subscription by directors and their friends, while Rs 4.95 lakhs will be reserved for firm subscriptions by IFC. The balance of Rs 40.05 lakhs would be offered to the public for subscription.

Southern Boraax is setting up a plant near Madras for the manufacture of borax and boric acid. The company, with an authorised capital of one crore of rupees, has been promoted by the well-known entrepreneurs Mr P. S. Bhashyam and Mr K. R. Radhakrishnan in association with Tamil Nadu Industrial Development Corporation Ltd. The manufacture of borax is now entirely the monopoly of an international organisation. Borax is now manufactured in the country by Borax Morarji Ltd who are the collaborators of this international combine.

The Southern Boraax Ltd is having thus the rare privilege and unique distinction of being a pioneering venture in the country. Besides developing its own know-how. Southern Boraax will be procuring the entire machinery for the unit indigenously, particularly from Tamil Nadu. Work on the project is proceeding apace and the plant is expected to go on stream by about March 1975. It is proposed to produce boric acid by 1976, starting from Borax itself as the raw material through a novel method. It has also been planned to manufacture compounds based on boron namely micronutrients, weedicides, herbicides, insecticides, detergents, boron carbide, boron nitride, zinc borate and other boron compounds. The capital outlay on the project is estimated at Rs. 94 lakhs. It will be financed by the equity capital of Rs 40 lakhs while loans will be raised to the tune of Rs 54 lakhs. Out of the equity capital, TIDCO will subscribe to equity shares worth Rs 10.40 lakhs while equity capital of the order of Rs 10 lakhs will be taken up by the promoters. The balance of Rs 19.60 lakhs will be offered to the public for subscription. Arrangements have been finalised to underwrite the entire public issue by financial institutions and stock brokers.

The foresight and vision of the promoters can well be imagined if it is noted that there is a yawning gap between the present production and the demand for borax and boric acid. The total demand for borax in 1974-75 is estimated at 51,700 tonnes whereas the installed capacity of the only other existing manufacturer, the Borax Morarji Ltd., is 15,000 tonnes of borax and 3,000 tonnes of boric acid per annum. Thus the entry of Southern Boraax into this field will be a laudable effort to produce a valuable scarce key material indigenously. Besides meeting the requirements of the domestic market, the company will be selling a substantial quantity of its products overseas.

Eastern Economist 30 Years Ago

OCT. 6, 1944

World trade has been subjected to so many strains and stresses, particularly since the thirties of this century, that if it is to be aided to grow, some sort of international cooperation would appear to be essential. The necessity for international co-operation will be appreciated if we look at the position in the two decades that intervened the war of 1914-18 and the present war. The laissez faire policy of the nineteenth century world had met with an inglorious end and, what is more, the period 1919-39 turned out to be the most eventful for restrictions in the history of world trade. War debts and reparations made the balance of payments position very difficult, particularly for the debtor countries, and it was towards the end of the twenties that restrictions on international trade came to be placed, all with a view to easing difficulties arising from the balance of payments position. During the Great Depression of 1929-33 world trade contracted and more restrictions by way of tariffs and quotas came to be levied in this period. In order to ease the movement of goods between countries, a series of trade agreements came to be negotiated, the most outstanding of these being the Ottawa Trade Agreements of 1932, concluded between the different members of the British Commonwealth of Nations. These agreements as well as the agreements concluded by the U.S.A. round about 1936 were all bilateral in character, i.e., the procedure adopted for negotiations was bilateral.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for: Current year	Previous year
Higher Dividend			
Hindustan Wire Products	March 31, 1974	12.0	10.0
Same Dividend			
Arunodaya Mills	Dec. 31, 1973	12.0	12.0
Hindustan Motors	March 31, 1974	Nil	Nil
Hindustan Breweries	March 31, 1974	Nil	Nil
Indian Detonators	June 30, 1974	10.0*	10.0
Reduced Dividend			
Bharat Bijlee	June 30, 1974	8.0*	15.0
Consolidated Coffee	June 30, 1974	12.0	18.0
Gramaphone Co. of India	June 30, 1974	12.0	18.0
Hukumchand Jute Mills	March 31, 1974	4.0	7.5

* On Increased Capital.

RATNAKAR SHIPPING CO., LTD.

SPEECH OF THE CHAIRMAN, Mr. K. K. Birla

The following is the speech delivered at the Fourteenth Annual General Meeting held in Calcutta on Friday the 20th September, 1974.

Gentlemen,

I have great pleasure in extending to you all a warm welcome to the Fourteenth Annual General Meeting of the Company. The Directors' Report and the Accounts of the Company for the year ended 31st March, 1974, have been in your hands for some time now and, with your permission, I shall take them as read.

The year under review was a most challenging one throwing up a series of crises. The setback in food production on account of severe drought conditions, the steep rise in price levels of essential commodities,

Mr. K. K. Birla

widespread scarcity of consumer goods and the deplorable stagnation in industrial growth as a result of drastic power cuts, critical shortages of raw materials and an acute bottleneck in the transportation systems, have all combined to throw our economy out of gear. The international oil crisis, provoked by the West Asian hostilities in Oct. 1973, further added a new dimension to our difficulties. The unilateral action of the OPEC countries in increasing substantially the cost of crude oil and restricting its supplies, have considerably strained the economy of the nations of the world particularly of the developing countries like that of ours which had to bear the brunt of the oil crisis.

As against this gloomy picture, the successful explosion of a nuclear device conducted by our country served to inspire a new confidence in us to face all the challenges with courage and determination. This nuclear explosion has not only earned for India a place of pride amongst the Nuclear Powers but also marked the rapid strides that our country has made in the field of Science and Technology.

India can now look forward to the harnessing of the Nuclear Energy for peaceful and constructive purposes. I take this opportunity to offer my congratulations to the Government of India and our distinguished scientists for this magnificent achievement.

Fighting Inflation

Reverting back to the problems confronting us, the Government of India has initiated certain anti-inflationary measures, with a view to containing the spiralling inflation, that is plaguing our economy today. I hope that these measures would yield the desired results and serve to correct the imbalances in the economy. But the real remedy lies only in increased production all round. Unfortunately, the industries throughout the country are facing several constraints to greater output, as already detailed earlier. Unless these impediments are removed and the challenges posed to our economy are met with confidence and hope, there cannot be any improvement in the situation.

As you are aware, the Shipping Industry is most susceptible to international situations governing trade. Besides the oil crisis, the uncertainty in international currency markets has also adversely affected the Shipping Industry. Notwithstanding the endeavours of the "Committee of Twenty" the currencies of the Nations are still freely floating. This has created more problems for the developing countries like India, where as a consequence, the Rupee value is going down. It is therefore, time that the advanced nations of the world took appropriate corrective measures in this regard which alone would go a long way in restoring stability to International Shipping.

Against this background, let me briefly outline the performance of your Company during the year 1973-74. The Accounts and the Report of the Directors, which are already with you, indicate that in spite of the difficulties enumerated about the working results of your Company have been quite satisfactory. The gross earnings have registered an increase of 44 per cent over the previous year and the gross operating profit has increased from Rs 21.27 lakhs to Rs 110.60 lakhs. In view of these impressive results your Board has great pleasure in recommending an increased dividend of 10 per cent. As already mentioned in the Directors Report, the attainments of such results were rendered possible partly on account of the rehabilitation programme of the fleet undertaken by our Company and also due to the economically viable rates that were prevalent in the freight markets.

Expansion Schemes

Your Company has ambitious expansion plans. As you are aware, orders for four ships, two on Garden Reach Workshops Ltd., Calcutta and two on a Spanish Shipyard have already been placed. Further proposals are being actively examined and the Company hopes to achieve a target of 250,000 deadweight tons by 1976. Much will, of course, depend on the availability of loans from the Shipping Development Fund Committee and the much needed relaxation in their terms. I might also mention that a slight controversy has arisen in connection with the price of the two ships ordered on Garden Reach Workshops and we are endeavouring, with the assistance of the Government, to resolve the matter.

The international freight market has weakened considerably in the past 3/4 months. The freight levels today are about 20% below those obtaining in May/June this year. Largely, this can be ascribed to the ingress of tankers into dry cargo trading and also the lower movement of bulk commodities such as wheat, fertilizers, etc., due to shortage of production in most countries. The Suez Canal is also expected to reopen some time next year and this could well weaken the market further. The reopening of the Suez

Canal would, however, enable a quicker turnround of ships by reducing the voyage time thereby, reducing costs and affording more frequent sailing and availability of space to the export/import trade. This would specially benefit our country which is today suffering somewhat in its export programme due to want of shipping space and we cannot afford to let exports suffer at any cost particularly because we have to now pay a very much increased import bill for oil products. I may mention also that although, these are general indications of the prospects, the ships of your Company have been fixed till the end of 1975 at good rates and we should not be affected by the aforesaid factors till then.

Plan Target

In recent years there has been a rapid growth of the Indian Shipping and the present tonnage in operation is about 3 million GRT. The Government of India is most anxious to expand the country's tonnage and has fixed an ambitious target of 8.6 million GRT for the Fifth Five Year Plan. With a view to enable the Shipping Industry to fulfil this target the Government has recently decided to relax, in specific cases, the terms and conditions of SDFC loans/guarantees with regard to Debt Equity Ratio and the security margins to be provided. It is of course a step in the right direction and this will help the Shipping Companies to acquire additional tonnage. It is however hoped that the SDFC would extend this relaxation in the terms to all deserving cases and would eventually find it possible to grant a general relaxation of these terms to all the Shipping Companies, instead of limiting them to specific cases only.

One more important factor is that, the industry is presently facing an acute shortage of qualified floating staff personnel in spite of a good number of officers being trained every year. Unfortunately, a large number take up employment in other countries. Indian Shipping is presently in a phase of rapid expansion and if the floating staff position does not improve, this phase will be seriously affected. It is, therefore, essential that qualified staff and their Unions realise this position and act in the national interest.

Need for Assistance

Shipping is a highly capital intensive industry and in the last few years the prices of ships have gone up considerably. I would, therefore, urge the Government to render the industry all assistance so as to secure its rapid expansion. Assistance in the shape of the relaxation of the conditions governing the Debt Equity Ratio. Provision of Security for the loans, etc., would go a long way in enabling the Shipping Companies to acquire additional tonnage. The Debt Equity Ratio has been relaxed from 6:1 to 10:1 in cases where SDFC issues only guarantees without granting any loans. I feel that this relaxation should be extended to all cases.

As for the terms relating to the provision of security, Government has reduced the margin from 1331/3% to 120%. Smaller Companies which are planning to expand rapidly are likely to face the difficulty in providing even this reduced security of 120%. Here I would like to mention that although SDFC grants a loan to the extent of 90% of the price of the ship, the amount is actually disbursed over a period of years. The repayment of the loan, however, commences immediately after the delivery of the ships, with the result that at any point of time, the actual maximum loan outstanding will only be about 50% of the cost of the ship thus offsetting the very benefit that is intended to be given to the industry. In view of this, the mortgage of the ship itself should be considered as adequate security for the loan/guarantee.

Besides, with a view to meeting the increasing requirements of the Shipping Industry, the Government should also allocate sufficient rupee funds to the SDFC for granting loans to the Shipping Companies. To finance the acquisition of ships abroad, the Shipping Companies are now obliged to raise foreign exchange loans which are repayable over a period of 7/8 years. However, as newly acquire ships will not be in a position to generate adequate surplus funds to repay these loans in such a short period, particularly also because of high interest rates on foreign loans, the Shipping Companies have therefore necessarily to depend on SDFC rupee-loans for this purpose, which are repayable over a longer period. Hence a liberal allocation of rupee loans would greatly help the Shipping Industry to augment the additional tonnage fixed for the Fifth Plan period.

Purchase Conditions

The Government of India while approving the purchase of ships from abroad is stipulating a 'pari pasu' condition under which the Shipping Companies are required to place orders for a similar tonnage on the indigenous shipyards. This condition needs careful reexamination. A reasonable ratio in this regard should be worked out so that after taking into account the total tonnage that can be built by the indigenous shipyard, the Shipping Companies could be permitted to acquire the remaining tonnage from abroad for fulfilling the plan targets. With the order book full till 1978 in most yards here, the 'pari pasu' clause has become impractical to implement also.

Furthermore, the existing capacity of the indigenous shipyards is very limited and should be substantially augmented both by increasing the capacity of the existing yards as well as by constructing new ones.

I would also like to stress on the need to improve the port facilities which are so essential for quicker turnround. Another essential factor that should be considered in regard to the expansion of the Shipping Industry is the extension of the benefit of the development rebate, especially when the industry is on the threshold of expansion.

I hope the Government will sympathetically review the above factors in the interest of the Shipping Industry.

Before concluding, I would like to express my thanks to the officials in the Ministry of Shipping and Transport, Directorate General of Shipping and other departments of the Government of India and to the SDFC for their vauable assistance to the Company. I would also like to place on record my appreciation for the loyal and efficient service rendered to the Company by its officers and staff, both afloat and ashore. I offer my thanks to our Agents also both in India and abroad, for their valuable contribution in the successful functioning of your Company.

Thank you.

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

INDIAN ORGANIC CHEMICALS LIMITED

SPEECH OF THE CHAIRMAN

Shri B. M. Ghia

Delivered at the 14th Annual General Meeting On 25th September 1974

Fellow Shareholders,

I welcome you to the 14th Annual General Meeting of the Company. With your permission, I shall take the Directors' Report and the audited accounts of the Company as read.

Industrial Climate

So much discussion has taken place already on this subject in public forums that I feel diffident about the usefulness of any observations from me. However, I should, perhaps, offer some remarks in conformity with convention. The fears I expressed last year regarding the worsening of the economic situation have, unfortunately, been greatly surpassed. Few have been spared the impact of problems, bewildering in their variety and unprecedented in dimensions. It is somewhat encouraging to note that the Government has shown eagerness to control the runaway inflation. However, there seems to be much weighty opinion in support of the view that the recent Ordinances (since approved by Parliament) may prove to be inadequate. Anxiety is being felt whether the Governmental measures would alleviate, in time, the galling shortages of the primary necessities of life as well as the massive deficiencies in fuel, power, transport and raw materials that are crippling industrial production. Inflationary conditions in other countries and the steep hike in oil prices are doubtless relevant to some extent but sound policies that would elicit co-operative effort on a national scale seem to be prime need of the hour.

Khopoli Unit

This unit has put up an outstanding performance excepting for the continuing stagnation in the plasticizers plant for reasons beyond our control. Phthalic anhydride at the right prices is still not available except perhaps to companies owning captive sources of production. The retardation in the growth of the PVC Industry is the other contributing factor.

We may be justifiably proud of the pioneering export effort in our line of chemicals, which we wish to continue during this year, if conditions permit.

The decision to instal a distillery with a capacity of 8 million litres might eventually help to stabilise the supply of our own alcohol requirements. The new unit is proposed to to be located in Marathawada (declared to be a backward area) and may fructify perhaps in a couple of years. The addition to our existing plants for producing acetic anhydride is expected to be completed next year.

Manali Unit

The polyester fibre industry has been pleading for progressive and appropriate reduction in the massive rate of excise duty so as to catalyse the slow process of expansion of the market for blended fabrics, without which the more recent three-fold increase in the installed capacity for production of fibre cannot be fully or meaningfully utilised. Among other benefits to the economy, the proposal would help to reduce the deficiencies in the supply of cotton (especially the imported varieties) to the expanding textile industry. Unfortunately, on the other hand, there have since been substantial increases in duties all round i.e. from the raw material for the fibre up to the garment stage. Together with other constraints, the effect has been to raise the prices of the fibre, which in turn, tend to constrict even the existing demand, which will ultimately prejudice Government revenues as well. The Association of polyester staple fibre manufacturers is taking action on problems facing the industry, as a whole, from time to time. Accordingly, it is also persevering, in its commendable efforts to convince the authorities of the need for timely action on our views regarding excise duties, which have been conceived only for furthering long-term national interests, and not undue benefits to the industry in the short-term.

Research and Development

We are concentrating on this aspect of our operations for some time both at Khopoli and Manali with a view to innovating processes for existing or new products as well as indigenous substitution of imported materials or equipments. A first-class pilot plant is now operating in Manali. These efforts will be maintained to the maximum extent possible.

Finance

I deeply regret that the dividend to the equity shareholders had to be restricted because of Legislative restrictions.

Since 1st April of this year we have repaid Rs 54 lakhs and propose to repay further almost a similar amount before the end of the year towards the outstanding term loans amounting to Rs 543 lakhs. The credit squeeze and the steep increase in borrowing rates will have to be tackled in the best manner possible but as usual, we will meet such challenges with optimism and the confidence you have always placed in the Management.

Conclusion

I have sincere pleasure in expressing our gratitude to employees of all ranks, the Central Government and the Governments of the Maharashtra and Tamil Nadu for their co-operation and assistance.

Thank you.

RECORDS AND STATISTICS

Cotton textile industry in prespective

THE INDIAN Cotton Mills' Federation has made a study of the "Trends in Indian Cotton Mill Industry" with particular reference to the year 1973-74. The following summary, reproduced in full, and the tables highlight the performance of the industry in all its aspects.

Indian cotton mill industry, one of the oldest in the world, has just completed 120 years. The last year of its twelfth decade, namely 1973-74, was a good one, though not free from difficult problems. Shortage of power and fuel, prolonged labour strikes in one centre after another, and all-round rise in costs were the main difficulties of the industry. There was large under-utilisation of capacity during the major part of the year, even though the available supply of cotton was large enough to enable the industry to operate at a higher level.

Production and Exports

Yarn production in the calendar year 1973 was marginally better, that is, by 2.6 per cent, as compared with that in 1972, but cloth production in the mill sector was down by 1.7 per cent. Following the slight rise in yarn production and severe restraints on exports of yarn, the availability of free yarn for the decentralised sector was higher at 458 million kgs., as against 448 million kgs., in 1972. But because of dislocation caused by the controls on prices and distribution of yarn, the flow of yarn to the decentralised sector was seriously disturbed. This, coupled with the adverse effect of power-cuts on powerlooms, resulted in a fall in the production of cloth by handlooms and powerlooms. The total cloth production was, therefore, substantially lower by 251 million metres or 3.2 per cent. The fall was greater still in the fiscal year 1973-74, being 284 million metres or 3.6 per cent. The most impressive feature of the year 1973 was the spectacular increase of nearly 50 per cent in exports of cotton textiles at Rs 256 crores. In the fiscal year 1973-74, cotton textile exports were even larger at Rs 275 crores, as compared with Rs 183 crores in 1972-73.

Per Capita Availability

Larger exports from a relatively smaller production brought down the per capita availability of cotton cloth from 13.27 metres in 1972 to as low as an estimated 11.97 metres in 1973, a far cry from 14.69 metres that were available a decade earlier.

Cotton

Cotton production in the 1973-74 season was disappointingly low, an estimated 60 to 62 lakh bales (of 180 kgs.) as compared with 65 lakh bales in 1972-73 and 72 lakh bales in 1971-72. There was a

TABLE I

Latest Data—Production—Exports

Capacity (As on 1-3-1974)

	No. of Mills	Installed spindles (Million)	Installed Looms (Thousands)
Spinning Mills	401	6.31	—
Composite Mills	287	12.18	205.1
Total	688	18.49	205.1

Production

	Cotton Yarn (Million Kgs.)	Mill Cloth (Million Mtrs.)
1974 January-June*	464	1,959
1973 January-June	459	2,035
1972 January-June	472	2,094

Exports

	Cotton Fabrics		Cotton Yarn		Apparel, Hosiery and other manufactures excluding handloom products (Mill. Rs)	Total (Mill. Rs)
	Quantity (Mill. Sq. Mtrs.)	Value (Mill. Rs)	Quantity (Mill Kgs.)	Value (Mill. Rs)		
1974 January-June*	235.39	727.68	4.73	57.96	404.21	1189.85
1973 January-June	247.03	464.03	6.73	84.09	239.79	787.91
1972 January-June	184.91	343.97	10.08	104.16	220.45	668.58

*Provisional.

boom in cotton prices the world over. From about 34 US cents per lb. in October 1972, the price of American cotton (strict middling 1-3/32") touched a high of 96.30 cents a lb. in October 1973. There was a similar increase in the prices of other growths. This boom, coupled with an import duty of 40 per cent *ad valorem*, rendered foreign cotton beyond the reach of many mills. From an average of 7 to 8 lakh bales a year, India's import of foreign cotton became a trickle, being not more than 1.50 lakh bales in 1973-74. Monthly mill consumption of cotton which averaged at 5.32 lakh bales in the first 8 months of 1973, picked up in the last four months to average as high as 6 lakh bales.

Cost Inflation

The cumulative effect of these factors was a sharp, virtually unbroken, rise in the prices of Indian cotton from March 1973 onwards. The upward trend accelerated particularly after the beginning of 1974 and cotton prices reached record high levels in April-May 1974. The industry's wage bill also went up equally sharply and so too the cost of almost all other inputs. The cloth and yarn prices in the period under review reflected this unprecedented cost inflation.

Controls

The statutory control on prices, production and distribution of cotton yarn introduced on March 13, 1973 was found to be unworkable. Government was pragmatic enough to realise this fact and dismantled the control over stages in the latter half of 1973 and early in 1974, even though towards the close of November 1973 the Supreme Court had upheld the constitutional validity of the control. The industry on its part has adopted measures of self-discipline for stabilising the prices of yarn.

The controlled cloth scheme stayed, with prices being kept unchanged at May 1968 level. Towards the end of March 1974, government doubled the quantum of controlled cloth to 800 million sq. metres (equal to 880 million linear metres) a year from April 1, 1974 and raised the ex-mill prices by 30 per cent over the May 1968 level. This increase covers only a fraction of the 136 per cent rise in costs since May 1968, so that the loss on controlled cloth to the industry is nearly Rs 100 crores per annum. Following the revised controlled cloth scheme, the voluntary control on the prices of wearable non-controlled cloth of coarse and medium varieties brought into force on July 20, 1973 has been withdrawn.

Tax Burden

There was a further increase in the taxes levied on the industry in the year under review. The 1974-75 Central Budget contained a fresh addition to the excise burden on cotton textiles which now aggregates approximately Rs 173 crores. The import duty on cotton was kept unaltered at 40 per cent. The excise duty on some of the man-made fibres, which have now become a valuable supplement to cotton as raw material for the mill industry, were also enhanced. The industry's contribution to the central and state exchequers by way of excise duty, import duty, sales tax, produce cesses etc. is as large as Rs 380 crores.

TABLE II

Growth of Indian Cotton Mill Industry

Year	Spinning Mills: Number of mills	Spinning Mills: Spindles installed (000)	Composite Mills: Number of mills	Composite Mills: Spindles installed (000)	Composite Mills: Looms installed (000)	Composite Mills: Automatic looms installed (included in Col. 6) (000)	Total: Number of mills (Cols. 2 and 4)	Total: Spindles installed (Col. 3 and 5) (000)
As at commencement								
1951	103	1,843	275	9,156	195	n.a.	378	10,999
1952	107	1,911	276	9,341	196	n.a.	383	11,252
1953	113	1,947	282	9,476	198	n.a.	395	11,423
1954	114	2,097	286	9,554	202	n.a.	400	11,651
1955	116	1,768	292	10,190	203	n.a.	408	11,958
1956	121	1,857	291	10,194	203	12	412	12,051
1957	144	2,195	292	10,297	201	13	436	12,492
1958	175	2,557	295	10,497	201	13	470	13,054
1959	188	2,807	294	10,599	201	15	482	13,406
1960	186	2,931	293	10,619	200	16	479	13,550
1961	192	3,056	287	10,607	199	16	479	13,663
1962	196	3,188	285	10,645	199	18	481	13,833
1963	211	3,394	287	10,723	200	20	498	14,117
1964	223	3,550	291	11,111	203	24	514	14,661
1965	253	3,941	290	11,492	206	28	543	15,433
1966	283	4,362	292	11,756	209	30	575	16,118
1967	317	4,677	292	11,989	207	35	609	16,666
1968	346	5,053	289	12,042	207	34	635	17,095
1969	358	5,308	289	12,118	208	36	647	17,426
1970	366	5,463	290	12,205	208	37	656	17,668
1971	373	5,777	291	12,248	208	38	664	18,025
1972	379	5,852	291	12,261	208	38	670	18,113
1973	398	6,147	290	12,257	207	38	688	18,404
1974 (Provisional)	401	6,293	288	12,196	206	n.a.	689	18,489

Note:—Figures in Col. 6 upto 1958 include tape looms. Waste spg. units with a total installed capacity of 0.07 million spindles are also included.

n.a.—not available.

Expansion

India now has an installed capacity of about 18.50 million spindles and 206,000 looms in the organised sector, besides 175,000 power looms and about 3 million handlooms in the decentralised sector. The draft fifth Plan envisages an addition of 5.50 million spindles and 89,000 looms, taking the installed capacity up to 24 million spindles and 295,000 looms, so as to attain a production level in 1978-79 of 1,300 million kgs. of yarn and 10,400 million metres of cloth (5,600 million metres in the mill sector and 4,800 million metres in the decentralised sector). As part of the expansion envisaged in the fourth Plan, government had announced towards the close of 1972 that it would permit installation of additional spindleage to the tune of 2.5 million and 18,000 looms. Under this policy, government has so far issued licences/permits for 2.75 million spindles and 14,075 looms. The government is yet to decide its policy in regard to further expansion necessary to attain the proposed fifth Plan goals.

TABLE III

Cotton Textile Industry

(Statewise Installed Capacity as on January 1, 1974)

State/Zone	Number of Mills: Spinning	Number of Mills: Composite	Number of Mills: Total	Installed Spindles (in thousands): Spinning	Installed Spindles (in thousands): Composite	Installed Spindles (in thousands): Total	Installed looms
Andhra Pradesh	30	3	33	450.28	90.49	540.77	1,246
Assam	2	—	2	24.80	—	24.80	—
Bihar	4	1	5	47.92	5.20	53.12	60
Gujarat	27	90	117	307.67	3,414.86	3,722.53	61,986
(a) Ahmedabad City	9	61	70	56.64	2,471.69	2,528.33	46,155
(b) Rest of Gujarat	18	29	47	251.03	943.17	1,194.20	15,831
Haryana	9	2	11	174.80	53.20	228.00	978
Jammu and Kashmir	1	—	1	12.60	—	12.60	—
Kerala	23	5	28	360.72	81.82	442.54	1,118
Madhya Pradesh	6	17	23	118.89	587.14	706.03	12,964
Tamil Nadu	188	24	212	3,049.81	1,266.41	4,316.22	9,105
(a) Coimbatore	98	17	115	1,451.87	724.97	2,176.84	3,924
(b) Rest of Tamil Nadu	90	7	97	1,597.94	541.44	2,139.38	5,181
Maharashtra	28	79	107	457.15	4,293.51	4,705.66	77,838
(a) Bombay City	4	54	58	53.25	3,455.98	3,509.23	62,813
(b) Rest of Maharashtra	24	25	49	403.90	837.53	1,241.43	15,025
Karnataka	19	11	30	345.32	362.30	707.62	5,882
Orissa	4	1	5	66.65	48.53	115.18	965
Punjab	6	2	8	112.70	59.12	171.82	1,301
Rajasthan	10	11	21	92.32	285.07	377.39	3,104
Uttar Pradesh	19	17	36	259.82	794.89	1,054.71	13,403
(a) Kanpur	4	10	14	2.56	521.11	523.67	11,272
(b) Rest of Uttar Pradesh	15	7	22	257.26	273.78	531.04	2,131
West Bengal	22	18	40	348.67	595.28	943.95	9,680
Delhi	—	4	4	—	168.25	168.25	3,454
Pondicherry	2	3	5	38.16	89.68	127.84	2,681
Goa	1	—	1	25.04	—	25.04	—
Total	401	288	689	6,293.32	12,195.75	18,489.07	205,765

TABLE IV

Total Production of Cloth

Calendar year	Mill Cloth (Million metres)	Percentage to total cloth production	Handloom and Powerloom cloth (Million metres)	Percentage to total cloth production	Total cloth production
1951	3,727	78.6	1,013	21.4	4,740
1956	4,852	74.5	1,663	25.5	6,515
1960	4,616	69.6	2,013	30.4	6,629
1961	4,701	66.4	2,372	33.6	7,073
1962	4,560	65.4	2,412	34.6	6,972
1963	4,423	60.6	2,876	39.4	7,299
1964	4,654	60.3	3,066	39.7	7,720
1965	4,587	60.0	3,056	40.0	7,643
1966	4,239	37.8	3,097	42.2	7,336
1967	4,097	56.3	3,179	43.7	7,276
1968	4,366	55.3	3,530	44.7	7,896
1969	4,168	54.1	3,538	45.9	7,706
1970	4,157	53.0	3,692	47.0	7,849
1971	3,957	53.8	3,399	46.2	7,356
1972	4,245	52.9	3,777	47.1	8,022
1973	4,169	54.1	3,602	45.9	7,771

TABLE V

Production of Cloth by Mills—Category-wise

(In million metres)

Calendar Year	Coarse (Average count below 17s)	Lower Medium (Average count 17s-25s)	Higher Medium (Average count 26s-34s)	Fine (Average count 35s-47s)	Superfine (Average count 48s and above)	Total
1951	332 (8.9)	1,903 (*)	—	1,232 (33.0)	260 (7.0)	3,727 (100.0)
1956	657 (13.5)	3,472 (*)	—	406 (8.4)	317 (6.5)	4,852 (100.0)
1961	790 (16.8)	1,528 (32.6)	1,986 (42.2)	179 (3.8)	218 (4.6)	4,701 (100.0)
1962	761 (16.7)	1,404 (30.8)	1,946 (42.7)	197 (4.3)	252 (5.5)	4,560 (100.0)
1963	810 (18.3)	1,321 (29.9)	1,808 (40.9)	204 (4.6)	280 (6.3)	4,423 (100.0)
1964	869 (18.7)	1,475 (31.7)	1,808 (38.8)	195 (4.2)	307 (6.6)	4,654 (100.0)
1965	803 (17.5)	1,404 (30.6)	1,840 (40.1)	219 (4.8)	321 (7.0)	4,587 (100.0)
1966	720 (17.0)	1,130 (26.7)	1,862 (43.9)	209 (4.9)	318 (7.5)	4,239 (100.0)
1967	683 (16.7)	1.144 (27.9)	1,768 (43.2)	170 (4.1)	332 (8.1)	4,097 (100.0)
1968	709 (16.2)	1,274 (29.2)	1,822 (41.7)	208 (4.8)	353 (8.1)	4,366 (100.0)
1969	608 (14.6)	1,214 (29.1)	1,845 (44.3)	177 (4.2)	324 (7.8)	4,168 (100.0)
1970	579 (13.9)	1,108 (26.6)	1,866 (44.9)	219 (5.3)	385 (9.3)	4,157 (100.0)
1971	503 (12.7)	1,038 (26.2)	1,753 (44.3)	247 (6.3)	416 (10.5)	3,957 (100.0)
1972	590 (13.9)	1,192 (28.1)	1,917 (25.4)	205 (4.8)	341 (8.0)	4,245 (100.0)
1973	605 (14.5)	1,279 (30.7)	1,559 (37.4)	368 (8.8)	358 (8.6)	4,169 (100.0)

N.B.—Figures in brackets are percentages to total.
*For the years 1951 and 1956 combined figures for *higher medium* and *lower medium* are shown under column for Lower Medium.

TABLE VI

Production of Fabrics of Cotton, Man-Made Fibres/Yarn and Blends

(Million metres)

Year	100% cotton cloth			100% Man-made yarn (spun/filament) Fabrics (viscose and non-viscose)			Mill made Blended/Mixed Fabrics						Blended/mixed fabrics by Decentralised sector	Total production of cloth
	Mills	Decentralised sector	Total	Mills	Decentralised sector	Total	Polyester cotton	Polyester viscose	Polyester others Fibres except cotton and viscose	Cotton/Viscose	Cotton/other Fibres except polyester and viscose	Total		
69	4,168	3,538	7,700	2	892	894	38	3	1	18*	4	64*	42	8,706*
70	4,157	3,692	7,849	1	932	933	58	5	1	17*	6	87*	62	8,931*
71	3,957	3,399	3,356	2	971	973	49	5	Neg.	87	7	148	100	8,577
72	4,245	3,777	8,022	1	918	919	60	7	1	21	9	98	101	9,140
73	4,169	3,602	7,771	1	886	887	73	6	1	32	17	129	121	8,908

Note: Excluding cotton/viscose blend, figures of which for 1969 and 1970 are not available.

TABLE VII

Per Capita Availability of Cloth

Period	Estimated mid-year population (In millions)	Availability for home consumption (Million metres): Cotton cloth	Blended/Mixed fabrics @	Man-made fibre fabrics	Per capita availability: Cotton cloth (Metres)	Blended/Mixed Fabrics@ (Metres)	†Man-made fibre fabric (Metres)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1951	363.30	3,992	—	—	10.99	—	—
1952	369.45	3,972	—	—	13.46	—	—
1953	375.94	5,273	—	—	14.03	—	—
1954	382.78	5,293	—	—	13.83	—	—
1955	390.00	5,595	—	n.a.	14.35	—	—
1956	397.62	5,847	—	n.a.	14.71	—	—
1957	405.67	5,882	—	n.a.	14.50	—	—
1958	414.16	5,913	—	382	14.28	—	0.92
1959	423.12	5,806	—	485	13.72	—	1.15
1960	432.56	5,971	—	520	13.80	—	1.20
1961	442.21	6,527	—	509	14.76	—	1.15
1962	451.73	6,482	—	527	14.35	—	1.17
1963	461.54	6,780	—	574	14.69	—	1.24
1964	471.63	7,179	—	767	15.22	—	1.63
1965	482.02	7,097	n.a.	833	14.72	n.a.	1.73
1966	492.68	6,874	n.a.	812	13.95	n.a.	1.65
1967	503.63	6,832	n.a.	879	13.57	n.a.	1.74
1968	514.87	7,400	n.a.	976	14.37	n.a.	1.90
1969	526.43	7,166	106	943	13.61	0.20	1.79
1970	538.31	7,300	149	921	13.56	0.28	1.71
1971	550.24	6,825	248	948	12.40	0 45	1.72
1972	561.87	7,406	199	895	13.18	0.36	1.59
*1973 (Provisional)	573.75	6,941	n.a.	n.a.	12.10	n.a.	n.a.

(1) Figures in columns (3), (4) and (5) represent total cloth produced in the mill and the decentralized sectors *plus* actual imports *minus* actual exports of cloth
(2) Man-made fibre fabrics comprise Art Silk/Synthetic fabrics and Staple Fibre fabrics.
* Figures of mid-year population and *per capita* availability for 1961 onwards are revised.
† Figures for Man-made Fibre fabrics available and included from 1958.
@ Figures for Blended/Mixed fabrics were not separately available and were included in cotton fabrics for years prior to 1969. n.a.= not available.

TABLE VIII

Foreign Exchange Earnings through Exports of Cotton Textiles

(Rupees crores

Item	1964	1965	1966*	1967	1968	1969	1970	1971	1972	1973
Mill-made cotton cloth	48.86	47.26	49.14	59.37	66.77	63.09	65.66	66.60	81.09	137.5
Cotton yarn	5.88	6.02	8.69	7.48	10.69	23.74	26.88	12.88	22.74	13.0
Apparel	2.17	3.28	2.55	2.46	3.03	4.37	7.74	11.77	24.82	47.6
Hosiery	0.12	0.29	0.17	0.14	0.22	0.25	0.26	0.38	0.88	1.7
Other cotton manufacturers including made-up items	5.84	6.88	10.06	12.76	14.61	13.74	15.96	17.73	20.56	26.3
Handloom cloth	7.78	9.53	6.73	6.84	4.59	7.15	7.42	9 18	14.77	26.4
Handloom cotton manufactures	1.84	3.04	1.67	1.85	3.58	4.16	4.98	6.45	6.88	7.8
Powerloom cloth	0.28	0.16	0.08	0.25	0.30	0.42	0.61	0.78	0.97	3.7
Total foreign exchange earnings	72.77	76.46	79.09	91.15	103.79	116.92	129.51	125.77	172.71	264.4

Note : *Figures from June 1966 onwards are in terms of devalued rupee and hence not comparable with figures for pre devaluation period.

TABLE IX

Exports of Cotton Yarn and Cloth

Year	Yarn: Quantity (Million Kgs.)	Yarn: Average unit value realised (Rs./Kg.)	Mill-made Cloth: Quantity (Million Metres)	Mill-made Cloth: Average unit value realised (Rs./Metre)	Handloom and Powerloom Cloth: Quantity (Million Metres)	Handloom and Powerloom Cloth: Average unit realised (Rs./Metre)
1961	7.14	5.45	525.14	0.88	25.92	1.85
1962	10.42	5.08	464.85	0.86	25.96	2.23
1963	13.55	4.57	485.69	0.84	33.87	2.30
1964	12.37	4.75	502.87	0.97	35.06	2.30
1965	12.75	4.72	506.85*	0.93	40.72	2.38
1966	16.20	5.36	424.33	1.16	37.47	1.82
1967	11.02	6.79	409.56	1.45	33.43	2.12
1968	16.54	6.46	475.10	1.41	21.41	2.56
1969	33.07	7.18	418.50	1.51	29.52	2.75
1970	30.45	8.83	413.42	1.59	32.73	2.66
1971	12.40	10.39	389.42	1.71	43.23	3.08
1972	22.23	10.23	430.56	1.88	52.25	3.08
1973	11.93	10.96	630.98	2.18	78.63	3.84

* Since April 1965, figures are in square metres.

TABLE X

Exports of Piecegoods—Continent-wise and Major Market-wise

(In million square metres)

	1966	1967	1968	1969	1970	1971	1972	1973
ASIA	109.88	104.07	117.64	100.63	92.92	64.98	83.44	180.40
of which:								
Malaysia-Singapore	10.67	10.28	9.24	7.99	6.71	4.77	5.13	30.09
Nepal	38.24	36.14	49.83	55.85	40.54	35.72	46.10	37.51
Bangla Desh	—	—	—	—	—	—	8.60	13.35
AFRICA	54.44	56.89	67.52	31.95	77.17	95.27	29.51	23.13
of which:								
Sudan	21.47	36.33	48.12	22.49	58.46	88.86	24.16	11.94
EUROPE	163.13	167.18	199.89	197.92	156.84	141.88	233.89	302.96
of which:								
UK	110 59	148 17	157.48	113.12	61.36	104.02	86.09	174.26
EEC*	14.68	1.99	15.47	40.15	27.43	10.98	25.96	35.06
East Europe including USSR	30.62	11.58	21.87	39.67	61.74	22.70	107.87	88.16
USSR alone	24.75	5.38	16.10	33.09	51.36	20.40	103.78	84.75
AMERICA	72.93	56.67	67.83	69.59	64.58	64.75	78.03	95.42
of which:								
USA	52.53	41.32	54.91	59.32	56.24	57.81	68.85	57.52
OCEANIA	23.95	24.75	22.22	18.41	21.91	22.36	15.69	29.07
of which:								
Australia	14.55	15.63	16.01	12.38	15.89	14.09	11.48	20.59
Grand Total	424.33	409.56	475.10	418.50	413.42	389.24	430.56	630.98

* Excluding U.K. Neg.=Negligible.

Source : "Handbook of Statistics on Cotton Textile Industry", ICMF

Wholesale prices

THE OFFICAL wholesale prices index (with the year ended March, 1962 as 100) moved up by 0.8 per cent to 323.2 during the week ended August 17, 1974, as against 320.6 for the previous week. The all commodities index at this level was higher by 2.3 and 28.6 per cent respectively when compared to the corresponding week of the last month and that of a year ago.

Food Articles

Higher prices of fish (+9 per cent,), mustard oil (+5 per cent), betelnuts (+4 per cent), bajra, gram, arhar, masoor and eggs (+3 per cent), maize, barley, groundnut oil and khandsari (+2 per cent), rice, jowar, ragi, moong and sugar (+1 per cent) raised the index for "Food Articles" by 1.0 per cent to 377.4 as against 373.8 for the earlier week. However, the prices of turmeric (—10 per cent), tea (—3 per cent), onions, urad, gur, pepper black and coffee (—1 per cent) declined.

Liquor & Tobacco

The index for "Liquor & Tobacco" group advanced by 0.7 per cent to 298.6 due to an increase in the prices of raw tobacco (+3 per cent).

Fuel, Power, Light & Lubricants

The index for the "Fuel, Power, Light & Lubricants" group stood stationary at its last week's level of 312.7. The prices of castor oil (+1 per cent) advanced.

Industrial Raw Materials

Enhanced prices of coir fibre and castorseed (+7 per cent), cotton seed (+4 per cent), groundnuts, linseed, copra and tanning materials (+3 per cent), jute raw and mesta and rapeseed (+1, per cent) pushed up the index for "Industrial Raw Materials" by 1.7 per cent to 354.3 as against 348.3 for the previous week.

Chemicals

"Chemicals" group remained unchanged at its previous week's level of 287.5.

The index for the "Machinery & Transport Equipment" group went up slightly from 245.9 (revised) in the earlier week to 246.0 due to an increase in the prices of cycles (+1 per cent).

Manufactures

"Manufactures" group comprising of (a) Intermediate Products and (b) Finished Products moved up by 0.4 per cent to 260.1 as against 359.1 (revised for the previous week).

Intermediate Products

(a) Lower prices of brass sheets and lead (—5 per cent), copper sheets and tin (—1 per cent) brought down the index for "Intermediate Products" by 0.4 per cent to 338.9 as against 340.3 for the last week. The prices of linseed oil (+2 per cent), however, advanced.

(b) Higher prices of jute manufactures (+4 per cent) and oilcakes (+2 per cent) raised the index for "Finished Products" by 0.6 per cent to 241.0 as against 239.5 for the earlier week. However, the prices of essential oils (—1 per cent) declined.

Index Numbers of Wholesale Prices by Groups & Sub-Groups

(Base 1961-62=100

Groups & Sub-Groups	Week Ended: April 17, '74	Aug. 10, '74	July 20,'74	Aug. 18, '73
Food Articles	377.4	373.8	367.8	298.9
Foodgrains	410.3	405.9	392.2	292.7
Cereals	389.2	386.4	372.2	268.7
Pulses	505.6	493.8	482.0	397.3
Fruits & vegetables	355.0	355.5	373.8	280.8
Milk & milk products	342.7	342.7	339.5	299.0
Edible oils	425.6	416.8	413.0	361.1
Fish, eggs & meat	575.1	545.8	543.4	399.8
Sugar & allied products	302.7	303.4	294.6	298.3
Others	283.2	287.3	290.2	205.8
Liquor & Tobacco	298.6	296.5	305.1	247.2
Liquor	215.2	215.2	215.2	176.0
Tobacco	302.5	300.3	309.2	250.5
Fuel, Power, Light & Lubricants	312.7	312.7	312.7	190.3
Coal	263.2	263.2	263.2	190.4
Coke	357.3	357.3	357.3	268.4
Mineral oil	383.2	383.2	383.2	188.5
Rectified spirit	323.1	323.1	323.1	296.8
Electricity	186.5	186.5	186.5	161.3
Castor oil	388.5	384.7	386.2	416.6
Industrial Raw Materials	354.3	348.3	342.5	307.3
Fibres	294.5	293.2	286.8	220.0E
Oilseeds	445.2	432.3	423.9	397.3
Minerals	158.1	158.1	158.1	157.0
Others	287.0E	287.0E	287.0E	282.7E
Chemicals	287.5	287.5	286.8	214.5
Machinery & Transport Equipment	246.0	245.9	241.6	178.0
Electrical machinery	233.1E	233.1E	233.2E	179.2E
Non-electrical machinery	276.8	276.8	268.5	192.3
Transport equipment	202.0	201.7	200.6	151.1
Manufactures	260.1	259.1	253.8	195.1
Intermediate Products	338.9	340.3	334.4	245.1
Textile yarn	290.8	290.9	283.6	211.0
Leather	220.0E	220.0E	228.0E	224.7E
Metals	401.7	405.8	400.3	275.9
Linseed oil	463.6	453.7	430.0	340.7
Finished Products	241.0	239.5	234.3	183.0
Textiles	239.6	237.1	232.4	180.2
Metal products	272.8	272.8	268.0	212.0
Non-metallic products	246.8	247.0	225.9	181.1
Chemical products	236.7	236.8	234.9	166.0
Leather products (shoes)	125.4	125.4	125.4	107.3
Rubber products	220.8	220.8	217.3	161.3
Paper products	217.4	217.4	213.4	143.3
Oilcakes	354.0	348.7	340.1	356.5E
Misc. products	170.4	170.4	168.8	129.9
All Commodities	323.2	320.6	315.8	251.3

E—Estimated

Source : Office of the Economic Adviser to the Government of India, Ministry of Industrial Development.

Index Numbers of Industrial Production

(Base : 1960=100)

Group	Weight	1971-72	1972-73	1973-74	Percentage change in 1972-73 over 1971-72	Percentage change in 1973-74 over 1972-73
General Index (Crude)	100.00	189.8	199.9	200.8	+5.3	+0.5
Electricity generated	5.37	369.3	387.0	393.1	+4.8	+1.6
Minings & quarrying	9.72	157.3	165.2	167.1	+5.0	+1.2
Manufacturing	84.91	182.3	192.0	192.4	+5.3	+0.2
Food manufacturing	12.09	156.3	162.5	153.0	+4.0	−5.8
Beverages & tobacco	2.22	186.6	167.3	188.6	−10.3	+12.7
Textile manufacturing	27.06	108.3	114.0	111.0	+5.3	−2.6
Cotton textiles	21.18	106.8	112.2	113.4	+5.1	+1.1
Jute textiles	3.97	98.2	93.8	82.9	−4.5	−11.6
Footwear manufacture	0.21	169.6	149.6	151.4	−11.8	+1.2
Wood & cork manufacture	0.80	225.0	198.7	172.9	−11.7	−13.0
Paper & paper products	1.61	233.8	220.0	241.5	−5.9	+9.8
Leather & fur products	0.43	54.1	62.2	81.4	+15.0	+30.9
Rubber products	2.22	251.6	247.7	261.3	−1.6	+5.5
Manufacture of chemicals	7.26	264.4	296.5	296.3	+12.1	−0.1
Petroleum refinery products	1.34	324.4	310.8	340.4	−4.2	+9.5
Non-metallic minerals	3.85	211.2	226.5	229.7	+7.2	+1.4
Basic metal industries	7.38	214.5	227.0	207.8	+5.8	−8.5
Manufacture of metal products	2.51	232.8	256.2	236.5	+10.1	−7.7
Manufacture of non-electrical machinery	3.38	377.7	418.1	459.8	+10.7	+10.0
Electrical machinery	3.05	416.2	430.6	440.9	+3.5	+2.4
Transport equipment	7.77	123.4	137.7	148.3	+11.6	+7.7
Miscellaneous industries	1.23	104.4	78.7	88.2	−24.6	+12.5

Index Numbers of Security Prices (All-India)

(1970-71=100)

	1973 Sept. 8	1974 Aug. 10	Aug. 17	Aug. 24	Aug. 31	Sept. 7
Government and Semi-government Securities	98.9	97.6	97.6	97.5	97.3	97.2
Government of India	98.4	96.9	96.9	96.7	96.4	96.3
State governments	99.9	99.5	99.6	99.6	99.5	99.5
Semi-government institutions	100.8	100.7	100.7	100.7	100.7	100.7
Debentures	97.6	96.9	96.9	96.9	96.9	96.9
Preference Shares	93.8	92.8	92.7	92.4	92.3	92.3
Ordinary Shares	114.0	124.7	122.1	116.6	114.0	108.9
Tea plantations	90.9	120.0	118.3	115.4	114.8	112.8
Cotton textiles	125.2	152.5	149.1	141.5	138.5	133.1
Jute textiles	131.2	162.0	160.3	157.0	156.0	155.2
Silk, woollen and rayon textiles	133.3	143.4	139.0	132.4	128.9	125.0
Iron & steel	54.1	55.7	53.3	49.8	50.2	48.5
Aluminium	79.8	70.7	68.7	65.3	63.4	60.1
Transport equipment	91.7	95.2	93.8	83.5	81.6	78.0
Electrical machinery, apparatus, appliances, etc.	122.1	128.5	126.9	124.5	121.2	113.5
Chemical fertilisers	164.3	178.2	166.3	155.7	152.9	147.8
Other basic industrial chemicals	121.1	120.7	119.1	114.3	112.0	105.4
Cement	98.0	105.1	104.2	99.5	92.3	85.8
Paper and paper products	125.5	178.0	178.0	171.1	171.2	160.8
Rubber and rubber products	108.0	120.1	120.2	111.5	106.3	101.3
Electricity generation and supply	79.9	84.7	84.5	83.4	81.0	76.7
Shipping	146.7	164.9	160.9	154.3	144.5	140.2

Source : Reserve Bank of India.

Reserve Bank of India

(Rs lakhs)

	Sept. 6, 1974	A week ago	A month ago	A year ago
Issue Department				
Notes held in banking department	30,58	35,27	25,19	23,42
Notes in circulation	6,050,84	5,997,92	6,208,10	5,461,77
Total notes issued	6,081,43	6,033,19	6,233,29	5,485,19
Gold coin and bullion	182,53	182,53	182,53	182,53
Foreign securities	146,74	146,74	166,74	177,37
Rupee coin	15,92	17,27	12,24	10,57
Government of India rupee securities	5,736,24	5,686,65	5,871,78	5,114,72
Banking Department				
Deposits of central government	54,97	61,75	56,43	57,74
Deposits of state governments	20,31	26,02	19,22	36,57
Deposits of banks	620,37	586,12	647,21	568,54
Other deposits	355,85	361,98	503,74	71,03
Other liabilities	1,436,54	1,440.03	1,376,62	1,124,65
Total liabilities or assets	2,488,04	2,475,90	2,603,21	1,858,53
Notes and coins	30,66	35,39	25,28	23,50
Balances held abroad	508,62	499,18	512,70	267,21
Loans and Advances to :				
State governments	123,92	156,28	173,87	94,38
Scheduled com. banks	84,04	105,30	179,38	6,39
State co-op. banks	283,29	279,28	254,22	252,12
Other loans and advances	275,05	275,85	271,36	165,52
Bills Purchased and Discounted				
Internal	183,20	190,87	222,53	1,76
Government treasury bills	522,77	503,29	357,00	658,37
Investments	379,77	332,53	505,56	343,04
Other assets	96,74	97,92	101,31	46,23

Scheduled Commercial Banks

(Rs lakhs)

	Sept. 6, 1974	A week ago	A month ago	A year ago
1. Demand deposits	4,681,66	4,684,55	4,698,02	4,033,37
2. Time deposits	6,354,43	6,330,89	6,245,32	5,505,82
3. Aggregate deposits	11,036,09	11,015,44	10,943,34	9,539,19
4. Borrowings from Reserve Bank	84,04	105,30	179,38	6,39
5. Cash	263,44	261,86	256,66	229,42
6. Balances with Reserve Bank	603,08	567,13	626,48	552,38
7. Cash and balances with Reserve Bank	866,52	828,99	883,14	781,80
8. Investment in govt. securities	2,634,52	2,586,04	2,591,07	2,360,38
9. Advances	6,236,69	6,232,31	6,302,26	5,062,67
10. Inland bills purchased and discounted	1,079,11	1,085,51	1,130,75	882,04
11. Foreign bills purchased and discounted	373,98	370,46	368,42	278,87
12. Total bank credit	7,689,78	7,688,28	7,801,43	6,223,59
Percentage of :				
(7) to (3)	7.85	7.53	8.07	8.20
(8) to (3)	23.87	23.48	23.68	24.74
(12) to (3)	69.68	69.80	71.29	65.24

Source : Reserve Bank of India

Money Supply with the Public

(Rs crores)

	1973 August 31	1974 August 2	August 9	August 16	August 23	August 30
A. **Money Supply with the Public**	9,777	11,249	11,276	11,262	11,102	11,064
Currency with the Public	5,562	6,359	6,415	6,401	6,270	6,198
Other Deposits with the Reserve Bank	37	48	40	42	38	42
Bank Money	4,178	4,842	4,821	4,819	4,794	4,824
B. **Factors Affecting Money Supply** (1+2+3+4+5)						
1. Net Bank Credit to Government Sector (a+b)	8,525	9,329	9,420	9,266	9,234	9,183
(*a*) Reserve Bank's net Credit to Govt. Sector	6,042	6,653	6,737	6,586	6,569	6,501
(*b*) Other Banks' Credit to Govt. Sector	2,483	2,676	2,683	2,680	2,665	2,682
2. Bank Credit to Commercial Sector (a+b)	7,768	9,708	9,717	9,727	9,643	9,593
(*a*) Reserve Bank's Credit to Com. Sector	268	609	601	591	584	574
(*b*) Other Banks Credit to Com. Sector	7,500	9,099	9,116	9,136	9,059	9,019
3. Net Foreign Exchange Assets of Banking Sector	635	587	594	583	576	561
4. Government's Net Currency Liabilities to the Public	480	508	509	508	505	509
5. Non-Monetary Liabilities of Banking Sector (a+b+c)	7,631	8,883	8,964	8,822	8,856	8,782
(*a*) Time Deposits with Banks	5,757	6,571	6,587	6,644	6,669	6,682
(*b*) Net Non-Monetary Liabilities of RBI	1,193	1,503	1,497	1,376	1,393	1,418
(*c*) Residual	681	809	880	802	794	682
C. **Aggregate Monetary Resources** ((A+B 5(a))	15,534	17,820	17,863	17,906	17,771	17,746

Source : Reserve Bank of India.

Consumer Price Index Numbers for Industrial Workers

Centre	1965-66	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1973 May	1973 Dec.	1974 Jan.	1974 Feb.	1974 Mar.	1974 April	1974 May
(Base : 1949=100)															
All-India	169	213	212	215	226	233	251	304	277	316	321	325	334	344	357
(Base : 1960=100)															
All-India	—	—	174	177	186	192	207	250	228	259	264	267	275	283	294
Ahmedabad	130	168	165	169	176	181	198	245	224	262	264	260	264	272	284
Alwaye	145	183	198	197	198	202	215	267	239	246	265	273	288	298	312
Asansol	140	168	176	187	189	194	206	245	222	234	258	263	274	286	298
Bangalore	144	172	180	183	186	194	212	265	243	274	280	284	286	286	292
Bhavnagar	132	173	176	178	186	194	217	273	258	289	293	289	285	297	306
Bombay	130	162	167	175	182	190	203	233	225	238	241	243	249	259	269
Calcutta	131	163	170	172	182	187	197	228	211	238	240	241	255	264	272
Coimbatore	132	151	147	152	163	177	189	218	201	226	232	236	246	258	269
Delhi	136	172	178	185	199	211	222	265	241	271	278	280	296	309	325
Digboi	138	198	185	180	189	188	198	234	216	252	249	255	256	260	273
Gwalior	139	191	179	184	191	197	214	271	244	280	290	299	312	316	329
Howrah	137	178	181	176	186	191	206	239	218	252	256	255	270	274	280
Hyderabad	140	167	173	185	189	195	211	251	239	257	257	263	271	273	277
Jamshedpur	136	183	171	190	183	187	202	249	224	259	268	275	278	293	307
Madras	134	151	150	160	170	182	203	229	217	233	238	241	248	261	268
Madurai	128	146	148	162	183	193	206	236	218	248	254	251	257	266	282
Monghyr	151	215	185	188	203	204	225	292	255	308	324	343	347	344	337
Mundkayam	138	173	186	191	197	199	210	263	237	265	271	272	286	291	309
Nagpur	138	164	166	176	187	192	203	256	217	278	275	275	277	277	295
Saharanpur	141	188	176	181	186	196	213	253	228	264	276	280	290	294	311
Sholapur	128	165	167	176	185	198	216	277	259	298	293	282	279	288	295

Source : Labour Bureau Govt. of India

Consumer Price Index Numbers for Urban Non-Manual Employees

(Base : 1960=100)

Centre	1965-66	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1973 Mar.	1973 Nov.	1973 Dec.	1974 Jan.	1974 Feb.	1974 Mar.
All-India	132	159	161	167	174	180	192	221	199	226	228	231	233	238
Bombay	132	153	156	162	168	172	183	204	191	205	206	206	210	231
Delhi-New Delhi	131	154	162	178	174	180	190	217	193	223	226	229	230	236
Calcutta	126	152	156	162	170	174	180	204	181	211	213	214	213	219
Madras	133	154	154	161	175	188	204	231	213	235	238	240	245	250
Hyderabad-Secunderabad	133	155	159	167	174	180	195	223	206	228	229	229	230	237
Bangalore	133	156	160	162	172	180	194	228	204	235	235	237	242	246
Lucknow	132	159	156	161	166	174	185	215	193	221	220	226	229	235
Ahmedabad	131	160	162	168	171	173	188	222	203	225	228	231	229	233
Jaipur	133	162	168	176	183	188	205	244	214	253	255	256	260	266
Patna	139	170	174	191	190	199	199	229	203	230	238	248	249	259
Srinagar	134	160	157	174	184	191	200	215	203	219	222	223	225	227
Trivandrum	131	165	168	172	178	184	198	231	206	241	243	245	244	250
Cuttack-Bhubaneswar	142	164	167	169	176	184	196	221	198	231	232	232	232	239
Bhopal	133	166	166	172	180	188	204	238	210	244	243	248	254	258
Chandigarh	129	155	165	171	178	183	194	217	198	221	222	224	229	237
Shillong	123	155	163	164	166	175	183	208	186	214	281	220	219	217

Source : CSO

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WHAT'S THE BIG IDEA — TO CASH IN ON PETRO-DOLLARS?

eastern ECONOMIST

OCTOBER 11, 1974

The Iranian connection

As about the only king who rules as well as reigns, the Shah of Iran does not exactly need exalted ceremonial titles to emphasize his uniqueness in the community of Heads of State. If even then the press in this country was lavish with imperial appellations while reporting on his visit to and brief sojourn in New Delhi last week, it was perhaps because of our people's genuine respect and admiration for the sincerity and ability with which the Shah has been building up modern Iran and promoting its economy and the welfare of its people. He has also acquired a great deal of prestige lately because of the clarity of vision and singleness of purpose he has shown in dealing with the oil question in terms of what he considers to be the legitimate interests of petroleum exporting countries generally and Iran in particular.

Again, as a champion also of the larger cause of countries dependent on the production and export of primary commodities or industrial raw materials, the Shah of Iran has acquired for himself considerable authenticity as one of the major spokesmen of what has come to be known as the third world. Moreover, from a specific Indian point of view, the Shah has come to adopt an increasingly mature view of the political compulsions which have made it the common interest of the littoral states of the Indian Ocean area to cultivate a healthy regional outlook and cooperate in promoting political understanding and cultural and economic cooperation among themselves. Within this general framework of reference the Shah has been taking the initiative, as well as responding to overtures from New Delhi, for maintaining continuous consultations on problems of mutual interest. This process was greatly stabilized and strengthened when our prime minister visited Iran earlier this year and the talks which the Shah of Iran has just had with her in the Indian capital have, as the joint communique issued in New Delhi indicates, further defined and delineated the common ground that exists between Iran and India on several issues, some of which are of international significance.

The communique suggests that the latest round of consultations between the Shah of Iran and the prime minister of India had to do mainly with the political aspects of Indo-Iranian understanding and co-operation in the context of peace and orderly progress in the Indian Ocean region. It is probably true that the Shah's policies here are more realistic than the government of India's. While New Delhi has been lately declaiming against the extension of great-power rivalry or big-power politics in the Indian Ocean zone, the Shah has been more prompt in realizing that the littoral states of this region could hope to have an effective say only if they could speak to Washington or Moscow from positions of some strength.

Iran itself has been using its resources, even before the higher oil prices spectacularly augmented them, in building up its military and industrial muscles. In the process Iran may have given cause for concern to some of its neighbouring countries including India, but, happily, there has been enough statesmanship in Teheran and New Delhi to rescue in time Indo-Iranian relations from becoming a casualty of mutual fear or distrust. Here again, the New Delhi joint communique gives welcome evidence that the two countries are steadily improving their respective ability to work for trust and possible co-operation in many fields. The Shah, in particular, has been extremely helpful in his appreciation of the *bona fides* of the Indian commitment to the development of nuclear technology for peaceful purposes and he has also inspired much goodwill for his country among our people by a simple declaration at a press conference he held in the Indian capital that Iran would never assist Pakistan "if it starts an aggressive war on India," a statement which becomes all the more reassuring since he has also said that "I am convinced that India will not launch any attack on Pakistan."

The New Delhi communique did not have much to say that was new about Indo-

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Iranian programmes of economic cooperation, but this was quite natural since this area had been sufficiently and repeatedly gone over during earlier Indo-Iranian discussions at various levels. As a result, a fairly detailed programme of industrial collaboration and trade expansion has already been spelt out and what remains is the prompt and efficient implementation of individual schemes and projects through an active Indo-Iranian machinery for detailed negotiations and implementation. Here the Shah has greatly facilitated progress, first by his obvious intention that India should be a full beneficiary of the multilateral and bilateral development assistance programmes which Iran has undertaken to finance with some of its oil revenues and, secondly, by stating that he expected India's exports to Iran to progress substantially and even spectacularly in the coming years.

Thanks to the way in which Indo-Iranian trade and economic co-operation is evolving, much of this activity would inevitably be at an inter-governmental level. It has also to be noted that, although Iranian government policy has little to do with the dogmas of socialism, Iranian economic development itself is taking place along the lines of state capitalism in the sense that the Iranian government generally and the Shah particularly are both the primary and the ultimate architects and engineers of Iranian industrialization. Nevertheless, there is still scope for the private sector in India to contribute powerfully to the growth of trade and industrial collaboration between the two countries, and in Iran itself a large number of new entrepreneurs are being enabled to exploit the economic potential of that country especially in the area of diversification of industries.

It is therefore to be hoped that, along with the vigorous pursuit of inter-governmental projects, an attempt will also be made by the government of India to inspire and assist the private sector in our country to take full advantage of its opportunities in Indo-Iranian trade and industrial co-operation. The warm welcome the prime minister received when she visited Teheran and the enthusiasm and goodwill with which the people in the Indian capital greeted the Shah of Iran and his consort last week have together provided an appropriate human and psychological basis for the fast and steady blossoming of Indo-Iranian friendship. This, undoubtedly, is a precious thought in a world where countries and governments usually find more occasions to debate or differ than to consult or concur.

Playing it down is not proper

To PLAY it cool would be proper, but to play it down could be downright disastrous. It is a pity that the prime minister, the minister for External Affairs and some of Mrs Gandhi's henchmen seem to have entered into a conspiracy to play down the food crisis. Even a feudal lord, the erstwhile Emperor of Ethiopia, has just had to lose his crown, his throne and his palace because, for reasons of prestige, he chose to let his people die of hunger rather than let the world know that starvation was stalking the land. Mrs Gandhi maintains that the food shortage in the country is being exaggerated by interested foreign observers and journalists, and her colleague, Mr Swaran Singh, has dutifully castigated the US press for playing up the famine conditions in some parts of our country. In Haryana Mr Bansilal has virtually threatened with police lathis and guns those who might agitate over the shortages or other ills such as political graft and corruption which are plaguing that state. It seems to us that, in certain circumstances, demagogues in a democracy could get away with a lot more than even dynastic despots bossing it over autocratic regimes.

It is important to know straight from the prime minister herself how many people should die of hunger before the government of India would grant that the scarcity of food grains and their prices have become a sufficiently serious threat to the existence, not to speak of the welfare, of large masses of people in various parts of the country. As it is, in parts of West Bengal, particularly Cooch Behar, hunger has started directly killing off destitutes of both sexes and of all ages. In Orissa, Assam, Gujarat and Rajasthan, starvation has become public enemy number one. In Gujarat and Rajasthan again, cattle are dying like fleas because, while pastures have dried up, there is little water to drink for man or beast. At this rate *gobar* could become as scarce and dear a fuel as oil. Meanwhile, farming communities, desperately clinging to a hand-to-mouth existence, must also worry about the destruction that is taking place in its capital of livestock.

It is no doubt true that the *kharif* harvest is only weeks away but, then, the monsoon has once again played truant and crop prospects, therefore, cannot inspire much confidence. If the government has a strategy for feeding the people over the lean period and until the next *rabi* harvest, it must be one of the best kept secrets in the capital. The prime minister and the minister for External Affairs are blaming the foreign press for giving the wrong publicity to the food situation in our country but the government of India's own vast organs of information or mass communication have been strangely inert. As a matter of fact, there has been no official statement that relief operations have been organized or are being carried out on a material scale in the stricken areas.

The food trade has claimed that there are still relatively large quantities of wheat with the farmers in the northern region to be drawn into the channels of marketing and distribution. The public, however, has yet to have a word from the Food ministry of what it proposes to do about this. Unfortunately, there is a lot of confusion in the country about food grain prices and their relation to inflation. It is being far too readily assumed that an increase in grain prices is an active agent in the aggravation of inflation. It would probably be nearer reality to suppose that the higher food prices, as so much else that disturbs the public mind and even the public peace, are the consequences of inflation.

Despite all the talk we hear of hoarding by the *kulaks* or profiteering by middle

men, the basic fact remains that both the production and marketing of food grains are extensively decentralized and that there can therefore be no question of prices being fixed by monopolistic practices by farmers or merchants. While it cannot and need not be denied that scarcity can and is being exploited to some extent, what is material is that thousands of individual farmers are holding out for higher prices for the simple reason that they seek an economic return for their produce in terms of what inputs cost them as well as of the prices they have to pay for the consumer or other goods they in their turn are in need of.

Even a totalitarian system has no means of compelling farmers over a period to grow and market their produce at prices which the farming community happens to regard as unfair. This is not because farmers have the cartellized power of big corporations or trade unions but because they individually can and do decide how much to grow or how much to release to the market from their own consumption in the context of the prices available for what they have to sell. It would therefore be highly academic to discuss the regulation of food prices or the control of food distribution merely in terms of an abstract concept of anti-inflationary strategy or the particular convenience of urban consumers naturally interested in lower food prices, industrial or commercial employers anxious to avoid having to pay more wages, trade unions concerned with preserving or promoting the real earnings of workers or the government worried over financing increases in food subsidies.

Both the government and the public are only too well aware of the fact that, while on the one hand it is costing more to grow crops, on the other rising food prices have not necessarily meant improvement in the terms of trade for the farming sector. It is therefore the clear responsibility of the central and state governments to adopt a realistic approach towards foodgrain prices so that farmers are persuaded to sell what remains with them of this year's *rabi* crop as well as be in a mood to market readily and smoothly the produce of the forthcoming *kharif* harvest, while preparing to invest more and labour more with the intention of turning out a good *rabi* crop next year. Inflation cannot be contained by an attempt to make farmers and farming the first casualty of an anti-inflationary programme. From this point of view, the government's decision dogmatically fixing the farmer's price of the kharif rice crop at Rs 74 per quintal of paddy is quite unrealistic and guaranteed to prejudice vital procurement and distribution operations in the difficult months ahead.

While higher grain prices with their corollary of freer marketing could improve supplies for those sections of consumers who are in a position to pay without undue difficulty prices somewhere between those current at fair price shops and prices prevailing in the open market for grain when available, they will certainly not bring food within the reach of the impoverished people in the famine or drought-affected areas. Here there is absolutely no substitute for public relief operations and it is a sad commentary on the state of government morals and public wisdom in this country that all attention should be diverted towards the arrest of smugglers and away from the plight of starving men, women and children in eastern or western India. No wonder the minister for External Affairs has the audacity, even while on American soil, to demand that the press in that country should not embarrass the government of India by reporting on our food shortage or its victims.

While New Delhi may be concerned with saving its face, there is no reason why all of India should be taken up only with saving New Delhi's face. On the contrary, since immediate supply of food grains from external sources may be important for saving human lives in our country, our people cannot but be grateful to the foreign press for imforming the world at large of the size and urgency of our food needs. The government of India, having given hostages to fortune by its shallow and premature talk of food self-sufficiency, may be unwilling to present the position truthfully to international attention. This, however, is all the more the reason why our people should be thankful to the foreign press for telling it as it is. After all, in spite of its pretensions and protestations, the government of India has just accepted an offer of one million tonnes of wheat from the European Economic Community on concessional terms. It will deceive nobody if New Delhi were to try to make it appear that this offer had been made without indications being given at Brussels that it would be most welcome. Right now, although the US President, Mr Gerald Ford, has clearly indicated his adminis-

Eastern Economist 30 Years Ago

OCT. 13, 1944

An international cartel, unlike a trust, does not constitute a great unified legal entity, holding property of its own. It is, in essence, merely an industrial alliance between a number of separate units in two or more countries, or between two or more cartels, or between some independent producers and one or more cartels. It is, however, true that the devices of the holding company, interchange of shares, etc., have often been employed by international cartel-builders in devising vast and intricate networks of interlacing interests, both financial and industrial. Cartels may be of two kinds. Firstly, there are international agreements regarding standardization of products, exchange of patent rights and information, or the conditions of trading, known as "cartels of conditions". But "cartels of conditions" have a way of developing into the second and more general form of cartels aiming at a variety of objects, such as preservation of an undisputed internal or "home" market for each national group; division and delimitation of export markets or "sales territories"; suppression of price-cutting; "regulation" of prices; exchange of patents and technical knowledge; standardization and reduction of redundant varieties; concentration of production; elimination of inefficient plants; concerted regulation and restriction of output; and joint purchase of raw materials.

ation's willingness to extend food aid to :edy countries, Mr Swaran Singh and ır ambassador in Washington, Mr T. N. aul, seem content to play the game of a oman wanting to be seduced but not illing to solicit. If this is to be the new fashion in our diplomacy, this journal would settle any time for a return to that familiar, earlier practice according to which diplomats are supposed to lie for the good of their countries and not simply for the good of their governments.

Rare occasion in tea

a time when a great deal of pessimism pervades the Indian economy, it is refreshing to find a major industry taking hopeful view of its prospects. In their tea market annual report for the 1973-74 season, just released, J. Thomas & Co. Pvt Ltd have said that this is "one of the rare occasions on which this review can take a completely optimistic view of the future". The report has expressed satisfaction at the fact that most major auction centres the world over, especially Calcutta and London, have recorded higher average prices. Darjeeling tea realised an average price of Rs 14.23 for the season 1973 compared to Rs 12.58 and Rs 12.00 for the seasons 1972 and 1971 respectively. The prices realised by the other types of teas were also much higher than in the preceding two seasons. Taking all kinds of teas, the average price for the season 1973 was Rs 7.91 compared to Rs 7.14 and Rs 7.38 in 1971 and 1972 respectively. Referring to Calcutta leaf sales, the report reveals that during the season 1973-74, sale amounted to 105 million kg at a consolidated average price of Rs 7.91 per kg. Though this quantity was 13 million kg lower than in the previous season, the average showed a significant rise of 77 paise per kg, an increase of 11 per cent. The report points out that prices recorded "dramatic increases and were, on an average, upto 40 per cent higher in the closing sales of the season, held in the month of March". It may be recalled that the combined average prices of Indian tea sold at Calcutta, Cochin, and London auctions increased only from Rs 5.59 in 1962 to Rs 6.47 in 1971, a rise of just 16 per cent in about 10 years.

Does the realisation of higher prices for tea prove the usefulness of the auction system? J. Thomas & Co. have observed that "had there been no organised auction demand would have been diffused and producers, unable to find a yardstick, may not have received a fair return." They have said that if all producers will agree not to sell their produce privately, it would lead to better demand at the auctions and consequently better returns. But does the government of India subscribe to this view? The working of the auction system has come in for considerable criticism in the past and the government has set up a study team to examine its various aspects. The auction system may not be the ideal method of marketing tea but unless we are able to devise a more effective alternative, it will be unwise to disturb it.

The prospects for tea prices in the coming months seem to be quite encouraging due to the willingness of the UK blenders to pay more, the higher prices of coffee in many countries, and the lower level of output in Kenya, Sri Lanka and some other producing countries. It is therefore expected that the demand for Indian tea will continue to be buoyant particularly in Britain, West Germany, Russia, Afghanistan, Ireland and Iran. Some of these countries had reduced their offtake of Indian tea in 1973 an compared to the previous year. For instance, export to Britain declined from 53,579 tonnes in 1972 to 47,546 tonnes in 1973, to the USSR from 40,696 tonnes to 37,353 tonnes, to Afghanistan from 8956 tonnes to 8794 tonnes, to Ireland from 5679 tonnes to 4556 tonnes and to Iran from 3741 tonnes to 3483 tonnes. Though the overall export prospects seem brighter, the government of India and the tea industry should, by their combined efforts, try to secure better prices and earn more foreign exchange.

New Delhi should give sympathetic consideration to the industry's repeated plea for evolving a rational system of excise duty. As the differential system of excise duty has now been declared legal by the courts, it is no longer sub-judice. The industry therefore expects the Government to lower the burden of excise which has been steeply increased in recent years, adding substantially to the cost of production. The total revenue earned by the government of India from the excise duty on tea increased from Rs 4.71 crores in 1958-59 to Rs 39 crores in 1972-73, a rise of 728 per cent while, in the same period, tea production rose by 37 per cent. The industry has suggested that the excise rates should be substantially reduced and fully refunded at the point of export. Besides, it has proposed that a system may be devised by which the excise duty will be refunded on the additional crop produced over the average of the preceding three years, on condition that the money is spent for development purposes.

The government of India should examine these and other suggestions with a view to improving the industry's financial position. The fact that tea is now fetching attractive prices should not create an impression that the industry is financially sound. Studies by the Reserve Bank and other responsible organisations have revealed that in recent years the tea industry's profitability had suffered and that it could not plough back adequate funds or raise them from other sources for development. Moreover, though the immediate prospects for tea seem to be bright, it is not certain for how long this favourable situation will continue. New Delhi therefore should heed the industry's plea for appropriate fiscal relief.

It is also important to provide the industry with various inputs required to maintain production at a high level. Apart from the severe shortage of fertilisers, pesticides, weedicides, coal and furnace oil, the availability of other inputs like plywood, shooks, and fittings is also becoming costlier and scarcer. Besides, the supply of power has been irregular in some part of the country, which affects production. As the domestic demand for tea has been increasing at the rate of about 6 per cent per year, it is necessary to achieve a higher level of production so that adequate surplus for export will become available without affecting supplies to the home market.

The working of the Calcutta port has

to be improved in many directions in order to facilitate the flow of tea exports. J. Thomas & Co. have pointed out that the operations of the Calcutta port in the last season were disrupted due to labour trouble and the low draft in the river Hooghly. The oil crisis also created difficulties for the shipment of tea. It is stated that "unless some positive action can be taken by the authorities to ensure a smoother working of the Calcutta port, shippers may be forced to return to Kandla as a major alternative" and that the "threat to the Calcutta port will assume even greater importance when the Suez Canal is eventually reopened". In contrast to the complications in Calcutta, the functioning of the Cochin port during the last tea season has been described to be "very satisfactory".

India's competitors have been able to step up their production substantially in recent years. For example, tea production in Indonesia rose from 44,048 tonnes in 1970 to 54,546 tonnes in 1973, in Kenya from 41,077 tonnes to 56,578 tonnes, in Uganda from 18,217 tonnes to 21,149 tonnes and in Tanzania from 8492 tonnes to 12,658 tonnes. The tea industry in Bangladesh has also been recovering rapidly. In Sri Lanka the production of tea declined from 212,210 tonnes in 1970 to 211,271 tonnes in 1973. But Sri Lanka's tea exports increased from 190,189 tonnes in 1972 to 205,515 tonnes in 1973. The India tea industry should therefore be enabled to operate profitably and improve its competitive capacity.

Meanwhile, efforts are being made under the auspices of the Food and Agricultural Organisation to evolve a multi-dimensional approach to maintain remunerative level of prices for the world tea industry. It is expected that such an arrangement which will include measures for marketing, promotion and export regulation will help the tea industry to achieve steady prosperity. It remains to be seen to what extent these efforts will prove successful. In any case, the government of India and the state governments concerned should see to it that the tea industry is able to play its role effectively in the country's economy especially as a major earner of foreign exchange.

The medium entrepreneur

THE LAST few years have witnessed the gradual extension of the role of government in industry through various regulations. The new opportunities for investment depend more and more on a large mix of directions from several official institutions. Consequently, the committee on Development of Small and Medium Entrepreneurs which reported in October, 1973, has identified certain handicaps which have to be neutralised if the entrepreneurs in the medium scale sector are to flourish. The committee has rightly viewed that it is hard for a medium sized unit to raise capital on the capital market as it is considered too small by national institutions. On the other hand, a medium sized unit is considered too big by the standards of the institutions assisting the small scale sector. Moreover, the abolition of managing agency system in April, 1970, has left a wide gap in the facilities which were available to the medium scale units.

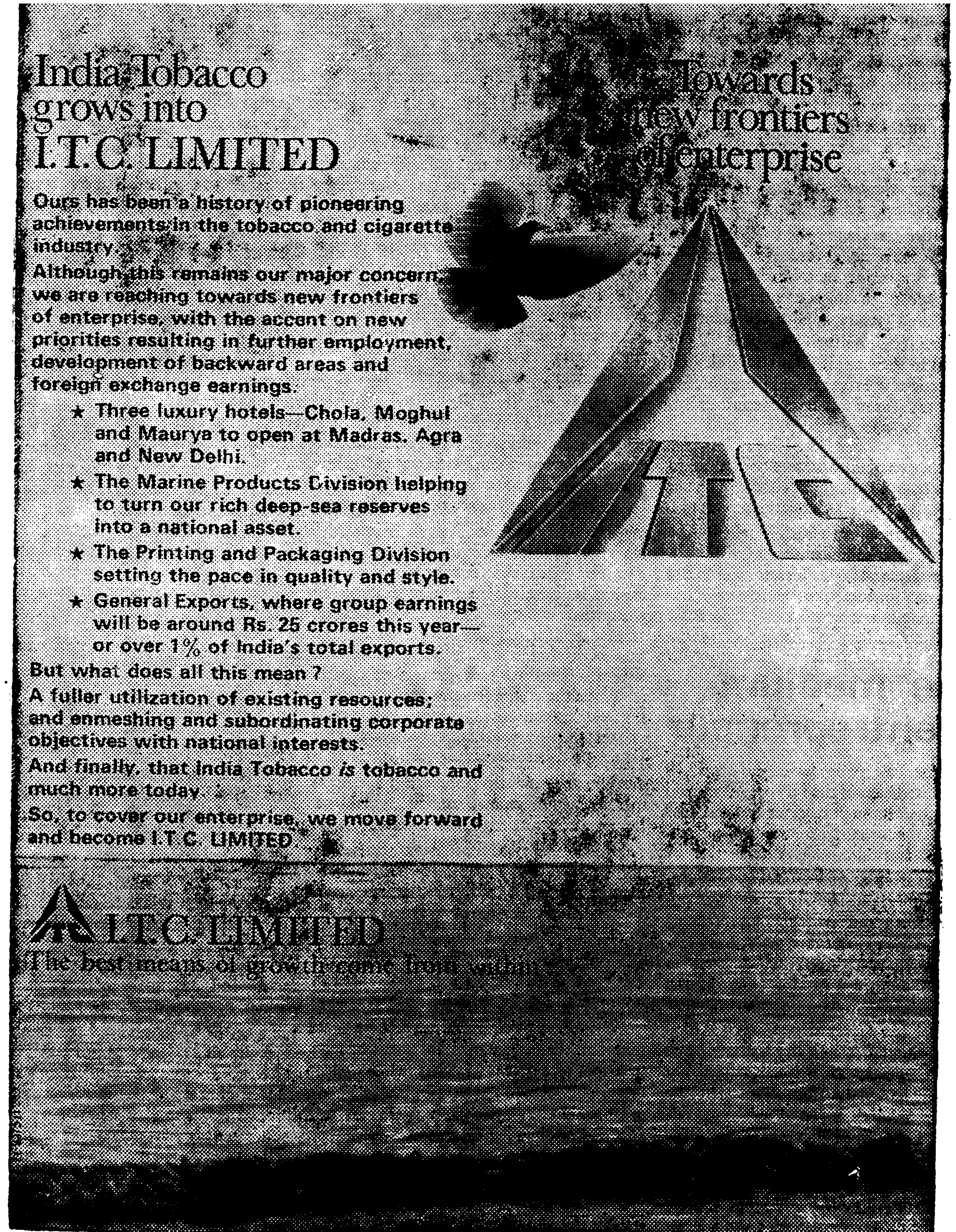
While the committee has done a good job in identifying various problems faced by the medium sized entrepreneurs, it has not cared to assess the extent or size of the medium scale industrial sector in the country. It may be pointed out that one of the terms of reference of the committee was to review the position in regard to the growth of entrepreneurship, particularly among new and medium entrepreneurs. The committee has, however, been content to define the medium sized units as those with the capital investment in fixed assets in the range of Rs 7.5 lakhs and Rs 5 crores.

The union government has recently announced the acceptance of some of the principal recommendations of the committee which include the creation of a new organisation to service the requirements of new and medium entrepreneurs. Whereas the government accepted the fact that special attention needs to be paid to the new class of entrepreneurs, it has decided to burden the Industrial Development Bank of India (IDBI) with certain vital functions relevant to the demands of the new entrepreneurs. The government has consequently decided to create a separate division within the IDBI to look after these requirements.

It appears that the government has shirked its responsibility of dealing with the issue and creating a new institution which could combine the various functions of encouraging the entrepreneurs. In fact it would have been proper for the committee itself to have clearly outlined the structure of such an institution after going through the various demands of the new entrepreneurs.

An important function of a new institution could be to provide all the assistance from one source so that teething troubles during the post-construction and post-implementation period of the units could be taken care of, without the entrepreneurs running about for various kinds of assistance from a number of agencies. The government's view is that the basic extension and promotional role will have to be played by the state level agencies such as directors of industries and small industries service institutions.

In this respect the work done by the National Alliance of Young Entrepreneurs (NAYE) in collaboration with the Bank of India through the scheme called BINEDS is significant. Under this scheme the NAYE has helped various young entrepreneurs with a package assistance to set up their units. This scheme has helped to identify investment opportunities and offered to solve implementation problems. It has arranged training, procurement of raw materials and marketing channels for the entrepreneurs through continuous consultancy service, A certain quantity of capital was made available with a suitable holiday period for repayment of principal and interest, depending upon the gestation period. The extent of entrepreneurs' own investment was determined by the resources available at their disposal and, in really deserving cases, even all the capital was made available. Over a period of two years, as many as 200 schemes were approved under this scheme with an outlay of nearly Rs 4 crores. It appears that the model established by the BINEDS is fairly sound. Perhaps the basis has been laid for an effort on a much larger scale.



FROM THE CAPITAL'S CORRIDORS

R. C. Ummat

Fuel Policy • Development of Tea Industry • New Fertilizer Projects

THE FINAL report of the Fuel Policy Committee, submitted to the union government a few days ago, is more or less on the expected lines. The committee has reiterated that in view of the sharp uptrend in oil prices during the recent past, the fuel policy of the country should be designed on the premise that coal would be the primary source of energy for the next few decades.

The committee's final assessment of the energy requirements of 1978-79 is marginally lower than the one contained in the interim report. The committee does not expect the energy requirements to exceed by the end of the fifth Plan period 135 million tonnes of coal, 34.4 million tonnes of petroleum products, 120 billion Kwh of electricity and 123 million tonnes of firewood, charcoal and dung-cake. This is not at all surprising as the growth of the economy has left much to be desired in the recent past. Even these estimates of energy requirements may turn out to be on the high side as many fifth Plan development programmes are likely to go awry due to the present grave position of financial resources for the Plan.

coal as feedstock

With a view to containing the demand for petroleum products, an important suggestion of the committee is that all new fertiliser projects should be based on coal as feedstock. The committee feels that the product pattern of oil refineries should be changed to the production of high value products. The committee has also favoured popularisation of gobar gas plants and setting up of units for the manufacture of solid domestic fuels so that the growth rate of kerosene consumption can be brought down.

Another very significant recommendation of the committee is that the setting up of captive power plants should not be encouraged in the overall national interest. Instead, giant power stations should be established at coal pitheads.

The committee has urged detailed investigation of projects to utilise the hydro-electric sources of the country. It thinks that it should be possible to install about 600,000 to one million MW of hydel capacity on the river systems during the next two or three decades.

nuclear power

The committee has as well expressed itself in favour of an accelerated nuclear power development programme and hopes that fast breeder reactors would come on line during the second half of the 1980s. It has, therefore, recommended a priority attention for discovering additional uranium deposits. A high priority has also been recommended for the oil exploration programme.

In line with the emphasis it has placed on making coal the primary source of energy in the country in the years to come, the committee has called for the drawing up of a plan to expedite the movement of coal to the consuming areas from the Bengal-Bihar coal belt. It has suggested that the Central Water and Power Commission should prepare a feasibility report for the transportation of coal by pipelines, especially for meeting the requirements of super thermal stations.

For facilitating the implementation of a coherent and rational fuel policy, the committee has suggested the creation of an energy commission and a board consisting of the representatives of the ministries of Petroleum, Railways, Mines and Irrigation and Power and the Planning Commission.

* *

The Task Force on Tea, which was constituted a few months ago by the union ministry of Commerce under the chairmanship of Mr R. Tirumalai, Additional Secretary (Commerce), has made a number of useful recommendations for developing the tea industry on a sound basis. The recommendations relate to not only the financial requirements of tea growers but also to tea auctions and the reorganisation of the Tea Board.

With a view to easing the financial stringency faced by tea growers, the main recommendation of the task force is the establishment of a revolving fund of Rs 10.5 crores which would get augmented by the repayment proceeds from the hire-purchase schemes. The financial assistance programme, it has been stressed, should be rendered flexible by making loanees eligible even for individual items of machinery. Currently only packages of machinery requirements are being financed under this assistance programme.

Another important relaxation recommended in the assistance programme is that in the cases in which adequate individual security against loans is not available from the loanees, a joint equitable mortgage or collatoral security may be obtained.

needs of small growers

In the dispersal of benefits, the task force has specially paid attention to the needs of small growers and has suggested a number of relaxations in the conditions and terms for loan assistance to them.

The task force feels that besides the recent uptrend in prices, the scope for higher levels of consumption is a helpful factor for further investments in tea plantations. Investments would be facilitatec if state governments provide for quicl renewal of lease deeds wherever necessary and also ensure, subject to the guideline that they may lay down, fixity of tenure A much bigger programme of suppor from financial institutions and als through ARC schemes and developmen schemes to be financed by the IDA and th World Bank or the Commonwealth Deve lopment Fund has been recommended.

A two-tier system for loan financin

with differential incidence as between the larger and the smaller growers, the cut-off point being holdings upto 8.089 hectares, has been proposed. The facilities to be offered for small growers, the task force feels, should also include technical assistance, supply of improved clones and high-yielding varieties of tea plants, besides extension services and also ancillary support through state government programmes for land development, soil conservation and minor irrigation and terracing.

The replantation scheme, it says, should be extended to rejuvenation, pruning and infilling methods. An institutional framework necessary for the dissemination of the fruits of research in tea cultivation has been suggested.

As regards marketing, the task force has stressed the need for a systematic and continuous collection of data which can help analyse the results of the functioning of the auction system and also reveal clearly the advantages and disadvantages of this system *via-a-vis* the other methods of disposal of tea such as garden sales which, of late, have been increasing in volume. It has identified the areas for streamlining the sales procedure under the auction system for which further regulatory measures will have to be taken by the trade. The task force does not feel convinced about the superiority of the Dutch system over the English system of auctions.

bonding facilities

The task force has further recommended the provision of bonding facilities for the industry in public warehouses. Emphasising the need for a proper coordination of cargo availability and shipping facilities, it has suggested that a statistical cell should be set up in the Tea Board to collect shipments data more promptly than is the case at present.

The task force has further stressed the need for securing higher unit value of tea through encouraging exports in bags and outgo of packaged tea and instant tea, if necessary, by making it an obligation in application of the relevant provisions of statutes.

The size of the Tea Board, the task force feels, can be reduced considerably. It has recommended that the Tea Board should be made a compact body of about 28 members. Along with this, it has, however, suggested the formation of a new committee which should deal with tea promotion and development. All the committees of the Tea Board, the task force has opined, should be delegated full powers—administrative and financial — in respect of the areas of responsibility entrusted to them so that they can implement their programmes more speedily and efficiently.

The task force has also suggested various methods of dispensing with the need for individual sanctions of schemes by the government, provided that the Tea Board submits fully documented budget estimates with details of the schemes to be implemented which can be considered at the time of framing the budget estimates for the following year and got approved by the central government "en bloc". Such approvals will include sanctions of foreign exchange for the schemes to be implemented by the Board.

* *

As a sequel to the Orissa Industrial Development Corporation — a state government agency — considering the setting up of a soda ash plant at Paradeep an uneconomical proposition, the union government is understood to have decided to enlarge the scope of the fertilizer manufacturing complex sanctioned for this site. The Fertilizer Corporation of India (FCI) has already been asked to revise its feasibility report for the fertilizer plant to accommodate the soda ash unit.

Originally the fertiliser plant at Paradeep was expected to produce NPK complex fertilizers to an annual capacity of 3,11,200 tonnes nitrogen, 300,000 tonnes P_2O_5 and 150,000 tonnes K_2O. It was envisaged that in addition to producing these quantities of fertilizers, the project would make available 140 tonnes of ammonia per day to the Orissa Industrial Development Corporation for producing soda ash.

The fertilizers unit, according to the feasibility report drawn up in 1970, was estimated to cost 248.36 crores. Not only this cost is now expected to be much higher, but also the cost of setting up the soda ash plant will have to be arranged by the central government.

The FCI will be financing the foreign exchange component of the fertilizer project out of the French credit of 300 million francs. No decision has yet been taken on the financing of the soda ash unit. The union government, however, is anxious to augment soda ash manufacturing capacity in the country as the present demand for this chemical far exceeds output. There is also good scope of exporting soda ash.

Negotiations have already been initiated by the FCI with certain French firms for the purchase of the equipment and machinery for the fertilizer units. The Paradeep project is one of the five important projects proposed to be set up during the current Plan period to meet the fertiliser targets of 1978-79. The other four projects are to be located at Bhatinda, Mathura, Panipat and Trombay. Significant progress is understood to have been made on the implementation of the Bhatinda and Trombay projects.

The Bhatinda project, with a daily capacity of 900 tonnes of ammonia and 1550 tonnes of urea — equivalent to 2.35 lakh tonnes of nitrogen per annum — is to be implemented with assistance from Japan. Japan will also be assisting the Panipat and Mathura units. It has offered a credit of 32.9 billion yen for the three projects. The credit would be repayable over a period of 25 years, including a grace period of seven years. It will carry an interest of four per cent per annum. An agreement for the first instalment of this credit, amounting to 11 billion yen, was signed on March 30, 1974. This instalment will be used for setting up the Bhatinda project.

Although Engineers India Limited are the prime contractors for the Bhatinda as well as the Mathura and Panipat Projects (which will have the same capacity as the Bhatinda unit), collaboration for them is also being arranged from Japan. Toya Engineering will be assisting in the implementation of the Bhatinda unit, which is envisaged to go into production in about 36 months. The task of developing infrastructure facilities at Bhatinda has already been taken in India.

foreign exchange

The Bhatinda project is estimated to cost Rs 138.4 crores with a foreign exchange component of about Rs 53 crores. The Panipat and the Mathura projects would cost Rs. 140 and Rs 146 crores, respectively. Their foreign exchange components are placed at Rs 51 crores and Rs 50 crores.

The Trombay project, which will be the fifth phase of the expansion of the existing unit there, is estimated to cost Rs 111.40 crores with a foreign exchange component of Rs 27.80 crores. This foreign exchange cost is expected to be met through credits from Italy and Austria. Austria is understood to have already indicated a credit availability of seven to 10 million dollars. The quantum of assistance likely to be available from Italy has not yet been finalised. The implementation of this project is expected to be taken up by the end of this year. It is likely to go into commercial production by April 1978. Its capacity will be similar to that of the Paradeep plant.

POINTS OF VIEW

Millions in third world face desperate future

Robert S. McNamara

Address to the Board of Governors of the World Bank Group delivered in Washington on September 30.

In the twelve months since our meeting in Nairobi the world economic scene has grown increasingly turbulent. The series of changes which have occurred have been of a magnitude previously associated only with major wars and depressions. New problems have arisen, older problems have become more acute, and the cumulative impact of events has touched every nation represented in this room.

What I propose, then, to do this morning is to review with you:

- The scope and interrelated nature of these events;
- Their implications for development on various groups of our member countries;
- The general measures which might be taken to assist those developing countries most seriously affected by the current problems;
- And what I believe the World Bank can and should do in its Fiscal Years 1975-1979 programme to help meet this new situation.

web of external forces

I want to emphasize at the outset one fundamental point which will underlie the whole of my subsequent argument. It is this. Though all of us have been affected in varying degrees by these complex events, by far the most adverse effects have fallen on those countries least able to cope with them: our poorest developing member nations.

These low income countries — relatively disadvantaged in natural resources, without significant foreign exchange reserves, and already suffering from serious internal deprivations — now find themselves caught in a web of external economic forces largely beyond their control. They can do little to influence the current disequilibrium, nor did they precipitate its underlying causes. And yet they have become the principal victims, and are faced with the severest penalties.

These countries contain a billion individuals.

Whatever the problems and preoccupations of the rest of us may be, we simply cannot turn our backs on half the total population this institution serves.

The real issue, then, is whether we, in this forum, fully understand what is happening to the poorest countries — and having understood it, are ready to do what is necessary to assist them.

That is the essence of what I want to talk to you about this morning.

But before I turn to that in detail, I want to refer back to our last two meetings.

II

Social Equity and Economic Growth

Two years ago I began a discussion with you of the critical relationship of social equity to economic growth. I emphasized then the wide disparity in income that exists among the peoples of the developing countries, and the need to design development strategies that would bring greater benefits to the poorest among those peoples: the roughly 40 per cent of the population in every developing country who are neither contributing significantly to their nation's economic growth nor sharing equitably in its economic progress.

Last year in Nairobi I explored this problem further, pointing out that among the two billion people living in the more than 100 developing countries the Bank serves, there are hundreds of millions of individuals barely surviving on the margin of life, living under conditions so degraded by disease, illiteracy, malnutrition, and squalor as to deny them the basic human necessities. These are the "marginal men," men and women living in "absolute poverty"; trapped in a condition of life so limited as to prevent realization of the potential of the genes with which they are born; a condition of life so degrading as to insult human dignity — and yet a condition of life so common as to be the lot of 40 per cent, some 800 million, of the peoples of the developing countries.

increasing productivity

At Nairobi I outlined a programme for the Bank which would begin to deal with these issues. That programme will put primary emphasis not on the redistribution of income and wealth—as justified as that may be in many of our member countries —but rather on increasing the productivity of the poor, thereby providing for a more equitable sharing of the benefits of growth. I want to report on the steps we have taken to initiate that programme and something of what we see ahead.

The first step in reaching the poorest 40 per cent is to identify them — where they are, what they earn, and what public services reach them. With 70 per cent of the population in the developing countries living in the rural areas, the centre of the problem is there. And within the rural areas, we can usefully distinguish the following poverty groups:

1. Small farmers whose land holdings are of a size and quality which should enable them to sustain themselves and their families, as well as to produce a marketable surplus, but who now do not do so;
2. Small farmers who cannot sustain

the farm family without additional land or without supplementary income from non-agricultural activities;

3. The landless, some of whom migrate to larger towns and cities for off-season temporary employment.

Altogether, these categories contain some 700 million individuals. We do not now have all the information we need to identify the different groups in individual countries. We are, therefore, collaborating with the Food and Agricultural Organization on the development of a better data base and on obtaining a better understanding of the present and potential levels of productivity of individuals in each category.

You will recall that we stated that a reasonable overall productivity improvement objective was to increase production on the 100 million farms, with areas of less than 5 hectares, so that by 1985 their output would be growing by 5 per cent per year, a rate more than double that of the 1960s. It is clearly an ambitious goal, but one whose achievement is made more urgent by the continuing food shortage in the developing world.

pursuit of goal

The Bank is determined to pursue this goal. But I should stress that what the Bank does is much less important than what governments do to deal with these issues. Progress will only be possible if the countries themselves are willing to make strong commitments to pursue agricultural strategies directed towards the promotion of new income and employment opportunities for the poorest groups. This will involve commitment to effective land reform, assurance of adequate credit at reasonable cost, and re-assessment of pricing, taxation, and subsidy policies which discriminate against the rural areas. We are prepared to work closely with governments that wish to take such actions.

Already we see evidence that the objective of a 5 per cent per annum increase in production can be realized. In the past year, we assisted in financing 51 rural development projects in 42 countries involving a total investment of almost $2 billion. These projects are expected to directly benefit at least 12 million individuals. They should generate increases in production of more than 5 per cent per annum for the beneficiaries whose present incomes average less than $75 per capita.

During the next five years our lending to agriculture should double, supporting projects whose total costs will approximate $15 billion and whose direct benefits should extend to 100 million rural poor.

We expect the economic returns on these investments to exceed 15 per cent. They would be similar to the following five projects which were approved by the Bank's Board of Directors in a single two-week period this summer.

the projects

A $10.7 million credit for agricultural development in the southern region of the Sudan which will provide a higher standard of nutrition for some 50,000 farm families through expanded food crops; will assist an additional 13,000 farm families through new cash crops; and will benefit roughly half the region's total population of three million people through improved, disease-free livestock.

An $8 million credit for a comprehensive rural development project in Upper Volta, covering extension services, small-farmer credit, improved water resources, and greater access to health facilities; a project calculated, in all, to benefit some 360,000 individuals, 7 per cent of the country's total population in over 10 per cent of the country's cultivated land area.

A $21.5 million credit for a broadly based livestock development programme in Kenya, including provisions designed to assist traditional nomadic herders; to improve 10 million acres of communal rangeland; and to expand wildlife areas in order to lessen the conflict for food and water between wildlife and cattle. The programme will enhance the incomes of 140,000 rural inhabitants.

An $8 million credit for an integrated rural development project in Mali providing farm inputs and equipment; an expanded functional literacy programme; improved medical and veterinary facilities; and an agricultural research programme. The programme will reach over 100,000 farm families — some one million individuals — with agricultural services that are projected to triple their per capita incomes.

A $30 million credit for a comprehensive dairy development project in India, providing for an increase in production of a million tons of milk a year, as well as for 100,000 heifers; and organizing small cattle owners into 1800 dairy cooperatives which will directly benefit some 450,000 farm families—2 1/2 million individuals — the majority of whom own holdings less than two hectares in size, or are landless. The economic return of the project is estimated at more than 30 per cent on the capital invested.

Last month the Board approved:

A $10 million credit for a rural development project in one of the poorest regions in Tanzania to enhance the productivity, incomes and living standards of some 250,000 people — roughly half the entire rural population of the area — through improvements in agricultural practices an infrastructure investments for 135 newly-established villages. The project aims at doubling the per capita incomes of the villagers over a twelve-year period.

Many more similar projects are under preparation. For example:

A project in the three northern states of Nigeria providing for the construction of 3500 kilometres of low-cost farm-to-market roads, 250 earth dams, 480 rural water supply ponds, and new marketing and credit services. It is designed to benefit 226,000 rural families — over one and one-half million people — by raising incomes substantially above their present level of $40 per capita per year.

A project in one of the poorest regions of North-eastern Brazil to raise the productivity of 33,[illegible]0 farms (which support 200,000 people) by increasing in the number of extension agents, establishing demonstration farm plots, and introducing improved credit, marketing, health, and education facilities.

A project in India's drought-prone areas which cover 250,000 square miles, and in which 66 million people live. It aims to diversify their production into activities less dependent on rainfall. The project includes minor irrigation works, water-shed management, improved crop production methods, sheep and dairy development, credit facilities (especially to smallholders), applied research, and farmer training programmes. A population of over one million will have their incomes increased as a direct result of the project. 100,000 man-years of additional employment will be generated.

rural development

Perhaps the most comprehensive project we are working on is an effort to assist the government of Mexico in its nation-wide programme of rural development. It is designed to reach the lowest income groups and would involve a total investment of $1.2 billion over a four-year period. The programme grew out of the government's realization that, although the nation had achieved, over the last three decades, the highest sustained growth in agricultural production in Latin America, rural poverty appeared to have worsened in many regions throughout the country, especially in semi-arid zones. The economy had been unable to provide the growing rural population with productive employment.

The thrust of the new programme is to provide productive investments in low-income rural areas through small-scale irrigation, rainfed crop production, fruit and vegetable growing, and rural industries. These will be supported by associated investments in labour-intensive feeder road construction, water and soil conservation projects, and support services for the implementation of the Mexican land reform programme. There will be provision, too, for social infrastructure, such as rural schools, water supply, health facilities, and electrification. This is, in fact, the most complex programme with which the Bank has ever been associated.

It is true that the risks of failure are greater in rural development projects than in some of our more traditional in-

vestments. Complicated problems of technology, organization, land tenure, and human motivation remain to be resolved. And yet for the first time we are beginning to see substantial income and employment benefits within the reach of very large numbers of the rural poor, along with high economic returns to the national economy.

What is common to all these efforts within the Bank is an increased emphasis on innovative project design directed toward raising the productivity of the absolute poor, and toward helping them become greater participants in their country's progress. It is clear that development efforts of the past, both by governments and by the Bank, have simply not made an adequate contribution to the welfare of this huge and growing group. We must make sure that the unprecedented combination of events which is presently disturbing the world's economy — to which I now want to turn — does not distract our attention from this fundamental task.

III

Recent Economic Events

While the economic changes of the past year have been massive, the fact is that no one can see clearly yet either their extent or their duration. In such circumstances, projections of the future are bound to be uncertain. But they must be made if we are to initiate the long lead-time actions required to minimize the adverse effects of the changes, particularly those which are so seriously affecting many of the developing nations.

In this section I want to review the scope and interrelated nature of these events, with particular emphasis on worldwide inflation; changes in the prices of petroleum and other commodities; and the impact of these changes on the outlook for economic growth in the developed nations (which constitute the principal export markets of the developing countries). This discussion will be followed by a review of the effects of these events on the growth prospects and capital requirements of the developing countries through the remaining years of this decade.

There has, of course, been a significant acceleration in the rate of inflation in the developed nations. It began before the rise in the prices of petroleum and other primary commodities, and it is only partially explained by them.

International prices, which had risen only six per cent in the decade prior to 1968 — less than one per cent per year—have risen at an annual rate of nearly 10 per cent in the five years since. The annual rate of inflation will surely decline from the 1974 level of 14 per cent but could well average more than 7 per cent for the period 1976-80.

benefits offset

Inflation benefits virtually all of the developing countries by reducing the burden of their debt service in relation to the value of their exports. However, for many of them — and especially the poorest — this benefit will be more than offset by the deterioration in their terms of trade.

Furthermore, inflation has already eroded the value of the concessionary aid which they receive. Most governments have not increased the amounts appropriated for Official Development Assistance (ODA) to offset inflation. ODA has declined, therefore, from 0.34 per cent of the GNP of OECD countries[1] in 1972 to 0.30 per cent in 1973 and is likely to fall further in the years ahead.

Contributing to world inflation during the past twelve months has been the increase in the price of petroleum. Relative to export prices of manufactured goods, it has risen by four hundred per cent. Although there had previously been a slow, long-term decline in petroleum prices which called for correction, the recent action has resulted in a price that is more than twice as high as it has been in the postwar period in relation to other commodities.

Since imported oil has provided the principal increase in world energy supplies in recent years and cannot rapidly be replaced by other sources, the effect of the price rise is a global imbalance of payments of unprecedented magnitude. Although the export surplus of the members of the Organization of Petroleum Exporting Countries (OPEC) will be offset in part by rapidly rising imports and perhaps by a reduction in oil prices, a substantial trade imbalance is likely to persist at least through the end of the decade.

I am concerned here not with the decision to increase the price of oil, but rather with its consequences for the less developed countries. There are two:

The cost of their current volume of oil imports has been increased by some $10 billion, which is 15 per cent of their total import bill, and equal to 40 per cent of the entire net inflow of external capital last year. As a result the countries least able to finance this cost increase have already had to curtail their development programmes.

By the end of the decade some of the OPEC countries are likely to have a continuing balance of payments surplus totalling some $30-60 billion per year (in 1974 prices), the amount depending on their absorptive capacity and price policies as well as the success achieved by oil-importing countries in developing other sources of energy. Of this surplus, roughly a quarter — $8-15 billion in 1974 prices —would be directly with the other developing countries. The remaining $22-45 billion of the surplus would be with the developed countries. Such an imbalance would be so large as to exert a cumulative strain on the economies of the developed nations and on international financial markets, making it more difficult for developing countries to expand export earnings and to finance their balance of payments deficits.

commodity price changes

Prices of other primary products — prices which had remained fairly stable from the 1960s to mid-1972 — have been increasing very rapidly since then. The high prices of commodities exported by developing countries in 1973 reflected the high level of demand prevailing in a period of exceptionally rapid growth in almost all industrial nations. The failure of

Index of International Prices*

	1956	1968	1972	1973	1974	1975	1980
Index (1967-69=100)	94	98	128	154	175	194	278
Percent change over previous year	2.3	—1.4	10.1	20.5	14.0	10.9	7.5

*An index of capital goods and manufactured exports prices of major developed countries. The index also reflects changes in exchange rates.

[1] Twenty-four developed countries which are members of the Organisation for Economic Cooperation and Development.

wheat and rice crops in widespread areas of the world in 1972 and 1973 also had far-reaching effects on prices of cereal grains. Although some developing countries have benefited from the recent commodity boom, only a small number of them—principally mineral producers—is likely to continue to do so for the remainder of the decade.

Beyond 1974, price projections for primary commodities depend on the assumptions made about growth in the industrial countries, the major markets for such products. Since, as will be discussed below, the growth prospects in these markets for the remainder of the decade are less than they were in the 1960s and the early 1970s, the prices of most primary commodities are not likely to be very buoyant in the years ahead.

effect of price changes

The net effect of the increase in the prices of petroleum and other primary commodities, together with widespread inflation in the industrialized nations, will be a substantial change in the terms of trade of the developing countries — that is, in the relationship between the prices of their exports and imports.

For the average of all primary commodity exports, 1973 represented a return to the peak price levels of the Korean War. However, this commodity boom has benefited mainly the richer primary producers, while the poorest suffered both in their terms of trade and in their export volumes. By the end of the decade, as indicated in the table alongside, there is likely to be a decline in the terms of trade of virtually all of the developing countries, with the exception of the petroleum and mineral producers. The poorest countries will in general be the most severely affected. They are likely to suffer a decline of over 20 per cent. As a result, even with expanding export volumes, there will be little increase in the purchasing power of their exports in the face of rapidly increasing import requirements.

The industrialized nations have reacted to the rise of petroleum prices and other commodity prices, and to the worldwide inflation, in ways which have reduced their growth rates. Although they have been pursuing policies designed to adjust to the higher costs of energy and to the other inflationary forces, with minimum impact on production and employment, some slowdown of their economies following a period of very high growth was inevitable.

The sharp increase in the cost of petroleum was bound to lead to basic shifts in the structure of their economies, while the sharp rise in balance of payments deficits and the higher levels of inflation have exacerbated the already complex problems of managing the international financial system. All of these factors will continue to have an impact on the growth rates of the OECD countries. The effect to date is shown by the table below.

Rates of Real Growth of OECD Countries
(Gross National Product)

	Per cent
1960-70 (average annual)	4.9
1972	5.8
1973	6.7
1974	1.3

In comparison to growth rates of 5 and 6 per cent in past years, present indications are that the GNP of the OECD countries in 1974 is growing at only 1.3 per cent.

As for the future, a return to the 5 per cent rate of growth realized in the 1960s would require both effective measures to reduce inflation without reducing production, and, equally important, the orderly recycling of the surpluses of the OPEC countries to finance the structural deficits of the industrial countries. Given the difficulties of achieving these objectives, it is only prudent to consider the effects on the developing countries of a drop in GNP growth in the OECD countries to say, 3.5 per cent or 4.0 per cent for the remainder of the decade.

The adverse effect on the developing countries of such a reduction in economic growth in their major markets would be great. There is a strong relationship — almost 1 to 1 — between changes in the growth rate of the OECD countries and that of the oil importing developing nations. This is not surprising. Exports to OECD countries constitute 75 per cent of the total exports of those nations. A diminished growth rate in the OECD countries translates very quickly into reduced demand for these developing nations' exports, leading in turn to a reduced capacity to import, and hence to lower rates of growth.

IV

Consequences of Recent Events

Any one of the events described above — the deterioration in the terms of trade, worldwide inflation, the increase in the price of oil, the slowdown in the rate of growth of the OECD countries — would have had a serious impact on the developing nations. In combination, the effect on some nations has been near disaster. The trade deficit of all the oil importing developing nations will more than double this year to approximately $20 billion, and, if they are to maintain even minimum economic growth, it will continue to rise for the remainder of the decade.

Moreover, if present trends continue, Official Development Assistance, as a

Terms of Trade: 1973 Vs 1980

(1967-69=100)

	Population (in millions)	Terms of Trade 1973	Terms of Trade 1980
Developing Countries:			
1. Major Oil Producers	300	140	350
2. Mineral Producers	100	102	102
3. Other Developing Countries:			
A. With per capita incomes over $200	600	104	95
B. With per capita incomes under $200	1,000	95	77
Total	2,000		
OECD Countries	600	99	89

percentage of GNP, will continue to decline, and may not even increase sufficiently to offset the effects of inflation. Furthermore, unless steps are taken to expand the supply of capital on intermediate and market terms to the more creditworthy developing countries, they will have difficulty competing with the OECD countries in international markets for the funds necessary to finance their increased trade deficits.

If we were to assume that capital flows to the developing nations, with some adjustments for inflation, would rise from $20 billion to as much as $33 billion between 1973 and 1980, including an increase in Official Development Assistance from $10 billion to as much as $17 billion — assumptions which are probably optimistic and which I will examine in greater detail in a moment — it is estimated that the growth rates for the developing nations would be as shown in the table below:

As is apparent, the growth rates projected for all of the developing nations, other than the petroleum and mineral exporters, are substantially below the levels which were thought likely only a few months ago.

Some countries — for example, Thai-land and the Philippines whose reserves ıave benefited from buoyant export prices, or Turkey and Yugoslavia which ıave received substantial remittances from their workers abroad—can partially inance the heavy 1974 trade account leficits and can avoid severe deterioration of their growth rates. The prospects of other countries such as Korea and razil, which have been steadily expanding their export of industrial goods, are much better than those of countries dependent on agricultural exports.

The major impact is on the poorest nations. The rising prices of imported petroleum, fertilizers, and cereals, the slack demand for their exports to developed countries, and the erosion by inflation of the real value of development assistance, all have dealt severe blows to the growth aspirations of the poorest members of the Bank. These nations, with a population of one billion, and incomes averaging less than $200 per capita, on the most likely set of assumptions regarding commodity prices, capital flows, and growth rates in the OECD countries, would suffer an actual decline in their per capita incomes. The effect of this on the already marginal condition of life of the poorest 40 per cent within these countries is an appalling prospect.

The countries thus affected are mostly in South Asia and Africa. Consider the following cases :

INDIA: Higher oil prices will add $800 million to India's import bill this year—an amount equivalent to roughly two-thirds of her entire foreign exchange reserves, over 25 per cent of her total exports, and far in excess of the previously projected net resource transfer. Price increases for nitrogenous fertilizer — and India is the world's largest importer of this essential ingredient of increased agricultural production — will add another $500 million; and higher prices for essential foodgrain imports still another $100 million.

SRI LANKA : Despite large cuts in

food rations, in 1974 cereal grain import costs will rise by $100 million, fertilizer by $40 million, and petroleum by $100 million. And stagnating world prices of tea — Sri Lanka's major export — have in effect locked the country into a long-term deterioration in its terms of trade.

BANGLADESH : Devastated by both flood and war, the country has had to devote most of its imports to essential reconstruction and minimum food requirements. It has been unable as yet to mount a sustained development programme which its more than 75 million people desperately require. To do so it would have to increase its imports substantially, and yet this year alone the new oil prices will add $70 million to its costs, and food and fertilizer price increases an additional $100 million.

The SAHELIAN COUNTRIES OF AFRICA: Due to the most devastating drought in their history, Mali, Niger, Upper Volta, Mauritania, Senegal and Chad have been unable to take advantage of the favourable world prices of their chief exports: groundnuts, cotton, and livestock. The surge in petroleum prices has driven the cost of their essential fuel imports from 10 per cent of their export earnings to 30 or 40 per cent, at the same time that their food import requirements — literally to stave off mass starvation — have risen drastically.

The East African countries of Tanzania, Somalia, and Kenya are also facing severe balance-of-payments pressure.

V

Measures to Speed the Adjustment Process

To assist the developing countries in meeting the cumulative impact of these problems, the Bank has examined the internal and external adjustments which might be undertaken to minimize the set-back to development summarized in the tables here.

Much must be done by the developing countries themselves, particularly in restructuring their patterns of use and procurement of energy and even more in expanding their production of cereal grains.

The impact of the petroleum price increases on the balance of payments of the

Developing Country Rates of Growth Per Capita

(GNP Growth Per Capita)

Developing Countries by Group	Population (in millions)	Average 1965-73	Average 1974-80
		per cent	per cent
1. Major Oil Producers	300	5.4	8.4
2. Mineral Exporters	100	1.2	3.8
3. Other Developing Countries:			
A. With per capita incomes over $200	600	4.3	3.4
B. With per capita incomes under $200	1,000	1.1	—0.4
Total	2,000		

of course, if they could reduce their consumption of imported petroleum. This could result either from a reduction in their consumption of energy in general, or through a shift from imported petroleum to domestic sources of energy supply.

While greater efficiency and conservation in energy use may be feasible in some cases, the amounts involved will be small. On average, the one billion people in the countries with per capita incomes below $200 consume only about one per cent as much energy per capita as the citizens of the United States. Reduction of energy consumption in those countries in any significant degree can only lead to reductions in industrial and agricultural production, and a lowering of the standards of living for the masses of the population.

The outlook for substituting other forms of energy for petroleum is brighter. It will be possible in many countries, for example, India, Pakistan, Brazil and Turkey, to generate power using alternative energy sources. Petroleum based plants can be replaced with hydropower, geothermal power, or with coal, lignite or nuclear fuel plants. But even in countries where these alternative energy sources are available (and in some, such as Kenya and Upper Volta, this is a very uncertain prospect), exploiting these sources will require time-consuming geological or hydrological surveys and very large additional capital investments.

production of food grains

Moreover, the resources to be used for these investments must be drawn away from other projects, thereby reducing the countries' development programmes. And in any event, it will be from 5 to 7 years before such facilities for energy production can become operational and begin to offset the increased foreign exchange costs of petroleum imports.

Although there has been a reasonable long-run balance between supply and demand of food grains for the world as a whole, there has been a serious and growing shortage of food production in the developing countries. Unless remedial action is taken, the situation will become much worse. The principal reasons for the shortage have been the rapidly expanding population in these countries and their failure to achieve satisfactory levels of agricultural productivity.

Were present trends to continue, it is estimated that the cereal grain import could double between 1970 and the middle of the next decade. By that time those countries would be seeking to import 70 to 80 million tons per year, and the foreign exchange required each year could reach $20 billion. This additional requirement could not be met from any reasonable projection of export earnings or capital inflows. There is only one answer to this problem: the 2.9 per cent rate at which the developing countries have increased their output of food grains over the past decades must be increased substantially.

immense potential

This can be done. Grain yields in the developing countries are no more than 40 per cent of the yields in the developed countries. The developing countries do have the potential to increase their agricultural productivity. But that potential cannot be realized unless the developing countries themselves initiate action on a wide front, including measures to expand the cultivated areas under irrigation, promote the availability and use of fertilizer, and maintain a price structure which provides farmers with adequate incentive to grow more food. These are the prerequisites to increasing productivity, and they will require substantial sums of capital.

Investments in world fertilizer capacity have been inadequate to cope with the sharp increase in the demand for fertilizers in the major grain-exporting countries of the OECD, and in the developing countries which have been modernizing their agriculture. The developing countries' share in total world consumption of fertilizers has increased from 10 per cent in 1961 to about 17 per cent today, and it is projected to increase further to 25 per cent by the end of the decade.

We estimate that by 1980 the demand for nitrogenous and phosphatic fertilizers in the developing countries will exceed 22 million metric tons annually, only half of which can be produced with their existing capacity and its currently planned expansion. To add 11 million tons of additional production capacity would require an investment of some $6 to $10 billion.

Many developing nations have already initiated action to conserve energy and to explore alternatives to continuing increases in petroleum imports. Some have started to reduce their dependence on imported foodgrains. But years will pass before these efforts bear fruit. In the meantime, the higher import costs of petroleum, food grains, fertilizer, and manufactured goods will place a heavy burden on their balance of payments and reduce their savings available to finance investment. Unless these requirements are met by additional capital flows, the result will be further declines in the rates of growth.

This brings us to a discussion of the volume of capital required, in particular by the poorest developing countries, to prevent this outcome.

VI

Capital Requirements

Earlier I stated that were we to assume that capital flows to the developing nations

Developing Country Rates of Growth Per Capita

Developing Countries by Group	Population (in millions)	GNP Growth Per Capita: Average 1965-73	Average 1974-80: Case I	Case II
		per cent	per cent	per cent
1. Major Oil Producers	300	5.4	8.4	8.4
2. Mineral Exporters	100	1.2	3.8	3.8
3. Other Developing Countries:				
A. With per capita incomes over $200	600	4.3	3.4	4.0
B. With per capita incomes under $200	1,000	1.1	—0.4	2.1
Total	2,000			

would increase from $20 billion to $33 billion between 1973 and 1980, with Official Development Assistance rising from $10 billion to $17 billion, growth rates during these years for the developing nations (excluding the petroleum and mineral exporters) would average 3.4 per cent per capita for the countries with individual incomes over $200 and would actually decline for those with incomes below $200. It is time to examine that assumption (shown as Case I in the tables on this page and on page 657) and to consider alternatives.

unacceptable figures

The 3.4 per cent per capita rate of growth projected for the middle and high income countries is far from satisfactory, and the decrease of .4 per cent projected for the poorer countries is totally unacceptable. Were we to raise these rates by planning on a 4 per cent per capita growth for the countries with incomes over $200 and a rate one-half of that for those with incomes of $200 or less, we estimate that the capital requirements by 1980 would rise by 60 per cent. Total capital required would increase from $33 billion to $ 53 billion. ODA would have to rise to $24 billion, a huge sum, but a sum which would still be no larger than its present share of the donors' projected GNP. These data are shown in Case II.

Two-thirds of the increase in the capital required from 1973 to 1980 is needed simply to compensate for the higher prices of commodities and services imported by the developing countries.

Are such capital flows attainable?

In considering the question, I want to emphasize two points:

First, the substantial increase in market terms borrowing that the middle and higher income developing countries must undertake — efforts which can succeed only if the recycling mechanisms make special provision for the very large capital requirements of these countries as well as for those of the developed nations.

And second, the alarming rate at which inflation is eroding ODA flows and the failure to compensate for this because of what might be termed the "money illusion" — that is, failing to recognize that in periods of rapid inflation the same number of dollars, at different moments of time, do not represent the same real values.

While the rapid growth of the Eurocredits extended to the developing countries in the recent past is striking, the total market borrowing by these countries was heavily influenced by the amounts lent to a few of the nations with a high credit standing. More than $3.3 billion out of the total of $8.8 billion raised in 1973 by the developing countries went to just three nations — Mexico, Brazil, and Peru —and an additional $2.1 billion went to the oil and mineral exporting countries. Very little was loaned to Turkey, Korea, the Philippines, Thailand and other middle income countries which will need large amounts of such capital in the future.

To support Case II, the amount of $8.8 billion raised in 1973 would have to increase to $15 billion within the next two years and to some $24 billion in 1980; and the number of borrowers would have to increase significantly.

It is to be hoped that the international banking community will recognize that many of the developing nations, if assisted to make the structural adjustment necessary to realize their long-term growth potential, represent excellent opportunities for profitable placement of surpluses, particularly those generated initially in the OPEC countries. But, as I suggested before, one cannot be sanguine about the prospects of increased borrowing by the developing countries from the Eurocredit markets unless the developed countries provide some support to those markets. The developing countries will face heavy competition from the developed countries seeking to draw on OPEC surpluses to finance their own balance-of-payments deficits.

Market borrowing has not been a source of funds open to the lower income countries. These nations must depend mainly on concessionary flows, principally ODA. And it is in relation to ODA that the effects

Net External Capital Flow Required to Achieve Growth Rates in Table on p. 657

(in billions of dollars)

			1980	
		1973	Case I	Case II
Official Development Assistance:	Amount	$9.4	$16.7	$24.4
	per cent of Donor GNP	.30%	.20%	.30%
Other Concessionary Aid		$1.9	$5.5	$5.5
Market Terms Borrowing		$8.8	$10.8	$23.6
Total Net External Capital Flow		$20.1	$33.0	$53.5

Actual and Projected Flows of Official Development Assistance

(Amounts in billions of dollars)

									1980	
Total	1960	1965	1970	1971	1972	1973	1974	1975	Case I	Case II
n Cur. Prices	4.7	5.9	6.8	7.8	8.7	9.4	10.7	11.9	16.8	24.4
n 1973 Prices	7.7	9.0	9.3	10.0	10.0	9.4	9.4	9.5	9.3	13.5
ıs per cent of GNP	.52	.44	.34	.35	.34	.30	.30	.29	.20	.30
)DA Deflator	61	65	73	78	86	100	114	126	181	181

of the "money illusion" become most apparent.

In the past ten years, ODA in relation to GNP has decreased by one-third. Today it is running at scarcely 40 per cent of the .7 per cent target. Since that objective was established by the United Nations General Assembly in 1970, there has been no increase, in real terms, in the concessionary flow despite a 12 per cent increase of GNP in the donor nations. The reason, I believe, is clear: legislatures fail to recognize that the 62 per cent increase between 1970 and 1974 in the money value of the ODA which they have appropriated not only contributes nothing toward attaining the .7 per cent objective, but just barely maintains the real value of the 1970 level of assistance.

important step

The most important single step the developed nations could take to assist the one billion people of the poorest countries would be to recognize that the effects of inflation alone require—and will continue to require — major increases in the appropriated money values of Official Development Assistance.

The OPEC countries are beginning to help meet the capital requirements of the developing nations, including making contributions to ODA which are larger in proportion to gross national product than those of the OECD nations.

Excluding Indonesia and Nigeria which are not in a position to export long-term capital, the projected change in the financial position of the OPEC countries, between the year 1973 and 1980 is shown in the table alongside.

The data show that the OPEC countries will be highly liquid in 1980, although their GNP will be but a small fraction of that of OECD, and their per capita incomes, on average, substantially less. In these circumstances, it can be expected that they will divert a portion of their liquid funds to the financing of the ODA increases required by the poorest countries. But a far larger portion of the OPEC surpluses will no doubt be used to finance the very large capital requirements of the middle and higher income nations.

The OPEC countries have already taken a number of initiatives which may lead to an increase in the flow of their development aid. These range from Iran and Iraq's agreements to supply India with specified quantities of oil on deferred payment terms, to the creation of the Saudi Arabian Development Fund, and the very substantial expansion of the Kuwait and Abu Dhabi Development Funds. But many of these initiatives will take time to organize and to staff. Disbursements are, therefore, likely to be slow. The World Bank has offered its assistance to these institutions to accelerate the flow of funds.

VII

Contribution of World Bank Group for Fiscal 1975-79

The net effect of the events we have discussed is a dramatic increase in the capital required by the developing nations for the achievement of even modest rates of growth during the remaining years of the decade. The present plans of the OECD and OPEC countries do not indicate that sufficient capital will be available. Under these circumstances I believe the World Bank Group must expand its lending to the maximum permitted by prudent financial management and the availability of funds.

Projected Change in the Financial Position of the OPEC Countries

(Excluding Indonesia and Nigeria)

	1973	1980
OPEC GNP—Amount	$76 billion	$411 billion
Per cent of OECD GNP*	2.5 per cent	5.0 per cent
GNP per capita— OPEC	$951	$4,240
OECD*	$4,735	$11,980
OPEC Foreign Exchange Reserves and External Investments	$24 billion	$624 billion
OPEC Income on External Investments	$ 2 billion	$40 billion

*The OPEC GNP figures are not strictly comparable with those of the OECD countries. The former include a high proportion of income from the production of non-replaceable assets for which no depreciation allowance has been provided. Were this factor to be taken into account, OPEC per capita GNP in 1980 would probably be 30 per cent less than shown.

The programme which I have presented to our Board of Directors for their consideration is a first step in that direction.

It provides for total lending in the five fiscal years 1975-79 of $36 billion. The programme which the Board has approved for FY75 contemplates commitments totalling $5.5 billion, compared to $4.5 billion in the fiscal year just ended, and $3.5 billion in the year before that.

The total of $36 billion for the five years compares with $16 billion for the previous period (FY1970-74). However, the increase of $20 billion — 125 per cent in money terms — provides for an increase of only 40 per cent in real terms (7 per cent per annum).

effect of inflation

At Nairobi, the negotiators of the countries contributing to the International Development Association (IDA) believed that their pledges of $4.5 billion for the 4th Replenishment period would provide an increase of 55 per cent over the level of the 3rd Replenishment. Already that expected increase has been more than offset by actual or projected inflation. It now appears that the 4th Replenishment, in real terms, will be slightly smaller than the 3rd. To minimize the impact of this loss of value, we propose to shift the allocation of scarce IDA resources in such a way as to concentrate them on the countries most seriously affected by the recent economic developments. We intend to give priority in these countries to raising agricultural production in general and the productivity of the rural poor in particular.

The proposed Bank Group programme is large. It will require net borrowing during the five years of over $13 billion. Much of that amount can, I believe, be borrowed from OPEC countries. They have been most cooperative with the Bank and in recent months we have received loan commitments from them totalling $2 billion. But as large as the Bank programme is, in combination with the other funds which the OECD and OPEC countries indicate they plan to make available to the developing countries, it is totally inadequate to meet minimum development objectives.

I strongly recommend that the proposed Joint Ministerial Committee, as its first item of business, appraise the needs of the developing nations for additional capital and examine possible sources of funds t meet those needs. The formation of the Committee offers a new and welcome opportunity to focus the attention of the world's governments on the progress, or lack of progress of the developing nations, as well as the progress, or lack of progress of the richer countries in meeting their responsibility to support development in those nations.

VIII

Central Points

Let me now conclude by summarizing :he central points I have made this morn- ng.

Although there are many ingredients hat have contributed to the current eco- ıomic turbulence, there are at least three ›rincipal and interrelated factors which .re of major significance for the develop- nent scene.

One, of course, is inflation. Itself the roublesome child of many forces, infla- ion not only penalizes the poor propor- ionately more than the rich, and severely rodes the value of Official Development ıssistance, but in leading to lower growth ıtes in the developed nations it threatens › reduce demand for the developing coun- ·ies' exports, as well as to trigger pro- :ctionist tendencies.

The second factor is the sudden surge ı the price of petroleum. Though it has ontributed to balance-of-payments prob- :ms in many nations, it has fallen with ıe greatest severity on the poorest count- ies. They possess neither the flexibility f the developed nations to readjust trade nd investment, nor the margin to reduce onsumption.

And the third factor is the general boom ı most other primary commodities. This as clearly benefited some developing ountries. But it has also created further ifficulties for the poorest nations whose xports simply cannot offset the price in- reases for fertilizer and food, which, in ombination with the increases in oil and ıanufactured goods, have substantially educed their terms of trade.

If, then, we survey the development :ene as a whole, it is evident that count- ies with some 20 per cent of the popula- ion of the nations we serve have registered net gain: the oil exporting countries and ome of the mineral producers.

For certain other developing count- es, representing about 30 per cent of the total population, the long-run outlook is good although they face serious problems of adjustment to the new conditions. Most of them are in the middle and upper income categories of developing nations. They should be able to borrow much of what they need on the world capital markets if the recycling mechanism is designed and managed with their needs in mind. In addition, they will need large sums on intermediate terms and the Bank must expand its programme to help meet this requirement.

But for the poorest of our member countries — countries that represent fully half of the total population of all the nations we serve, countries containing one billion human beings — the situation is desperate.

Almost every element in the current economic situation has worked to their disadvantage, and has been compounded even further for many of them by the natural disasters of flood, drought, and crop failures.

additional assistance

These countries, then, need additional assistance on concessionary terms, and they need it promptly: $3 to $4 billion more per year in the remaining years of the decade.

Can such assistance be mobilized in the current economic environment — an environment in which the real per capita incomes of many of the largest donors have decreased in the past twelve months and in which all traditional donors face inflation, unacceptable unemployment, and uncertain growth prospects?

I believe it can — and I believe it must.

The world has not suddenly lost its wealth. The OPEC countries have gained huge amounts, and the traditionally wealthy nations continue to be wealthy. They are less wealthy than they hoped to be at this time, but they are more wealthy than they were as recently as twenty-four months ago, and immeasurably more wealthy than the nations of the developing world.

What, after all, really constitutes wealth? And what more fundamental measures of wealth are there than the levels of nutrition, literacy and health? It is in these terms that the average citizen of a developed nation enjoys wealth beyond the wildest dreams of the one billion people in the countries with per capita incomes under $200: his caloric intake is 40 per cent greater; his literacy rate is four times higher; the mortality rate of his children is 90 per cent lower; and his own life expectancy 50 per cent more. Are there any more basic terms in which to compare the wealth of the developed and developing nations?

The developed nations, understandably preoccupied with controlling inflation, and searching for structural solutions to their liquidity imbalances, will be tempted to conclude that until these problems are resolved aid considerations must simply be put aside.

aid no luxury

But aid is not a luxury — something affordable when times are easy, and superfluous when times become temporarily troublesome.

It is precisely the opposite. Aid is a continuing social and moral responsibility, and its need now is greater than ever.

It is true that the affluent nations in the face of shortages and inflation, and in order to continue to expand aid, may have to accept for the time being some selective reduction in their already immensely high standard of living. It they have to, they can absorb such inconveniences.

But for the poorest countries such a downward adjustment is a very different matter. For them downward does not mean inconvenience, but appalling deprivation. And for millions of individuals in these countries downward means simply the risk of death.

The problem, then, is not that the developed nations have suddenly lost their capacity to assist those countries most in need. They have not. The amounts of additional financial assistance that would mean the difference between decency and utter degradation for hundreds of millions of the absolute poor are, in relative terms, minute—perhaps two per cent of the increase in real income the developed world can look forward to in the remaining years of the decade.

The basic problem, then, is a philosophical one — a problem of values.

Will 1974 be best remembered as the year when prices exploded? Or will it,

perhaps, be better remembered in the longer perspective of history as the year when the word interdependence stopped being rhetoric, and started being reality?

One thing is certain: the development task has not diminished. It has only become more urgent. The responsibility of us all is to get on with it.

Flow of Official Development Assistance Measured as a Per cent of Gross National Product*

									1980†† Required for	
	1960	1965	1970	1971	1972	1973	1974	1975	Case I	Case II
Australia	.38	.53	.59	.53	.59	.44	.53	.54		
Austria		.11	.07	.07	.08	.13	.13	.13		
Belgium	.88	.60	.46	.50	.55	.51	.56	.62		
Canada	.19	.19	.42	.42	.47	.43	.51	.51		
Denmark	.09	.13	.38	.43	.45	.47	.49	.50		
France	1.38	.76	.66	.66	.67	.58	.55	.51		
Germany	.31	.40	.32	.34	.31	.32	.30	.28		
Italy	.22	.10	.16	.18	.09	.14	.10	.08		
Japan	.24	.27	.23	.23	.21	.25	.24	.24		
Netherlands	.31	.36	.61	.58	.67	.54	.61	.65		
New Zealand**					.23	.27	.36	.47		
Norway	.11	.16	.32	.33	.41	.45	.63	.65		
Portugal	1.45	.59	.67	1.42	1.79	.71	.47	.42		
Sweden	.05	.19	.38	.44	.48	.56	.69	.70		
Switzerland	.04	.09	.15	.11	.21	.15	.15	.15		
United Kingdom	.56	.47	.37	.41	.39	.35	.34	.32		
United States†	.53	.49	.31	.32	.29	.23	.21	.20		
Grand Total										
—ODA (current prices) $millions	4665	5895	6832	7762	8671	9415	10706	11948	16760	24400
—ODA 1973 prices	7660	9069	9346	9976	10059	9415	9391	9452	9259	13480
—GNP (current prices) $billions	898	1340	2010	2218	2550	3100	3530	4100	8200	8200
—ODA as per cent GNP	.52	.44	.34	.35	.34	.30	.30	.29	.20	.30
—ODA Deflator	60.9	65.0	73.1	77.8	86.2	100.0	114.0	126.4	181.0	181.0

*Countries included are members of OECD Development Assistance Committee, accounting for more than 95 per cent of total Official Development Assistance. Figures for 1973 and earlier years are actual data. The projections for 1974 and 1975 are based on World Bank estimates of growth of GNP, on information on budget appropriations for aid, and on aid policy statements made by governments. Because of the relatively long period of time required to translate legislative, authorizations first into commitments and later into disbursements, it is possible to project today, with reasonable accuracy ODA flows (which by definition represent disbursements) through 1975.

**New Zealand became a member of the DAC only in 1973. ODA figures for New Zealand are not available for 1960-71.

†In 1949, at the beginning of the Marshall Plan, US Official Development Assistance amounted to 2.79 per cent of GNP.

††Case I leading to a minus 0.4 per cent change in GNP per capita per annum in countries with incomes of under $200 per capita would require ODA of $16.7 billion (.20 per cent DAC GNP) in 1980; Case II with 2.1 per cent growth in GNP per capita would require $24.4 billion (.30 per cent of DAC GNP in that year).

Trade unions challenge the state

London

Jossleyn Hennessy

I

Major European Headaches

THE EUROPEAN unions have left far behind the classic definition of a trade union as "a continuous association of wage-earners for the purpose of maintaining or improving the condition of their working lives."

In West Germany, pressure from the DGB has forced opposition and coalition parties alike to adopt the far-reaching Vermogenspolitik—the compulsory worker asset formation scheme; in Italy, the unions are now consulted by the government on fundamental economic policy, and have recently decisively influenced regional and industrial investment policies; in the UK, the unions appear to be the most cohesive and aggressive single force in politics: they make and unmake governments. They take less notice of "their man" Harold Wilson, than they did of Edward Heath.

WINDOW ON THE WORLD

There are about 30 million trade unionists in the EEC, but owing to different political, social and even religious traditions, there is no homogeneous pattern of membership, organisation, power and influence, but international cooperation between trade unions goes back to the end of the last century, and today, most west European unions are affiliated to the International Conference of Free Trade Unions (ICFTU), in Brussels. The French Confederation generale du travail (COT, 2 million members), however, and the Italian Confederazione generale Italiana del lavoro (CGIL, 3½ million members), both the largest groups of unions in their countries are affiliated to the communist World Federation of Trade Unions (WFTU) in Prague, although the Italian group recently loosened its ties with the WFTU by changing from full to associated membership. The European Trade Union Confederation (ETUC) was founded in Brussels in February, 1973, when representatives of trade unions in the EEC and EFTA merged two existing organisations based on the ICFTU. A clandestine Spanish union is also represented in the European Trade Union Confederation, and the Italian communist confederation mentioned above is expected eventually to apply for full or associated membership. At present, Irish and Portuguese unions are not affiliated to the ETUC.

With so many governments in western Europe in disarray, and at a time when the prestige and effective power of professional politicians is low, the publication of a detailed account of the trade union movement in the EEC, *Trade Unions in Europe* by Margaret Stewart (Gower Press Ltd., Epping, Essex), is timely.

Industrial democracy, giving workers a bigger say in and control over management of their industrial and working lives, has long been a trade unions aim. In the EEC countries, unions have succeeded, to a greater or lesser degree, in making progress towards their goal. The European Commission brought the issue to the fore with two distinct proposals.

First, the draft statute for a European company was produced in 1970, as a possible blueprint for companies operating as European organisations within the EEC. The proposed statute is not mandatory but suggests that a European company should have three governing bodies: a general meeting (equivalent to a shareholders' meeting), a supervisory board, and a board of management. The supervisory board would exercise overall control over policy and supervise the management board, which would remain responsible for day-to-day administration; two-thirds of the members of the supervisory board would be appointed by the general meeting and the remaining third would consist of workers' representatives, by the company's employees—normally nominated by the works council. This is akin to the West German practice in private industry.

The development of cross-frontier trade union cooperation to counter multinational companies started in the late 1960s and gathered momentum during the early 1970s. Most multinational companies operate in engineering, automobiles, electronics, petroleum, chemicals and food production. Trade unions recognise the economic reasons for the development of worldwide industrial enterprise. A resolution adopted at an ICFTU congress in Brussels in 1969 stated that "the international organisation of production can play an important role in spreading new technical know-how and in giving an impetus to economic growth and social progress". Trade unions, however, insist that they should be able to safeguard the interests of (a) the workers within the company, (b) the general public, and they call on governments to scrutinise all proposals for takeovers.

II

Union Fears and Aims

The ICFTU has identified several grounds for union fears. Multinational corporations could pose a new challenge by: (1) Jeopardising democratic national planning in individual countries. (2) Undermining local systems of industrial relations—since decision-making is centralised in one place. (3) Arbitrarily transferring resources from one country to another. (4) Adopting anti-union policies and limiting the right of collective bargaining. (5) Exploiting international labour cost differentials in order to increase profits.

The ICFTU therefore called on workers to unite to demand the right of union recognition and collective bargaining, in line with ILO conventions. It urged public authorities to ensure that national economic and social needs be safeguarded, and it emphasised the need for democratic control and accountability at each level of decision-making.

a common strategy

In 1973, an ICFTU working party on multinational companies agreed to seek a common international strategy and stressed the importance of research to cover questions, such as:

(1) The effect of multinational companies on the economy of developing countries and on employment. (2) The problem of securing a greater measure of industrial democracy. (3) The legal aspects of trade union action across frontiers. (4) An international code of conduct. (5) A blacklist of persistant anti-union companies.

The practical problem facing trade union negotiators is that when they deal with the top management of a national company, they meet face-to-face round the negotiating table, thrash out their problems and probably arrive at an immediate decision, but when they deal with the subsidiary of a multinational company, they are not talking to the final authority—decisions are taken elsewhere and the local manager may be as ignorant of the company's long-term strategy as the trade unionist. If a union threatens industrial action, the company can switch production to another plant, build up stockpiles or even threaten to close down and move to an area where the labour force is more amenable.

This may not always be feasible, but the threat is real. A multinational management can select its most advantageous industrial location and build up investment in the areas which it regards as most favourable. Unions can usually find out a certain amount about the plans of a national company, but with multinationals, knowledge resides with the central management and the unions are in the dark about future plans, particularly with the large motor corporations such as Ford and General Motors, where major investment decisions are taken on the other side of the Atlantic.

There is scope for bilateral action between unions representing workers in the same company. Thus, in 1967, the American United Automobile Workers secured wage parity for the Canadian and American employees of Chrysler, and in 1969, during a strike at Ford's Belgian plant at Genk, near the West German border, West German workers refused to be used as substitute labour or to allow work from Belgium to be switched to West Germany. Shop stewards of Dunlop-Pirelli in Italy and Britain recently took joint action over threatened redundancies.

The main channels for international union cooperation are the international trades secretariats. A TUC report summarised their activities thus:

(1) Research and the collection of information. (2) Internal organisation of unions in standing bodies representing employees working for the same company. (3) International solidarity and aid, financial support for unions in dispute. (4) Multinational consultation with managements over a wide range of issues other than collective bargaining, including advance warning of plans to transfer production. (5) Synchronisation of the timing of claims and common termination dates of existing and future collective agreements in the subsidiaries concerned. (6) Coordination of industrial action. (7) Harmonisation of collective bargaining aims, other than wages. (8) Harmonisation of collective bargaining on wages. (9) Presentation of internationally agreed demands to multinational companies as a whole and coordination of tactics to realise these.

the pace maker

The largest and most powerful international trade union secretariat, the International Metalworkers Federation (IMF), has been the pace maker. As long ago as 1964 it organised conferences, on the initiative of the late Walter Reuther, president of the UAW (United Auto, Aircraft and Agricultural Implements Workers of America), which led to world autoworkers councils, set up for Ford, General Motors, Chrysler, Volkswagen, Fiat-Citroen in 1966 and for Nisson-Toyota, BLMS-Renault-Volvo in 1968. These councils act as a clearing-house for information and cooperation to bring pressure on the companies. The IMF, based in Geneva, has built up a dossier of research into wages and working conditions in car plants all over the world. It is particularly concerned about operations in the developing countries of Latin America and Asia, and in low-wages areas, and countries such as Spain where there are no democratic trade unions.

Union pressure has been successfully brought to bear on subsidiaries in developing countries, for example, Argentina and Chile, to win union recognition and the right of collective bargaining.

Mr Daniel Benedict, Assistant General Secretary of the IMF, stated: "The challenge of multinational companies has led to the first new structural adaptation of international trade unionism for decades; the formation of world councils or working parties of workers in specific companies around the globe."

For Europe, there is a separate body —the European Metalworkers Federation (EMF). It is not a regional branch of the IMF, though the two organisations work in close association. The EMF, which operates exclusively within the EEC countries, defines its three main tasks as:

(1) Common action of all metal-workers in the EEC. (2) To represent their interests within the EEC. (3) To negotiate with European employers and with the head offices of multinational companies operating in the EEC.

The EMF has made most progress in its discussions with the Philips electrical concern at Eindhovan, Holland. Regular meetings have been held since 1967 and a council formed which meets once a year. The Philips management has accepted the unions' right to discuss matters of common interest affecting its European operations such as company policy on personnel, profits, etc.; to provide the unions with information and give advance warning about plans affecting future employment prospects.

Talks have covered e.g. shift working and job security, training and retraining policies on wages and working conditions, harmonisation of fringe benefits, coordination of social welfare plans as well as the general economic and financial situation.

III

International Collective Bargaining

As yet, international collective bargaining has not been reached, but the Philips' example of consultation and information-giving provides a pattern for relations between a multinational company and trade unions.

The EMF has also had discussions

with Metal Packaging, Fokker/VFW (the West German-Dutch aircraft company), Fiat, Citroen-Berliet and Airbus-Concorde groups. The essence of its operations is speed in identifying disputed points and arranging for information to be sent to workers' representatives affected by the outcome of the talks.

multinational problems

Apart from the activities of the International Federation of Chemical and General Workers' Unions, other international trade secretariats have also been concerned with multinational problems. The International Federation of Commercial Clerical and Technical Employees (FIET) has had talks with IBM and has collected information around the world about comparative conditions, salaries, and profits in different international companies, which has been circulated to affiliates as an aid to negotiation.

The International Union of Food and Allied Workers' Associations (IUF) has organised conference for workers employed by multinational concerns, e.g., a conference of Nestle employees held in May, 1972, set up a permanent council of Nestle workers. According to the IUF, the company agreed to consider the IUF as a bona fide representative of its employees at the international level and gave "certain assurances concerning its general labour policies and agreed in principle to see that its subsidiaries would follow general guidelines". The IUF intervened in a dispute over union recognition involving Nestle's subsidiary in Peru in 1973. Many unions sent financial aid and the strike was settled when the management agreed to recognise the unions.

The IUF has set up a world council for the W.R. Grace and Company — food and chemical concern — but the company has declined to divulge information about its future plans for plant closures. The IUF has also had dealings with the International Sleeping-Car and Tourist Company, British American Tobacco and Coco-Cola, and in June, 1973, established an international council of Unilever workers.

Collective international action vis-a-vis multinational companies is still in an embryonic stage and there is, as yet, no sign of firm progress towards multinational collective bargaining, but this is the unions' long-term aim.

Dr Patrick Hillery, a vice-president of the European Commission, told the European parliament in January that the Commission could act as "a clearinghouse for collective agreements throughout Europe and the conclusion of European collective agreements would be considered".

The employers' view is that international collective bargaining cannot be realistic, owing to the wide differences in conditions and practices and the absence of any legalistic framework.

A fundamental difficulty is the difference in trade union structures and attitudes. The workers tend to think nationally rather than internationally and national unions are jealous of their independence. Workers are reluctant to become involved in disputes in other countries and there are real fears about job security. For example, leaders of British shipyard workers have expressed alarm about Fiat's reported plans to build a big marine engine plant at Trieste, which might endanger jobs in UK yards. In view of these attitudes, it is all the more remarkable that so much progress towards genuine international union cooperation has been achieved.

IV

Equal Pay for Women

Women represent over half the total population of the EEC countries. The proportion who are actively employed, however, varies: it is highest (39.4 per cent) in Denmark, and lowest (23.0 per cent) in the Netherlands. Most working women tend to be employed in the tertiary (services) sector. When they are in industry, they are mainly in textiles, clothing, food, and light electrical engineering.

The Treaty of Rome (Article 119) lays down 'that men and women should receive equal pay for equal work'. This principle is binding on member states, as is the ILO convention on equal pay, but there is still a gap between men's and women's earnings although this has been progressively narrowed through collective bargaining.

This table is taken from a report on equal pay by the Office of Manpower Economics (August 1972).

Average Hourly Earnings of Women as a Percentage of Male Average Hourly Earnings

	1964	1971
France	76	77
West Germany	69	70
Italy	70	76
Belgium	65	68
Luxemburg	45	56
Netherlands	56	61
UK	57	59

An EEC report concluded that Article 119 remained "a dead letter" in man countries. The situation has improve since the publication of the report (1968 though full statistics are not available. A report in December, 1972, referred to "th irrefutable progress made in the field o wage equality. Although undeniable pro gress has been made the situation i nevertheless still far from satisfactory. I therefore becomes essential that....a de cisive impetus should be given to the search for a solution to this problem".

In most European countries, though not in the UK, there is a minimum legal wage which is the same for men and women. It is in opportunity for earnings that inequalities arise and it is primarily through collective bargaining that progress will be made. In Belgium, most women are protected by collective agreements, but in the Netherlands the proportion is as low as 20-25 per cent, and the basic wage is still lower for women than for men.

Direct discrimination is diminishing, but indirect discrimination persists by reserving special job categories for women and by under-rating of women in general.

Women tend to be concentrated in lower paid industries and jobs were they lack opportunity to improve their skills. The disparity in skill is shown by the proportion of men and women classified in manufacturing industry in the original six EEC countries.

widest gap

A Commission report showed that the gap was widest in West Germany, where 49.3 per cent of men were classified as skilled, but only 5.3 per cent of women. In Belgium, however, the respective percentages were 36.7 and 16.0, and in Italy 44.3 and 18.2.

Most EEC countries have some form of equal pay legislation or have built into their constitutions guarantees against discrimination on the grounds of sex. Only the Netherlands does not provide specific guarantees through legislation or its constitution, but there is no discrimination in its minimum wage legislation and in an increasing number of collective agreements. The law is evaded in many member states. The Commission decided in 1973 to take action against the Netherlands and Luxemburg for their failure to observe EEC regulations.

Most progress towards single classification schemes, irrespective of sex, has been made in Belgium, Italy and France. West German unions maintain that the lowest categories are still reserved for ome companies, e.g. Philips. equality as been encouraged by reducing the umber of categories.

In France, the CFDT consider that too nuch importance is attached in job classification to male qualities, e.g. strength, nd not enough to female qualities, e. g. dexterity. The CGT figures show total vomen workers as just under six million n 1972. There was a gap of 23.3 per cent between the salaries of men and women white-colour workers and 30.3 per cent between the wages of men and women manual workers.

In Britain, as in all EEC countries, not only to close the gap, but to provide greater equality of opportunity, for women, in all fields.

In its social plan, the EEC Commission is to set up a permanent coordinating committee, on such questions as access to employment, promotion, training and retraining, maternity leave, child care facilities, working hours and social security provisions. This would form the basis for commission proposals to the council of ministers.

That in all EEC countries the proportion of women who belong to trade unions ... ing towards equality and insuring that they are not exploited.

Sources and acknowledgements: The foregoing summarises, by special arrangement, a report in the latest issue of *Economic Trends* published quarterly to subscribers only, by the Economist Intelligence Unit (27 St. James's Place, London SWIA: INT). This EIU report was an extract from *Trade Unions in Europe* by Margaret Stewart, published at £9.80 by the Gower Press, Epping Essex, England. The EIU is, of course, responsible neither for the emphasis of my summary nor for my interspersed comments.

Europe worries about Ford in its future

Vienna

E. B. Brook

THE FLUTTER of meetings in the United States and west Europe these days is a very good illustration of the mood of anxious uncertainty in which the industrialized world and the major farming states find themselves. In the USA President Ford risks the confusion associated with a multitude of counsel as he confers in the White House with more than 100 economic and financial experts over the problems of inflation; at Camp David the much-travelled foreign and finance ministers meet at an "unstructured" session to discuss again very much the same subject and to seek some solidarity on the difficulty of financing oil prices before hurrying off to meet again in Luxemburg to see what can be done to restore the Common Market's agricultural policy after West Germany's refusal to go along with the idea of paying farmers five per cent more for their produce. The overall picture is of indecision and disagreement among the western partners and of mixed concern and anger over oil prices which look like rising again gradually from the beginning of next year. President Ford's address to the world energy conference in Detroit over oil prices, when he threatened counter measures over food supplies, has been so widely taken in the USA and Europe as a form of declaration of war over oil prices that the White House felt obliged "to set the record straight on oil" by disclaiming "anything remotely belligerent" in Ford's approach to the supply and price of oil.

On the problem of oil supplies and prices there is a wide gap between the American approach, with its undeniable element of pressure, and that of the major Common Market states. France, in particular, favours a new form of commercial and financial cooperation with the oil-producing states, especially with the Arabs, and West Germany is quietly accepting Iran as a partner in some of its largest domestic heavy industries.

Similarly, outside the Market, Austria is cooperating with Iran over steel production there. No one in—western or eastern—Europe wants to pick anything approaching a quarrel with the oil producers; there is increasing realization that cooperation, even some form of partnership, between producers and users is essential ultimately to both sides and promises a smooth means of bringing the vast sums of money being paid by the west to the middle-east back into some degree of circulation in the western industrial markets. Europe is at present more concerned that an over-simplistic and possibly hectoring approach by the USA should not spoil the relations between producer and user of industrial fuels than over the horrific sums they are having to spend to buy the fuel.

A start has been made in an oil-sharing accord between 12 major industrial states—excluding France, which prefers its own solutions—to avoid a beggar-my-neighbour approach to oil supplies. The accord basically commits the 12 states which signed the agreement in Brussels to share available oil supplies and imposes mandatory restraints on consumptior during an emergency. They undertake also, to develop a common level of reserve oil stocks that would enable each state tc function without oil imports for 60 day —this reserve being built up to a 90-days supply by July 1 next.

While this has the appearance of wis oil-husbandry it does little to solve th problem of oil prices and nothing to pro mote the cooperation between oil produ cers and users which appears the wises course. At present either party can ope rate to the disadvantage of the other in a dangerous field of nations' livelihood: th oil-sharing accord of Brussels does nothin more than enable the users to hold ou sparingly a little longer; it could be des cribed as a measure of siege if matter came to a crunch. The battle over oi prices has, in the meantime, been carrie on in speeches by President Ford in Detrio and the Shah of Iran in Canberra durin his visit to Australia. Ford's deman for reduced oil prices—to which Saud Arabia appears willing to listen—was re jected by the Shah, the chief exponent o high oil prices, who called on the indus trial nations to cut the prices of their ex ports first. The oil-producers' case fo raising prices in the first instance and eve since is the unfortunate fact that inflatio is making the value of the money paid fo their oil steadily less so that what appear to the west as an immense sum appears t the receiver as a steadily less valuabl payment for goods supplied. In such situation reasonableness and cooperatio

hostile caution and implied threat. The Americans deny the existence of a "spirit of confrontation" but the oil-suppliers see one very clearly and the anxious Europeans sense it scarcely less.

The Americans, paying high domestic prices and high taxes, realize that while they pay more for oil to run their industries they have a domestic inflation which cannot be brought under control without some degree of hardship. At the same time they have to lend heavily to help Italy and are likely, unwillingly, to give the Soviet Union the "most favoured nation" treatment it has sought so long. These circumstances do not make their mood easier especially, as they rapidly develop their North Slope oil fields in Alaska, they feel that in few years they may be able to tell the Arabs and Iranians they do not need so much oil. Similarly, the British are plnning their hopes, as do the Norwegians, on North Sea oil only six years away. Both see the middle-east advantage as a short-term problem.

This is not the case with the French or W. Germans or any other member of the Common Market. Six years may be a short time for the Americans but it is a worryingly long time for the much smaller European states whose main oil alternative even North Sea oil but Russian—largely undeveloped and certain to be very expensive. Russia has shown its hand already by pushing up its charges for not only oil but natural gas it supplies westwards. Partly for this reason the continental attitude to the oil problem is basically different to that of either the Americans or the British.

What concerns Europe, as it struggles to fix a farm prices policy which will partly satisfy its farmers without overtaxing the W. Germans or leading the French to introduce financial supports which contradict Market principles, is to make a better working arrangement with present oil suppliers and above all, to bring some of the money they are paying for oil back into circulation in European industry and commerce. Faced with liquidity problems of great gravity as more and more cash moves to the Arabs and Iranians the west European banking community is regrouping itself into bigger, more powerful and more competitive units. Morgan Grenfell, the big British merchant bank is working closely with France's Cie. Financiere du Suez, a major banking group, with the purpose of taking an equity share in each other's operation. In W. Germany, Citicorp, the bank holding company of New York, has increased its stake in Trinkhaus & Burkhardt, West Germany's largest private bank. These banks have a strong foot in the Euromarket which is particularly attractive to middle-east official investors and plan enlarged merchant banking services in Singapore and Hong Kong. All the banks have strong ties in the middle-east, particularly in Dubai and Oman, and work closely with the central bank of Iran.

Similarly, Luxemburg, one of the major Euromarket centres, is setting up a liquidity bank to assure the 80 banks operating in the Grand Duchy and those who do business with them—including both Arab states and Israeli—that cash will be available to any bank suffering a liquidity squeeze. West Europe, after a few frights such as the collapse in June of Bankhaus Herstatt in Cologne, realize that only really big bank groups can now always be sure of having access to as much cash as they need and that, without this assurance, the middle-east will keep its money at home. The W. Germans go farther with this idea in seeking the creation of an international liquidity bank comprising all central banks and all major banks in the Euromarket. Europe's idea is to offer security for Arab money, a delicate gamble on Arab confidence.

MOVING FINGER

It is quite some time ince the prime minister held a press conerence in the capital. In spite of this she hose, strangely enough, the government's nouthpiece, All India Radio, for doing ome loud thinking on the situation in he country. This interview, which was roadcast on October 1, however, found Mrs Gandhi making statements which vere not merely silly but downright stuoid. In the circumstances it was perhaps a mercy that the journalists' corps in New Delhi was spared a press conference. Take for instance her threat to deal with armers and the food trade in the same nanner in which she is dealing with he big smugglers. I am aware that he spoke of big farmers or big traders itting on stocks of grain and refusng to sell it to the public, but even such nformation as is being fed to her about he food situation in the country ought o have acquainted her with the fact hat such grain as is being withheld y farmers or even traders, because of heir dissatisfaction with official prices, s being held mainly in small and scatered amounts by tens of thousands of armers or thousands of petty traders.

In these circumstances only totaliarian control of agriculture, backed wholeheartedly by the police power of he state, could hope to force out the ast quintal of grain from the farming ommunity. While it is true that hoardng and profiteering in food grains or ther essential commodities must be ealt with through the effective enforcenent of the ordinary law of the land, t is quite unrealistic on the part of the rime minister to talk of the farmers nd the smugglers in one and the same reath. At the least it ought to have truck Mrs Gandhi that, whereas mugglers cannot successfully protest gainst the government's anti-smugling operations by threatening to forwear smuggling, farmers could refuse o grow more grain or traders refuse to eal in this commodity if prices fixed y official edict seem to them to be unconomic or intrinsically unfair. It a measure of the bankruptcy of the overnment's food policy that the prime ninister finds herself with nothing better to do than breathe fire and brimstone at the farming community.

In another part of the interview Mrs Gandhi said that her government was trying to import food grains in order to tide over the lean period through which the country was passing. Considering the extent to which the scarcity of food grains has affected large numbers of people in various parts of the country, this information is not reassuring enough. What the country needs to know is whether the imports will be of an order sufficient to prevent a further excessive rise in food prices besides helping the country to cope with famine or near-famine conditions in some areas. According to non-official estimates imports of up to six million tonnes would be required for the government to get a grip on the food situation. It may be that the ministry of Food and Agriculture, or the government as a whole, may not wish to endorse this estimate publicly, but it is highly unlikely that its own assessment can genuinely favour a much lower figure for our country's minimum import needs. The question therefore is how much the government is actually seeking to import. If the quantity it has in view is anywhere near what the country needs to import, the government will have no reason for not giving it due publicity. By the same token if the government persists in following a 'hush hush' policy in this matter, the suspicion will grow that the government does not see its way to importing anything like the quantity it must if the food situation is to be brought under control.

From this point of view it is extremely unfortunate that New Delhi should persist in allowing considerations of false prestige coming in the way of its laying its food cards on the table when talking to the US government on this subject. It is even more unfortunate that, in her interview to AIR, the prime minister should have chosen to mix up India's effort to obtain food imports, much of it on concessionary terms, with her government's desire to champion the claim of all hungry countries for international food aid. Surely it is not unreasonable to suggest that the prime concern of Mrs Gandhi's government should be with the hunger and starvation that thousands of people in our own country are now having to struggle against. This is not to argue that we need not care what happens to Bangladesh, but the plain fact is that, whereas Bangladesh and other similarly food-needy countries, including certain African nations, are in a position to evoke and enlist international sympathy on the straight basis of their obvious vulnerability, India, thanks to its government's own policies, is clearly in the position of having to argue painstakingly for international recognition of its deserts. In other words, whereas international humanitarian sentiment could largely be depended upon to come to the rescue of countries such as Bangladesh, in India's case its own government has succeeded in making food a matter of international politics.

Who is the true hero (or heroine) of the anti-smuggling crusade? Is he Mr K. R. Ganesh as he is out to make out? Or, is he Mr Jayaprakash Narayan, as Mr Ajit Bhattacharjea of *The Times of India* argues? Or, is the heroine Mrs Indira Gandhi herself as the prime minister's secretariat has claimed? Mr Ganesh of course could point to the fact that he had been not only the first but also the only one among the ministers to force the issue by naming in parliament the three alleged godfathers of the racket, besides complaining publicly that something more than the ordinary law of the land was needed to break the racket since it was enjoying bureaucratic protection and political patronage. On this basis Mr Ganesh certainly may be allowed to have played more than a bit part in the drama. But, then, a minister of state in the department of Revenue and Expenditure in the ministry of Finance clearly does not have either enough ministrial authority or sufficient political muscle to force a major change in the policy of the government especially where high politics are involved. On this reading, Mr Ganesh, at best, might have only jumped the cue, in which case his share of the credit must necessarily be limited to a modest percentage.

As for Mr Jayaprakash Narayan, while I dare not compete with Mr Ajit Bhattacharjea in the matter of *punditry* over the *sarvodaya* leader and his movement, I would venture to point out that what seems to be agitating Mr Jayaprakash Narayan primarily is political graft and administrative corruption. So far as the MISA assault on the smugglers is concerned, it is yet to be shown that political patronage or bureaucratic collusion with the racket is also among the targets. On the contrary, there is already widespread suspicion in the land that the current anti-smuggling operations may only be a very oozy red herring. In the circumstances it is quite possible that Mr Bhattacharjea has been rather premature in congratulating Mr Jayaprakash Narayan and his movement (with or without including himelf).

Remains Mrs Gandhi. Despite my basic inclination to look askance at any attempt on the part of the prime minister's secretariat at image-building, I am tempted to give her full credit for initiating and masterminding this anti-smuggling business. This is because I have been flattering myself that I know exactly why she nationalized the 14 largest commercial banks. She did so at a time when she badly needed to impress her personality on the ruling party and the central government by making a massive political impact on public emotions and sentiments if not public opinion. It so happened that the government takeover of the big banks, in the situation then prevailing, could admirably serve this purpose. The intention was to make it appear that something great was being done against the rich and the powerful so that the common man might come into his own. Bank nationalization, in other words, could be sold to the stone masons, *tangawalas*, taxi drivers and *panwalas* as starting with *amiri hatao* and leading to *garibi hatao*.

It was five years ago when all this happened and five years are a long period in politics, especially when general elections have to be held every five years, or are occasionally held earlier. It is quite apparent that right now Mrs Gandhi urgently needs to blow wind into her political sails. The heroics of the application of the MISA to smugglers and smuggling have the advantage of helping to create an impression in the country that something very significant is being done by the prime minister to cope with the economic crisis. On the previous occasion, when 14 banks were nationalized, it was so very easy to picture and pillory the big bad barons of banking as the cause of the stagnation of the small farmer or the backwardness of the small businessman. Today it helps the ruling party, evidently, to present the predatory activities of Haji Mastan and company as a considerable cause of inflation. Mr Madhu Limaye seems to believe that the anti-smuggling operations are an indication that a general election is round the corner. He may be right, but my own feeling is that, early election or no early election, Mrs Gandhi's popularity and public image are right now such that they could do with quite a few stage props.

In the course of a dis-arming passage in her AIR interview, the prime minister called upon her countrymen (and, I suppose, countrywomen) to face the food situation in a spirit of challenge and of common sharing of what was available and added thoughtfully that the "children, of course, must have the first priority" — an admonition which clearly has tremendous contemporary significance in view of the pictures of famished children in drought-hit areas which are being published in newspapers and periodicals at home as well as abroad. Mrs Gandhi emphasized, naturally, the need for the avoidance of conspicuous consumption of food in restaurants and eating places and at public or semi-public functions. There is no need to doubt her sincerity in this matter if only because even the state dinner given to the Shahanshah and Shahbanou of Iran by the president at Rashtrapati Bhavan, although described in the press as a glittering affair, had its diners' list confined to the legitimate limit of one hundred.

Nevertheless, it may not be wholly beside the point to refer here to another dinner held in the first week of last month at the public sector hotel on Janpath when the guest list exceeded one hundred by about 60 per cent or so. It may not be out of place either to recall that this particular dinner party, which was in honour of the vice-president of India, had the advantage of engaging the special personal exertions of the minister of state in the ministry of Tourism and Civil Aviation who of course has the run of public sector hotels by virtue of her official position. After all this it is perhaps slightly superfluous to give my readers the additional information that the dinner guests on this occasion were not exactly treated to soya bread and Delhi tap water but I must certainly mention in fairness to all concerned that participation in this celebration was not confined to politicians of the ruling party.

The prime minister's own personal concern for austerity in food or other things need not however be questioned unduly. After all, did she not spend so much time and thought on ensuring that her second son's wedding was celebrated in the simplest fashion possible? It is true of course that newspapers spoke of the delightful "Kashmiri custom" of the bride's feet being washed with milk as she stepped into her new home as wife and daughter-in-law. But one should not surely cavil at a little milk being spilt in a historic cause, for it would certainly be a good idea for this incident to be inscribed on a scroll and buried in a time capsule o the grounds of No. 1, Safdarjung Road Future historians, reconstructing the eco nomy of India during the reign of prim minister Indira Gandhi, might thus be en abled to deduce that this land was flowin with milk, if not honey, in this period.

I last saw Krishna Menon in the Lok Sabha on the day M Y.B. Chavan presented the supplementar budget for the current year. As the Fi nance minister sat down after the ritual Menon agonisingly struggled to his fee and, assisted by one of the Lok Sabh attendants, slowly, very slowly, went out I remember wondering at the time wh this ailing, old man had bothered to b there at all. Perhaps what had taken him or indeed, dragged him, to the Lok Sabh on that day was his old-fashione sense of duty. A member of parlia ment, he must have thought, owed an obli gation to his constituency and to himsel to be present in the house on importan parliamentary or legislative occasions.

Referring to Krishna Menon's passin away, the prime minister said that a vol cano had become extinct. This was im precise. Krishna Menon's effective retire ment from politics and public life ha taken place twelve years before his death It was not death which extinguished hin but the circumstances and compulsions o the politics of those times, when he had t bow out as Defence minister. Even i Nehru had desired to bring him back int the cabinet, he could not have done so and it was plain enough that Nehru' daughter never had an idea of re-activat ing Krishna Menon in the governmen of the country. For a man who ha been so close to the centre of the Ne Delhi stage so conspicuously and for s long, failing health therefore could no have been the only cross to bear as h merely watched from the wings and waite and waited — waiting for nothing unti Nothing came in its appointed course And yet it ought to be difficult for us t forget Krishna Menon. Though he owe so much to Nehru for all of his politica sustenance, Menon still made a remark ably virile contribution to the per formance of the government during th years he was a member of the cabinet That he helped to make India self-relian in its foreign policy might be a claim whic would certainly be disputed; what canno be challenged is the tough self-reliance h initiated and built into the nation's de fence production. He could have done mor than he did and would have done it bette as well had it not been; that he under stood economics less than he understoo politics and understood men even less than he understood economics.

VB

TRADE WINDS

Oil Facility

WHILE ADDRESSING a press conference recently in Washington, Mr Y.B. Chavan, union Finance minister, indicated this country's willingness to avail of the oil facility created by the International Monetary Fund to extend assistance to countries affected by the increased costs in the import of oil. He, however, made it clear at the Fund-Bank meeting on September 30, that the facility did not meet fully the needs of the situation. He added that it did not provide adequate additionality in terms of resources nor was it for a substantially longer period than normal drawings. Above all, it was a matter of concern that the facility had been made highly conditional.

India intends to borrow $ 200 millions from the oil facility of the IMF to meet the rising import bill. Its entitlement is to draw upto 504 million SDR appoximately $ 600 million.

International Monetary Fund Survey of September 30, 1974 reveals that the Fund's executive directors have reviewed the operations of the oil facility recently, as required in their decision establishing the facility, and they have decided to increase the amounts for which members can apply under the facility for 1974. Purchases are now permitted in excess of the 35 per cent of a member's originally computed maximum access for 1974. As a result of the review, the oil price increase used in the formula until mid-September was modified to reflect an up-to-date assessment of the increase in the global price of oil from 1973 to 1974. Also, the base period volumes of net oil imports (imports less exports of both crude oil and refined oil products), which previously were those for 1972, were adjusted upward for each country whose rate of increase in net oil imports from 1972 to 1973 exceeded the median rate of increase. The other two features of the formula were retained without change: (1) 10 per cent of a country's net reserves (reserves adjusted for a measure of export variability) are deducted from the computed increase in oil import costs; and (2) the result of the formula is subject to a ceiling of 75 per cent of the member's quota in the Fund,

By September 6, nine countries had made purchases under the facility totalling the equivalent of SDR 142.60 million. [*Eastern Economist* dated October 4, 1974, page 661]. Since then, nine additional countries have made purchases totalling the equivalent of SDR 383.97 million. Purchases by a number of other countries are in various stages of action. Of course, the new figures governing access to the facility for 1974 apply to all countries irrespective of whether they have made purchases, or requested purchases, up to the end of September, 1974. For each of the 18 countries that have completed purchases, access for 1974 substantially now exceeds the purchases already made. The executive directors have agreed to meet by December 31, 1974, in order to decide whether or on what terms to permit purchases with respect to the impact of the cost of oil imports on balances of payments in 1975.

New Import Policy

The import policy for actual users for the maintenance imports for the second half of the current licensing period April 1974-March 1975 is a continuation of the policy adopted during the first half of the year. Industries other than small-scale will be granted import licences for raw materials, components and spares on the same basis as obtained during the first half of the current licensing period having regard to the availability of foreign exchange and the importance of user industries to the national economy as also the needs of export production.

As already laid down in the "Red Book" for April 1974-March 1975, small scale units will have to apply for licences for import of raw materials, components and spares for their annual entitlement for the year April 1974-March 1975 and import licences will be issued to them for the value after adjustment of the value obtained by them under the facility of "repeat operation" which was specially authorised for the first half year. Also, in the case of small-scale units, the licensing against UK credit will be comparatively little more with corresponding reduction in the entitlement for imports from Rupee payment countries. The licensing under General Currency Area and the modes of financing for exporting units will be the same as hitherto. Applications for import licences for the second half of the year should be made by March 31, 1975.

Procurement Price of Paddy

According to an official announcement, the procurement price of rice has been fixed at Rs 74 per quintal as recommended by the Agricultural Prices Commission (APC). The present policy of free movement of coarse grains would continue. It has also been decided to impose levy on producers. The official announcement which came after a thorough consideration of the APC report on the price policy for kharif cereals and the views expressed by the chief ministers and the food minister at a conference on September 14 provided for the continuance of the incentive bonus scheme. It is proposed to provide for additional incentive in this scheme to states which procure the major part of the marketable surplus for central pool. But no details of this scheme were made available.

The government has, however, allowed an increase from Rs 2 to Rs 4 in the price of coarse grains. As against the uniform price of Rs 70 per quintal in the case of jowar, maize and ragi during the previous kharif season, the new price has been fixed at Rs 74. In the case of bajra, the price has been raised from Rs 72 to Rs 74 per quintal.

The official notification issued here states that paddy and rice will be grouped in three varieties — coarse, medium and fine. The procurement price of coarse variety in different states and union territories will be Rs 74 per quintal. Prices of other varieties are proposed to be fixed keeping in view the existing varietal difference in their prices. The government has decided to continue with the existing paddy and rice zones. The system of procurement in each state would be strengthened and made more effective with a view to maximising procurement. The announcement stated that the issue prices of rice will be suitably adjusted keeping in view the revised prices. Similarly the issue price of coarse grains would be adjusted after the revision in procurement prices.

Soviet Assistance for Copper Project

The Soviet Union has offered to supply earth-moving equipment to enable India undertake in the next few months, initial development of the Malanjkhand copper rroject in Madhya Pradesh. When fully developed, the project will prove to be a major copper complex in the country. An expert team from the project has just returned after signing a protocol detailing the elaborate design criteria for the development of the project with a Soviet consortium.

The protocol contains an interim report on initial development of the mine, which would lead to production of about one million tonnes of ore, yielding about 10,000 tonnes of copper in four years time. The whole project envisages the production of two to three million tonnes of copper ore to yield about 25,000 tonnes of copper a year.

The project, estimated to contain reserves to last 30 years, was first located in Balaghat district of Madhya Pradesh during 1969-70. A Soviet consortium was entrusted with the task of preparing a detailed project report. The contract with the consortium provided for Indian experts being associated with the preparation of the project report.

Indian experts visited the Soviet Union several times and had discussions with Soviet experts on the process of designing. In the meantime, samples of the ore were also sent to Leningrad Institute of Ore. Test results of these samples made available by Soviet experts partly, according to Indian sources, showed similarity with the results of the tests carried out by the National Metallurgical Laboratory in Jamshedpur.

The Soviet consortium is to present the detailed project report by December this year and that of the full complex, including the beneficiation plant, by September 1975.

Soviet Wool Delegation

The Russian delegation which is to place orders for woollen knitwears and other commodities for the next year, is expected to arrive in Delhi by the middle of October. Members of this delegation are likely to visit Ludhiana for a day. Hosiery exporters from Ludhiana have sent their samples of woollen knitwears to the USSR Trade Representation at Delhi, out of which the delegation members will select units for placing orders. It is learnt that these orders will be to the tune of about Rs 16 crores. Russia is the biggest buyer of woollen hosiery from India. During the past one decade, her purchases have shot up from Rs 60 lakhs to the present Rs 16 crores.

Accent on Production

Mr K.K. Birla, President of Federation of Indian Chambers of Commerce & Industry, (FICCI), while endorsing the prime minister's statement that even though the economic situation was indeed extremely difficult we should not give way to alarm, appealed to businessmen and business organisations to do everything in their power to ameliorate the conditions of people in drought and flood affected areas. They must donate generously to the special or general Funds constituted in this regard by the state governments, or to the well established private institutions which were engaged in relief work, or to directly undertake such relief work themselves, Mr Birla advised. He said that he would like to take this opportunity to recall to the businessmen that they occupied a pivotal position in the economic life of the nation. He expressed confidence that a very good part of the trade would live up to the expectations of government and the people in respect of improving the distribution system so that essential articles of a right quality and at reasonable prices were made available to the consumers.

At the same time, Mr Birla added, the consumers too have to exercise restraint in their purchase and stocking policy. A kilo more of foodgrains, of sugar, or of oil in the hands of millions of consumers would add up to a sizeable quantity and upset the market mechanism which was already afflicted by shortages, Mr Birla observed. He also appealed to the authorities both at the centre and the states to have a "solid" plan to assist the productive forces to increase production of essential goods so that there would be surpluses in the market, and this would mean that the philosophy of scarcity must be replaced by the affirmative principle of plenty.

Prices of Heavy Vehicles

The ministry of Heavy Industry has modified the informal price control on heavy road vehicles with immediate effect and laid down the parameters within which manufacturers could fix prices. According to official sources, the prices fixed by manufacturers are subject to check by the government.

It has been suggested to the industry that prices should be fixed on the basis of 90 per cent capacity utilisation and a return of 16 per cent on capital employed or nine per cent on networth. As soon as manufacturers fix the revised prices and communicate them to the ministry, the latter will examine whether these are within the suggested parameters. If not, the manufacturers would have to adjust the prices accordingly. The parameters propose a broad-range within which prices could be fixed. The government is yet to take a decision on the question of lifting price control on passenger cars.

Increase in Price of TELCO Trucks

The Tata Engineering and Locomotive Company recently announced an increase of Rs 7,816 in the prices of their trucks, which is 10.4 per cent of the ex-factory price. The announcement came following modification of price curbs on heavy road vehicles by the centre recently. In a press statement, the company claimed that "not one rupee of this price increase is retained by them since the cost escalation of the various inputs was substantially higher."

State Bank Lending Rates

The State Bank recently announced an increase in its price lending rate by a full percentage point to 13.5 per cent per annum with retrospective effect from August 1. The increase has been made to cover the seven per cent levy on interest earned by banks on loans and advances. The increase will not apply to advances for food procurement operations and exports, in respect of which the lending rates are determined by the Reserve Bank. The price lending rate has become notional in view of the minimum lending rate prescribed by the Reserve Bank. The actual lending rate of a bank is fixed in relation to its price rate.

International Civil Aviation Council

India has been re-elected to the 30-member International Civil Aviation Organization (ICAO) Council. The election took place in Montreal, Canada, where the general assembly of ICAO held its 21st session.

International Marketing

Prof G.R. Kulkarni, Director General, Indian Institute of Foreign Trade, in his valedictory address to the participants of the Advanced Training Programme on International Marketing for the university teachers and trainers of the ECAFE region countries stated that the world was passing through a critical period. Thus, while a world-wide recession was round the corner, on the one hand, there was a global commodity boom, on the other, so that any country could sell if at all it had the necessary production. It is in this context that international marketing emerged crucial in importance. Prof Kulkarni felt happy that the IIFT could serve as a forum for testing, developing and conceptualising the new thinking on regional economic cooperation and international marketing through this advanced training programme for the ECAFE teachers.

Addressing the participants and the IIFT faculty, Mr Roger Polgar, resident representative of the United Nations Development Programme, stated that the world

was passing through a very difficult period and that, at such a juncture, international trade might have to play a more important role than ever before in the past.

The four-week advanced training programme on International Marketing for the ECAFE teachers was attended by three teachers from the Indian universities and training institutions and 20 teachers from the other Asian countries, namely, Afghanistan, Bangladesh, Burma, Hong Kong, Nepal, Philippines, Singapore, Sri Lanka, South Korea and Thailand. It was financed from Funds-in-Trust provided by the government of the Netherlands under the ECAFE Regional Followship Programme for foreign participants. The programme aimed at enabling the participants to appreciate and appraise recent developments in international marketing techniques, methods and analysis.

Fund-Bank Meeting

The annual joint meeting of the International Monetary Fund and the World Bank adjourned on October 4, after all the leading industrial nations and representatives of the rest had sounded off on how to tackle the problems caused by inflation, recession and the quadrupling of oil prices in one year. A number of remedies have been suggested which are to be considered by an "Interim Committee" which will be composed of 20 representative ministers under the chairmanship of Canada's Finance minister, Mr John N. Turner.

Initially, until it is ratified by three-fifths of all the member countries representing 85 per cent of voting power of the Fund, the committee will be advisory, but later it is to be endowed with executive power. Its wide range of functions include keeping under review how countries deal with their balance of payments as well as supervising overall and global aspects of development aid. Other important subjects it will consider are proposals to amend the articles of the Fund, questions relating to expanding the oil facility and the larger problem of recycling surplus of dollars. The 'interim committee's' immediate task, it is stated, is to determine how recycling can be most efficiently effected.

Exports of Spices

Exports of spices from this country during April-June, 1974, registered a substantial rise, according to the spices export promotion council. A total of 14,124 tonnes of spices valued at about Rs 14.75 crores was exported during this period, compared to 11,549 tonnes worth about Rs 8.81 crores for the corresponding period last year. Cardamom, ginger, turmeric, coriander seed, celery seed, fennel seed and cassia were the items which registered increase both in terms of quantity and value.

Exports of pepper and cummin seed recorded a decline in quantity but increase in earnings. Pepper exports during April-June 1974 fetched Rs 7.04 crores as against Rs 4.66 crores in April-June 1973. Exports of turmeric and ginger showed an increase from Rs 0.45 crores and Rs 0.44 crores to Rs 1.7 crores and Rs 0.81 crores respectively. These items were mainly exported to the US. Cardamom, which was mainly exported to Saudi Arabia, fetched this year Rs 3.17 crores, as against Rs 2.11 crores last year.

Tie-ups with Sri Lanka

Sri Lanka proposes to set up industrial estates in collaboration with this country for manufacture of exportable products, Dr S. Rattwatte, Director-General of Export Promotion, Sri Lanka, stated recently. There was large scope for manufacture of exportable rubber products in Sri Lanka for which raw material was available in plenty, he said.

Calcium Carbonate Project

A precipitated and activated Calcium Carbonate plant is being set up at Aurangabad, Maharashtra, with an installed capacity of 4000 tons per annum. The plant which is expected to be commissioned by the end of December this year, will use marble grade lime-stone, the best available in the country, to produce different grades of Calcium Carbonate of best quality and grades required for various industries including dentrifices, cosmetics, pharmaceuticals, printing inks, paints and varnishes, PVC rubber, paper and as a filler for various industries. NIDC, Power Gas Corporation and Alfred Herberts have been assigned the responsibility for engineering the plant incorporating the recent developments in the technological fields of this industry.

With the commissioning of the proposed plant which is promoted by Messrs Flexo Chemicals (I) Pvt Ltd, a G. Atherton & Co (P) Ltd group, the supply to consuming industries will ease the demand. There is tremendous scope for exports and Flexo Chemicals is confident of producing the finest export quality.

The project cost of the plant will be around Rs 60 lakhs out of which a loan of Rs 40 lakhs is being sanctioned by the financial institutions.

National Textile Corporation

The National Textile Corporation has registered marked improvement in its operations during 1973-74. The 96 mills in operation produced 806 million metres of cloth and 44.84 million Kg. of market yarn collectively valued at Rs 224.00 crores. This compares quite favourably with the production value of Rs 113.00 crores achieved during the preceding year. The overall production achievement this year outstrips last year's figure by more than 90 per cent. The total out-turn of the 96 mills for the year ending March, 1974 was Rs 243 crores as compared to that of Rs 141.25 crores in respect of 80 working mills last year. This represents an increase of 72 per cent and accounts for 19 per cent of the total textile production in the country.

A net profit of Rs 18.37 crores (after depreciation) has been returned by the mills this year. This stands in bold relief to the profit of Rs 1.38 crores earned during the previous year. Eightyone units netted profit figure of Rs 23.12 crores (before depreciation) while 14 units returned a marginal figure of loss of Rs 0.71 crores.

At the time of the take-over almost all the mills were in a decript mechanical condition. For making them economically viable units, capable of earning profits a programme of modernisation/renovation was evolved. Upto the end of March, 1974, an outlay of Rs 29.00 crores was sanctioned for the modernisation of 48 mills. During the year, the corporation released Rs 2.03 crores for utilisation by the concerned units. The funds released last year were of the order of Rs 2.37 crores. The total loans advanced for this purpose so far amounted to Rs 5.58 crores.

In keeping with the government's policy of making available cheaper varieties of cloth to the poorer sections of the society, the mill units have opened 264 fair price shops in predominantly rural areas. The obligation for production of controlled cloth has been more than fulfilled by the mills under government control. During the year the mills produced 112.12 million metres of controlled cloth against the production obligation of 90.97 million metres.

From a modest beginning of exports of 30 million metres of cloth valued of Rs 3.83 crores in 1971, the government managed mills have maintained a steady improvement in performance in this direction. In 1972, the export figures stood at 66.3 million metres of cloth valued at Rs 8.7 crores. In 1973, a new high of 118 million metres of cloth valued at Rs 22.00 crores was achieved. The exports are being made to the USA, the USSR, Japan, West Germany, France and Australia. Among others some exports have also been made to Bangladesh. The varieties of exports include longcloth, grey sheetings, towels and sarees etc.

Readers' Roundtable

Tea industry in doldrums

R—THE TEA industry, which :cupies a unique place in dia's economy by virtue of ; position, both as a major reign exchange earner and as provider of employment for er one million, is now in the ldrums. The profitability of e industry has been gradually and steadily eroded. Mounting cost of production, without corresponding increase in ices, do not permit sufficient sh accruals for plough back d development. While on e one hand the number of mpanies incurring losses has creased and the total dividends as percentage of total id-up capital has declined, rtain sections of the industry ve not taken steps to conserve e available resources. In fact, vidends as a proportion of net orth calculated even on the sis of book value are too w to be considered significant. Of the 134 selected companies surveyed by the RBI in 68, the number which have rawn on their reserves for urposes of distribution of dividend has gone up from 44 nd 41 in the years 1966-67 and 967-68 respectively to 74 in e year 1968-69.

As pointed out by the orooah Committee on Tea, one of the main factors which as acted as a serious impediment in undertaking more development is the lack of resources, within the industry r the purpose. It would aturally be expected that for ch a long established industry as tea, it should by now ave created sufficient resources f its own. In practice, the dustry did generate adequate sources until about 1950. ince then, however, because of sing costs, rising tax liabilities nd increasing statutory obligations for labour welfare, ombined with gradual decline prices in international markets, these resources have been riously depleted." What is more, the rise in cost of production has been brought about by the rise in prices of materials and stores, rise in labour wages, increased statutory obligations imposed by the Plantation Labour Act, Payment of Bonus Act and also the spiralling cost of foodgrains that have to be supplied to the labour in NE India, at subsidised rates, based on the price in force in 1941. We have also seen more and more taxes have been imposed by the central and state governments and how tax liabilities have mounted up."

In order to save the industry out of the present crisis the following measures are suggested:

In regard to short-term Finance, the Working Group on Finance for Tea Industry, presided over by Mr B. K. Dutt (1972) has made these important recommendations and they are:

1. The cash credit (ie. the maximum outstanding that may be permitted in the account at any one time) may ordinarily be 60 per cent of the gross sales turnover or 75 per cent of the cost. Cost should be taken to include all expenses including excise duty, provident fund dues, transport, stores, foodgrains, interest on term loans, etc.

2. The seasonal drawings or total drawing limit (ie the aggregate debits or withdrawals which would be allowed in the cash credit account for the entire season) may be permitted to rise upto 95 per cent of the net sales turnover of the actual cost, whichever is less. The drawings may be regulated by monthly schedules as submitted by the borrowers and approved by the bank. Sales and cost referred to above may be calculated on the basis of average of actuals of the past two years (any abnormal year being given due weight for the purpose), with a built-in cover for normal crop expansion, cost escalation and other contingencies.

(3) In regard to long term finance two measures are important.

a. The facilities of IDBI and IFCI could be extended to the tea industry, if necessary, by suitable amendments of the relative enactments.

b. To facilitate the flow of credit to the industry ARC and IDBI should increase their refinance coverage and provide 80 to 90 per cent and, in deserving cases, even upto 100 per cent of the development loans extended. Also, the state financial corporation could be made eligible for refinance assistance from ARC.

The facilities provided by the ARC or Tea Board are not being as extensively used nor are they easily available as they should be because of the cumbersome and onerous nature of the procedures that have to be observed when attempting to secure long term loans for development purposes. The scheduled commercial banks have of course been helpful in channelling ARC assistance to well established plantations which have the necessary management or technical expertise. But there are many estates which are either proprietory concerns or private limited companies and which have not found it possible to take full advantage of refinance facilities provided by the ARC.

In the states of Tamil Nadu, Karnataka, Kerala, West Bengal and Assam having a great share in the plantations industry, the state financial corporations should be empowered to grant loans out of block credits provided by ARC or against refinance facilities in consultation with the Tea Board or other lending institutions.

The TIIC particularly has been specializing in various forms of terms lending for helping large-scale, medium and small industries and the IDBI has recently thought it advisable to make available to small industries loans in foreign currency on the basis of the recommendations of TIIC and other state financial corporations. This new facility has been greatly appreciated by small industries.

If, therefore, the TIIC or KIIC can undertake also the provision of funds for rehabilitating and facilitating replantation programmes of the tea estates, the general efficiency of tea production can be considerably improved in Tamil Nadu and Kerala which are the principal producers of this beverage in the southern region.

The same or even better facilities that are available to the lending institutions when disbursing term finance should be made available to the TIIC or KIIC. In this manner the sums lent annually can be sizable as the programme of replantation extension or establishment of processing facilities can be executed vigorously if only there is a multiple agency approach on a consortium basis. The earlier we adopt suitable measures in these directions, the better it will be for the future of the tea industry.

Madras C.S. MAHADEVAN

COMPANY AFFAIRS

Bonus Issues : New Guidelines

THE GOVERNMENT issued on September 30 new guidelines governing the issue of bonus shares. It is to the effect that the amount of free reserves to be capitalised for issue of bonus shares at any one time should not exceed the total paid-up equity capital of the company. Thus under the new guidelines no company would be allowed to issue bonus shares in the proportion larger than one-for-one. In fact the existing guidelines have already imposed a restriction on the frequency and the quantum of a bonus issue and what is more in the present circumstances no company will ever think of capitalising its reserves and issue bonus shares unless they are in a position to maintain the dividend on the enlarged capital. Already scores of companies have been obliged to prune the dividend even below the maximum of 12 per cent provided under the dividend ordinance even though they are in a position to declare more. In the circumstances the present announcement, according to market circles, serves no useful purpose.

The stock market continued to wear a gloomy look. The downtrend in equity prices persisted but the pace of decline slowed down because of the general reluctance to press sales at lower levels. Dalal Street opened last week on a subdued note following the announcement restricting the quantum of bonus issue by companies to a maximum of one-for-one. Equities tended to look up towards the close of the week. The volume of business, however, continued to be poor and the undertone at the close was cautious. The Calcutta Stock Exchange was dull and featureless during the week. Share values recorded a steady decline following increased selling. Feeble attempts at rally, however, petered out due to lack of follow-up support. In Madras Stock Exchange the week was one of moderate activity.

Indian Organic

The Khopoli unit of Indian Organic Chemicals Ltd, has given an outstanding performance except for the continued stagnation in the plasticizers plant due to the non-availability of phthalic anhydride at the right price. Pioneering efforts have been made by his company in the export of its chemicals and the company is justifiably proud of its achievements in this field. It hopes to maintain this record, if conditions permit, during the current year as well. The company has also decided to install a distillery with a capacity of eight million litres in the backward region of Marathwada. Steps are also being taken to add facilities to its existing plants for producing acetic anhydride and this is expected to be completed next year. The company is also concentrating its efforts on research and development. Its operations at Khopoli and Manali have been devoted with a view to innovating processes for existing or new products as well as indigenous substitution of imported materials or equipments. A first class pilot plant has already started operating at Manali. This was disclosed by the Chairman, Mr B. M. Ghia while addressing the annual general meeting of the company.

The polyester fibre industry, the chairman said, had been pleading for progressive and appropriate reduction in the massive rate of excise duty so as to catalyse the slow process of expansion of the market for blended fabrics, without which the more recent three-fold increase in the installed capacity for production of fibre cannot be fully or meaningfully untilised. Among other benefits to the economy the proposal, the chairman emphasised, would help to reduce the deficiencies in the supply of cotton especially the imported varieties to the expanding textile industry. On the other hand the chairman said there have since been substantial increases in duties all round — from the raw material for the fibre up to the garment stage. Together with other constraints, the effect has been to raise the prices of the fibre, which in turn, tend to constrict even the existing demand, which will ultimately prejudice government revenues as well. The Association of polyester staple fibre manufacturers is taking action on problems facing the industry as a whole from time to time. Accordingly it is also persevering in its commendable efforts to convince the authorities of the need for timely action regarding excise duties which have been conceived only for furthering long-term national interests and not undue benefits to the industry in the short-term.

Zenith Steel Pipes

ZENITH STEEL Pipes Ltd has reported all-round improvement in its performance during the year ended April 30, 1974. Its production of pipes increased quantitatively by 25 per cent during the year as compared to the previous year. This commendable improvement in production was achieved by better plant efficiency and adequate availability of zinc and steel based on export performance of the company. Further it is gratifying to note that as a result of technical improvements effected by the company, the DGTD has reassessed the licensed capacity of the pipes plant at 91,000 tonnes per annum. The tools manufacturing division has carried out further improvements in production range and quality. Technical collaboration agreement has recently been concluded with Messrs American Shear Knife Company of the USA and it has been approved by the government. The erection of the electric arc furnace at Khopoli has been completed and the trial production is expected to commence in the course of this month. During the year the company exported 53 per cent of its total production of pipes and its earnings from exports touched an all-time high of as Rs 5.88 crores which was about two-and-a-half times the value of its exports during 1972-73. Goods worth Rs 37.04 lakhs manufactured by others were exported during the year under review. The company has now become an eligible export house. Its profits during the year amounted to Rs 255.25 lakhs as compared to Rs 93.34 lakhs in 1972-73. Out of the profit, the directors have allocated a sum of Rs 15.29 lakhs to depreciation reserve as against Rs 14.55 lakhs in 1972-73 while the allotment to statutory development rebate reserve was enhanced from Rs 0.20 lakh to Rs 2.10 lakhs. This leaves a net profit of Rs 237.86 lakhs as compared to Rs 78.59 lakhs in 1972-73. After adjustments a sum of Rs 239.30 lakhs was transferred to the general reserve while an amount of Rs 5319 was carried forward to the next year's accounts. The directors have always followed a fairly liberal policy in declaration of dividend. But this year on account of the dividend ordinance the directors have recommended a dividend of Rs 1.20 per equity share. Further the directors have decided to capitalise Rs 112.00 lakhs out of the general reserve and issue bonus shares in the ratio of four bonus shares to every five existing equity shares.

L&T-McNeil

L&T-McNeil, a 60—40 venture of Larsen & Toubro and McNeil Akron, USA was set up with the main objective of manufacturing rubber processing machinery in technical collaboration with McNeil Akron. L&T-McNeil took possession of a 22.16 acre plot acquired through the government of Tamil Nadu to establish its manufacturing facilities at Ramapuram, near Madras, nearly 17 months ago, in April 1973. Immediately thereafter the construction of company's factory, services and administrative buildings was started and by September 1974 L&T-McNeil was ready with all its buildings complete and its plant and machinery fully installed. The factory—the first of its kind in the country to manufacture tyre curing presses—was formally inaugurated recently in Madras by Mr M. Karunanidhi, the Chief Minister of Tamil Nadu. At the inaugural function itself, the first indigenously manufactured 55" Bag-O-Matic truck tyre curing press was handed over to the client, Dunlop India Limited by L&T-McNeil.

Registered in March 1972, L&T-McNeil Limited has an authorised capital of Rs 1.8 crores. Fifty-four per cent of the paid-up capital of Rs 50 lakhs is held by L&T, 40 per cent by the American collaborator and the remaining six per cent by ICICI. The L&T-McNeil project involved an initial capital outlay of Rs 1.5 crores. It is proposed to make further investment in balancing facilities to augment the production so that the country's future demand for sophisticated tyre curing equipment is met wholly from within the country.

Khatau

Khatau Makanji Spg & Wvg Co Ltd has fared extremely well during the year ended June 30, 1974. Its sales during the year spurted from Rs 16.73 crores to Rs 20.97 crores while gross profit jumped from Rs 1.50 crores to Rs 2.92 crores. The directors have appropriated a sum of Rs 50.43 lakhs to depreciation reserve, Rs 5.32 lakhs to development rebate reserve, Rs 121.60 lakhs to taxation reserve, Rs 44.31 lakhs to gratuity and Rs 69.36 lakhs to general reserve as against Rs 51.12 lakhs, Rs 3.02 lakhs, Rs 17.00 lakhs, Rs 66.81 lakhs, and Rs 12.38 lakhs provided respectively in 1972-73. The directors have maintained the equity dividend at Rs 10 per share. The proposed dividend will absorb about Rs 22.44 lakhs.

Hindustan Petroleum Corpn.

An operating profit of Rs 37.31 lakhs has been reported by the fuel refinery of Hindustan Petroleum Corporation Limited during the year ended December 1973 as compared to the operating loss of Rs 4.67 lakhs in 1972. The crude runs at 2.9 million tonnes were 15 per cent higher than in 1972, and the highest ever achieved in a year since the refinery went on stream in 1954. Notwithstanding the benefit of the higher crude runs, the per ton operating cost increased from Rs 17.98 in 1972 to Rs 19.68 in 1973. This was due to the general increase in price levels, higher fuel cost resulting from unprecedented crude price increases, higher crude runs and programmed shutdown maintenance of the refinery in 1973. The refinery, however, will do its best to ensure full utilisation of its capacity of 3.5 million tonnes and increased production of vital products such as kerosene and high speed diesel. The research development programme of the company had succeeded in diversifying product ranges from five in 1953 to some 30 in 1973. This programme had provided a stimulus for import substitution and among the new products to be developed were the Aerosol LPG to replace imported Freon; mosquito larvicidal oil with an estimated potency ten times higher than the conventional larvicidal oil, for control of Malaria; rubber processing oil to replace imported aromatic rubber process oil; pentane substitute in manufacture of expandable polystyrene in the petro-chemical industry. Crude supplies as well as costs would continue to be difficult, but nonetheless, planning for the future economically and in rational phases is continuously under the consideration of the management.

Hindustan Organic Chemicals

Hindustan Organic Chemicals Limited, a Government of India Enterprise at Rasayani, earned a maiden net profit of Rs 1.28 crores during the year ended March 31, 1974 as against a loss of Rs 20.27 lakhs in 1972-73. Sales recorded a 28 per cent rise from Rs 643.09 lakhs in 1972-73 to Rs 822.07 lakhs in 1973-74. This figure would have been higher but for the acute shortage of critical raw materials such as nitric acid, methanol, acetic acid and acetic anhydride and caustic soda flakes, which hampered production.

The Company earned during the year a gross profit of Rs 320.78 lakhs and after providing Rs 106.34 lakhs for depreciation, Rs 62.07 lakhs for interest and Rs 24.50 lakhs for development rebate reserve, the year ended with a net profit of Rs 127.87 lakhs. with the commissioning of 10 out of 12 plants, the end of the first phase of the Company's programme is in sight. Monochlorobenzene Plant is undergoing trial runs and Nitrochlorobenzene Plant, which is the last in the series, will be commissioned soon. An ambitious expansion and diversification programme involving an outlay of about Rs 35 crores is on the anvil. Firm proposals for the expansion of the existing capacities of nitrobenzene, aniline, acetanilide, benzene hexachloride and nitrochlorobenzene plants and for setting up plants for manufacturing nitric acid, caustic soda/chlorine, acetic acid and acetic anhydride, pentaerythritol, o/p-Nitrophenol and phenol will be submitted to the government shortly. In order to keep pace with modern technology, the company is working in close cooperation with the National Chemical Laboratory, who are HOC's consultants. In fact HOC's acetanilide and monochlorobenzene plants are based on the technology developed by the NCL. A joint HOC-NCL Team is working to develop an indigenous catalyst for aniline to replace the imported one and evolve process for better utilisation of HOC's bye products.

Morarjee Goculdas

Despite the 42-day old textile strike and sharp escalation in manufacturing costs Morarjee Goculdas Spg & Wvg Co Ltd has earned during the year ended June 30, 1974 a record profit of Rs 242.84 lakhs as compared to Rs 201.60 lakhs in 1972-73. This is the highest profit reported by the company during its 103-year history. Out of the gross profit, the directors have allocated Rs 49.39 lakhs to depreciation reserve, Rs 80 lakhs to taxation reserve, Rs 10.59 lakhs to development rebate reserve, Rs 53.62 lakhs to general reserve and Rs 39 30 lakhs towards gratuity as against Rs 45.5[illegible] lakhs, Rs 58.00 lakhs, Rs 5.8[illegible] lakhs, Rs 69.94 lakhs and Rs 51.63 lakhs provided respectively in 1972-73. Besides an amount of Rs 10 lakhs was provided in 1973-74 for bonus in respect of earlier years as against no allotment in the previous year. Although the working results justify declaration of a higher dividend, in view of the dividend ordinance the directors have recommended an equity dividend 11.5 per cent as against 16 per cent paid in 1972-73.

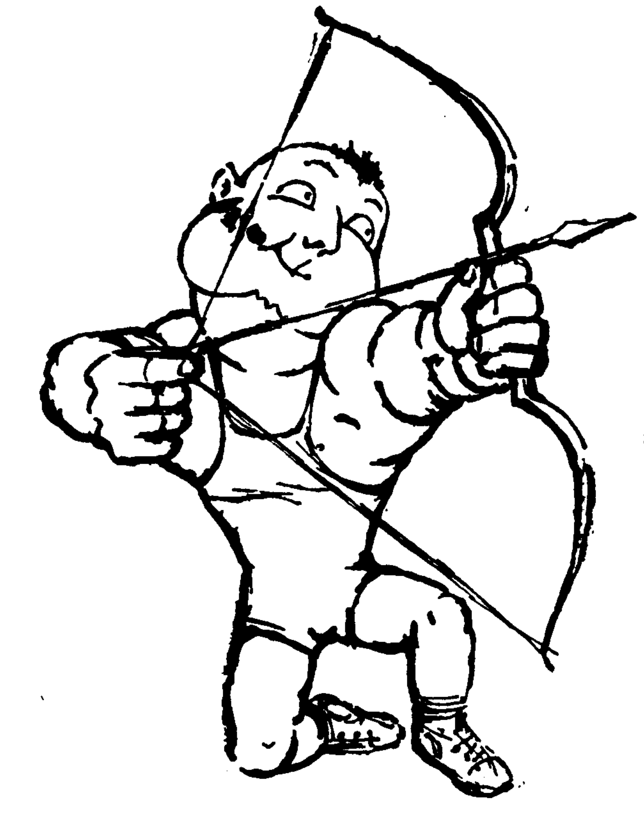
Arlem Breweries

Arlem Breweries has reported record profits and sales during the year ended March 31, 1974. Production of beer during the year was higher, although marginally, than that during the previous year. As a matter of fact, had it not been for the closure of the plant for as long as one month owing to shortage of hops, the production of beer would have been much higher. The profit before providing for depreciation and development rebate reserve during the year amounted to Rs 40.39 lakhs. To this has been added the amount of Rs 12.27 lakhs being the development rebate reserve provision made during the earlier years thus making a total of Rs 52.66 lakhs. After writing off the accumulated losses of Rs 5.76 lakhs and after making provision for depreciation amounting to Rs 8.42 lakhs and development rebate reserve of Rs 12.75 lakhs, the net surplus amounts to Rs 25.73 lakhs. Although the company is in a position to declare a higher dividend, in view of the dividend ordinance the directors have recommended a dividend of only Rs 0.75 per share. The recommended dividend, however, is eligible for exemption from income-tax.

News and Notes

The West Bengal Industrial Development Corporation has entered into a financial collaboration agreement with Aaekay Investment Centre for the manufacture of 30,000 deluxe Lambretta scooters in West Bengal. Under the agreement, WBIDC will hold 26 per cent of equity shares and the financial collaborators will contribute 25 per cent and the balance will be offered to the public. The project is estimated to cost Rs 3 crores for which land has already been acquired at Kharagpur. Scooters (India) Limited, a government of India undertaking, will provide the consultancy services and technical know-how.

A consignment of Philips fluorescent light fittings is currently being loaded at Bombay's docks. Covering 13,000 pieces of light fittings valued at well over rupees 16 lakhs, this shipment by Philips India Limited to Kuwait, in the largest ever export shipment of light fittings from India.



'hese fittings are ordered by a ›arty in Kuwait for the pur- ›ose of illuminating a multi- torey building.

It may be interesting to note hat the Company's exports co- ›ering the eight-month period 'rom January to August this ›ear, have already exceeded wo-crore mark as against its arget of Rs three crores for he year 1974. Philips India's ›xport in 1973 was to the tune ›f Rs 1.20 crores. Sophisti- :ated electronic components ıs well as finished products ›esides a large range of lamp :omponents and products made ›y Philips India are increas- ngly finding buyers in Europe, \frica and Asia because of its vorld class quality.

The construction of 'Central Foundry Forge Plant', a unit ›f BHEL at Ranipur, Hard- var, started on October 2, 1974. This will be a significant andmark in BHEL's march owards self-reliance. This Central Foundry Forge Plant' vill manufacture steel castings ınd forgings which are vital nputs for the sister Heavy Electrical plants. These were ıitherto being imported. The ›lant is being set up in technical :ollaboration with M/s Creu- sot-Loire of France. Various ınits of the plant would be :ommissioned in phases, and he plant is likely to go into ›roduction in early 1978. When his factory goes into full pro- luction, it is estimated that oreign exchange savings will ›e of the order of Rs 20 crores ›er annum. Besides saving oreign exchange, the factory vill ensure a dependable source or critical castings and forg- ngs for the heavy electrical ndustry.

New Issues

Indian Resort Hotels is offering 4,00,000 equity shares of Rs 10 each at par to the public for subscription. The subscription list for this fully underwritten issue opens October 28. The entire amount of Rs 10 per share is payable on applica- tion. Promoted by Indian Hotels the company proposes to set up a beach resort hotel at the southern end of the famous Calangute Beach near Fort Aguada, Goa, with 120 guest rooms. The hotel is expected a receive guests from November 1974. The project is estimated to cost Rs 1.65 crores.

Sovereign Dairy Industries proposes to enter the capital market with a public issue of 1.5 lakh equity shares of Rs 10 each at par. The proceeds of the issue will be utilised for financing partly the company's proposed Rs 65-lakh dairy to be set up near Poonamallo tne outskirts of Madras city. About 25 hectares of land will be acquired to locate the dairy as also for growing green fodder for the cattle. Experi- ments for growing lucerene, a high protein grass, have been carried out successfully at the proposed site. The cost of the project of Rs 65 lakhs is pro- posed to be met by share capital of Rs 20 lakhs loans from banks of Rs 26.75 lakhs and loans from financial insti- tutions of Rs 18.25 lakhs.

Capital and Bonus Issues

Consent has been granted to nine companies to raise capital amounting to over Rs 4.62 crores. Following are the details :

The Vijaya Mills Co Ltd, Ahmedabad, have been accord- ed consent, valid for 3 months, to capitalise Rs 7,00,000 out of its general reserve and issue fully paid equity shares of Rs 250 each as bonus shares in the ratio of one bonus share for every five equity shares held.

The United Trading Corpo- ration and Workshop (Private) Ltd, have been accorded con- sent, valid for 3 months to capitalise Rs 1,00,000 out of its general reserve and issue fully paid equity shares of Rs 10 each, as bonus shares, in the ratio of 1 bonus share for every one equity share held.

Sri Karumambika Mills Ltd, Somanur, have been accorded consent, valid for three months, for the issue of bonus shares worth Rs 7,76,900.

Diamond Investment Proper- ties Ltd, Calcutta, have been granted consent valid for a period of 12 months, for issue of equity shares worth Rs 26,25,690 to be issued to the shareholders of M/s Bengal Discount Co Ltd, Calcutta, M/s Nawagarh Properties Ltd, Calcutta, Dalburband Coal Co Ltd, Calcutta and Ranigunge Properties, Ltd, Calcutta, in terms and in accordance with the scheme of amalgamation approved by the Calcutta High Court.

Calcutta Cold Storage Ltd, Calcutta, have been granted consent, valid for a period of 12 months, for issue of equity shares worth Rs 5,45,300 for cash at par, to be issued to resident Indians only by private placement.

Shree Vindhya Paper Mills Ltd, Bombay, has communi- cated to Government of its proposal to issue capital to the extent of Rs 60,00,000 (ex- clusive of Rs 10 lakhs already raised) divided into 6,00,000 equity shares of Rs 10 each, for cash at par to be issued as to Rs 10 lakhs as right shares, Rs 8 lakhs to the directors, their friends, associates, etc and Rs 42 lakhs to the public by pros- pectus.

Falcon Tyres Ltd, Bangalore, has communicated to gov- ernment of its proposal to issue capital to the value of equity shares worth Rs 50,00,000 (inclusive of the capital already raised) for cash at par. The proceeds will be utilised for establishing a factory for manu- facture of tyres, tubes and industrial vee-belts in district Mysore, Karnataka State.

Mahavir Spinning Mills, Ltd, has communicated to govern- ment of its proposal to issue capital to the extent of 30 lakhs worth equity shares of Rs 10 each.

Northern India Hotels Ltd, has communicated to govern- ment of its proposal to issue capital to the extent of Rs 5,00,000 in equity capital, to meet part of the expenditure in connection with the setting up of a luxury hotel at Agra.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for: Current Year	Previous Year
Higher dividend			
Sree Meenakshi Mills	June 30, 1974	10.0	Nil
Same dividend			
Lakme	March 31, 1974	10.0	10.0
Chemicals and Plastics	March 31, 1974	Nil	Nil
Chitavalsah Jute	July 31, 1973	Nil	Nil
Reduced dividend			
Bengal Flour Mills	Dec. 31, 1973	Nil	7.0
Balanoor Tea and Rubber Co.	May 31, 1974	12.0	15.0
Devon Tea	May 31, 1974	7.5	15.0
Badra Coffee	May 31, 1974	12.0	15.0
Hindustan National Glass	March 31, 1974	12.0	15.0
Tata-Yodogawa	March 31, 1974	Nil	6.0

Licences and Letters of Intent

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act 1951 during the weeks ended August 5 to August 31, 1974. (The licences and letters of intent issued during the period May to July 1974 will be published in subsequent issues.) The list contains the names and addresses of the licensees, articles of manufacture, types of licences—New Undertaking (NU), New Article (NA); Substantial Expansion (SE), Carry on Business (COB); Shifting—and annual installed capacity. Details regarding licences and letters of intent revoked, cancelled or surrendered are also given.

Licences Issued

Metallurgical Industries (Ferrous)

M/s Hercules Bright Steel (P) Ltd; 86, Mint Road, Fort, Bombay. (Thana-Maharashtra)—Bright Bars—9,800 tonnes p.a. —(C.O.B.)

Mr Kantikumar R. Podar, (The Podar Trading Co. Ltd.), 109, Podar Chambers, Sayed Abdulla Brelvi Road, Fort, Bombay. (Nasik-Maharashtra)—M. S. Ingots; Electrode Quality Carbon Steels; Forging Quality Carbon Steels; Cold Heading Quality Carbon Steels, etc.—18,000 tonnes p.a.—(C.O.B.)

M/s Swastik Metal Inds., 168, C.S.T. Road, Kalina, Bombay 29. (Bombay-Maharashtra)—M. S. Bolts & Nuts—630 tonnes p.a.—(C.O.B.)

M/s Leader Engg. Works., Industrial Area, Jullunder. (Jullunder-Punjab)—Non-Ferrous type Boilers Mountings and Fittings—78 tonnes p.a.; Ferrous Type Boilers Mountings and Fittings—600 tonnes p.a.—(N.A.)

M/s A. K. Corpn. Ltd; 93, Park Street, Calcutta-16. (Visakhapatnam-A. Pradesh)—M. S. Ingots; Electrode Quality Carbon Steels; Forging Quality Carbon Steels; Cold Heading Quality Carbon Steels; etc.—7,000 tonnes p.a—(COB).

M/s Bajaj Steels & Indus. Ltd; 84/60, Answarganj, Kanpur. (Unnao-U.P)—M. S. Ingots; Electrode Quality Carbon Steels; Forging Quality Carbon Steels; Cold Heading Quality Carbon Steels; etc.—18,000 tonnes p.a—(COB).

M/s Benimadhab Sett, Satya Charat Sett, D-4, Juggernathghat, Lahaputty, Calcutta.-7. (Howrah-West Bengal)—Wire Products—900 tonnes; Wires—950 tonnes p.a—(COB).

M/s Universal Industries & Cotton Mills Ltd; 9/1, R.N. Mukerjee Road, Calcutta. (Suri, Birbhum-West Bengal)—M.S. Ingots; Electrode Quality Carbon Steels; Forging Quality Carbon Steels; etc.—18,000 tonnes p.a—(COB).

M/s Hindustan Rollings & Wires Pvt. Ltd; 2-E/22, Jhandewalan Extension, New Delhi-55. (Sonepat-Haryana)—Mild Steel Wires—1,250 tonnes p.a.; High Carbon Steel Wires—50 tonnes p.a—(COB).

M/s Datta Tin Works (P) Ltd: XXX/1617, Srikandath Road, Cochin-16. (Alwaye, Ernakulam-Kerala)—Printed Tin Containers (for both the industrial units viz Ernakulam & Alwaye)—150 tonnes p.a—(COB).

Mr Chandradip Prasad, Managing Director, Nalanda Steel Pvt. Ltd; Sant Mahabirjee Trust, P.O., Biharsharif, Nalanda. (Nalanda-Bihar)—M. S. Ingots; Electrode Quality Carbon Steels; Forging Quality Carbon Steels; etc. 9,000 tonnes p.a—(COB).

M/s Shree Mukesh Textile Mills Pvt. Ltd; (Steel Division), Vadnagra Patidar Society, Rambaug, Maninagar, Ahmedabad. (Broach-Gujarat)—M.S. Ingots; Electrode Quality Carbon Steels; Forging Quality Carbon Steels; etc.—9,000 tonnes p.a—(COB).

M/s Mohta Alloys & Steels Ltd; 59, Golf Links, New Delhi. (Dhandari Kalan, Ludhiana-Punjab)—Grinding Media—3,000 tonnes p.a—(NA).

M/s Steel Crete Pvt. Ltd; Steelcrete House, 3-Dinshaw Vachha Road, Bombay. (Visakhapatnam-A. Pradesh)—Steel Ingots; Electrode quality Carbon Steels; Forging Quality Carbon Steels, Cold Heading Quality Carbon Steels, etc.—18,000 tonnes p.a—(COB)

M/s Kalyan Industrial Corpn., 56, Netaji Subhas Road, Calcutta-1. (Durgasthan, Katihar-Bihar)—M.S. & G.I. Wires —3,900 tonnes p.a—(COB)

M/s Punjab Iron & Steel Co. (P) Ltd; G.T. Road, Jullundur Cantt. (Jullundur-Punjab)—M.S. Ingots Electrode quality Carbon Steels; Forging Quality Carbon Steels; etc—12,000 tonnes p.a—(COB)

Mr Raminder Singh Chawla, 53, Kunj Society Alkapuri, Baroda. (Maneja, Baroda-Gujarat)—Mild Steel Black Wires—1,800 tonnes p.a—(COB)

M/s Saraswati Steels & Alloys Ltd; Alpna Cinema Bldg; Model Town, Delhi. (Muzaffarnagar-UP)—M.S. Ingots; Electrode quality Carbon Steels; Forging quality Carbon Steels; etc.—18,000 tonnes p.a—(COB)

M/s Ram Kishan Metal Works (Bombay), C-33, Wagle Industrial Estate, Thana. (Thana-Maharashtra)—Mild Steel Rounds—5,000 tonnes p.a—(COB)

M/s Bharat Mineral Sales Corpn., 1/A, Vansittart Row, Calcutta-1. (Panihat, 24-Parganas, W. Bengal)—M.S. Black Wires (Ungalvanised)—1060 tonnes p.a—(COB)

M/s Raipur Wires & Steel Ltd; 23-A, Yusuf Building, 49-Vir Nariman Road, Bombay. (Raipur-Madhya Pradesh)—M.S. Ingots; Electrode Quality Carbon Steels; Forging Quality Carbon Steels etc.—18,000 tonnes p.a—(COB)

M/s Best & Co. Pvt. Ltd; 13/15, North Beach Road, P.O. Box No. 63, Madras-1. (Bangalore-Karnataka)—Alloy Steel Castings & Steel Castings—500 tonnes p.a; Special Alloy Iron Castings—50 tonnes p.a.; Grey Iron Castings—400 tonnes p.a.; Alloy Iron Castings, Heat & Corrosion Resistant Castings, High Silicon & Nickel Hard Castings and Spherical Graphite Castings—400 tonnes p.a.—Mechanised Steel castings—48 tonnes—(NA)

M/s Precision Fasteners Ltd; Central Bank Bldg; Bruce Street, Bombay. (Kalwa, Thana-Maharashtra)—High Tensile Self Locking Nuts—360 tonnes p.a—(NA)

M/s Deccan Wires Ltd; 462, 21st Cross-III Block, Jaya Nagar, Bangalore. (Bangalore-Karnataka)—Steel Wires of various types; viz. Valve Spring Steel Wire, High Carbon Spring Steel Wire, Bead Wire, Umbrella Wire, Fastener and Bell Bearig Wire—10,000 tonnes p.a—(NU)

Prime Movers (Other than Electrical Movers)

Mr Jasbir Singh, C-31, Model Town, Ghaziabad. (Ghaziabad-U.P.)—Diesel Engines upto 15 HP range—500 nos. p.a—(COB)

Electrical Equipment

M/s Abrol Engineering Co.; Circular Road, Kapurthala. (Kapurthala-Punjab)—Switches (Rewireable as well as with HRC fuses) 240/250V, 15/16A, 415/500V upto 400A—capacity to be fixed later by Ministry of Heavy Industry; Cut-out (Rewireable as well as with HRC fuses) 240/250V, 15/16A, 415/500V upto 400A. (capacity to be fixed later by Ministry of Heavy Industry). Porcelain rewireable fuses 240/250V, 15/16A, 415/500V upto 300A—6,50,000 nos p.a.; Distribution fuse boards 240/250V, 15/16A, 415/500V, 100A—3,000 nos p.a.; HRC fuses (upto 500V, 15 to 1500 amps)—6,00,000 nos. p.a.—(NA)

M/s Electronics Ltd; 12-A, Connaught Place, New Delhi. (Faridabad-Haryana)—Automatic Voltage Regulator Transformers of ratings 0.5 KVA to 3.0 KVA—6,000 nos. p.a—(COB)

M/s Philips India Ltd; Shivsagar Estate, Block 'A', Dr. Annie Besant Road, Bombay. (Bombay-Maharashtra)—High Wattage Burners for gaseous discharge lamps (Mercury Lamps)—3 lakh nos.—(SE)

Mr Suresh S. Mahajan, Mahajan Hybrids, 35, Navrang, Peddar Road, Bombay. (Maharashtra)—Thin Film Hybrid Micro-circuits of different types—196,300 nos. p.a—(NU)

M/s Bush India Limited, Sukh Nagar, N.S. Pathak Marg, Bombay. (Thana-Maharashtra)—Electronic Calculators (Hand Held)—50,000 nos. p.a—(NA)

Mr Deepak Raj Narang, 3, Cavalry Lines, Delhi-7. (Delhi)—Printed Circuits—50 tonnes p.a.—(NU)

M/s Eastern Electronics (Delhi) Pvt. Ltd; 1-2, Industrial Area, Faridabad. (Ballabhgarh—Haryana)—Faraday Cages & Accessories—120 nos. p.a—(NU)

M/s Cutler Hammer India Ltd; 20/4, Mathura Road, Ballabgarh. (Ballabgarh—Haryana)—Motor Control Centres—500 nos; Special Control Panels—250 nos; Fuse Swithces—7,000 nos; Industrial Resistors—7,000 nos; Industrial (Magnetic) Brakes—1,000 nos—(NU)

M/s Standard Batteries Ltd; (Oldham Division), P.B. No. 2635, Madras. (Saidapet, Chingleput-Tamilnadu)—Krypton filled Miners' Cap Lamps—1 million nos. p.a—(NA)

Mr Madan Mohan, B-258, Greater Kailash-I, New Delhi (Bangalore-Karnataka)—*Integrated Finned Tubes* : Steel—220 tonnes; Copper—30 tonnes; Brass—30 tonnes; Aluminium—50 tonnes—(NU)

M/s Trimourti Electronics Pvt. Ltd; Sea Castle, Opp. Tilak Statue, Netaji Subhas Road, Chowpatty Sea Face, Bombay. (Bombay-Maharashtra)—Black & White T.V. Receivers—36,000 nos.; Black & White Portable T.V.—50,000 nos.; AM/FM Radios—2,00,000 nos; Cassette Tape Recorders. (Including Radio Combination)—50,000 nos; Electronics Tuners-UHF/VHF—1,00,000 nos.—(NU)

Transportation

M/s Kerala State Engineering Technicians (Workshop) Industrial Co-operation Society Ltd; Main Road, Near G.P.O., Trivandrum. (Alleppey-Kerala)—Scooters—24,000 nos. p.a—(NU)

M/s Kanchee Transmission Gears (P) Ltd; Krishna Gardens, Near Railway Station, Kancheepuram. (Kancheepuram-Tamilnadu)—Spiral/Byford Gears & Pinions for Tractors and Trucks—350 tonnes p.a—(NU)

M/s Hyderabad Allwyn Metal Works Ltd; Sanatnagar, Hyderabad—(Hyderabad-Andhra Pradesh) — Scooters—24,000 nos. p.a.—(NU).

Industrial Machinery

M/s Banelon Industries, 109, Sir Vithaldas Chambers, 16-Apollo Street, Fort, Bombay-1. (Andheri, Bombay-Maharashtra)—Crimping Machines—6 nos. of 96 spindles each—(NU)

Ms Wellman Incandescent India Ltd; 8-Harington Street, Calcutta-16. Howrah-West Bengal —Industrial Furnaces & Allied Equipment—Rs 300 lakhs p.a—(SE)

M/s Tata Chemicals Ltd; Bombay House, Bruce Street, Fort, Bombay. (Mithapur-Gujarat) — Complete Soda Ash Plant—One plant of a capacity of 400 tonnes of Soda Ash per day—(NA)

M/s Star Textile Engg Works Ltd; Dhanraj Mahal, Chhatrapathi Shivaji Maharaj Marg, Bombay. (Bombay-Maharashtra)—Automatic Flat-bed and Rotary Screen Printing Machines—6 nos.—(NA)

M/s Texmo Industries, Gnanambikai Mills, P.O., Coimbatore. (Coimbatore Tamil Nadu)—Centrifugal Pumps upto the size of 4" × 4"—25,000 nos. p.a—(COB)

M/s Fenner Cockill Ltd; Post Box No. 117, Madurai. (Madurai-Tamil Nadu)—Fona Plast PVC Impregnated Flame Resisting Colliery Conveyer Beltings—76,200 running metres—(SE)

M/s Larsen & Toubro Ltd; Powai Works, Saki-Vihar Road, Post Box 8901, Bombay. (Saki Vihar, West Bombay-Maharashtra)—Suspended Particles Drying Plants—6 plants of total water evaporation capacity of 1,000 K.G. per hour. p.a—(SE)

M/s Honeywell India Pvt. Ltd; Nirmal, Nariman Point, Bombay-1. (Bombay-Maharashtra)—*(Annual Capacity)* Hotel Room type Thermostats (On-off)—10,000 nos; Motorised fan oil unit Valves (Silent type)—10,000 nos; Thermostats (Proportional Type)—2,000 nos; Thermostats (multistage type)—2,000 nos; Humidstats (Hair Nylon Element)—2,000 nos; Modutrol motors with link ages—3,000 nos; Modutrol motor operated valves—2,000 nos. —(NU)

M/s Hein Lehmann (India) Ltd; Mathura Road, Faridabad, Haryana. (Faridabad-Haryana)—Filter Packs, Discs & Tubes—Rs 40 lakhs p.a—(NA)

M/s Hindustan Boilers, 21, Hamam Street, Fort, Bombay. (Udhna, Surat-Gujarat)—Multi Mesh Disc Filters and Elements—3,20,000 nos. p.a—(SE)

M/s Bhukhanvala Diamond Tools Pvt. Ltd; Medows House, Nagindas Master Road, Fort, Bombay. (Andheri, Bombay-Maharashtra)—Diamond Dressers & Tools—25,000 nos. p.a.; Diamond Powder & Compound-50,000 carats p.a.; Diamond Grinding Wheels & Tools—5,000 nos. p.a.; Diamond Glass Cutters—40,000 nos. p.a.; Boron Nitride & Boron Carbide Wheels for Grinding Hardened Steels. etc—5,000 nos. p.a.; Forming attachments for grinding machines for specified end uses—500 nos. p.a.; Matrix Chisels of Cones for Thread Grinding Machines—1,000 nos. p.a.—(NU)

Scientific Instruments

M/s British Physical Laboratories India Pvt. Ltd; 9-M.G. Road, Bangalore. (Bangalore-Karnataka)—Multi-Channel Cardiograph—30 units p.a.; Intensive-Care Units—12 units; Cardioscope—30 units p.a.; Combination Records—30 units p.a—(NA)

Chemicals (Other than Fertilizers)

M/s Hindustan Petroleum Corpn. Ltd; 17-Jamshedji Tata Road, Bombay. (Bombay-Maharashtra)—Rubber Processing Oil—10,000 tonnes p.a—(NA)

M/s Fertiliser Corpn. of India, Telchar Division, P.O. Talcher, Dist. Dhankanal, Orissa. (Orissa)—Argon Gas—0.96 m.c.m—(NA)

M/s Amar Dye-Chem Ltd; Rang Udyan, Sitaldevi Temple Road, Mahim, Bombay-16. (Kalyan-Maharashtra)—Dyes for Acrylic Fibres—175 tonnes p.a—(NA)

M/s Mico Farm Chemicals Ltd; 6, Linghi Chetty Street, Madras-1. (Madras-Tamil Nadu)—Lindane technical—100 tonnes p.a—(NA)

M/s Chandigarh Gas Corpn., 75, Sector-5, Chandigarh. (Chandigarh)—Oxygen Gas—0.45 m.c.m—(NU)

M/s Devi Dayal (Sales) Pvt. Ltd; Gupta Mills Estate, Reay Road, Bombay. (Bombay-Maharashtra)—Dimethoate Technical—250 tonnes p.a—(NA)

M/s Dai-Ichi Karkaria Pvt. Ltd; Liberty Building, New Marine Line, Bombay. (Hyderabad-Andhra Pradesh)—Synthetic Detergent—10,000 tonnes (30% A.D.) p.a.—(NU)

M/s Fertilizer Corpn. of India Ltd; F-43, South Extension Area, Part-I, New Delhi-1. (Gorakhpur, Uttar Pradesh)—Argon Gas—2,88,000 cubic Meters p.a—(NA)

M/s Dai-Ichi Karkaria (P) Ltd; Liberty Building, New Marine Line, Bombay. (Mathura-U.P.)—Synthetic Detergents—10,000 tonnes (30 per cent A.D.) p.a—(NU)

M/s Bhagwati Oxygen Ltd; S-492-A, Greater Kailash, New Delhi. (Ballabgarh-Haryana)—Oxygen Gas—7,20,000 c.m. p.a—(NU)

Drugs & Pharmaceuticals

M/s Colour Chem Ltd; Ravindra Annexe, 134, Dinshaw Wachha Road, Bombay-29. (Bombay-Maharashtra)—Pyrozolones—52 tonnes p.a—(COB)

Mr. R. B. Amin, Director, M/s Alembic Chemical Works Co. Ltd; Alembic Road, Baroda. (Baroda-Gujarat)—Berberal Tablets—25,000,00 nos. p.a—(COB)

M/s Hico Products Pvt. Ltd; 771, Mogal Lane, Mahim, Bombay. (Thana-Belapur, Maharashtra)—Glycol Ethers—1,500 tonnes; Ethanolamines—1,000 tonnes; Morpholine—300 tonnes; Dimethyl Ethanolamines—65 tonnes; Dichloro Ethyl Ether—150 tonnes; Dialkyl Phenol Sulphides—40 tonnes; Ter-Butyl Cresols—25 tonnes; Lauryl Mercaptan—60 tonnes; Thiodipropionic Acid—6 tonnes; Butylated Hydroxy Anisole—6 tonnes; Ethylene Urea—180 tonnes; Propylene Urea—50 tonnes; Alkyl Carbonates—25 tonnes; Dibenzyl Disulphide—50 tonnes—(NA)

M/s Sunil Synchem Ltd; 76, Industrial Estate, Jhotwara, Jaipur-6. (Alwar-Rajasthan)—Empty Hard Gelatine Capsules—200 million nos. p.a—(NU)

Textiles

M/s The Nandi Hasbi Textile Mills (Pvt.) Ltd; Nargund, Dist Dharwar, Karnataka. (Nargund, Dharwar-Karnataka)—Cotton Yarn—25,000 spindles p.a—(SE)

Paper & Pulp

Mr. Vinod Kumar Maheshwari, N-118, Panch Sheel Park, New Delhi. (Meerut-Uttar Pradesh)—Writing & Printing Paper, Packing & Wrapping Paper & Board—16,500 tonnes p.a—(NU)

Mrs. Parkashwati, Saraswati Steel Rolling Mills, Tanda Road, Jullundur City. (Hoshiarpur-Punjab)—Packing Kraft Paper & Wrapping Paper & Boards—16,500 tonnes p.a—(NU)

Mr. Daya Shankar Gupta, 3/5, East Patel Nagar, New Delhi. (Muzaffarnagar-UP) — Writing & Packing Paper & Board—16,500 tonnes p.a—(NU)

Mr K. K. Lohia, 112, Chittaranjan Avenue, Calcutta-7. (Kalyani, Nadiad-West Bengal)—M.G. Kraft, Writing, Printing & Duplicating Paper—7,500 tonnes p.a—(NU)

Mr G. P. Kanudia, 365, Harrisganj, Kanpur. (Unnao-Uttar Pradesh)—M.G. Packaging, Wrapping Papers, Posters and Boards—7,300 tonnes—(NU)

Mr Mukesh Kumar, 36, Green Park, Jullundur City. (Hoshiarpur-Punjab)—Writing & Printing Paper—15,000 tonnes p.a—(NU)

Mr Suraj Mal Mohta, 2, Brabourne Road, Calcutta-1. (Chamba, Bilaspur, MP)—Kraft Papers, Duplex Boards & Industrial Papers—9,000 M. tonnes p.a—(NU)

Mr Avtar Krishna, Cassias, Flat-7, 21-22, Turner Road, Bandra, Bombay. (Bangalore-Karnataka)—M.G. Duplex Board & Packing, Wrapping Paper—7,500 tonnes p.a—(NU)

Mr Chandra Kumar Kanoria, 23-A, Netaji Subhas Road (5th Floor), Calcutta. (Haryana)—Duplex Board & Kraft Linen—6,000 tonnes p.a—(NU)

M/s Associated Pulp & Paper Mills Ltd; Bavla (SR), Dist Ahmedabad. (Ahmedabad-Gujarat)—Paper & Pulp—15,000 M. tonnes p.a—(SE)

Mr S. C. Batra, 15A/47, W.E.A., Karol Bagh, New Delhi. (Sitapur-Uttar Pradesh)—Corrugating Medium—7,620 tonnes p.a—(NU)

M/s Poddar Projects Ltd; 'Hong Kong', House, 31, Dalhousie Square(s), Calcutta. (Jeypore, Koraput-Orissa)—MG and MF Wrapping Paper & Kraft Paper—10,000 tonnes—(NU)

Sugar

M/s Mysore State Industrial Investment & Dev. Corpn. Ltd; 36, Cunnighem Road, Bangalore. (Bhadravati, Shimoga-Mysore)—Sugar—1,250 tonnes p.a—(NU)

M/s Kessar Sugar Works Ltd; Baheri, Dist. Bareilly. (Bareilly, Uttar Pradesh)—Sugar—3,000 tonnes—(SE)

Vegetable Oil & Vanaspati

M/s Jayalakshmi Cotton & Oil Products (P) Ltd; Amravati Road, Gorantala Village Units, Guntur. (Guntur-Andhra Pradesh)—Cotton Seed Oil—20,000 tonnes in terms of seeds p.a—(NU)

Rubber Goods

M/s Raghbir Cycle Industries (Regd), Partap Nagar Industrial Area-D, Ludhiana. (Ludhiana-Punjab)—Bicycle Tyres—3.5 lakh nos. p.a; Bicycle Tubes—14 lakh nos. p.a—(COB)

Cement & Gypsum Products

Mr M. Basavarajappa, 341, Rajamahal, Vilas Extension, Bangalore-6. (Almatti, Bijapur-Karnataka)—Cement—4 lakh tonnes p.a—(NU)

M/s Panyam Cements & Mineral Industries Ltd; Cement Nagar, P.O., Via Bugganipalli R.S., Kurnool. —(Tadpatri, Anantpur-Andhra Pradesh)—Portland Cement—4 lakh tonnes p.a—(SE)

Letters of Intent

Metallurgical Industries (Ferrous)

M/s Wyman Gordon India Ltd; P-41, Majiwade, Thana, Maharashtra. (Nagpur-Maharashtra)—Forging Quality Steels—8,000 tonnes p.a—(SE)

M/s Agarwal Steel Complex Ltd; 167, Chittaranjan Avenue, Calcutta-7. (Serampore, Hoogly, West Bengal)—High Manganese Steel Castings—1,000 tonnes; Alloy Steel Castings—1,000 tonnes; S. G. Iron Castings—1,000 tonnes p.a—(NU)

M/s VMA & Associates, S-318, Panchshila Park, New Delhi. (Medak-Andhra Pradesh)—Alloy Steel Castings—500 tonnes p.a.; Alloy Iron Castings—500 tonnes p.a.; S.G. Iron Castings—500 tonnes p.a—(NU)

M/s EMC Steel Ltd; 3-A, Auckland Place, Calcutta-17. (Haldia-West Bengal)—Transmission Towers—15,000 tonnes p.a—(NU)

Electrical Equipment

M/s Electronics Corpn. of India Ltd; Industrial Development Area, Cherapalli, Hyderabad. (Hyderabad-Andhra Pradesh)—Precision Servo Components including Electrical & Fluidic type of Transducers, Prime Movers, Amplifiers & Hardware—Rs 84 lakhs p.a.; Instrument type Motors—Rs 40 lakhs;

Instrument type Generators—Rs 81 lakhs p.a; Servo Systems Packages—Rs 70 lakhs—(SE)

The Director, N.G.E.F. Ltd; Old Madras Road, Byappanahalli, Bangalore. (Bangalore-Karnataka)—Condenser Bushings of the range of 132 KV to 420 KV—300 Nos. p.a—(NA)

M/s Tamil Nadu Industrial Dev. Corpn. Ltd: 150-A, Anna Salai, Madras. (Tamil Nadu)—G.L.S. Lamps—7.5 mill. nos; Fluorescent Tubes—0.6 Mill. nos—(NU)

M/s Union Electric Co, L-38, Connaught Place, New Delhi. (Delhi)—Miniature Circuit Breakers (415V, AC. 5-100 Amps)—2 lakh nos. p.a—(NU)

M/s Electronics Corpn. of India Ltd: Industrial Dev. Area, Cherlapalli, Hyderabad. (Hyderabad-Andhra Pradesh)—Closed Circuit Television Systems—Rs 100 lakhs p.a—(SE)

M/s Poddar Services Ltd; (Hong Kong House, 31, Dalhousie Square(s), Calcutta-1. (Maharashtra)—Mica Paper—300 M. tonnes; Micanites/Mica Felieum/Mica Tapes—200 M. tonnes—(NU)

M/s Ruttonsha International Rectifiers Pvt. Ltd; International House, Lal Bahadur Shastri Marg, Vikhroli, Bombay. (Bombay-Maharashtra)—High Power Silicon controlled rectifiers (Over 30 Amps)—20,000 nos. p.a; Low Power Silicon Controlled Rectifiers (less than 30 Amps)—2,00,000 nos. p.a—(NA)

M/s Aluminium Industries Ltd; No. 1, Ceramic Factory Road, Kundara Post Office, Alleppy. (Chengannur-Kerala)—Circuit Breakers above 66 KV upto and including 130 KV—30 nos. p.a; Current transformers above 66 KV upto and including 130 KV—180 nos. p.a—(NA)

M/s Khandelwal Herrmann Electronics Ltd; Khandelwal Estate, Bhandup, Bombay. (Bombay-Maharashtra)—Static AC/DC Convertors upto 200 KW—400 nos. p.a; Static Power Invertors upto 200 KW—100 nos. p.a—(NA)

M/s Sekhar Electronics Pvt. Ltd; 36, Fourth Main Road, Malleswaram, Bangalore. (Bangalore-Karnataka)—High Temperature Heating Elements (Graphite Silicon Carbide based)—42,000 nos. p.a—(NU)

M/s M.P. Agricultural Corpn. Opposite Motor Stand, Raipur. (MP) (Madhya Pradesh)—DC Machines—400C nos. p.a; Jet Pumps—1000 nos. p.a; Subersible Pumps—2500 nos. p.a—(NU)

M/s Satellite Engg. Ltd; P.O. Maize Products, Kathiwada, Ahmedabad. (Ahmedabad-Gujarat)—Lead-in-wires—20 mill. pcs. p.a—(NA)

M/s Electronics Corpn. of India Ltd: Industrial Development Area, Cherlapalli, Hyderabad. (Hyderabad-Andhra Pradesh)—Precision Potentiometers & Dials—12,000 nos. p.a; Professional Grade Panel & Trimming Pots—1,80,000 nos; Defence Grade Wire Wound Resistors—2 lakh nos. p.a—(NA)

M/s Electronics Corpn. of India Ltd: Industrial Development Area, Cherlapalli, Hyderabad. (Hyderabad-Andhra Pradesh)—25 MHz Rectangular CRT—5,000 nos. p.a; 50-100 MGz Rectangular CRT—3,000 nos. p.a; Special Purpose CRTs. (Storage Type)—2,000 nos. p.a—(NA)

M/s Aluminium Industries Ltd: No. 1, Ceramic Factory Road, Kundara. (Mannar, Alleppy-Kerala)—220 KV Circuit Breakers—33 nos. p.a—(NA)

M/s Andhra Pradesh Industrial Development Corpn. Ltd; B-1-174, Fateh Maidan Road, Hyderabad. (Hyderabad-Andhra Pradesh)—Ordinary P.C. Boards—5,000 Suqare meters p.a; Double-side Planted through Hole P.C. Boards—5,000 sq. meters p.a.—(NU)

Telecommunication

M/s Indian Telephone Industries Ltd; Doorvaninagar, Bangalore. (Palghat-Kerala)—Electronic Private Automatic Branch Exchange (PABX) and Rural Automatic Exchange Equipment—17,500 lines p.a. (NU)

Transportation

M/s R.K. Sharma, T-32, Green Park, First Floor, New Delhi. (Sikandrabad, Bulandshahar-UP—Bicycle Rims—6 lakh nos; Chain Wheel Crank Assembly for Bicycles—6 lakh sets—(NU)

M/s Swastic Rubber Products Ltd; 'Swastic House', Behind Kirkee Railway Station, Khadki, Poona. (Poona-Maharashtra)—Pneumatic & Hydraulic Assemblies for Automobiles—1 lakh nos. p.a.—(NA)

Mr Suresh K. Shah, Raman House, 169, Backbay Reclamation, Bombay. (Gujarat)—Cylinder Head Castings, Engine Block Castings, Other types of castings (total capacity)—6,000 tonnes—(NU)

Industrial Machinery

M/s Lakshmi Card Clothing Manufacturing Co. Pvt Ltd; Kuppuswamy Naidupuram, Coimbatore. (Coimbatore-Tamil Nadu—Metallic Card Clothing—8,000 sets p.a; Lickerin Wire—42,000 Kgs.; Tops—8,000 sets p.a.—(SE)

Mr V.J. Jayaraman, B.Sc.,B.S; (Text. Engg.), 9, A.T.T. Colony, Coimbatore. (Tamil Nadu)—Crop Shearing & Cropping Machines—9 machines p.a.— (NU)

Mr N. Kumar, 115/2, Moubraya Road, Madras. (Madras-Tamil Nadu)—Mechanical Seals—15,000 nos. p.a—(NU)

M/s Air Control & Chemical Engg Co Ltd; Raghuvanshi Mills Compound, 11/12, S. Bapat Marg, Ahmedabad. (Ahmedabad-Gujarat)—Machinery for Manmade Fibre—3,300 tonnes p.a.—(NA)

M/s T. Maneklal Manufacturing Company Ltd; Vaswani Mansion, Dinshaw Vachha Road, Bombay. (Ahmedabad-Gujarat)—Vacuum Impregnating Machines—20 nos. p.a—(NA)

Mr Ashok Kumar Jain, E-82, Ashok Vihar, Phase-I, Delhi-52. (Hissar-Haryana)—Complete Flour Milling Plants & Components thereof—2,000 tonnes p.a.—(NU)

Mr Ashok Prasad, Hirak Housing Cooperative Society, 96/13, Swami Vivekananda Road, Vile Parle, Bombay, (Bombay-Maharashtra)—Dished Ends & Flanged Ends—2,600 tonnes p.a.—(NU)

Machine Tools

M/s Machine Tool Corporation of India Ltd; P.B. No. 69, Beamer Road, Ajmer (Ajmer-Rajasthan)—Centre Lathes—100 nos. p.a.—(NA)

Chemicals (Other than Fertilizers)

M/s Motilal Padampat Udyog Ltd; 'Vanaspati Branch', Gutaiya, Kanpur. (Kanpur—Uttar Pradesh)—Oxygen Gas—0.2888 M.C.M.—(NA).

Mr S. S. Sankaralingam, Managing Director, Sundaravel Match Industries (P) Ltd; Sivakasi. (Sivakasi, Tamilnadu)—Red Phosphorus—300 tonnes p.a—(NU)

M/s Alta Laboratories Pvt Ltd; Alta Bhavan, 532, Senapati Bapat Marg, Dadar, Bombay. (Kolaba-Maharashtra)—Benzyl Salicylate—60 tonnes.

M/s Suraj Industrial Packing Ltd; Sriniketan, Gurdwara Road, Lucknow. (Milani-Uttar Pradesh)—Caustic Soda—15,000 tonnes—(NU)

M/s Nagaland Pulp & Paper Co Ltd; P.O. Tuli, Nagaland. (Tuli-Nagaland)—Caustic Soda—4,000 tonnes; Chlorine—3,650 tonnes—(NA)

M/s Hindustan Paper Corpn Ltd; D-44, N.D.S.E. Part-II, New Delhi-49. (Jagi Road, Assam)—Caustic Soda—16,500

tonnes; Chlorine—15,000 tonnes p.a; Hydrochloric Acid (10 per cent)—330 tonnes p.a—(NA)

Dr. Nirmal, Nirmal Chemicals, Balaji Road, Surat. (Broach-Gujarat)—Sodium Potassium Phosphate (Chemically Pure C.P. Grade)—100 tonnes; Cinnamic Aldehyde—5 tonnes; Sodium/Calcium Propionate—50 tonnes; Anisic Aldehyde—5 tonnes; Acetyl Acetone—100 tonnes; Glycerine B.P.—25 tonnes; Carbolic Acid (Chemically pure C.P. Grade)—10 tonnes; Resublimed Iodine—0.5 tonnes; Butyl Oxide—5 tonnes; Isopropyl Oxide—15 tonnes; Ethly Palmitate—5 tonnes; Laboratory Chemicals (Details as per Annexure)—100 tonnes—(NU)

M/s Cynamid India Ltd; Nyloc House, 254-D2, Dr. Annie Besant Road, P.O. Box No 9109, Bombay-25DD. (Bulsar-Gujarat)—Paddigard (7.5 grammes)—250 tonnes (in terms of technical material) p.a—(NA)

M/s Bharat Aluminium Co Ltd; F-41, N.D.S.E., Part-I, New Delhi. (Bilaspur-Madhya Pradesh)—Caustic Soda—27,000 tonnes—(NA)

M/s Alta Laboratories Pvt Ltd; Alta Bhavan, 532, Senapati Bapat Marg, Dadar, Bombay. (Kolaba-Maharashtra)—Ortho Anisidine—240 tonnes—(NA)

Drugs & Pharmaceuticals

Mr G.M. Swamy, Chief Promoter, M/s Southern Medico Industrial Chemicals, 15, Fourth(A) East Cross Road, Vellore, North Arcot. (Walajapet, N-Arcot-Tamil Nadu)—Salicylic Acid—50 tonnes; Acetyl Salicylic Acid—90 tonnes; Methyl Salicylate 50 tonnes; Sodium Salicylate—50 tonnes; Acetic Acid (Recovery from Acetyl Salicylic Acid Plant)—30 tonnes p.a—(NU)

M/s Glaxo Laboratories Ltd; Dr Annie Besant Road, Worli, Bombay-25. (Bombay-Maharashtra)—Solubutamol base and formulations thereof within the company's existing overall capacity for formulations—100 Kgs in terms of technical material p.a; Inhalers of Solbutamol—12.5 Kg—(NA)

Dr K. A. Reddy, M/s Uniloids Ltd; 3-6-254, Himayatnagar, Hyderabad. (Hyderabad-Andhra Pradesh)—Metronidazole & the formulations thereof—10 tonnes p.a; Thicacetazone and the formulations thereof—10 tonnes p.a—(NU)

Mr P.J. Menezes, Rua San Tome, Panjim, Goa. (Goa-Goa, Daman & Diu)—Levophed—3 Kgs; Phenylephrine—5 Kgs; Glycobiarsol—2. tonnes; Sodium Polyhydroxy Aluminium Monocarbonate—20 tonnes Hexatol Complex. Naldixic Acid—2.5 tonnes—(NA)

Textiles

M/s Poddar Projects Ltd; Hongkong House, 31, B.B.D. Bag(s), Calcutta-1. (24 Paraganas-West Bengal)—Installation of 4 Warp Knitting machines for the manufacture of Fabrics out of man-made fibre/cotton yarn corresponding to a total consumption of 80 tonnes of Caprolactum per annum—(NA)

M/s Woolcombers of India Ltd; 31, Netaji Subhas Road, Calcutta-1. (Goa)—Worsted Woollen Yarn—7200 spindles; Woollen Fabrics—52 looms—(NA)

M/s Modi Spg & Weaving Mills Co Ltd; Modinagar. (Modinagar-UP)—Cotton Terry Towels—150 imported Terry Towel looms—(SE)

Paper & Pulp

M/s Invecon (P) Ltd; 173, Golf Link, New Delhi. (Mysore-Karnataka)—Packing, Wrapping Paper & Board— (NU)

Mr S.K. Agarwal, 4, Hungerford Street, Calcutta-7. (Dhenkanal-Orissa)—M.G. Kraft, Writing, Printing, Duplicating, Cartridge, Bank and Bond Papers—7,500 tonnes p.a—(NU)

Mr Benoy Bhusan Bose, c/o Jindal Rubber Pvt Ltd; 1/23, B-Asaf Ali Road, New Delhi-1. (Ghaziabad-UP)—Kraft Paper, Packing Paper & Kraft Liner—6,000 tonnes p.a—(NU)

Mr Jasubhai Ramniklal Shah, M/s Industrial Publications, Taj Building, 3rd Floor, 210, Dr D.N. Road, Bombay-1. (Panchmahal/Broach-Gujarat)—Duplex Board—7,300 tonnes—(NU)

Mr D.P. Kappal, 604, Rohit House, 3, Tolstoy Marg, New Delhi. (Rupar-Punjab)—Corrugating Medium—5,500 tonnes—(NU)

M/s Invecon Private Ltd; 173, Golf Links, New Delhi. (Barwaha, West Nimar-Madhya Pradesh)—Packaging & Wrapping Paper—3,300 tonnes p.a—(NU)

Mr Ram Nath Gupta, Nand Puri, Gill Road, Ludhiana-3. (Ludhiana-Punjab)—Kraft Paper—8,000 tonnes p.a—(NU)

Mr Satya Narain Bhartia, C-8/6, Vasant Vihar, New Delhi. (Alwar-Rajasthan)—Kraft Paper (for packing)—10,000 tonnes p.a—(NU)

Mr K.K. Maheshwari, 1/7, Deshbandhu Gupta Road, New Delhi-55. (Chattisgharh-Madhya Pradesh)—Packing & Wrapping Papers & Boards—3,650 tonnes p.a—(NU)

M/s Sarda Plywood Industries (P) Ltd; 9-Parsee Church Street, Calcutta-1. (Kolaghat, Midnapur, West Bengal)—Packing & Wrapping Papers & Boards—3,650 tonnes p.a—(NU)

M/s Ajanta Paper & General Products Pvt Ltd; Vadavli, P.O. Kalyan, Maharashtra. (Midnapur-West Bengal)—Tissue, Wrapping & Packaging Paper—6,000 tonnes p.a—(NU)

Mr Naresh Kumar Garg, 5-Ring Road, Lajpat Nagar-IV, New Delhi-24. (Gurgaon-Haryana)—Packing, Wrapping, Corrugating Paper and Boards—7,500 tonnes p.a—(NU)

Food Processing Industries

Mr Ved Brat, 39-C, Prem House, Connaught Place, New Delhi. (Bulandshahr-UP)—Texturised Vegetable Protein—15,000 tonnes p.a—(NU)

M/s Taj Bajina Promoters & Consultants, Plot No. 32, Block No.116, Above Bank of India Varsova Branch, J.P. Road, New Dhakey Colony, Andheri West, Bombay. (Umargaon, Bulsar-Gujarat)—Processed Marine Products—3,000 tonnes p.a; Canned/Frozen Meat Products (Poultry, Mutton & Buffalo only)—3000 tonnes pa; Canned Fruit and Vegetables—3000 tonnes pa; Sauces and Pickles—600 tannes p.a—(NU)

M/s India Tobacco Co Ltd; 37, Chowringhee Calcutta. (Dapoli-Maharashtra) (Haldia-West Bengal) (Paradeep-Orissa)—Processed Marine Products—3,000 tonnes at each of the three locations p.a—(NU)

M/s E.I.D. Parry Ltd; 'Darihouse', P.B. No 12, Madras. (Cochin-Kerala) (Madras, Cuddalore, Tuticorin-Tamil Nadu) (Mangalore-Karnataka) (Vizag & Kakinada-Andhra Pradesh) (Veraval-Gujarat)—Processed Marine Products & Bye Products—4,200 tonnes p.a—(NU)

Vegetable Oils & Vanaspati

Mr K.S. Kamala Kannan, No 48, West Mada Churh Street, Royapuram, Madras-13. (Tamil Nadu)—Cotton Seed Oil—30,000 MT p.a. in terms of Cotton Seed—(NU)

Rubber Goods

Mr G. B. Chandy, Hemea Corporation, Kalamassery, Cochin-22. (Ernakulam-Kerala)—Rubber to Metal Moulded Products Rubber Lining & Moulded & Extruded Rubber Goods—450 tonnes p.a—(SE)

M/s Power Cables (P) Ltd; 24, Brelvi Sayed Abdulla Road, Bombay. (Nadiad, Gujarat)—Rubber Mounts, Rubber Isolators & Spring Mounts—450 tonnes p.a—(NU)

M/s Swastik Rubber Products Ltd; Swastik House, Behind

Khandki Railway Station, Khadki, Pune-3. (Pune-Maharashtra)—Rubber to Metal Bonded Articles—600 M.T p.a—(SE)

M/s Swastik Rubber Products Ltd; (Swastik House), Behind Khadki Railway Station, Khadki, Pune-4. (Khadki, Pune-Maharashtra)—Household Rubber Gloves—6 lakh pairs p.a—(NA)

Leather & Leather Goods

Mr Chittibamna Ranga Rao, Adivaram Pet, Eluru, West Godavari Distt. (Eluru, W. Godavari-Andhra Pradesh)—Finished Leather (from Goat & Sheep Skins)—3 lakh nos. p.a—(NU)

Mr Azad N. Parikh, 24, Vijay Mahal, D-Road, Bombay-20. (Chembur-Maharashtra)—Finished Leather from Skins—6 lakhs nos. p.a—(NU)

Ceramics

Mr L.D. Daga, 'Shri Sadan', 15, Narayan Dabholkar Road, Bombay. (Karnataka—Green Silicon Carbide—24,000 tonnes p.a—(NU)

Mr Vivek N. Bhaskar, P.O. Ishwar Nagar, New Delhi. (Ballabgarh-Haryana)—Refractory Monolithics & Bonds—20,000 tonnes p.a—(NU)

Change in Names of Owners or Undertakings

(Information pertains to particular licences only)

From M/s West Bengal Industrial Development Corpn Ltd; Calcutta-1—to—M/s West Bengal Electronics Industry Development Corpn Ltd; Calcutta.

From M/s Finelex Cables Ltd; Poona-13—to—M/s Finolex Cables Ltd.

From M/s India Tobacco Co Ltd; Calcutta—to—M/s I.T.C. Ltd; Calcutta.

Licences/Registration Certificates Revoked or Surrendered

(Information pertains to particular licences only)

M/s Jaipur Udyog Ltd; New Delhi—Portland Cement. (Revoked)

M/s Buckau-Wolf New India Engineering Works Ltd; Poona—Hydraulic Presses. (Cancelled)

The Punjab State Industrial Development Corpn Ltd; Sector 17-A, Post Box No 81, Chandigarh—R.V. Receivers. (Revoked)

Letters of Intent Revoked or Surrendered

(Information pertains to particular letters of intent only)

The District Magistrate, District Champaran, Tehsil Madhubani, Betlich Sub-Division, Bihar. (Bihar)—Sugar.

Mr V. Kumar, c/o Mr J.M. Kapur, C-383, Defence Colony, New Delhi. (Haryana)—Automobile Contact Sets.

M/s The New Standard Engg Co Ltd; Bombay. (Maharashtra)—Roller Flour Mill Machinery.

M/s Air Coils Manufacturing Co Ltd; Sonawala Cross Road Goregaon (East), Bombay-63. (Gujarat)—Integral Finned Tubes of Stainless Steel, Copper, Brass & Aluminium.

Mr Vipin B. Khimji, c/o Akay Industries, P.B. No. 6557, Worli, Bombay. (Mysore)—Pumps.

M/s Usha Breco Ropeways Ltd; Ansal Bhavan, 16-Kasturba Gandhi Marg, New Delhi. (Bihar)—Transmission Towers.

Mr Gulshan Rai Chawla, 25/6, East Patel Nagar, New Delhi. (Haryana)—PVC Pipes, Fittings, etc.

RECORDS AND STATISTICS

India, Iran stress community of interests

THE INDO-Iranian joint communique issued at the end of the Shah of Iran's state visit to India affirms the scope for greater economic and cultural cooperation among the littoral states of the Indian Ocean. While calling upon the super-powers to leave the Indian Ocean free of tension and rivalry, the communique stresses that the peace and security of the area should be the concern and responsibility of the states in the region.

Following is the text of the joint communique issued on October 4 at the end of the Shah's visit :

At the invitation of the President of India, Mr Fakhruddin Ali Ahmed and Begum Abida Ahmed, His Imperial Majesty, Mohammad Reza Pahlavi Aryamehr, the Shahanshah of Iran and Her Imperial Majesty Farah Pahlavi the Shahbanou of Iran, paid a state visit to India from October 2 to 4, 1974.

The visit of His Imperial Majesty Mohammed Reza Pahlavi Aryamehr and Her Imperial Majesty the Shahbanou of Iran is a manifestation of the very close and friendly relations existing between the two countries and the common will of the two peoples to expand and deepen their co-operation in all fields.

His Imperial Majesty the Shahanshah Aryamehr held detailed discussions with Mrs Indira Gandhi, the prime minister of India, on matters of international significance, mutual interest and bilateral co-operation. In these talks, the Foreign Minister of Iran H. E. Dr Abbas Ali Khalatbari the Ambassador of Iran in India, H. E. Mr Mohammad Goodarzi, H. E. Hormoz Gharib and other senior officials of the Imperial Government of Iran also participated: and from the Indian side the Foreign minister, Mr Swaran Singh, the Foreign secretary, the ambassador of India in Iran and other senior officials of the government of India.

These talks confirmed the close similarity of views of the two countries on international matters, on regional questions and on bilateral relations between Iran and India.

His Imperial Majesty and the prime minister reviewed the international situation and noted with satisfaction the global trend towards detente and negotiations. However, they observed with regret, that there still existed explosive situations of conflict and tension in other areas of the world, such as in the middle east and Indo-China.

His Imperial Majesty and the prime minister expressed the hope that the same process of detente would also be extended to all areas of the world.

They reaffirmed their conviction that a peaceful and secure world order can only be achieved by strict adherence by all countries to the principles of the UN charter, non-interference in the internal affairs of other nations, respect for their sovereignty and territorial integrity, and the inadmissibility of the use of force in international relations for settling outstanding disputes or obtaining territorial gain.

The prime minister of India explained recent developments and initiatives taken towards the normalisation of relations among the countries of the subcontinent. His Imperial Majesty welcomed these developments. Both sides expressed their conviction that the success of such measures would contribute not only to friendship and co-operation in the subcontinent but also to the stability of the region and to world peace.

Iran and India welcomed the admission of Bangladesh to the United Nations and looked forward to Bangladesh playing its rightful role in the world community. The two sides expressed their sympathy at the loss of life and property caused by the devastating floods in Bangladesh.

His Imperial Majesty and the prime minister discussed developments in the Indian Ocean area. India and Iran were both members of the UN ad hoc committee on the Indian Ocean; they noted with satisfaction that the concept of the Indian Ocean as a zone of peace free from great power rivalry, tension and military escalation was gaining wider acceptance and support and that there was a growing realisation among states that the implementation of the UN resolutions in this regard would contribute towards strengthening international peace and security and promoting the true interests of the littoral states of the Indian Ocean. They called upon the great powers to extend their co-operation in establishing the Indian Ocean as a zone of peace. They agreed that the peace and security of these areas should be the concern and responsibility of the littoral states, and that there should be full co-operation among them to achieve this objective.

During the discussions, His Imperial Majesty outlined th increasing importance of th security and stability of th Persian Gulf and the Straits c Hormoz. His Imperial Majest and the prime minister were i full agreement that peace an tranquility of this region shoul be maintained and safeguarde by co-operation among th littoral states and that an issues which may exist shoul be settled in accordance witl the UN charter and withou interference from outside.

His Imperial Majesty an the prime minister considere the situation in the middl east and believed that th continuing crisis posed a ser ious threat to world peace They urged the need for a jus and lasting solution to th Arab-Israeli conflict in accor dance with the UN Security Council Resolution No. 242 of November 22, 1967 and the ensuing resolutions in this regard, as well as for the realisation of the legitimate rights of the Palestinian people.

His Imperial Majesty and the prime minister considered the situation in Cyprus, Reiterating their support to the independence, sovereignty and territorial integrity of Cyprus, they called for the fulfilment of the resolutions of the Security Council on Cyprus, and expressed the view that the future political arrangements in Cyprus should be worked out through consultations between the two communities in a peaceful climate free from external pressures or interference.

His Imperial Majesty and the Prime Minister considered the situation in Indo-China and expressed their sincere hope that a peaceful solution will be found to the problems of the area through negotiations without interference from outside.

Reviewing the situation in Vietnam, they agreed on the urgent need for the full implementation of the Paris Agreement by the parties concerned in order to restore peace and tranquility in that region and enable the people

The two sides welcomed the recognition of the independence of Guinea-Bissau by Portugal, the decision to grant independence to Mozambique and the steps towards decolonisation being taken in respect of Angola. They hoped that the last vestiges of colonialism in any form as well as all types of racial discrimination would disappear in the shortest possible time.

While reviewing the question of the peaceful uses of nuclear energy, His Imperial Majesty and the prime minister stressed the importance of harnessing nuclear power for economic development and human welfare and of ensuring that access to nuclear technology for peaceful purposes does not remain confined to a few countries.

His Imperial Majesty and the prime minister also agreed on the necessity of achieving complete and universal disarmament including nuclear disarmament under effective international control. In this connection, the prime minister welcomed the proposal of His Imperial Majesty to the 29th session of the United Nations General Assembly for the establishment of nuclear-weapon-free-zone in the middle east and expressed Indian government's support for this proposal.

His Imperial Majesty explained the situation on the western borders of Iran and the apprehension that the present situation and the repetition of these border incidents would lead to instability and endanger the peace of this region.

The Indian side expressed full understanding of the dimensions of the problem. His Imperial Majesty and the prime minister, recalling the Security Council Resolution No. 348, emphasised the need to resolve the problem as early as possible in accordance with the rules and norms of international law and practice and the principles of the UN charter.

The two leaders discussed in detail the problems created by the world economic crisis, particularly world inflation, which had more severely affected the economies of the developing countries. The prime minister of India conveyed India's appreciation and support for the initiatives taken by His Imperial Majesty to tender organised international assistance, such as the proposal for establishing a Special Fund, to countries whose balance of payments had been seriously affected by these developments.

His Imperial Majesty and the prime minister agreed that there was scope for greater economic and cultural co-operation within the region as a whole covering the littoral countries of the Indian Ocean. They agreed that such co-operation would promote increased trade, greater regional self-reliance and the fuller utilisation of the mineral, natural and manpower resources of the region for the benefit of the people of all the countries concerned.

His Imperial Majesty and the prime minister of India reviewed the progress of economic, technical and commercial co-operation between their two countries and noted with satisfaction that considerable progress has been made in these fields, notably in respect of the Kudremukh iron ore project and the alumina and joint shipping line projects. They have directed their respective agencies in the two countries to expedite the implementation of these projects and others which are under consideration, such as the maximisation of production in selected industries in India for supply to Iran, the manufacture of printing paper in India, the supply of railway equipment and the production of other commodities such as cement, etc. They were of the firm view that efforts should continue and be intensified to expand the areas of cooperation for the benefit of the two countries.

His Imperial Majesty, the Shahanshah and the Shahbanou expressed their deep appreciation for the warm and friendly welcome extended to them and to the members of their party by the government and people of India. Their Imperial Majesties extended an invitation to the President of India and Begum Abida Ahmed to visit Iran. The invitation was accepted with pleasure.

The challenge of food and population

THE FOLLOWING is the text of a message from Mr William H. Draper Jr, Honorary Chairman, Population in Crisis Committee, Washington, D.C., USA, on the world food and population crisis :

I am happy to report that the World Population Conference in Bucharest, which ended three weeks ago after many ups and downs, was in the end a real success, and marked a great step forward. A World Population Plan of Action designed to improve the quality of life of the peoples of the world, and looking toward a humanitarian solution of the world's population problems, was adopted by consensus of the 135 governments participating. Population policies were seen as an integral part of economic and social development. Only the Holy See registered dissent from the Plan.

Kurt Waldheim, Secretary-General of the United Nations, who opened the Conference, said, "This is one of the most important Conferences the United Nations has ever organised. I hope it will make an important contribution to the solution of the problem of the discrepancy between the growing population all over the world and the shortage of food."

The Conference did make an important contribution just as the Secretary-General had hoped. The head of the United States delegation, Secretary of Health, Education and Welfare Caspar Weinberger, hailed the Plan as a "landmark advance in international understanding and agreement on population matters."

The Plan of Action as adopted at Bucharest is, of course, not a perfect document. International agreements seldom are, since they must reflect many national points of view, differing ideologies, and many political compromises. But the key sections of the Plan, in my judgement, are extremely important and I quote them below:

"29... It is recommended that all countries:

"(a) Respect and ensure, regardless of their over-all demographic goals, the right of persons to determine, in a free, informed and responsible manner, the number and spacing of their children;

"(b) Encourage appropriate education concerning responsible parenthood *and make available to persons who so desire advice and means of achieving it*; (*italics mine*)

"37...Countries which consider their birth rates detrimental to their national purposes are invited to consider setting quantitative goals and implementing policies that may lead to the attainment of such goals by 1985."

So the Conference has reaffirmed the basic human right of all people to determine the number and spacing of their own children, and, so that this right could be effectively exercised, has recommended that all countries provide the necessary advice and means to all who wish such help. A brief summary of the highlights of the World Population Plan of Action is included with this message.

The Plan as adopted by the World Population Conference, under the leadership of its Secretary-General, Antonio Carrillo-Flores of Mexico, clearly indicates, as many Third World Delegates emphasized, that population policies must be seen as a means and not an end in themselves. At the same time, it also clearly calls for family planning programme. While recognizing the sovereignty of every government to determine its own population policies and programmes, the Plan nevertheless recommends international cooperation, which would point toward a worldwide population programme.

The present trend toward support of this effort is very clear. Practically all the Asian Governments now recognize the serious nature of their population problems and are already endeavouring to provide the necessary information and services to their people.

And at Bucharest, to the surprise of many, the largest country in Latin America, Brazil, announced that it would now begin to furnish both the information and the means to those couples who could not pay for them but desired to limit the number of their children.

So in Latin America — Brazil, Mexico, Colombia and Venezuela — countries representing nearly two-thirds of the population of that continent are already committed to this important recommendation of the Plan.

In Africa, Egypt, Tunisia, Ghana, and Kenya also recognize the desire of many of their own people to limit the size of their families for health or economic reasons, and are ready to help them do so.

The progress made during the past three years in governmental understanding of the population problem and in recognizing the wish of many people for smaller families has been quite remarkable. A satisfactory World Plan of Action has now been adopted by general consensus, and its series of recommendations have been taken back to the capitals of 135 governments for consideration. How they respond, and how quickly and with what priority they act will determine how much progress will actually be made, and how soon family planning services will actually become available generally for the people of the world.

The point was of course made at Bucharest that making family planning services available to people everywhere will not necessarily solve the world's population problem. It would establish the basic groundwork. But it will also require changes in traditional patterns and increased motivation on the part of many millions of couples for smaller families. Therefore, far more education and efforts toward appropriate motivation will be needed everywhere. Also, one resolution urged those countries — and groups within countries — consuming an excessive share of the world's resources to reduce this disproportionate share of consumption.

But now the Plan of Action must be implemented!

It will take first — favourable decisions and action by many governments — and then greatly increased resources from the richer countries in grants, and also from the tax resources of the developing countries themselves, as well as many thousands more of trained personnel to operate the many new or expanding national family planning programmes. Both the United Nations Fund for Population Activities and the International Planned Parenthood Federation will have greatly expanded roles and responsibilities, and hopefully, greatly increased resources. Rafael Salas, Executive Director of the Fund, as well as other members of the United Nations Family, and Julia Henderson, Secretary-General of the International Planned Parenthood Federation will play very important roles in the governmental and private sectors, respectively.

But above all, it will be the priority that governments themselves — and particularly the Heads of State—actually give to these programmes that will determine their success or failure.

In every country it is hoped that you who read this will press and encourage your own government to take action — strong and constructive and priority action — as soon as possible; action however which is consistent with whatever the particular population problem and the cultural situation of your country makes appropriate and desirable.

Recently, more than 2500 distinguished citizens from over 100 countries have signed a Declaration on Food and Population (which is reproduced below—Ed). They too can help immensely if they will also do all they can so that both the public and those in government understand what should be done, and the urgency of doing it now.

We particularly suggest that you all urge your own government to accept the Plan's basic recommendation, and by enacting a new law or by official proclamation announce publicly that the government will supply both the necessary information and the means to all couples who desire to limit or space their own children, *and will endeavour to make this family planning programme effective throughout the entire country as soon as possible but not later than 1985* — even though this date was not specifically included in the final Plan.

If many governments throughout the world will take some such action in the near future, the agreed Plan of Action will begin to have real meaning and real substance.

Finally, one of the resolutions adopted at the Bucharest Conference asked all governments to participate constructively in the World Food Conference to be held in Rome next November. Population increase has recently been outrunning world food production. Many hundred millions are still underfed — many in quite a few countries are now actually starving.

It is clear that in the short range more food must and can be grown — most developing countries should aim to be self-sufficient in food, and so themselves be safe. This means that higher priority must be given to the agricultural sector in many countries.

It is equally clear in the longer range that unless the world's population problem is solved — and this means eventually a stabilized, constant, non-growing population for the world as a whole — the food problem will someday get completely out of hand, and then mass starvation might become Nature's very unwelcome solution.

Unfortunately, as I see it, the preparatory proposals for the Food Conference do not suggest the need for reduction in population growth in order to look toward a long-term solution of the world's food problem. Since the earth is finite and food production cannot be increased indefinitely, we believe it would be desirable to suggest to all delegates to the World Food Conference that they support two broad principles:

(*a*) To grow more food in all food deficit countries to assure sufficient food at a reasonable nutritional level for their own people now and in the short range future for their growing population.

(*b*) To recognize and publicize the need in the longer run to reduce world population growth, and to therefore advocate governmental policies and action in all countries *now* toward that end.

In closing we continue to advocate more food production and lower population growth — and we ask your personal help in both directions. Discuss both problems with your friends — in and out of government. Something can be done to help in every country. So please do whatever you can now, before it is too late.

Highlights of the Bucharest Plan

Population policies and programmes are an integral part of economic and social development and should be directed toward the ultimate goal of improving the quality of life for all men, women and children. To this end, the World Population Conference recommends that:

1. Governments should develop national policies and programmes relating to the growth and distribution of their populations, if they have not already done so, and the rate of population change should be taken into account in development programmes.

2. Countries should aim at a balance between low rather than high death rates and birth rates.

3. Highest priority should be given to the reduction of high death rates. Expectation of life should exceed 62 years in 1985 and 74 years in 2000. Where infant mortality continues high, it should be brought down to at least 120 per 1000 live births by the year 2000.

4. Because all couples and individuals have the basic human right to decide freely and responsibly the number and spacing of their children, countries should encourage appropriate education concerning responsible parenthood and make available to persons who so desire advice and means of achieving it.

5. Family planning, and related services should aim at prevention of unwanted pregnancies as well as elimination of involuntary sterility or subfecundity to enable couples to achieve their desired number of children.

6. Where family planning programmes exist they should be coordinated with health and other services designed to raise the quality of life.

7. Countries which consider their birth rates detrimental to their national purposes are invited to set quantitative goals and implement policies to achieve them by 1985.

8. Developed countries should develop appropriate policies in population, consumption and investment, bearing in mind the need for fundamental improvement in international equity.

9. Because the family is the basic unit of society, governments should assist families as far as possible through appropriate legislation and services.

10. Governments should ensure full participation of women in the educational, economic, social and political life of their countries on an equal basis with men.

11. Countries which wish to increase their rate of population growth should do so through low mortality rather than high fertility, and possibly immigration.

12. To achieve the projected declines in population growth and the projected increases in life expectancy, birth rates in the developing countries should decline from the present level of 38 to 30 per thousand by 1985, which will require substantial national efforts and international assistance.

13. In addition to family planning, measures should be employed that affect such socio-economic factors as reduction in infant and childhood mortality, increased education particularly for females, improvement in the status of women, land reform and support in old age.

14. To assure needed information concerning population trends, population censuses should be taken at regular intervals and information concerning births and deaths should be made available at least annually.

15. Policies should be developed to reduce the undesirable consequences of excessively rapid urbanization and to develop opportunities in rural areas and small towns, recognizing the right of individuals to move freely within their national boundaries.

16. International agreements should be concluded to regulate the migration of workers and to assure non-discriminatory treatment and social services for these workers and their families.

17. National efforts should be intensified through expanded research programmes to develop knowledge concerning the social, economic and political interrelationships with population trends; effective means of reducing infant and childhood mortality; new and improved methods of fertility regulation to meet the varied requirement of individuals and communities, including methods requiring no medical supervision; the interrelations of health, nutrition and reproductive biology; and methods for improving the administration, delivery and utilization of social services, including family planning services.

18. International, intergovernmental and non-governmental agencies and national governments should increase their assistance in the population field on request.

19. In exercising their sovereign right to determine their population policies and programmes, governments should do so consistent with human rights and the effects of their national policies on the interests of other nations and of mankind.

20. The Plan of Action should be closely coordinated with the International Development Strategy for the Second United Nations Development Decade, reviewed in depth at five year intervals, and modified as appropriate.

Declaration on Food and Population

This is the text of a call to governments and people for action by concerned citizens from many parts of the world, which was signed by more than 2,500 distinguished citizens from over 200 countries and submitted to the UN Secretary General on April 25, 1974.

To, Governments, Organizations and Men and Women Everywhere. We, the Undersigned, Address this Declaration on Food & Population.

No link unites the family of man more than his need for food. For food is an essential condition of life, common to all people; wherever they are, whatever they do they share alike in this need.

The stark truth is that man's ability to produce food is not keeping pace with his need. Despite efforts by governments and the international community to solve world food problems, more people are hungry today than ever before.

Hundreds of millions of the world's people are undernourished. Population growth is adding 75 to 80 million more people each year, 200,000 each day. Within the next 25 years or so our present numbers of nearly 4 billion will be nearly 7 billion. They must all be fed.

The world food situation took a sharp turn for the worse in 1972 and 1973:

1. Stocks of grain have hit an all-time low since the end of World War II. Surplus stocks formerly held in reserve have nearly been exhausted and no longer offer security against widespread hunger and starvation.

2. Food prices have reached new highs. Last year, despite a record world harvest, escalating demand nearly doubled grain prices. The increasing cost of food threatens to cause serious hardship for many people already spending most of what they have on food.

3. Less of the cheaper protein foods, which normally supplement grain diets, is available. The world's fish catch and per caput production of protein-rich legumes, the staple diet in many countries, have declined.

4. Food shortages have created serious social unrest in many parts of the world and are particularly severe in countries where hunger and the diseases that thrive on undernourished bodies are prevalent. This scarcity has been aggravated by the consumption of more and more grain to produce meat, eggs and milk.

5. Mounting fertilizer and energy shortages are reducing food production in certain areas and increasing food prices.

In this new and threatening situation, a bad monsoon in Asia (which could occur in any year), or a drought in North America (like those in the 1930's and 1950's), could mean severe malnutrition for hundreds of millions and death for many millions.

This dangerously unstable world food picture, when seen against an unprecedented population increase, has created an immediate sense of urgency. The dangers of food shortages could remain a threat for the rest of this century — even if, hopefully, bumper crops in some years create temporary surpluses and even if the trend toward reduced birth rates becomes general throughout the world.

World food production in the years ahead must rise at least 2 per cent a year to keep pace with the present rate of population growth. But it must rise a good deal more if the world's people are to be provided with an adequate diet. This required annual increase in food production which is considerably greater than that which occurred during recent decades—and seems to be increasingly harder to achieve each year. But unless there is this necessary and continuous increase in food production, there will be even more hunger and malnutrition and soaring food prices.

The need to seek solutions is pressing. The nature of the problem, the precarious state of world food production made critical by predicted expectations of continued population growth, calls for concerted action by the world community. There is only one cure for hunger and that is food. No palliatives or panaceas in the form of reports or resolutions can alleviate the pain of empty stomachs that must be filled. International resolutions, however high-minded, are a mockery if they do not have a tangible impact on the human conditions.

The United Nations is now providing leadership on both these problems. In August the United Nations will convene the World Population Conference in Bucharest. In November it will convene the World Food Conference in Rome. These are the first occasions when governments have agreed to meet to consider these crucial questions and to consider taking action on them.

With those two conferences only a few months away, we urge governments, acting before, at and after these two global conferences, to consider realistic and purposeful measures such as the following:

1. Give high priority to programmes in each country which will increase the production of grains, legumes and other staple food crops; ensure the availability of protein-rich foods, particularly to the more vulnerable population groups; expand the production of fertilizer; and improve the opportunities for small farmers to make a reasonable living. Develop a comprehensive and constructive World Food Plan for adoption at the World Food Conference.

2. Support sound population policies relevant to national needs which respect national sovereignty and the diversity of social, economic and cultural conditions; accept and assure the human right of each couple to decide for themselves the spacing and size of their families;* and recognize the corresponding responsibility of governments to provide their peoples the information and the means to exercise this right effectively.** Embody these policies in a World Population Plan of Action to be agreed upon by governments at the World Population Conference.

3. Recognize that the interdependence of the world community creates an obligation to assist in the necessary funding of food and population programmes by both developing and developed countries. This calls for the elaboration and implementation of a global strategy by the United Nations and its family of agencies, including the Food and Agriculture Organization of the United Nations and the United Nations Fund for Population Activities.

4. Establish sufficient food reserves through national and international efforts to provide continuing vital insurance against food shortages.

5. Recognize that, in our finite world where resources are limited, the family of man must one day, and hopefully fairly soon, bring birth rates into reasonable balance with the lowered death rates that have been achieved. Many governments see the need to

* United Nations Teheran Declaration of Human Rights, 1968 (para. 16)

** Resolution 1672 (LII) of the United Nations Economic and Social Council, 1969 guide national policy toward this objective.

A solution to the present world food crisis must be found within the next few years. The social transformation which can lead to a reduction in the world rate of fertility, along with lowering the rate of mortality, will take decades to accomplish. But a start must be made now because the millions of people being born each year place a heavy burden on the resources available to many nations for education, health, employment and the maintenance of environmental quality. A reduction in population growth could help alleviate this burden. Effective measures toward resolving both the world food and population problems must come within a total strategy of development. Not only is social and economic development desirable in itself, but also it contributes to moderating population growth. All these measures are designed to improve the quality of life.

In this Declaration, we focus on food because it is the most critical of the pressures on the world today. It is the greatest manifestation of world poverty, which has many aspects. The absolute number of desperately poor are far greater today than ever before in history. The need to eradicate acute poverty is being recognized more than ever as a collective responsibility. It is a task which global partnership and the demands of social justice make imperative.

We repeat, food is crucial because literally tens of millions of lives are suspended in the delicate balance between world population and world food supplies. Growing populations, denied sufficient food needed for survival, resist all efforts to secure a peaceful world. With increased production and more equitable distribution of food, the future could provide a prospect of less misery and more hope for countless people now deprived of the basic necessities that are their right.

The World Food Conference represents a unique opportunity. This opportunity must not be missed. Comprehensive international agreements must be reached to assure at least minimal food supplies, with sufficient annual carry-over stocks. Disastrous breakdowns in the world food supply can thus be avoided. All nations may then rest secure in the knowledge that this, the most critical of their immediate problems, is being attacked with wisdom, vigor and unity of purpose.

In the name of humanity we call upon all governments and peoples everywhere, rich and poor, regardless of political and social systems, to act — together and to act in time.

Following is the text of the statement made by Secretary-General Kurt Waldheim on receiving the Declaration on Food and Population at a ceremony at United Nations Headquarters:

I am grateful to be given this Declaration. It is marked by a profound concern for the human condition. The Declaration is important of itself by virtue of the authority of the signers whose standing in all walks of life is reflected by the stature to those who have come to the United Nations today to bear witness to it.

I have recently described the times we are living in as being characterized by mass poverty, food shortages, and energy crisis, a continuing oppressive burden of military expenditure, inflation exacerbated by world monetary instability, and the prospect before us of a doubling of human numbers by the turn of the century.

The Declaration addresses itself primarily to the dramatic depletion of available food reserves and the shortfall in world food production. There is no more immediate task than that of rescuing the world from a situation which, for many, has always been precarious and is now even more hazardous. Short-term measures, while essential, must not be allowed to become palliatives, for the coming years will increase our vulnerability.

Virtually in no other area is it more pressing than in the one to which your Declaration addresses itself: the need to assure that the men, women and children of Africa, Asia, Europe and the Americas, whatever their origin, their religion, their political philosophy, their age, their social condition have the basic foods which are the one essential and undebatable pre-condition of a life of dignity and decency. Without an assured supply, all our other aspirations for peace, for social justice, for growth and creativity, both as individuals and as nations, lose their meaning and take on a hollow ring.

I cannot but be sharply and painfully conscious of the dangers posed by the Declaration, having recently returned from the Sahel. There, the suffering provoked by a six-year drought is resulting in premature death, disease and a dreadful sense of helplessness. The tragic spectacle of dying cattle and their owners fleeing the encroaching desert induces a sense of desperation into what should be the objective analysis of the world's food situation and prospects.

It is no accident that this Declaration is presented at the United Nations. This body was established in the final phase of the most devastating war in history not merely to embody the highest aspirations of mankind, but to provide an operational vehicle for global action. The present crisis and those that we can see looming ahead can be overcome. They are indeed a serious challenge to use all our forces, our determination and ingenuity to provide a better life for future generations.

This is a year in which the international community, with some brutally abrupt reminders of what the future may hold, is facing up to the situation. At its present special session, the General Assembly is devoting its attention to finding the basis of a more equitable and workable economic system — a system which takes into account not only the needs of all nations, but also the imperative interrelationships of the several parts of the problem: poverty, the conservation and just apportionment of natural resources, the preservation of the environment, and the problems of trade and monetary system. Food and population, the two urgent issues to which your Declaration addresses itself, form an integral part of this whole.

In August, in Bucharest, for the first time Governments will hold a world population conference. Shortly afterwards, in Rome, the World Food Conference will offer Governments the opportunity to tackle the world food problem. Your call therefore for international co-operation to ensure supplies of food comes at an opportune moment. The World Food Conference will present the Member States of the United Nations with the unique opportunity to take immediate practical and urgently needed steps to redress a tragic situation which we can no longer afford to ignore.

The unprecedented growth of the world's population is compounding man's difficulties in feeding himself. The time at our disposal is very short. You point out that the world's food production has barely kept pace with population increases. Our goal is not mere survival but a life of dignity and peace with hope for each new generation to improve the conditions of life for the billions of men, women and children who will inhabit the earth in the coming decades.

Whether or not we can increase food production depends, as the Declaration states, not on a torrent of words and resolutions, but on adopting new and tangible objectives, hammering out the global strategies needed and revitalizing the machinery to achieve them. In spite of its ideological complexity and the political and other constraints that must exist in any global body, the United Nations can and will respond.

It is in this same spirit of commitment and determination that I receive this Declaration. I am confident that the international community can and will find humane solutions to the serious problems of food and population which confront mankind.

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FAITH
PEOPLE
FUTURE
GROWTH
INVESTMENT
DEVELOPMENT
PROGRESS
COMMUNITY
PLANNING
WELFARE

In better shape

NEWSPAPERS REPORTING on the cabinet reshuffle have noted that this is the seventh time since the mid-term poll in 1971 that the prime minister has shuffled her pack. If therefore Mrs Gandhi's council of ministers does not still have a finished look, it is not for want of trying on her part. She could of course keep on trying and she may no doubt hope to succeed some day, like Robert Bruce. Meanwhile the country may be thankful for some not so small mercies. Mr Jagjivan Ram's new assignment has been deservedly greeted in the country with genuine enthusiasm. As minister for Agriculture and Irrigation he is in a position to exercise for the definite benefit of the nation his substantial political status and vast talent for administration. Here is a man with plenty of practical good sense and he may be depended upon to follow sound and realistic procurement and price policies without which there can be no sustained growth of agricultural production. His immediate task of course is to work out a credible food policy and the country may reasonably hope that he would do this in such a way that the consumer considers him a well-wisher while the farmer regards him as an ally.

There is similarly sufficient reason for the public taking kindly to the prime minister's choice of Mr C. Subramaniam for the Finance ministry. That this fulfils a cherished personal aspiration is certainly not the most important aspect of this appointment. He may not perhaps be the answer to the prime minister's celebrated prayer for a wizard to put the economy right, but he has acquired experience in depth of both industrial expansion and agricultural development. He assumes his new responsibilities at a time when his intellectual powers have matured and mellowed. He may therefore be expected to eschew adventurism as well as opportunism and help steer the economy carefully and steadily through the difficult period ahead. Right now the economic condition of the country resembles verily the state of a ship on the high seas battered by a violent storm. Inflation remains an immense problem but in the meanwhile the government's credit squeeze has begun throttling even normal and legitimate business activity. There is a real danger of both manufacturing and trading being disrupted unless the government acts to restore the normal financing of production or marketing. It is some time since the Finance minister has been a master in his own house. This position should change now, for Mr Subramaniam may certainly be expected to take the initiative in policy and administration.

The bringing together of Industrial Development and Heavy Industry as a single new ministry of Industries under Mr T.A. Pai is another happy thought. His predecessor, Mr Subramaniam had done much to simplify and speed up industrial licensing and it now remains for Mr Pai to assist in the creation of an economic climate in which licences could quickly fructify as projects and plants. His abilities are considerable and his self-confidence is even more so. All the same, it is reasonable to ask why Civil Supplies should also have been included in his portfolio. This charge has no logical link with Mr Pai's major assignment and could easily prove a time-consuming diversion for him. Mr K.D. Malaviya has been moved from Steel and Mines to Petroleum and Chemicals. His return to his old stomping ground has much to recommend it. The country should wish him well and pray that petroleum policy would recapture its dynamism under his skilled and dedicated ministrations. At the same time the country may well be apprehensive about his being able to spare sufficient time and energy to other equally important areas of his portfolio, such as fertilizers or chemicals.

The Steel portfolio has once again been disturbed. This is unfortunate because it is a complex charge and a new minister will certainly take time even to get acquainted with the job. Moreover, Mr Chandrajit Yadav, who has been inducted into the council of ministers as a minister of state to be in independent charge of Steel and Mines, has had no ministerial experience. Fortunately he is young and clearly capable and may well prove worthy of the trust reposed in him. The prime minister's secretariat, however, may have to keep an eye on this ministry for a start so that its functioning

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may not slump or slacken while Mr Yadav is learning the tricks of his new trade.

The prime minister has been wise in deciding that Mr D.P. Chattopadhyaya should continue his good work at the Commerce ministry. His enthusiasm is a great asset as is his reputation for being 'clean.' Mr Chattopadhyaya's performance so far might be less dazzling than what he himself thinks it is but there is no doubt that here is a minister who is determined to make a success of his job. As much and more could certainly be claimed for Mr K.C. Pant, who continues to be minister of state but will be in independent charge of the newly created ministry of Energy which takes under its wings Power and Coal. During his spell as minister for Irrigation and Power Mr Pant had demonstrated sustained capacity for paying attention to detail while analysing and assessing broader concepts. His enlarged responsibilities may well give him the additional scope he needs for addressing himself fully to the demands of power development.

As has been suggested at the outset, Mrs Gandhi has done less than a complete job of giving the country a government good in all its parts. There are still far too many free-loaders and hangers-on in her team, while she has obviously not been over-keen on cutting down even some easily detected dead wood. Quite a few important ministries still have ministers who are indifferent or inadequate or both and there is also the nagging feeling that, having decided on certain dismissals or replacements, the prime minister is waiting for a more opportune time to give effect to these decisions. There is in all this the risk that the country may become more and more cynical about the quality of its government. On the present occasion, however, there is also just a chance that the public may be willing to give a trial to the new dispensation under which Mr C. Subramaniam in Finance, Mr Jagjivan Ram in Agriculture and Mr T.A. Pai in Industries will have opportunities to work both individually and collectively to revive and reinvigorate the economy and re-start it on the road to development.

Bhoothalingam report

IN HIS mid-year (1974-75) review of the Indian economy, written for *Margin*, the quarterly journal of the National Council of Applied Economic Research, Mr S. Bhoothalingam, formerly Director-General of the Council and now an Adviser, declares that the patient is gravely ill, but recovery is possible. His optimism, such as it is, is purely subjective, for he suggests that "the only hopeful factor is that, for the first time in many years, the govenrmet seems to be well and sincerely aware of the danger," As proof he cites the ordinances promulgated in July this year and the supplementary budget and taxation measures of August. He however proceeds promptly to concede that "this package of measures may be incomplete and insufficient and some of them may not be as effective as hoped for." It is not only politicians who want to eat the cake and have it; ex-bureaucrats too could apparently be similarly tempted. The truth is that everybody is convinced that something must be done about inflation and that it is primarily for the government to do it, but not many seem to know what precisely is to be done. However, neither Mr Bhoothalingam nor the rest of us need be unduly despondent. Helplessness in the face of inflation seems to be as universal a feature of the human condition as inflation itself.

The mid-year review has wisely refrained from conjectures even about the immediate future. All that it permits itself is to say very cautiously that the economy might improve if certain things which could be done were in fact done. For instance, the government of India, Mr Bhoothalingam says, should not hesitate to raise external resources of a large order taking advantage of every facility that may be available for the purpose. He also recommends that, having done so or even while doing so, the government should boldly commit enough funds for such essential imports as oil or foodgrains. He has warned against the food import needs of the country being underestimated and he himself is persuaded that there would be a foodgrain deficit of about seven million tonnes in 1974-75.

After reviewing the poor performance of the industrial production index in 1973, Mr Bhoothalingam usefully asks whether the country could not make better use of its investments in industrial plant and machinery than it has been doing lately. He admits that power has been a bottleneck but doubts the necessity to despair. As he has worked out the electricity arithmetic, if only the thermal stations could operate at the designed capacity of 60 per cent load factor, the estimated energy now required by all sectors could be fully found. Consequently, he deprecates the attitude that "until more power stations are commissioned in due course, the country has necessarily to put up with the present kind of crippling power shortages."

Mr Bhoothalingam's analysis admits the significant role of money supply in generating inflation, but he rules out proposals for legitimatizing black money at a price as well as monetarist formulae such as SEMIBOMBLA. Rather unhappily, he himself has no positive suggestions to make, which is all the more unsatisfactory since he states that the "measures taken and envisaged (so far by the government) to check the growth of money supply are unlikely to give immediate relief." It has been said that in the long run we are all dead. Given inflation of the kind we are having now, we should all be dead much earlier. Mr Bhoothalingam is quite emphatic that production must rise if the rigours of inflation are to be mitigated. On this there can be no two opinions. Agreement is also readily possible on the point that production could be substantially raised if certain conditions, none of them impossible, are met. Improvement in the generation and distribution of electricity has been mentioned already. Mr Bhoothalingam recommends also better productivity in coal, steel and transport. He demands some shock treatment in the case of fertilizers — "be it development, production or distribution" — but leaves us guessing about the nature of the shock treatment recommended.

In the private sector of industry Mr Bhoothalingam notes that performance

depends a great deal on the operation of government policies. He warns against dogmatic or rigid credit squeeze and he naturally protests against the wasting of time involved in bureaucratic procedures, regulatory or otherwise. Mr Bhoothalingam does not indicate to what extent an increase in industrial production would restrain the increase in the price level within any relevant future period. On the contrary, he declares rather fatalistically that "prices continue to rise and will go on doing so." In practical terms, an increase in industrial production of an extent likely to be realized is rather unlikely to overcome inflation so long as the government's monetary and fiscal policies do not subject themselves to corresponding discipline. Nevertheless, it is good indeed that Mr Bhoothalingam has so uncompromisingly emphasized the importance of increasing production. Especially as a recession in certain areas of industry, involving an aggravation of unemployment or other economic difficulties faced by the nation, seems only too probable, the urgency of stimulating both production and investment in the industrial sector can hardly be exaggerated.

McNamara Pleads

THE PROPOSED resort by the government of India to the newly established "oil facility" of the International Monetary Fund (IMF), despite the fact that the interest of about seven per cent on this facility is considered rather high, provides ample justification for the World Bank President, Mr Robert McNamara's penetrating analysis of the current international economic situation as well as his strong plea at the annual meeting of the Bank a few days ago for a substantial increase in the quantum of concessionary aid available to the developing poor countries.

India proposes to go in for IMF's oil facility because, notwithstanding the nearly 50 per cent increase in her exports during April-July period and three earlier drawals on the IMF under the compensatory finance facility, the gold tranche and the first credit tranche, she finds herself confronted with the prospect of a precipitate fall in her foreign exchange reserves. These reserves had been eroded to the extent of nearly Rs 150 crores during the two months to September 15. In the subsequent week, the rate of decline — Rs 33.68 crores — gathered further momentum. India's, incidentally, is not an isolated case of difficult balance of payments position. Mr McNamara has pointed out that most other developing countries, the prominent among them being Bangladesh, Sri Lanka, Mali, Niger, Upper Volta, Mauritania, Senegal, Chad, Tanzania, Somalia and Kenya, face a similar situation.

As the World Bank president has stressed, the plight of these countries is not of their own making, even though it has been aggravated to some extent by such natural calamities as floods in some and severe drought in others. Global inflation in general during the past about three years and the sharp rise in the prices of petroleum, fertilizers, foodgrains and most primary products since last year in particular have done a great damage to the balance of payments position of most of the poor developing nations. In the case of India, the imports of crude oil, fertilizers and foodgrains alone are expected to eat up nearly 80 per cent of the country's this year's export earning, leaving very little for financing other imports. The larger quantum of aid expected this year also is not likely to be of much help as the real value of this assistance has been eroded considerably by global inflation.

More pertinent, however, is the prospect visualised by Mr McNamara of the global growth trends during the rest of the current decade. Thanks to the near-quadrupling of oil prices in just about a year, the rate of growth of the gross national product of the developed countries is said to have gone down currently to a bare 1.3 per cent from 6.7 per cent last year and 5.8 and 4.9 per cent in the preceding two years. This is not only expected to affect their development assistance programmes but also the prospects of exports of the developing countries Since nearly 75 per cent of the total exports of the developing nations are effected to the developed nations, a diminished growth rate of the latter translates very quickly into reduced demand for the exports of the former, leading in turn to a reduction in their (developing countries') capacity to import. In the absence of large-scale external assistance, the rate of growth of the developing countries cannot then but suffer.

According to the World Bank's projections, which have been cited by Mr McNamara, the GNP growth per capita in the developing nations with per capita incomes over \$200 (these countries account for 600 million population) may go down during 1974-80 to 3.4 per cent from 4.3 per cent on an average during 1965-73. The rate would turn even minus 0.4 from 1.1 in the case of countries with per capita incomes under \$200. These countries account for 1,000 million people.

Among the developing countries, the only ones which are expected to register improvement in the GNP growth per capita in the coming years are the major oil producers with a population of 300 million people and the mineral exporters with 100 million people. The growth rate of the oil producers may go up from 5.4 per cent to 8.4 per cent and of the mineral producers from 1.2 to 3.8 per cent. The developed nations and some of the developing countries with high growth rates at present due to their industrial strides, of course, should be able to pull through, although they face serious problems of adjustment to the new conditions. They, it is felt, are able to borrow much of what they need on the world capital markets. They can also attract investments from the oil producing countries which have large surplus funds on their hands.

It is against this background that Mr McNamara has called for a substantial increase in the quantum of concessionary assistance to the developing nations, particularly to the poorest among them. For these countries, a setback to their growth rates will mean not just inconvenience — as would be the case with the developed nations — but appalling deprivation. Th

McNamara's plea, therefore, needs to be fully endorsed. The problem cannot be resolved if the developed nations remain content with devising ways and means for overcoming their own difficulties and brush aside aid considerations. Part of the additional aid requirements can well be met by the oil producing countries but the developed nations too have to contribute liberally, even though this might entail some sacrifice on their part.

The question of recycling a major portion of the surplus funds of the oil producing countries has been entrusted for detailed study to a special committee of the IMF. It is, however, difficult to say how far the deliberations of this committee will be fruitful in the present-day mood of confrontation between the developed countries, which recently considered the question of oil prices under the leadership of the United States, and the oil producers.

The developed countries have called for a cut in oil prices. If the observations of the Shah of Iran at his press conference in New Delhi are any indication, this call, which he termed as unilateral, is bound to be resisted by the members of the Organisation of the Petroleum Exporting Countries. An indication to this effect has also been given by the Secretary-General of the OPEC who has hinted that a further upward revision may be sought in oil prices to compensate the producers for the continuing global inflation. The problem can be resolved through mutual discussions between the producers and major consumers of oil. The present mood of confrontation would only complicate matters further.

In view of the mounting burden of external debt on the developing nations, it is, of course, imperative that the surplus funds of oil producers should be channelled to them at liberal terms. The Shah of Iran's proposal for setting up a special fund for this purpose under the aegis of the United Nations, from where assistance can be made available to the developing nations at 2.5 per cent annual being spread over 25-30 years, needs detailed consideration.

It is, however, encouraging to note that Mr McNamara has underscored the need for diversification of the energy patterns phasised the need for bestowing greater attention on their agricultural development programmes. Unless they do so, not only will they find it difficult to adequately feed their growing populations but also to foster their economic growth.

Ways and means

AT A time when inflationary pressures are being more acutely felt even with the attempts to regulate money supply, the central exchequer is feeling more comfortable than at this time last year and there are clear indications that it will be in possession of tax and non-tax revenues of dimensions much larger than what are assumed in the budget estimates. There is, however, as yet no adequate recognition of the oppressive burden of new levies imposed by the central government in its original and supplementary budgets and of the periodical adjustments in tariff values of selected commodities for purposes of levying *ad valorem* excise duties. Even without a significant increase in the output of excised commodities and no large increase in the quantum of dutiable imports, the union Finance ministry can hope to exceed comfortably the budget estimates, of an improvement of Rs 520 crores (gross) after taking into account the new taxation proposals of February this year. The gross increase may of course be said to be Rs 535 crores as there was a share of Rs 15 crores for the states in respect of the new excise levies on July 31. (The interim budget proposals postulated additional revenues of Rs 136 crores gross and these became effective from July 31, 1974).

The details relating to central revenue for the first four months of the current financial year make extremely good showing. Total revenues amounted to Rs 1650.82 crores representing an increase of Rs 346.17 crores. Of this, excise duties alone accounted for additional revenues of Rs 218 crores. But what is really significant is the net improvement in customs revenues. In view of the constraints on foreign exchange resources it had been actually expected that there would be a net drop of Rs 38 crores in a whole year. But there has been a rise of Rs 94 crores. Income tax receipts have improved by Rs 13 crores and corporation tax by Rs 19 crores.

Ignoring the effect of the interim budget proposals, excise duties can be expected to fetch in a whole year additionally Rs 450 crores while customs revenues alone may account for an extra Rs 150 crores. The collections in respect of income tax and corporation tax may be easily another Rs 150 crores bearing in mind the possibility of brisker assessments of individual tax-payers and the better performance of the textile, chemical and other industries. The additional revenues even on the basis of the original budget proposals will therefore be Rs 750 crores. Allowing for the states' share of this increase in revenues the central exchequer will be receiving Rs 550 crores more than it anticipated.

The interim budget proposals too grossly under-estimated receipts as the impact of higher tyre prices and the values of other excised commodities had not been taken into consideration, and the receipts for the eight months could be taken at Rs 160 crores gross, or a net of Rs 145 crores. The total of tax revenues alone will thus be higher by Rs 700 crores in a full year on central account. It may be said that these assumptions are exaggerating the scope for increased tax receipts. But the actual receipts may prove to be much better than these estimates. However, even granting that only about Rs 600 crores will be available for the central exchequer, the expenditure in respect of additional dearness allowances, food subsidies and the higher cost of administration cannot take up more than Rs 400 crores while on the Plan side the total outlay can be raised by Rs 200 crores and

will be larger capital receipts with net larger foreign aid and heavier net borrowing through open market loans and under the small savings campaign. It is probable that the surpluses of central government undertakings may prove to be better than now anticipated.

With such a comfortable budgetary position, the union Finance ministry should not have any difficulty in meeting its commitments in the coming months. In fact its objective should be to use a good portion of fresh receipts for cancelling ad hoc securities created in the past few months and avoiding completely deficit financing. It will be no great achievement if it is proudly claimed later that the Finance minister had succeeded in limiting deficit financing to Rs 125 crores even after being in possession of extra receipts for over Rs 800 crores. There is actually scope for presenting an overall balanced budget if not achieving an overall surplus of Rs 50-100 crores.

There are indications of course that the improvement in tax and other revenues is already being reflected in a reduction in the quantum of deficit financing. An analysis of the returns of the Reserve Bank of India since the end of March this year shows that there was an increase in rupee securities, holdings of treasury bills and investments in the Issue and Banking Departments, between March 29 and September 20, 1974, of only Rs 300.94 crores against as much as Rs 624.34 crores in the corresponding period in 1973-74. The decline would have been even more pronounced in the current financial year but for the fact that a portion of the overdrafts of the state governments had to be taken over by the centre.

It is not possible to make any projections on the basis of the trends in the past few months. But with the prospect of larger revenue and capital receipts in the coming months it should certainly be feasible to cancel ad hoc securities handed over to the Reserve Bank for meeting overruns in expenditure relating to 1974-75. As in 1973-74 there were heavy cancellations of ad hoc securities in the last six months, it can be hoped that the contractionary trends in money supply noticed latterly will remain in evidence especially as there will be immobilisation of 50 per cent of exceptional increases in wages and additional dearness allowances at the rate of Rs 50 crores a month. Since there will also be compulsory deposits for about Rs 75 crores by March next year the rate of growth in money supply taking into account the seasonal expansion of credit after October should be much less than in the busy season of 1973-74.

In view of the unexpected additions to revenue and capital receipts it should be the objective of the government from now on to eschew altogether deficit financing besides neutralising the effect of earlier creation of currency for ways and means purposes. With the completion of the borrowing programme for the current December, a net amount of Rs 300 crores may be raised through open market loans. Nearly the whole of this amount can be utilised for cancelling ad hoc securities.

For the first time in recent years the union Finance minister has been afforded an opportunity for presenting an overall balanced budget and there should not be any relaxation of the efforts to achieve economies in Plan and non-Plan expenditure simply because there is a surfeit of resources. In view of the fact that the interim budget proposals of the centre and railways will be fully operative in 1974-75, the government should even think of formulating the budget estimates for 1975-76 without seeking to raise additional tax revenues.

Foreign trade: plus and minus

THE TRENDS in exports from this country in the first five months of the current financial year give room for the hopeful expectation that the aggregate foreign exchange earnings in 1974-75 may easily be Rs 3,000 crores against Rs 2411 crores for 1973-74. In the past year imports were in excess of exports to the extent of Rs 210 crores and a net big decline in foreign exchange reserves could be avoided with the effective use of aid in the pipeline and satisfactory assistance from members of the Aid India Consortium. The withdrawals from the International Monetary Fund in the early months of this year were actually meant to build up foreign exchange reserves in order that the country might be in a position to pay for costlier imports of crude oil and petroleum products and commercial purchases of foodgrains. The earlier calculations were based on an export target of Rs 2,600 crores and imports of up to Rs 3,300 crores leaving a gap of Rs 700 crores.

It was not of course reckoned until recently that there would be compulsion to import additionally three million tonnes of foodgrains requiring an extra expenditure of about Rs 300 crores. In order to avoid concessional imports of foodgrains and be also prepared for heavy commercial purchases, it was felt that there should be a pruning of imports of crude oil and petroleum products by nearly two million tonnes which would be helpful in effecting a saving of Rs 175 crores. It has been subsequently realised however that a net reduction in oil consumption cannot be achieved and in view of the power shortage in north-western India and the inability of railways to move all offering traffic, there might even be a small net increase in aggregate consumption of petroleum products.

The situation would have been really unmanageable if imports had to be permitted to the extent of Rs 3,500 crores and exports amounted to only Rs 2,600 crores. It is even now not clear what will be the size of the import bill as the foreign exchange allocations in respect of food imports can be determined only after the negotiations for securing additional quantities of wheat on a loan basis from the Soviet Union have been completed and it is also known what could be expected by way of assistance from the USA after Dr Kissinger's visit to India in the last week of this month. It can certainly be expected that some benefit would flow from these two quarters and about Rs 15[illegible] crores can be saved through imports c[illegible] purchases from USA on the basis of special credits.

There will of course be the obligation to return the loaned wheat after some time apart from effecting repayments against special US credits. If, however, there is easier availability of foodgrains as a result of dehoarding of stocks and the rabi crops proves satisfactory, the purchases now being effected in foreign countries can be helpful in building up buffer stocks. A definite view in this regard can be taken only by March next year.

The government can manage to meet an import bill of Rs 3450 crores without any great difficulty as the special credit provided by Iran and Iraq for financing oil imports will be available and the oil facility of the International Monetary Fund also can be utilised in a contingency. Besides, foreign balances held by the Reserve Bank in the Issue and Banking Departments on September 27, 1974 represented an increase of Rs 192 crores in a 12-month period. The Reserve Bank itself has suggested in its recent annual report that these balances can be drawn down, if need be, by Rs 300 crores. There may not however be any necessity to adopt this course as the value of exports even in the first five months of the current year amounted to Rs 1265 crores against Rs 852 crores in the corresponding period in 1973-74.

Taking into account the fact that exports in the last seven months in 1973-74 had a value of Rs 1,558 crores and sugar exports between September and March 1975 will secure another Rs 150 crores net, it can be safely anticipated that the Rs 3,000 crore mark will be comfortably reached. The deficit will then be Rs 450 crores taking into account special assistance from the Soviet Union and USA in respect of imports and Rs 600 crores without any special aid for this purpose. A gap of Rs 250 crores can always be managed with foreign aid which is expected to be larger than in 1973-74. The credit from Iran and Iraq for oil imports will be roughly Rs 200 crores. The remaining gap of Rs. 150 crores can be bridged by drawing down foreign exchange reserves. There it assistance of Rs 150 crores is forthcoming, from the Soviet Union and USA for financing food imports.

The satisfactory performance of exports has been due to larger shipments of tea, coffee, gunnies and engineering goods and the realisation also of a higher unit value on these exports. Sugar also made a good contribution of Rs 90 crores in a five-month period against Rs 42 crores for the whole of 1973-74. The sceptics may draw pointed attention to the recessionary trends in western countries and the difficulties encountered in maintaining exports of cotton textiles at a satisfactory level.

There has undoubtedly been a drop in prices of tea and coffee at the export auctions. But the average price realised in a whole year can be much higher than in 1973-74 while there are chances for increasing exports of engineering goods with easier availability of steel. Iron ore also can fetch much larger amounts as there will be an increase in the quantum as well as prices.

The Rs 3,000-crore mark can thus be easily attained especially as sugar will be making an additional contribution of even Rs 210 crores, in seven months ending March 1975. The latest estimates indicate that sugar export can have a value of even Rs 300 crores in a full year. It should also be possible to effect a reduction in imports with a staggering of deliveries of steel and base metals. In respect of steel particularly there has been a serious miscalculation as it is stated that imports will be as much as one million tonnes including a carryover of five lakh tonnes from the previous year against earlier contracts.

It will have to be examined whether there can be resale even in overseas markets against irrevocable commitments as a reduction in imports by two lakh tonnes will result in a saving of even Rs 75 crores. With some adjustments it should be possible to reduce the import bill by Rs 150 crores and prevent the gap from exceeding Rs 450 crores even assuming that food imports have

A difficult period of transition may thus be gone through without being seriously hurt. But what are the arrangements that are proposed to be completed for conducting foreign trade on a better basis in 1975-76? The country cannot afford to import crude oil and refined products by utilising special credits for a long time. It is also likely that imports will have to be increased by two million tonnes if not three million tonnes, as a growth in consumption cannot be completely ruled out. There will necessarily have to be additional foreign exchange outlay of Rs 175 crores unless there is a reduction in oil prices by 10 to 15 per cent as a result of the moves now being made by developed countries to persuade the oil producing countrises to adopt a more reasonable pricing policy.

This would necessarily mean that imports will be around Rs 3500 crores in 1975-76 even if there were no exceptional food imports. The value of exports will have to be raised to Rs 3300 crores if the adverse effects of costlier imports have to be overcome and acute dependence on additional foreign aid is to be averted.

The high target of Rs 3300 crores can be achieved only if the sugar industry repeats the performance of this year with maintenance of production at a higher level in the 1974-75 season. Unless special efforts are made to boost production with the grant of attractive excise duty rebates and other concessions a large quantity cannot be released for exports. Gunnies and iron ore have strategic importance while cement can make a good contribution if the industry is helped to increase its output.

The union ministry of Commerce is aware of the need for granting export incentives and stimulating export production. But it is necessary to remember that the complexion of foreign trade has changed completely and as the president of the Federation of Indian Chambers of Commerce and Industry, Mr K.K. Birla, has pointed out, all shackles on exports and impediments in the way of increasing industrial production should be removed.

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FROM THE CAPITAL'S CORRIDORS

R. C. Ummat

Break in Prices • Reorganisation of Ministries

It will not be a surprise if the recent downtrend in the prices of several commodities, the important among them being cloth, raw cotton, groundnuts, sugar, foodgrains, cement, steel, non-ferrous metals, chemicals and consumer durables turned out by the engineering industry, is not fully reflected in the wholesale prices index. This is because in the compilation of this index, controlled prices, wherever applicable, are given a heavy weightage and in so far as sugar, foodgrains, cement and steel are concerned, the decline in prices relates to authorised (in the case of sugar and foodgrains) and unauthorised (in the case of cement and steel) open market dealings. The recession (according to trade circles, slump) in cloth prices has been witnessed primarily in respect of the superior and medium varieties; the prices of coarse and lower medium categories of fabrics have, by and large, remained unaffected. Further, the controlled prices of several petroleum products were put up, though not very significantly, last month (since when the recessionary trend in the prices of most of the above-mentioned items has been more perceptible) and there are also several other components of the index the uptrend in the prices of which persists.

considerable satisfaction

Nevertheless, a good deal of satisfaction is being expressed in governmental circles over this break in prices. They see in it the success of the anti-inflationary measures initiated by the centre on a significant scale in July last. It is, however, a moot point whether the decline in prices has resulted primarily from the government's anti-inflationary package.

There can be no doubt that credit squeeze, especially after the two per cent increase in the Bank Rate in July, which led to an across-the-board stepping up of the lending rates of the banking industry, has encouraged quicker turnover of goods. It is also indisputable that the hoarding activity has suffered a great setback as a result of the anti-smuggling and anti-unaccounted money campaigns launched by the union Finance ministry (the two campaigns have considerably affected the flow of funds with which the hoarding activity was primarily financed), as well as the prime minister's threat to use the Maintenance of Internal Security Act (MISA) against the hoarders of essential commodities. But it is presumptuous to say that the hoarded stocks have been disgorged, leading to an improvement in the supply situation, wholly because of these factors.

seasonal factor

So far as the prices of raw cotton, groundnuts and foodgrains are concerned, there is the seasonal factor which cannot be ignored. In the case of these farm products, the kharif crop estimates undoubtedly have been revised upwards following rains, though scattered, a couple of weeks ago. As regards sugar, the availability in the market has become comfortable more owing to the release of a special quota of 50,000 tonnes for the current festival season than due to the hoarded stocks coming out.

Similarly, no doubt the credit squeeze and the measures adopted by the union government to curb the consumption of cement and steel — the restricting of the construction of cinema houses, office buildings, prestigious houses, etc. — have had their impact on the open market prices of these two construction materials. But in their case and also in the case of non-ferrous metals and chemicals, the prices of which have registered decline primarily due to lower foreign advices, presumably under the pressure of creeping recession in the United States and some other highly developed countries, the influence of slackened domestic demand, following fall in the tempo of industrial activity, has not been insignificant. As regards engineering products, it is well known that they have been facing for quite some time consumer resistance as a sequel to the unprecedented high prices of the daily necessities of life eroding the capacity to spend on other goods. Consumer resistance is also the main factor responsible for the setback to the prices of cloth.

Then, as some government spokesmen point out, the element of technical adjustment cannot be brushed aside. Some technical adjustment had to be there following nearly 30 per cent rise in prices during the course of just one year.

In view of the above, and also the fact that the problem of prices has so far been tackled mainly from the monetary side, it is not surprising in the least that the governmental circles are hesitating to express any firm opinion on the likely trend on the prices front during the remaining months of the current financial year.

The problem of prices surely cannot be effectively tackled unless the supply of at least the essential items of daily consumption is really augmented through increased production so as to match demand. The slight improvement in the situation during the past couple of weeks apparently has resulted from the dehoarding of stocks. The dehoarded stocks are bound to be picked up by consumers in course of time. When this source of supply dries up, the resumption of uptrend in prices cannot be ruled out, unless production is stepped up or, in the case of such commodities as foodgrains and vegetable oils, adequate imports are effected.

production of foodgrains

Admittedly, as evidenced by the recent power shedding in the capital and various other parts of the country, with a view to providing irrigation facilities for the maturing rice crop and facilitating rabi sowings, concerted efforts are being made to step up the production of foodgrains. The same seriousness, however, does not appear to be there for raising the output of most other items of daily mass consumption. In fact, when the prices of soyabean oil went up in the world market earlier this year, the union government stopped imports of this commodity even though the country was experiencing an acute shortage of vanaspati.

Under pressure of extreme financial stringency, many development pro-

grammes of the current Plan have gone awry. Several programmes, in fact, have been put on the shelf. But emphasis continues to be laid on building up heavy and capital equipment producing industries. Past year's trends of industrial production are indicative enough of the need to raise the capacity utilization of not only consumer goods industries but also of industrial intermediates group. The only industrial units which showed an uptrend in production and capacity utilisation last year were those manufacturing machinery and equipment. But if the general tempo of economic activity does not pick up, this category of industrial units will also find it difficult to market its products.

A greater emphasis on raising the production of goods of mass consumption for a year or so should not only yield wholesome results on the prices front but also prepare the country for a new leap in economic growth. The raw materials, credit and power constraints on the producers of mass consumption items deserve to be obviated on a priority basis, even if this results in a temporary slowing down of the expansion programmes in the heavy and machine building industries sector. Mere augmenting of the capacity in this sector will not serve any purpose for it will be accentuating the problem of underutilisation of capacity. The additional investment in this line also will not yield any return; it may even accentuate inflationary tendencies. The priorities of today are not the same as those of yesteryears. The most important task facing the country currently is to at least stabilise the price level and this can be done primarily by placing greater emphasis on the production of goods of mass consumption. Of course, adequate investment in projects which produce industrial intermediates or inputs for fostering the growth of agriculture and in schemes seeking to locate new domestic sources of oil or diversification of energy sources will also have to be there. The case of export-oriented units or sectors is no different if the essential import requirements have to be adequately met.

nefarious action

Mention is warranted here of the reported move of the producers of goods the prices of which have shown some recession to cut back output in an effort to keep up prices. Such attempts need to be thwarted. The industry itself ought to think twice before taking such steps if it is not to alienate itself and lose sympathy all round. In periods of recession, the producers as well as traders need to remain content with reduced profit margins.

On its part, the government too, besides having a fresh look on the credit squeeze which has affected production in several fields, ought to undertake a study of the impact the sharp increases effected in the last ten years in the excise and customs levies on industrial raw materials and intermediates have had on the cost of production. One way of avoiding cost push inflation without sacrificing revenue is to subject consumer products the demand for which the government wants to curtail, to heavy direct excise duties instead of trying to achieve this end through enhancement of their prices by imposts on raw materials and intermediate products. The latter levies push up production costs all round.

* * *

Opinions may differ or whether the last week's major reshuffle of the portfolios of the union council of ministers was at all necessary and also on the new placement of some ministers, but the reorganisation of some of the economic ministries, indeed, can be termed as a step in the right direction. The two most important changes made in this respect are: (i) the creation of the ministry of Energy and (ii) the enlargement of the former ministries of Industrial Development and Agriculture.

The ministry of Energy will have two departments, one dealing with power and the other with matters relating to the coal industry. The ministry of Irrigation and Power has been disbanded; the department of power has gone to the ministry of Energy and the irrigation department to the ministry of Agriculture. This ministry henceforward will be known as the ministry of Agriculture and Irrigation.

The entrusting of the matters relating to the coal industry to the minister for Energy should help in a better planning and running of the thermal power stations. Of course, close coordination will have to be kept by this ministry with the ministry of Railways so that coal movement bottlenecks can be obviated. Significantly enough, even though the department of irrigation has been transferred from the erstwhile ministry of Irrigation and Power to the ministry of Agriculture, the ministry of Energy retains the charge of the Bhakra and the Beas projects as well as that of the Damodar Valley Corporation. This should indicate that the matters relating to the major hydroelectric projects will continue to be primarily dealt with in the ministry of Energy; only the matters relating to the irrigation potential of these schemes will be handled by the ministry of Agriculture and Irrigation. The department of Atomic Energy, of course, has not been formally merged with the ministry of Energy. But since the minister for Energy at present, Mr K.C. Pant, is also assisting the Prime Minister in the department of Atomic Energy, he will have an effective say in the future planning and running of nuclear power stations. All the major operations on the energy front, excepting the field of petroleum, thus have been brought under the control of one minister. Petroleum apparently has its special problems and along with chemical industries, which to a great extent are interconnected with it, forms a viable charge for another minister.

The merger of the ministry of Heavy Industry with the former ministry of Industrial Development and the creation of a new department, namely the department of Civil Supplies, in the reorganised ministry of Industry, similarly, should yield wholesome results, even though several industries, including some major ones, will continue to be dealt with by the ministries of Petroleum and Chemicals, Steel and Mines, Agriculture and Irrigation and Commerce. These industries have special characteristics and are either big enough or interconnected with the affairs of other ministries so that they can be handled otherwise. The transfer of the task of developing coking coal from the department of Mines, which remains an adjunct of the department of Steel in the ministry of Steel and Mines, of course, could have been avoided in the interest of better planning of the steel industry.

justified action

The shifting of the department of Irrigation to the ministry of Agriculture is justified on the ground that water availability has assumed heightened significance for agricultural development currently; in a way, it is even more important than application of fertilizers.

With the transfer of the work of the department of Internal Trade to the newly created department of Civil Supplies in the ministry of Industry, the ministry of Commerce will now by primarily concerned with external trade. Another important change effected in the ministry of Agriculture is the creation of the department of Rural Development which will look after the work of the former departments of community development and cooperation. This should facilitate an integrated development of the rural areas.

Apart from the reorganisation of the abovementioned economic ministries effected last week, a new cabinet committee is being set up for the highest level decision on the problems of trade and distribution. There is a feeling in the ministerial circles that mal-functioning of the distribution channels has accentuated the inflationary tendencies in the country.

Editors, surely, are not holy cows

V. Balasubramanian

WAS not intending to take part in this bate, at any rate not at this stage, but e problem that the editor of *The Hindu-m Times* is reported to be having with board of directors (or vice versa) seems have become not simply a matter of estling — free style —, but a veritable e-for-all, with everybody who is any-dy or even less lending a hand to the od old cause of the freedom of the ess. From the Jana Sangh president, r L.K. Advani, through Mr George rnandes, fresh from the triumph of the ilway strike and Mr M.L. Sondhi of the aratiya Lok Dal to Mr S. Mulgaokar, a rmer editor of *The Hindustan Times* d currently editor-in-chief (whatever at may mean) of *The Indian Express*, ere has indeed been an impressive variety voices raised to warn the people that eir fundamental rights, as citizens of a e country, are in mortal peril.

cruciatingly funny

It is of course excruciatingly funny that e Jana Sangh president should have me forward to joust for editorial in-pendence. Mr Advani would perhaps us know why Mr D.R. Mankekar, o was the first editor of *The Motherland* e Jana Sangh mouth organ), left that . Was it because he was embarrassed the excess of editorial independence it was being thrust on him? As for r George Fernandes, *The Hindustan nes* was not exactly unkind to him ring the railway strike and even in this nerally ungrateful world it is usually ld that one good turn deserves another. Mr Sondhi, perhaps, the less said the tter but a little, nevertheless, needs to said. His finest hour was when he igned from the Indian Foreign Service— and some may feel that it was the finest hour for the IFS too. Since then he seems to be trying to find out for himself why on earth he did what he had done — a state of mind on account of which much could be forgiven him.

> V.B. has gone abroad for a few weeks and he will resume 'Moving Finger' on his return.

a special case

Mr Mulgaokar's of course is an alto-gether special case, if only because he has always been a very special kind of person. This does not however mean that his inter-vention need detain us long. He says that he is convinced that "nothing less than a public explanation" by the manage-ment of *The Hindustan Times* of the rea-sons for terminating the services of Mr B.G. Verghese "will do in fairness to the readers of *The Hindustan Times* and the wider public."

Two thoughts seem to be in order. First, there is nothing on record to show that Mr Mulgaokar had consi-dered a similar explanation to be neces-sary when he ceased to be the editor of *The Hindustan Times*. It may be that Mr Mulgaokar's services were not terminated and that he himself left because, like some Wodehousian hero, he was suddenly seized with a passion for life and love among the chickens. Nevertheless, my essential point remains—editors do change or are changed without street demonst-rations demanding public explanations from managements of newspapers. My other thought about Mr Mulgaokar is that, so far as is known, no public ex-planation was offered by the management of *The Indian Express* either when Frank Moraes was replaced as editor-in-chief by Mr Mulgaokar. It could be claimed perhaps that age was the reason, but this does not wash quite well since here is a case of a superannuated editor being replaced by another only slightly less superannuated.

raking up controversy

So far as the Verghese affair itself is concerned, despite all the publicity in some newspapers and the efforts made to rake up a public controversy, very few hard facts have been stated — only in-sinuations and innuendoes in abundance. Such newspaper readers as may have real-ly cared to spare a thought to this sub-ject may perhaps reasonably conclude that the editor of *The Hindustan Times* has been given notice of termination of his services and that he probably feels that this has given him cause for grievance. A dispute between the editor and the management of a newspaper over the terms of service of the latter is not one about which the general public or even the registered subscribers to that newspaper have any keen desire for information. To presume that they have is to make the unwarranted assumption that people buy newspapers for the latter's internal poli-tics and not for the news.

A rather unfortunate aspect of this affair is the involvement of the staff of *The Hindustan Times* in whatever dispute that there may be between its editor and its management. Editors should at all times be prepared to fight their own battles. Indeed the independence of any editor is only worth as much as his readiness to

offer his resignation the moment he finds that he cannot work with the manage-ment or that the management has lost confidence in him. An editor who really values his independence would neither ask the management for reasons nor would he give any himself if the management were to ask him. After all, the relations between the editor of a newspaper and its management are neither those of a sacremental marriage "until death do us part", nor a civil mar-riage governed by the divorce provisions of some special marriages Act. An editor, in other words, is no sacred cow entitled to be protected by sadhus or scriptures.

This business, again, has been predic-tably sought to be confused with the issue of a free press. As I had suggested earlier, the independence of the editor is the pure-ly personal and professional business of the editor himself and it is up to him and up to him alone to enforce this indepen-dence by the only sanction he properly has, namely, his ability and willingness not only to carry his resignation letter in his pocket but also to leave it on the table of the management whenever he feels that his independence is denied or compromised. His status *vis-a-vis* the management is by no means synonymous with the freedom of the press.

In the United States, for instance, neither the editor of *The Washing-ton Post* nor the editor of *The New York Times* has claimed or can claim that he is the sole and final arbiter of the policy or conduct of the newspaper with which he is connected. Nevertheless, the United States does have a free press in the essen-tial sense in which a democratic commu-nity is entitled to a free press. There is no question in this case of the press being deemed to be free in terms of the legal or contractual relations between the editor of a newspaper and its management. Politi-cians in our country, for purposes of their own, have however been strenuously attem-pting to spread confusion in this matter. An editor serves neither the cause of edito-rial independence nor that of the freedom of the press, when he raises or encourages the raising of a 'public interest' contro-versy through staff demonstrations or political side-shows.

In practical terms the editor of a news-paper is an employee of its proprietors and publishers. He does not and cannot have absolute authority or discretion in laying down or executing the policy of the paper. This function is both the right and the prerogative of the management. It is true that managements may act under various influences or pressures, but, then, it is by no means true that the editors are dwellers in an ivory tower isolated from the influences and pressures of the world around them. On the con-trary, an editor must necessarily be in close and living contact with men and matters and, in the process, he is certainly bound to absorb influences of differing worth or validity or lay himself open to various pressures. An editor who values his independence as a personal asset or a professional obligation will, in these cir-cumstances, certainly strive to exercise his own judgment and function according to his lights, but there is no guarantee at all that even in such cases the editor's conduct of the newspaper is necessarily so perfect that he can lay claim to an absolutely free hand.

On balance, public interest may be best served by the responsibility for the poli and conduct of a newspaper being fin ied to the management of that new paper. It should be realized that an edito completely independent of the manag ment and not being able to count on th backing of the management as a matt of course since the management, by def nition, has been excluded from the makin of the policy of the paper or responsibilit for its conduct, may become even mor exposed to pressures from the govern ment or from staff unions in working ou or expressing editorial policies or att tudes.

We have before us the establishe evidence of countries such as the Unite States, the United Kingdom, France an the Federal Republic of Germany, whic undoubtedly enjoy the blessings of a fr press, that it is not at all inconsistent wit the requirements of a functioning dem cracy to leave the ultimate responsibili for the editorial and other affairs of newspaper to its owners and publisher both historical and contemporary rea ties show that the freedom of the pre and the independence of the editor a two distinct concepts and that mixi them would only confuse the issues.

Role of multinationals in Asian development

S. S. Kanoria

Text of a speech at the 1974 Conference on Asia of Far East-America Council of Commerce & Industry, Inc., held in New York on October 7.

THE EMERGENCE on the world scene of the multinational corporation marked the beginning of a new era in international economic relations. Whether one hails them as an embryonic form of a new world order or decries them as yet another source of potential economic friction, they are a major fact of international economic life. Already the total value of international production controlled by such corporations exceeds that of international trade. Professor Heilbroner has estimated that if their present rate of expansion continues, the multinationals will account for half or more than half of world industrial output by the year 2,000.

It is fascinating — and also relevant to our present purpose — to attempt to identify the factors responsible for such quantum leaps. One explanation is that for each industry there is a certain critical threshold of domestic market saturation. When this point is reached, rather than seek export markets which may be protected by tariffs, it may be advantageous to jump the tariff barrier by resort to transnational production. This trend is reinforced by the technological explosion that is characteristic of our time. The proliferation of high technology has caused a shift in the area where international investment is profitable.

the shift

The shift has been from resource-based or extractive industries, in which undeveloped countries offered the most attractive fields, to developed countries whose manufacturing industries and trained personnel had the greatest capacity to absorb sophisticated technology. This explains why multinationals find the most glittering prizes, not in the less developed parts of the world, but in industrialised countries of Canada, Europe and Australia. In the last decade, almost three-fourths of American direct foreign investment was in developed countries.

I would suggest that multinational corporations would do well to consider whether such a high degree of concentration of their activities in the industrially advanced countries of the world is really in their own long-term interests. I am aware that the problems encountered by multinationals in the developed world are different from those they come up against in less developed countries. Almost every highly industrialised country is, in some measure, both a home country and a host country for multinationals. The problems that arise, though complex, are technical, financial and symmetrical. In developing countries on the periphery of the industrial world the problems are political, developmental and asymmetrical. Multinationals in these countries have to contend with powerful and often ultra-sensitive national sentiment and fears of neo-colonialism.

Nevertheless the time is not far off when investment in the comparatively limited area of countries that have already attained high levels of development may come up against diminishing returns. After all it was the prospect of saturation of domestic markets that impelled enterprising corporations to take the first step towards international production. Apprehensions about the approaching exhaustion of the market potential of the developed world could well induce a swing back to investment in developing countries. As long as two-thirds of world population are outside the pale of modern industry, there are very definite limits to the level of prosperity which the remaining one-third can attain. Enlightened multinationals, I believe, are already alive to the global implications of their activities and the global responsibilities that this entails.

I consider that the United States is particularly well placed for the role of pace setter in this matter. The multinational corporation as we know it, is American in origin and though the species has spread to other countries, it is still predominantly an American phenomenon.

The developing countries of Asia, including my own country India, form part of what has come to be known as the Third World. It is here that multinationals in general and American multinationals in particular have the greatest opportunities to carry out the function for which they are pre-eminently equipped, that of promoting the long run international build-up of global industrial capacity. They could serve as a catalyst to set off a process of cumulative accelerated development, to their own benefit as well as that of the host countries in which they operate.

If multinational corporations and less developed countries are to achieve what I may describe as a 'fit' corresponding to their respective capabilities and needs, there has to be on both sides a meeting of minds, mutual trust and an agreement to abide by a mutually acceptable code of conduct.

Indian example

Let me illustrate with reference to my own country, India. We have the biggest population comprising one-seventh of the human race and therefore the biggest potential market except for China. In the 27 years since independence we have built up not only a stable, democratic political system but also a considerable industrial capacity. We have an abundant supply of skilled and, by western standards, comparatively cheap labour, a high level of scientific and technological competence including design and engineering capability, trained and experienced business managers and, above all, a substantial body of entrepreneurs, imbued with the spirit of initiative, enterprise, resourcefulness and all that goes to make up a business ethos.

On the other hand, in our drive for

higher levels of [illegible] development [illegible] we come up against [illegible] in the form of technological gaps and inadequate export capacity [illegible] country, with a low proportion of saving to national income, we suffer from a deficiency of capital. These are precisely the factors which multinational corporations are best equipped to provide.

It is natural, in these circumstances, that we should rely on domestic capital, enterprise and talent to provide the major thrust towards development and that we should seek foreign investment only to the extent necessary to make up our deficiencies. Our approach is selective and there can be no question of an open door policy.

The government of India has recently streamlined procedures relating to industrial approvals. Details of these as well as policies relating to industry have been clearly set out in a publication entitled "Guidelines for Industries". I would recommend perusal of this to all those interested in the specifics of our policies and procedures.

fruitful association

We believe that foreign capital and enterprise should operate, wherever possible, in association with their Indian counterparts. Thus we do not favour branches on wholly owned subsidiaries of foreign companies or even foreign majority control though all these types exist in India today. Under the recently enacted foreign exchange regulation law, the ceiling on foreign equity participation is normally 40 per cent but exceptions are permitted where sophisticated technology is involved or substantial exports are assured. Joint ventures are thus the preferred form of foreign investment.

I know that multinationals are likely to look askance at such restrictions. I submit that, in Indian conditions, the joint venture will be more advantageous to both the home and host countries than other forms of association. Branches and subsidiaries of multinationals, because of their obtrusively foreign character, are more likely to arouse political antipathy in a country with memories of political subjection and economic exploitation. Joint ventures are more easily identified with the interests and aspirations of the host country and such acceptance will contribute to their stability and growth. Moreover the Indian partner will be able to provide valuable guidance to [illegible]

I may add that India too has made a start as an exporter of capital and technology, specially to other less developed countries. We have set up joint ventures in over thirty countries and in all of them the Indian collaborator's share of the investment is limited to a minority of the equity.

mutual understanding

An enduring and fruitful relation between multinationals and less developed countries needs to be built on a foundation of mutual understanding, trust and agreement on basic principles.

Thus the possibility of expropriation by the host country is a major deterrent to investment in less developed countries. This is an issue on which agreed norms of conduct need to be worked out and accepted by the international community. The group of eminent persons appointed by the UN to study the impact of multinationals on development, [illegible] by [illegible] countryman Mr L. K. Jha, has laid [illegible] the principle that [illegible] the right [illegible] country to [illegible] any company should not be questioned, it is necessary for host countries to pledge themselves to pay fair compensation.

I am proud to say that India's record in this matter gives no ground for apprehension. In 1969 when leading commercial banks were nationalised, foreign banks were specifically excluded. Moreover American investment in India is covered by the investment insurance originally operated by the US Agency for International Development and since 19[illegible] by the Overseas Private Investment Corporation.

Multinational corporations on their part must realise that as the technology and expertise they bring with them are absorbed by the host country, as managerial expertise and enterprise reach higher levels of capability, the nature of their association with host countries will necessarily change.

This does not mean [illegible] the multinationals are expected to fade out and eventually withdraw from the host country. In the early stages of the association the technology supplied will have to be relatively simple and [illegible]

[illegible] ment on their own. In the meantime the technological explosion will equip the multinationals with still more advanced technology which again can be imparted, modified and adapted to circumstances in the host country over a further time span.

John Diebold, writing in *Foreign Affairs* forecast that between now and the end of the century the rich countries will find both economic and social reasons to move into the post-manufacturing stage and to shift manufacturing to the less developed countries.

The sort of relation between multinationals and less developed countries that I have visualised is very different from the colonial pattern of exploitation of the resources of subject territories for the benefit of the imperialist power. The new relation is one that will set off a chain reaction of progress and prosperity that could transform the world.

training managers

[illegible] requires that multinationals must be willing to take the trouble to [illegible] technology they offer to the conditions in the particular host country. They must [illegible] special efforts to train managers and executives in the host country to replace expatriate personnel. There can be no place for restrictive clauses in collaboration agreements regarding freedom of export or tying down the host country to purchase of equipment from the home country. Attempts to cash in on brand names or trade marks will have to be eschewed.

Above all, multinationals have to resist the temptation to play politics or [illegible] subversive action in the host country. Multinationals have been denounced as a new form of economic domination and as a potential menace to national sovereignty. Such apprehensions have been voiced by persons whose ideology and world outlook are poles apart, the late Salvador Allende of Chile on the one side and Pope Paul VI on the other.

The revelations of the involvement of the International Telephone and Telegraph in Chile have given these warnings a new [illegible] relevance. It is necessary that multinationals should take positive action to undo the damage [illegible] [illegible] throug[illegible]

Host countries need to be reassured this is an isolated and untypical case, which should not be allowed to besmirch the image of multinationals in general.

In the interests of both home and host countries, there is a case for some form of international organisation to review and coordinate the activities of multinational corporations. The Group of Eminent Persons appointed to study this subject has recommended the establishment of a Commission on Multinational Corporations under the UN Economic and Social Council. I hope that if such a body is set up, it will encourage and assist multinationals to steer their activities in directions and areas most conducive to development.

The multinational corporation is a new type of industrial and social architecture which has yet to accommodate itself to the world environment in which it functions. The problem is that while, as Professor Kindleberger has put it, "the nation state is just about through as an economic unit", they are still very much a part of the world political landscape. Perhaps the multinationals are moving along the evolutionary road towards what Professor Harold Perlmutter has called geocentrism or world orientation. This is perhaps the shape of things to come but one cannot be sure that it will work to the advantage of the less developed countries of today. The ethnocentric or home country oriented attitude is much too self-centred, with affiliates kept on a tight leash and all major decisions handed down from headquarters. The polycentric or host country oriented type would perhaps be more suited to the requirements of developing countries because its affiliates are encouraged to identify themselves with the host countries and enjoy a high degree of autonomy.

Bhargava commission report : some aspects

Prof. C.S. Mahadevan

ALTHOUGH THE report of the Sugar Industry Enquiry Commission has attracted attention mainly in terms of the controversy over nationalization, it has certain other salient points which are well worth discussing. Of these, the recommendations relating to the creation of a National Sugar Authority (NAS), nationalisation of the marketing of sugar up to the level of wholesale trade, sugarcane price policy, establishment of a sugar research institute in the south on the lines of the Kanpur institute require to be examined in detail.

The group consisting of Mr Bhargava, Dr V.S. Vyas, Mr S.L. Saxena, Mr Bansi Dhar and Mr A.C. Bose have recommended the creation of a National Sugar Authority with such functions as:

(i) To assess the demand for sugar for domestic requirement and for exports.

(ii) To arrange for the production of sugar through factories in the corporate, cooperative and public sectors and arrange for its marketing in an orderly manner.

(iii) To build and operate a buffer stock of sugar with the objective of stabilisation of prices.

(iv) To acquire sugar processing units and to run them directly or through regional subsidiary bodies.

(v) To plan production and assist in the development of cane in different regions of the country.

(vi) To ensure technical efficiency of factories by way of regular technical audit, and to maintain research and development divisions at the central and regional offices.

(vii) To arrange for efficient utilisation of by-products directly or through subsidiary organisation.

(viii) To regulate marketing of other sweetening agents.

(ix) To arrange for equitable distribution of sales realisation on a pre-arranged basis; and

(x) To act as spokesman of the sugar industry at international forums.

Under this arrangement, minimum price of sugarcane will be declared by the government on the advice of the Agricultural Prices Commission, as at present. The NSA will, however, have the authority to permit higher prices in particular areas than those recommended to overcome difficulties in procurement of cane. A limit to these prices can be suggested on the basis of the opportunity cost of cane in the manufacture of gur and khandsari in areas where they offer stiff competition to the sugar units.

"Sugar manufacture will be undertaken by units in public, co-operative and corporate sectors. National Sugar Authority will keep a constant watch on technical and financial performance of each individual unit. It will give timely advice for improvement where required. If it finds that its advice is ignored or some other undesirable developments are taking place, it can recommend to the government either to take over management of the defaulting unit under the provisions of the Industries (Development and Regulation) Act or in the alternative acquire the unit under powers, provision for which may be made by appropriate legislation. Production targets will be given for each unit and a structure of incentives will be evolved to permit them to show better results. The manufacturing cost for each unit will be fixed on the basis of regional norms suggested by the Tariff Commission. The National Sugar Authority will be authorised to permit higher cost on a temporary basis to deserving units in exceptional circumstances."

All sugar produced in the country will be deemed to be the property of NSA. It will distribute the sugar by either utilising the existing marketing channels or fully or partly substituting them by new arrangements. In marketing sugar, it may consider fixing different prices for different sections of consumption to create a development fund and a price stabilisation fund. It will use the instrument of releases in such manner that it is able to build an adequate buffer stock within a reasonable time which may later on be used as a buffer stock in softening the fluctuations in sugar prices.

The commission feels that the chief merit of the NSA is that it will have to be a body to take a comprehensive and integrated view of all aspects of sugar economy. In it we will also have an instrument to translate the social goals to the extent that they relate to the functioning of sugar economy in concrete terms.

marketing of sugar

This organisation, as stated by the commission itself, will not merely give advice or act by fiat but would be involved in the marketing of sugar. It is supposed to direct the sugar economy in a desired way. Also, it is felt that because of its responsibility to maintain and operate buffer stocks entrusted to the NSA, a certain amount of discipline will be exercised in the prices of sugar and other sweetening agents subsequently. The members attach a great degree of significance to the NSA's role as a constant watchdog to examine and assess the technical and financial performance of the mills and to take timely corrective action. What is more, the NSA will be a well-knit body of 11 to 15 persons nominated by the government of India. In each sugar-producing state, here could be a regional body or statutory corporation, either for the whole tate or co-terminus with sugar zones, members of which might be nominated by the concerned state government in consultation with NSA.

The NSA appears to be perfect on aper. However, difficulties arise only hen our paper proposals are implemented. There is a lurking fear that this ody should not degenerate into a mismanaged cooperative organization. The ommission perhaps presumes that the resent problems of the sugar industry, hether from the producers point of view r farmers' point of view, or from conmers' point of view, mainly arise on count of the private sector not performg its role properly or on account of the osence of proper control on the industry. ere exactly lies the basic mistake. All e troubles of the industry are in fact cause of the overstress on controls. is a well-known dictum in economics that any interference with the operation of free play of natural laws of supply and demand will pave the way for artificial scarcity resulting in hoarding and black marketing.

The nationalisation of the marketing of sugar up to the wholesale level is a measure which is as much an interference with the free play of the supply and demand law as the creation of the NSA. This will work effectively only if we accept the nationalisation of the industry itself on which opinion is divided and so long as economics continues to be subordinated to politics, it is a remote possibility. As long as we accept mixed economy, nationalisation will recede farther and farther. We can't have the cake and eat it. Either we have a fully controlled economy or a free economy. All our troubles in the sphere of prices and scarcity are due to mixed economy which accepts controls in some form or other. Control, in any form, is a restraint on growth. In fact, it is an ideal infrastructure for hoarding and black-marketing. Hence, the fate of the nationalisation of the wholesale trade in sugar is going to be as much a farce as the STC.

cane price policy

The commission's recommendations on sugar cane price policy stresses on the following:

1. The statutory minimum cane price should be so fixed that the return from cane is better than from other alternative crops, in which technological break-through has already been achieved, and should be varied from year to year in the future in proportion to the changes in the return from other competing crops. The statutory minimum cane price should be so fixed that it fully covers the cost of cultivation in the major cane growing regions.

2. For purposes of fixing cane prices, the data on cost of cane cultivation and return from sugarcane and other alternative crops should be collected and kept up-to-date. The basic level of recovery to which the minimum cane price is linked, should be fixed at 8.5 per cent. However in areas in which the average sugar recovery is below 8.5 per cent, special efforts should be made by the government, the factories and canegrowers improve the quality of cane.

   The premium for every 0.1 per cent increase in recovery over the basic recovery should be calculated on proportionality basis as this will mean a marginal increase in price of cane and a consequent tial increase in the price of sugar.

3. The adoption of the principle of proportionality in fixing the sugarcane price for individual sugar factories will prove beneficial to the industry as a whole and will provide a further incentive to canegrowers to improve the quality of cane.

4. The average sugar recovery of the normal crushing period, instead of the average sugar recovery of the optimum periods, of the preceding season should be taken into consideration for the purposes of fixing the statutory minimum cane price payable by individual sugar factories. The government of India may fix and announce the normal crushing period for different factories in the place of the optimum period after consultation with the experts, growers and processors. Again the statutory minimum cane price for a crushing season should be announced by the central government before the sowing of cane that will be crushed in that season — latest by early September each year.

5. The erratic supply of cane to factories can be greatly stabilised if canegrowers could be held to their agreements for supply of cane in years of shortage and bonding of cane could be restricted to the requirements of factories in years of excess production of cane.

6. Incentives should be provided to persuade canegrowers to enter into agreements and to fulfil their contracts, and disincentives to discourage cane growers from committing breaches of contract. A monetary incentive will produce better results than coercive measures.

7. Where canegrowers supply cane through a canegrowers' society, tripartite agreements for supply of cane should be executed to which the factory, the society and the individual canegrower concerned should be parties.

8. An additional price shall be paid to canegrowers who are entitled to it under the scheme. The additional price payable to the canegrowers out of extra realisations should be announced in October so that it may influence sowings of cane and execution or agreements for supply of cane.

9. The amounts realised by a sugar factory from canegrowers and canegrowers' societies as penalty for breach of contracts for supply of cane will not go to the factory but will be merged with the canegrowers' share from extra realisations for payment as additional cane price.

   The principle of factories sharing extra realisations from sugar with canegrowers must be revived and reintroduced. Extra realisations from sugar should be divided between a factory and the canegrower in the ratio of 50:50.

10. Every factory should issue to every canegrower supplying cane to it, a pass book containing information about area under cane with the canegrower, quantity of cane to be supplied by him, progressive supply of cane, payment of cane price, etc. In the case of a canegrowers' society, the society will issue a pass book to its members.

sitive recommendation

Most of the recommendations relating cane-price policy deserve approbation they have already been either implented or accepted by those concerned th the welfare of the industry. The ly difference is that the mill-owners will turally claim a higher price for their orts and this will have to be conceded d it will be done as sugar is a commodi- enjoying a sellers' market on account the mixed economic base.

The establishment of a sugar research stitute in the southern region is to be lcomed. In fact, this recommendation serves appreciation in no small meare as the task force on large industries well as the R &D report of Tamil Nadu anning Commission has recommended it d the government of Tamil Nadu has accepted this recommendation and the state sugar directorate is on way to adopt measures for its implementation. It would be of great advantage if this institute is located at Coimbatore, in Tamil Nadu, or in Karnataka which is centrally situated for the southern region.

utilisation of byproducts

In regard to the utilization of by-products the commission appears to have overstressed on the manufacture of paper and paper-products from Bagasse especially when the latest technical opinion appears to be in favour of conserving bagasse for the boiler and excess of it, if any, to be put to the use of manufacturing furfural which from the export point of is as good as gold. What is more, when the demand for coal has increased consequent on the oil price hike, the need to resort to coal fired boilers in the place of bagasse fired ones calls for considerable rethinking.

One important factor on which the commission is perhaps a little lackadiasical is on the question of developing the industry in regions which are ideally suited for its development. We are the largest producer of sugarcane in the world and we have the largest number of sugar factories in the world. This industry is the second largest industry in the country and more than 50,00,000 farmers supply cane to hundreds of sugar factories spread all over the country. Yet, from the point of view of productivity of sugarcane and sugar, other countries are far ahead of us. Whereas the average per hectare yield of cane in Hawaii is 110 tons, in Indonesia, 81 tons, India's average is as low as 48.5 tons. In regard to recovery, the Indian average is around 9.5 per cent compared to Australia's 14 per cent. This low out-turn of sugar per acre in India is mainly due t the concentration of sugarcane cultiva tion in the Gangetic planes of sub-tropica UP and Bihar. But it should not be ig nored that sugarcane is essentially a tro pical crop and is grown throughout th world only in tropical areas. The highe potential of tropical regions like Maha rashtra, Mysore, Andhra Pradesh an Tamil Nadu, for sugarcane cultivatio have been exploited only recently.

Even here, I would say that the per acr yield in Maharashtra is low when com pared to Karnataka and Andhra Pradesh.

Cane Yield Per Acre

(in tonnes

Year	Maharashtra	Andhra Pradesh	Karnataka	Tamil Nad
1967-68	25.7	32.5	35.3	32.[illegible]
1968-69	27.1	30.3	37.8	32.[illegible]
1969-70	26.3	28.4	34.3	30.[illegible]
1970-71	27.5	30.7	35.3	31.[illegible]
1971-72	25.6	35.9	34.1	32.[illegible]

It would be of immense advantag if the industry could be further develope in Karnataka, Andhra and Tamil Nadu The states of UP, Bihar and Maharashtr should concentrate on the produc tion of food grains and oil seeds. Furthe development of cane in these areas wil not be in the real interest of the industry The commission's report is thus a mixe bag of recommendations. While som are admirable, others require rethinking.

War, famine or pestilence or world action on population?

Jossleyn Hennessy London

Over 100 member countries of the United Nations attended the World Population Conference recently held in Romania.

There have been World Population Conferences before, but these were specialist gatherings where demographers, sociologists, economists and development planners, met to exchange views in their personal capacity.

1974 is the first year in which governments have sent delegations and have expressed official views.

To mark this important world occasion THE TIMES of London published a special 50,000 word Supplement. The subject is, of course, of vital importance to India. EASTERN ECONOMIST has repeatedly discussed it.

We are therefore extremely grateful to THE TIMES for allowing Jossleyn Hennessy, to make a summary of six of the important signed articles which appeared in its World Population Supplement and of THE TIMES editorial which summed up the results achieved at Bucharest. Jossleyn Hennessy introduces the subject.

I

Is India Facing The Facts?

by Jossleyn Hennessy

IN THE light of half-cock results (See below) obtained at the Bucharest conference the facts on the populations of India (to which for historical reasons I have added Pakistan) take on a startling and sombre importance;

Year	Population: India and Pakistan
1600	100,000,000 (Est.)
1750	130,000,000 (Est.)
1850	150,000,000 (Est.)
1931	353,000,000 (Census)
1941	389,000,000 (Census)
1971	610,000,000 (Census)

These figures illustrate the following facts of history:

Before the spread of British rule across the sub-continent, India's population stood around 100,000,000 — a total for which it was amply within India's resources to maintain an acceptable standard of living.

War, famine and pestilence kept the population around this level. But as, in the course of the 19th century, the British pushed out from their enclaves in Bengal and Madras, they first suppressed war, and then, in turn reduced famine and pestilence to controlable proportions, so that in the 81 years between 1850 and 1931 the population more than doubled.

It is therefore arguable that the biggest wrong that British rule inflicted on India was the suppression of war and the control of famine and pestilence.

The machinery for world cooperation in population control set up by the United Nations offers a unique and final opportunity for all nations to ensure the reasonable distribution of available resources among populations of reasonable size.

But make no mistake — I repeat — make no mistake: the demographers are living in cloud-cuckoo land if they think (See chart p. 712) that by 2000 AD — that is in 26 years — the world population will be 6,000,000,000. Long before that the historical phenomena of war, famine and pestilence cannot fail to reassert themselves and reduce the world's population, amidst appalling suffering, to numbers that its resources can support.

Carr-Saunders calculated that the world population of 1750 was 728,000,000 — a sustainable figure.

If you reject as too barbarous and cynical my prophesy that — give or take

WINDOW ON THE WORLD

undred million or two — the horsemen f the Apocalypse will reduce us to this. he remedy is in your hands. But the mens that the *Times* describes in its pecial Supplement and in its editorial, which I am permitted to summarise here, f the results achieved at Bucharest can nly mean: ACTION NOW!

II

Population in the Political Arena

The *Times* assessed the results of the World Conference thus:

"In a world more numerous by three nillion people since they began their de-bate twelve days ago, the 135 governments epresented at the World Population Conference in Bucharest ended their abours. Precisely what their objective was few of them seemed to agree, though one could hardly have expected more of so nany, ranging in size — though not at ll in extremes of opinion — from China o the Holy See. In the end the optimisti-ally defined and much amended world population plan of action was passed; a astrated document, but one retaining ome of the virility of the original draft. That may seem a small achievement since the plan commits no one to anything. It cannot be said that population is a subject open to the kind of international agreement that was sought in vain at the Law of the Sea Conference in Caracas. Yet almost all economists, demographers, or ecologists of moderate rather than doom-watching opinions agree that population looms more dangerously as a problem than any other in the long-term.

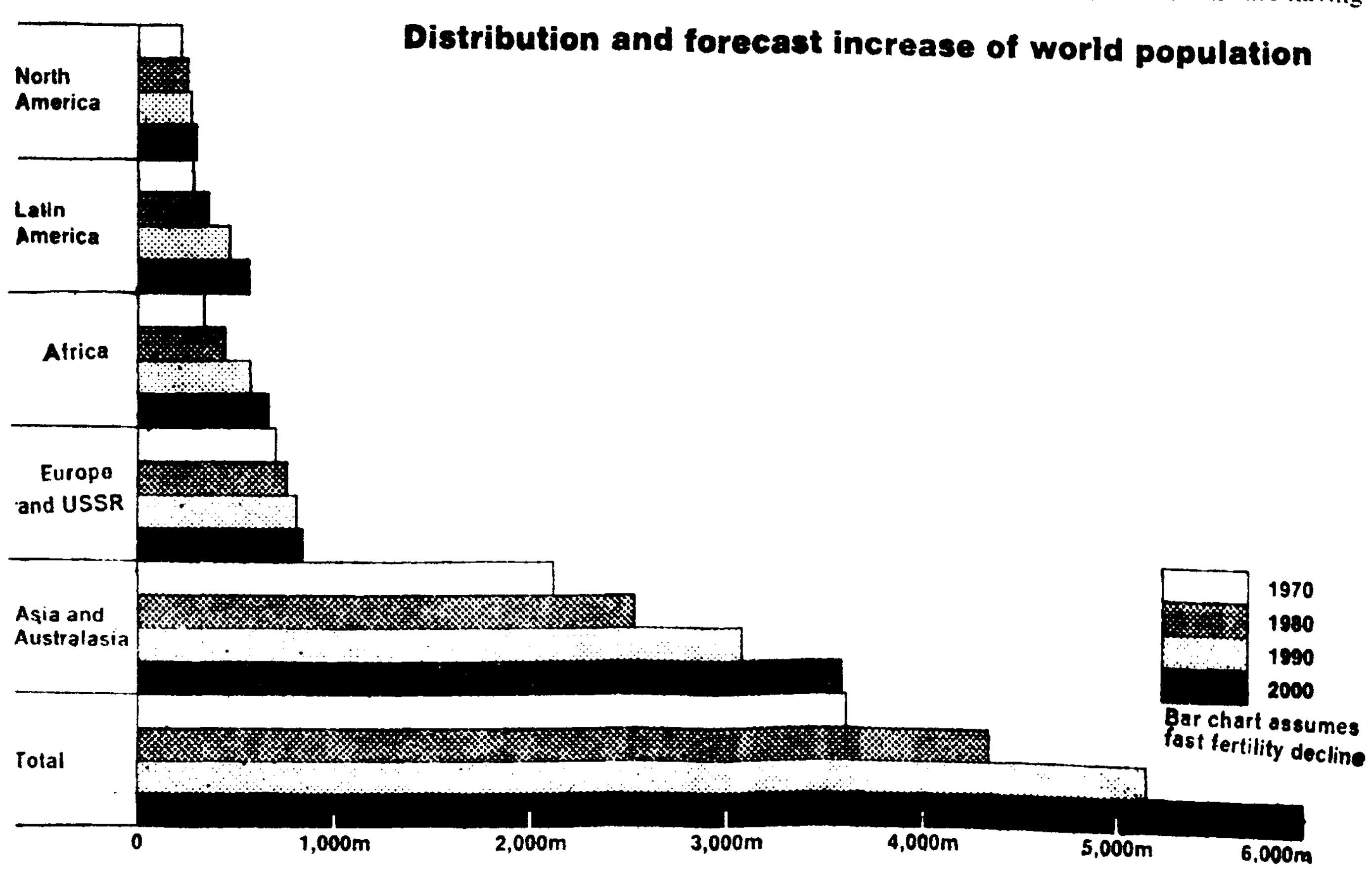
"That opinion many in time come to be common doctrine in most of the countries that sent delegations to Bucharest. For the moment, though, they have given a less encouraging impression. Allowing the strong religious objections and the acknowledged social complexities attaching to population growth, the UN-might have argued that the question was a relatively unpolitical one. Not so in the minds of those in the front rank of the anti-imperialist camp, whether of the communist or third world persuasion. The meeting itelf was held in a country devoted to increasing rather than reducing its birth rate. From Latin America there was strong reinforcement for this argument, from Argentina and Brazil.

"The communists were ready with their unchanging argument that man the producer can conquer in any conditions — thanks to their uniquely liberating doctrines. The Chinese, however, had not come to Bucharest to emphasize their agreement with the Russians but to find every possible ground, relevant or not to the matters in hand, to lambast the Russians as the worst of the two super-powers under whose dominance most of the world's population was still suffering. Their own claim to have more than doubled their grain production over twenty-five years while their population has not increased by so much was not made convincing by the statistics they offered.

"Such political arguments are pressed because the Chinese and the Russians compete to range themselves with the anti-imperialist camp. What the Chinese do about their own population is a great deal more prudent than the doctrine on their political banners would suggest. And if one looks at the rest of Asia beyond the Chinese boundary the line-up of the developing countries against the developed proves even less united. The Indians who follow China in the magnitude of their population have come through the hopes of the "green revolution" to face the harder realities. Like Bangladesh, now crying out for aid, the Indians are having to pay cash for diminishing grain surpluses that they had hoped to do without.

"For the moment one must expect the fervour of the new nationalism to assert itself against the plans and projections of the internationally-minded sponsors and experts who put so much effort into the Bucharest conference. Population may be represented statistically as a global problem but it remains within the province of each government and many of them can do little against the braking power of the slowly-changing societies they rule.

"The UN plan of action will be no more than an alert sounded for those willing to listen. Away from the ringing political slogans of the conference hall some valuable lessons should nevertheless have gone home."



Distribution and forecast increase of world population

All three of these projections, first published by the World Bank (Finance and Development, vol. 10, no. 4), assume declining mortality rates. The concept of fertility is based on the number of births during a woman's reproductive period, at current rates. "Constant" fertility assumes that rates will remain at their present levels until 2000. "Fast" decline assumes that rates will fall by between 1 and 3 per cent annually until replacement level is reached, and could amount to a halving of the rate in 30 to 40 years.

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III

A World Enough

by **Lester B. Brown**

[*Senior fellow, the Overseas Development Council, Washington. This article is adapted from his recently published book,* **In the Human Interest: A Strategy to Stabilise World Population** *(W.W. Norton, New York).*]

None of us is immune to the effects of population growth, regardless of where the growth actually occurs. Each person added to the world's population, however poor, exerts an additional claim on the earth's food, energy and other resources.

Expanding food production requires either fossil fuels or animal draft power. It also demands growing quantities of fresh water. Land is required for living space as well as for food production. Even minimal needs clothing and shelter exert additional claims on the earth's resources.

mounting problems

In an earlier age the addition of another person to the population was of little consequence, since resources far exceeded man's wildest visions of potential needs. But we do not recognise that continuing population growth, even at a moderate rate, will henceforth aggravate inflation, magnify the scarcity of energy and food and increase pollution. In the developing world, rural unemployment is rising at alarming levels, generating a massive movement of people from the countryside to cities unprepared for them. One can say with a disturbing degree of confidence that all of these problems will worsen in the absence of a crash effort to slow world population growth.

United Nations projections of population to the end of the century show three alternative levels of population in 2000 AD — 6,000 million, 6,500 million and 7,100 million. The middle-level projection, viewed by the United Nations demographers as the most likely, assumes a world population growth rate of two per cent until 1985, followed by a gradual decline to 1.7 per cent by the end of the century.

The low and high projections reflect corresponding variations in assumed growth rates. The disturbing factor is how long it will take to reach population stability under these assumptions. Even under the "low" variant, population does not stabilise until near the end of the twentyfirst century, at just under 10,000 million.

The explicit assumptions underlying these alternative projections are almost exlusively demographic. They deal with such matters as fertility behaviour and life expectancy. They do not examine the effect of these various population levels, supported at acceptable levels of consumption, on the amount of waste generated, the extent of pressure on oceanic fisheries, the amount of energy that this would require, the thermal pollution that it would generate and the stress on food producing ecosystems, or the level of unemployment.

soaring demands

As of the mid-1970s, it has become apparent that the soaring demand for food, spurred by both population growth and rising affluence, has begun to outrun the productive capacity of the world's farmers and fishermen. The result is declining food reserves, soaring food prices, and increasingly intense international competition for exportable food supplies.

As the world demand for food climbs, constraints on efforts to expand food production become increasingly apparent. The means of expanding food supplies from conventional agriculture fall into two categories: either increasing the amount of land under cultivation, or raising yields on existing cropland through

Distribution and Forecast Increase of World Population

Year		North America	Latin America	Africa	Europe and the USSR	Asia and Australasia	Total
1970		226/6.3	280/7.8	346/9.6	704/19.5	2,051/56.8	3,607
1980	A	250/5.6	378/8.5	457/10.3	760/17.1	2,596/58.5	4,441
	B	249/5.7	372/8.5	453/10.3	757/17.2	2,558/58.3	4,389
	C	248/5.7	367/8.4	451/10.4	754/17.4	2,521/58.1	4,341
1990	A	280/5.0	517/9.2	619/11.0	815/14.6	3,377/60.2	5,608
	B	275/5.1	491/9.2	597/11.1	809/15.1	3,196/59.5	5,368
	C	271/5.3	465/9.0	578/11.2	801/15.5	3,039/59.0	5,154
2000	A	308/4.3	710/9.9	861/11.9	870/12.1	4,447/61.8	7,196
	B	297/4.5	635/9.7	783/12.0	854/13.1	3,968/60.7	6,536
	C	288/4.8	567/9.5	677/11.4	843/14.1	3,583/60.1	5,958

Above first figure indicates population in millions; second figure represents proportion per cent. Assmptions: (A) constant fertility; (B) "medium" fertility decline; (C) "fast" fertility decline.

intensified use of water, energy, and fertilisers. In either category, we face scarcity problems.

Global resources scarcities have a heavy impact on economic and political relationships among nations, in part because they affect so directly the living conditions within individual countries. They affect the very life styles of people, their dietary habits and their mode of transport.

The levels of protein intake in the Soviet Union, Japan and Bangladesh are directly affected by American farm export policies.

The level of thermostats and size of cars in the United States is inevitably influenced by production decisions of middle-east oil countries.

It is this global resource scarcity that makes the terms of access to needed resources at the international level such a politically sensitive issue.

embarrassing questions

Political leaders in the poor countries ask why a small segment of mankind living in the rich countries should be permitted to consume such a disproportionately large share of the earth's resources. What right have Americans, now only five per cent of the world population, to consume nearly a third of the earth's energy and minerals? This question is being raised in the various international forums where the allocation of resources among countries is discussed.

Any strategy to stabilise world population growth represents a compromise between the benefits of stabilising population immediately, as dictated by ecological, resource, or quality of life considerations, and the recognition that the required changes in human behaviour will not occur overnight, even under the best circumstances.

Because of the sharp contrast in fertility levels between the developed and the less developed countries, it is useful to separate these two groups of countries for strategy purposes. In the more developed countries, where populations are growing slowly, it should be possible to achieve stability much sooner than in less developed countries, where population growth rates generally remain rather high and the proportion of the population at child-bearing age is also high. Nearly a score of developed countries are already below or are approaching replacement level fertility.

Given the low birth rates in most industrial countries, a relatively modest further reduction in the crude birth rate would result in population stability. It is not unreasonable, then, to suggest that all the more developed countries should strive for population stability not later than 1985.

Once the genuine urgency of slowing population growth is recognised, and given the record already established by *several* less developed countries, it should be possible for all less developed countries making the appropriate effort to reduce birth rates to 25 per 1,000 by 1985. If the less developed countries could accomplish this in the next 11 years, a much smaller age group would enter the prime reproductive ages between the years 2005 and 2015; at that stage, it should be possible to take the final step, bringing the birth rate into balance with the death rate.

The proposed timetable for achieving population stability in all countries by 2015 would result in a world population of just under 6,000 million. To those familiar with demography, this will appear to be a radical proposal. It should be recognised, however, that this timetable does *not* call for any country to do anything which at least a few countries have not *already* succeeded in doing.

radical timetable

Even under this radical timetable for stabilising world population, the population of Mexico would still go from 50 million to 103 million, of India from 540 million to 968 million, and Nigeria from 55 million to 97 million.

Many will describe this proposal as naive, insisting that it is impossible to reduce fertility this rapidly. But is feeding, housing, educating and providing, jobs even for these sharply reduced future populations any easier? After wrestling with this set of problems for a while, one may conclude that reducing fertility may not be so difficult after all.

The changes required to cope successfully with the population threat are not marginal or trivial. They are fundamental changes that strike at the structure, functioning, and behaviour of society. They challenge many of the fundamental tenets or precepts on which our social and economic systems are based, including the pursuit of super-affluence among the affluent and the desire for large families among the poor.

The population threat demands an abrupt alteration of life styles. The near exclusive preoccupation of women with childbearing and rearing, characteristic of many traditional societies, cannot continue for much longer. At issue is whether we have the understanding and the political will to determine which way we should move, whether we can interpret the danger signals, the writing on the wall, or whether our backs eventually will be pressed so tightly against the wall that we will not be able to see the writing, much less read it and act upon it.

IV

China: Pressure on Food and Resources Denied

by **David Bonavia**

(**Times**, *Correspondent in Peking*)

In no country are population statistics as uncertain as in China. Though foreign specialists calculate about 820 million, officials in Peking merely admit to "somewhat more than 700 million".

No official census has been carried out since 1953, when the population was put at 582 million (excluding Taiwan). There is no apparent reason why figures could not be collected from communes, street committees and other organs, to give a close estimate for the present day. Indeed, a head-count is known to have taken place in 1964. But the Chinese authorities consider it either unnecessary or undesirable to let the world know the real size of their nation.

China admits the validity of every normal argument for population control, except that which others consider most important: shortage of food and resources.

As Marxists, the Chinese profess to believe that human beings are the most precious form of capital, and that the idea of over-population is virtually self contradictory. On the other hand, they strongly advocate the planning of population growth to further "the interests of national construction, the thorough liberation of women, the protection of mothers, women and children, the bringing up of the younger generation, and the improvement of the people's health and national construction".

This is how the policy was summarised by the Chinese observer at the seventeenth session of the United Nations Population Commission in Generva last November.

An annual population growth rate of about two per cent is widely accepted for

China, though conditions vary greatly in different parts of the country. It is official policy, for instance, that population control policies should not be applied to the minority races, such as Mongols, who inhabit the country's frontier areas.

However, the published evidence for a two per cent growth rate is controversial. Officially population has increased by "a little more than 50 per cent" since 1949, but this is hardly reconcilable with the other figures given. So accurate estimates must await a new census.

Claiming that the grain output has increased by more than double the rate of population increase, the Chinese say there is no question of needing to hold back population because of food shortage. Nevertheless, the authorities show keen interest in birth control. Last year, Chinese delegates attended the international conference on population planning in national welfare and development in Lahore, and in Peking a Planned Birth Office has been set up under the state council.

At present birth control is not treated as a topic of national importance in the major organs of propaganda (perhaps for prudish reasons). But programmes are pushed vigorously at the lowest levels — commune and factory clinics, for example, and street committees, which are largely run by women and take on major responsibilities for family welfare. Most known physical methods of birth control as well as the pill and abortions, are available free.

Extra-marital intercourse is treated as a gross social transgression.

late marriages

Late marriage is encouraged: in cities especially, couples are subject to intense social and moral pressure not to marry before their middle or late twenties, and not then to have more than two children.

In the rural areas where four-fifths of population live, it has proved less easy to restrain the peasants from early marriage, and from having more than two children, because there is still often family pressure to produce a son. Reduction infant mortality and raising of the average life-span through improved medical care have also contributed to population growth.

How can the Chinese sustain the argument that increased population does not press on food resources?

Broadly speaking, the policy is to encourage peasants in every area to haul themselves up by thir own bootstraps, without excessive reliance either on cash or on aid from the state. A pair of hands is regarded as a guarantee of subsistence for more than one person, provided the motivation and organisation are right.

Many people in the West will remain sceptical of the Chinese argument, believing that the answer to world food supply problems lies in rapid modernisation of agriculture combined with market-orientated incentives for the peasants, and in all-but-desperate measures to bring the population boom under control.

The Chinese also favour modernisation, but only so far as it can be achieved without reliance on foreign capital aid; and they largely reject market incentives. Meanwhile they dig.

V

The Story of Nanje Gowda of Hosahalli

by **H. Leslie Kirkley**

(*Director of Oxfam*)

FIVE MILES along a dirt road that leads from the eleventh century temple town of Melkote, in Mysore state, is the village of Hosahalli. It is typical of much of rural India—remote and rudimentary, without even a shop, yet infiltrated by modern methods and ideas.

Nanje Gowda has lived in Hosahalli for most of his 80 years. When he was younger he inherited 10 barren acres and married a barren wife. He married again and fathered six sons and two daughters, who live with him together with five daughters-in-law and 13 grandchildren.

By careful handling of his affairs and by having enough sons to share the work Nanje Gowda and his family now have 20 acres, partly irrigated by a large well dug by his sons. They grow a varied range of crops and have turned their land into a bright patch of green in the general barrenness of their valley. Although still in debt, they are better off than most of their neighbours.

Susheelama, the 22-year-old wife of one of the sons, has just given birth to her third child. Behind the arrival of this new member of the human race lie two significant facts. First, the family broke with tradition and employed a *harijan* (untouchable) at the birth, since this woman is the most expert local midwife. Second, the young parents are interested in the possibility of calling a halt after this child.

They consider that there are enough members of the family to cope with present and future needs; but this attitude brings them into sharp conflict with the grandparents, who believe that children come from God and that nobody should interfere with that process.

The experience of this extended Indian family is broadly representative of millions of families throughout the rural areas of developing countries. They live, work and make love in a world of their own. They follow the traditions of generations, never moving from the same hillside or valley. They are far from their nation's capital — let alone from Bucharest—and they feel removed from the decisions which administrators ponder on their behalf.

It was late in 1964 that Oxfam came out in support of certain family planning programmes, ahead of the United Nations and many other agencies. Attitudes have changed so remarkably since then that it is difficult to imagine newspapers in London and Washington today reporting as important news—as they did 10 years ago —this decision by a small voluntary agency.

It was a contentious decision to take, temporarily alienating some of the substantial Roman Catholic support being received at the time; but it arose from the growing realization by many field workers that poverty and the size of families were two sides of the same coin — that it was hypocritical, if not downright irresponsible, to undertake humanitarian work yet shy away from the causes and effects of too many children.

insult to intelligence

Since 1964 organizations such as Oxfam have learnt a lot, albeit slowly and often by the hard way. We have realized that the pressures, which bear upon the urban poor in considering family size are usually very different from the needs and wants of the subsistence farmer. The admonishments and best intentions of much standard family planning propaganda can make sense to those living in a cash economy, but to the likes of Nanje Gowda they are an insult to the intelligence.

Unless the question of family size is approached from the broad base of each family's total social and economic situation a great deal of talk and effort can be wasted. Education, improved maternal and child health services, community developments in countryside as well as town —all these influence the conscious choices of individuals and, wherever possible, have to be interlocked with family planning programmes and conducted with a keen sensitivity to the real needs of ordinary people.

Ways have to be found to convince farmers that a large family is not the only means of insuring for old age; that it is possible for the first children to survive healthily and that a large number of children is not in itself a wise criterion for assessing social status.

As likely as not, the women gathered round village wells, hold the key to a solution to much of the population problem. They speak out, boast or complain of the indifference and the temperaments of their husbands and of the attitudes of their mothers-in-law, two determining institutions in the concept of fertility.

right answers

If only they could be encouraged, as some have been—for example in China, where the political and economic emancipation of women has been an important factor in successful birth control—to voice their views on the needs and aspirations of their sex, their social status and importance to the resource pattern of any society, then we should be nearer to finding the right answers.

Much that hampers any efforts aimed at checking the population explosion comes from traditional masculine influences and attitudes. A recent Oxfam report from Guatemala states that many women "initiate their child-bearing at a young age and when 25 or 30 years old appear like old women". And the unfortunate corollary to this kind of situation is that women who fail to produce children are all too frequently cast aside and lose any position in the social structure.

Women hold the key to change in the village because it is they who will first be liberated by it. And they will be called on to carry out the change in their roles as food cultivators, child-bearers and early educators of the new generation. In all my travels I have met few women with families, however "ignorant", who would not grasp at some way of having fewer children. The best family planning propaganda, the best nutrition education there can be, is to give these women a say in what they can do with their lives.

We must be careful in our population propaganda that we do not end up talking to ourselves instead of reaching the people. Overcrowding may be horrific to us. It is hardly a threat to the Third World farmers who leave their wide open but poor countryside to cram into teeming slums in the city. An outside chance to earn some money makes the overcrowded slum an attraction.

If the birth rate in the *favelas* of Brazil were to be halved within a year, would that help to speed land reform, or strengthen the cooperative movement, so these two-child families could be drawn back to the land? If Ethiopia's population were to be reduced by one third at a stroke, would this stimulate the landlord to give some land to the remaining landless?

It is becoming clearer to us all that in the matter of population there are no global control solutions, critical as the problem is. Overpopulation may be partly a result of progress in reducing the mortality rate. But it is a symptom of poverty, not a cause of poverty. The battle is not against "too many people", it is against poverty — on behalf of people. If this battle is joined globally —if we can reduce poverty and simultaneously increase the quality of life and the opportunities for people in the countryside—then the world has a chance.

It is useful that so much attention and so many resources are being focussed on this World Population Year. We have to chase these resources, now earmarked and publicized as population funds, into the struggle against poverty as a whole.

VI

Doubts Over India's Programme

by Michael Hornsby

(Times, *New Delhi Correspondent*)

About 15 per cent of the world's inhabitants now live in India, which, however, consitutes only little more than two per cent of tworld's land area. This year India's population, which grew by 2.2 per cent annually over the past decade, rose to more than 580 million. By the turn of the century, if there were no decline in present fertility levels and the death rates continued to fall, the country could find itself with a population of 1,230 million.

India's present birth rate of 38 births for every 1,000 people means that a baby is born every one and a half seconds, 57,000 babies are born every day, and 21 million are born every year. More than 22 per cent of babies are born to families already possessing five or more children.

With the mortality rate running at 16 deaths for every 1,000 people, eight million deaths occur every year. Thus India's population is growing annually by 13 million people.

The basic arithmetical cause of this growth is that modern medical science has dramatically lowered the death rate without as yet effecting any comparable reduction of the birth rate. The turning-point for India came about 1920, when the annual birth and death rates were almost the same, standing at 49.2 and 48.6 for every 1,000 people respectively. Since then the gap between the two has steadily widened and may have to widen further before it can be narrowed.

For India's death rate is still very high by international standards (neighbouring Ceylon's is about half that of India). The incidence of infant mortality is particularly high; two fifths of all deaths in India are of children under the age of five. The uncertainty of survival, in a society that traditionally values the large family, is thought to be an important inducement to parents to have more children than they actually desire.

India has had a government-sponsored family planning programme since the early 1950s, though it has been pursued with seriousness only in the past eight years or so. During the fourth five-year economic Plan, which concluded earlier this year, expenditure on family planning accounted for somewhat less than two per cent of the total plan outlay.

In the current five-year Plan some $280 million has been allocated to family planning, or less than one per cent of the total Plan outlay of $29,000 million.

In part this reflects the still low budgetary priority accorded to family planning as well as the general economic difficulties facing the country. It also reflects growing doubt about the effectiveness of the birth control programme pursued so far and about whether the results justify the sums of money—in absolute terms quite large —being spent on it.

target abandoned

Only last year the government was obliged to abandon its target of reducing the birth rate of 25 for every 1,000 people by 1980 in favour of the (still optimistic) goal of 30 for every 1,000.

Although there is doubt about the reliability of India's birth rate statistics, it is generally accepted that there has been some decline in fertility over the past decade. But it is far from clear to what extent the family planning programme should take the credit for this.

Through a variety of methods, including mass sterilisations, intra-uterine device

(IUD) insertions, abortion and distribution of condoms, diaphragms, foams and jellies, the government claims to have "protected" 15.6 per cent of the 103 million couples in the reproductive age group and to have "averted" 16,600,000 births as of March of this year.

Such concepts are, however, regarded with great scepticism by most demographers. Certainly the government's methods of calculation seem somewhat arbitrary. It is assumed, for example, that three IUD insertions plus 12 annual uses of other contraceptives are equal to one sterilisation.

For this purpose it is further assumed that 72 condoms distributed are equivalent to one year's use by one couple — a highly dubious piece of guesswork. Even in the case of sterilisations it is known that many of those treated have been demographically irrelevant (for instance men with wives over the age of 45).

radical reappraisal

The whole programme is now undergoing a radical reappraisal. One effect of this has been the sharp curtailment of the previously much advertised mass sterilisation camps offering high cash incentives; as a result the number of persons sterilised in 1973-74 dropped to 9,10,000 from 3,120,000 the previous year.

Partly designed to curb expenditure, this development also reflects a change of emphasis. Hitherto population growth has been accepted as a main cause of Indian poverty, and efforts have been concentrated on the search for the most effective contraceptive technique for the Indian masses.

This clinical approach now widely felt to have failed, or at least to have neglected socio-economic factors that are ultimately more important in determining the level of fertility in a particular community than any purely mechanical means of birth control.

It is also now recognised that the relationship between population and poverty is much more complex than had been assumed and that greater efforts must be made to persuade people to accept birth control as part of a wider programme designed to raise standards of health and of living.

On the macro-economic level the causal relationship between population growth and poverty seems incontrovertible. The ever-growing number of people who must be supported on a fixed quantity of land and only slowly expanding supplies of food and capital resources has negated much of the modest economic growth India has enjoyed since independence, with the result that a greater proportion of population is probably now living below an austerely drawn poverty-line than at independence.

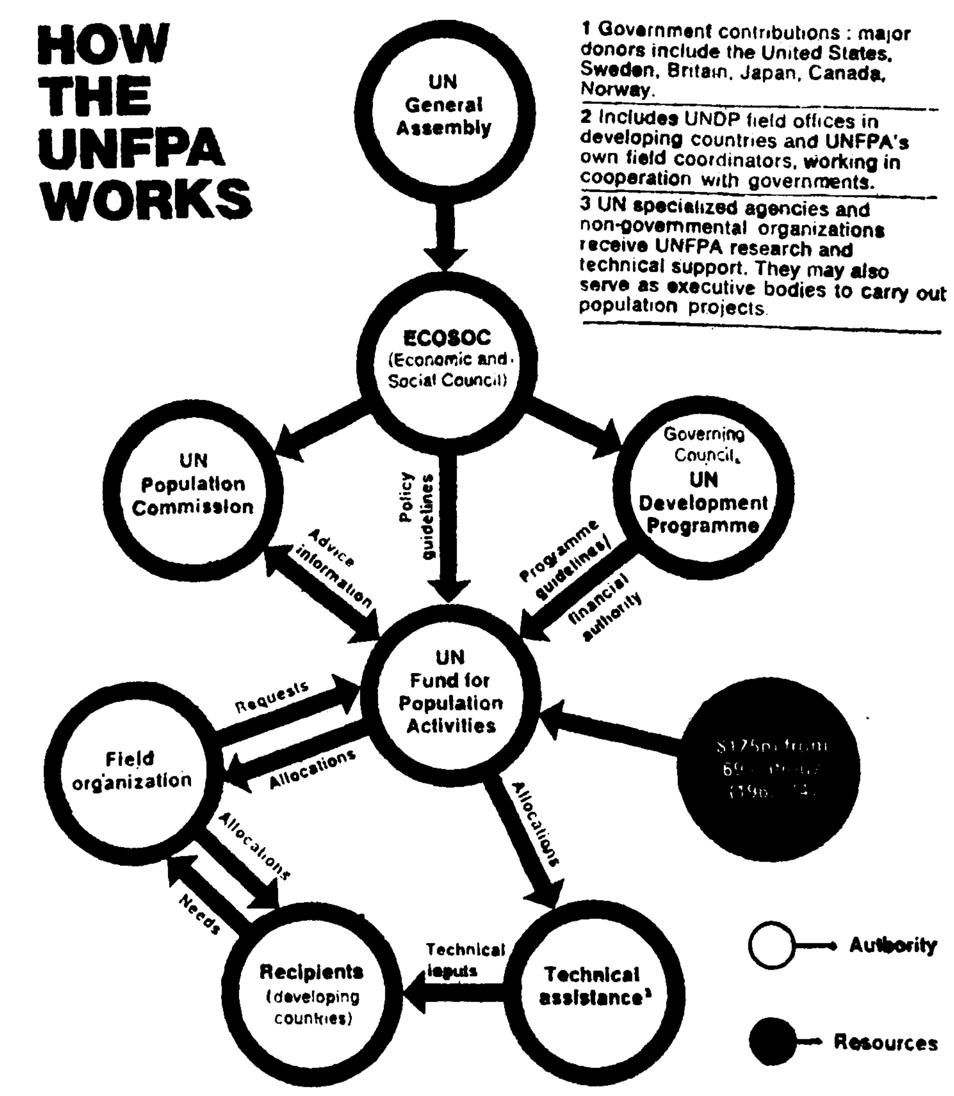
At the level of the individual family, however, this perception does not necessarily translate into a desire for fewer children. In urban areas the decline in fertility has been more marked than elsewhere, reflecting not merely the greater education and receptivity to birth control of town dwellers but also economic advantages, in urban conditions of high inflation, unemployment and housing shortages, of reducing family size. These pressures, however, do not operate in the same way in the countryside, where 80 per cent of Indians live.

Many non-economic factors come into play. Among these are the value placed on fertility in Indian culture and the tradition of early marriage. On average, Indian women are only 26 by the time they have had their third child. But there is a good deal of evidence to suggest that there is also a strong economic incentive f both the agricultural landed class and tl landless to have large families. Until th situation changes birth control policies a unlikely to be successful.

For the landed farmer children, whi still at school, can look after the catt and help with the housework. Late boys can replace hired labour, effecti savings that outweigh any increase household maintenance costs. Moreove the cost of having a child declines with ea addition to the family, while the ben fits increase. A large family is also virt ally the only form of social security f parents in old age.

The landless labourer depends on er ployment during the critical harvesti and sowing seasons. Children, both ma and female, can do useful work at the times.

Whatever new approach emerges fro the present reconsideration of fami planning policy, 1,000 million Indians l the year 2000 is a very real and, son



uld say, unavoidable prospect unless, ·haps for the first time in world history, pulation pressure leads to a Malthu- n rise in mortality.

VII

What "Keeping a Watch on Population" Means

by **Brian Johnson**

(Director of the Institute for the Study of ernational Organisation)

Since the mid-1960s, the growth in- istry of population studies has left the ıman fertility explosion far behind. But spite all the dollars and the diligence in atistical demography and every aspect ' human reproductive behaviour, there mains a void in the centre of population udies.

The void remains unfilled partly for eological, but largely for institutional asons: a tendency towards conventional ecialism on the part of demographers ıs been accompanied by the familiar ıenomenon of territorial defensiveness. emographers have generally adhered osely to the *Oxford Dictionary's* defini- on of their field: "that branch of an- ropology which treats of the statistics of rths, deaths, diseases etc".

Thus a World Health Organization po- ılation consultant can write recently ıat "there is no evidence from death rates, rth rates, sickness rate, or any other iological measurement, of a deficiency f necessary resources to maintain life at high standard". At the same time, eco- ›gists, environmentalists and increasing umbers of economists and even oliticians are assuming that population rowth is a crucial factor in determining ıe future prospects for our species.

vho is right?

Who is right? How much does the VHO consultant know about "any other iological measurement" as so to feel onfident in making such an assertion? lis article concentrates on past evidence f available nutrition, based solely upon ›irth, death and disease statistics. But vhat about the future? What about the enetic risks of crop collapses due to mono- ulture, for example, when we have twice s many mouths to feed? And why hould problems of population in relation o environmental carrying capacity be estricted to biological definition? Why ıot geophysical measurement, or geologi- al, climatological or oceanographic?

It is becoming increasingly clear that ınderlying forces in these non-biological, ›on-anthropological spheres are affecting climate change and Sahel starvation) and vill affect (eventual limits to growth) the ›opulation prospects of man. Then there s the overwhelming importance of the political factor which largely dictates peoples' and countries' share of world resources, and their choice of technology and lifestyle which makes them seek (or "need") those resources.

But we blunder on. "No problem" and "crash programme" schools of thought continue to slug it out. What is needed in this World Population Year is an initiative that will encourage each country to thrash out its own view of its popula- tion's future in a knowledge that others are doing so too.

What have demographers to say on these matters? Little that is scientific and yet based upon a holistic view of the popu- lation-resources-environment interrelation- ships. This is hardly surprising, as our concern with the picture of population in its total environmental context is so recent.

But after the storms raised by the Club of Rome's *Limits to Growth* report, some de- mographers and other social and politi- cal scientists are beginning to examine what sorts of environmental and techno- logical as well as economic, social and demographic studies are needed for gove- rnments to adopt population policies de- signed to adjust resource-to-population ratios. Some of them are also beginn- ing to recognize that such studies cannot sensibly be tackled globally, but must be mounted at the national level, where political consciousness resides and where decisions and actions must be taken.

population watch

Integrated "futures" studies of this sort would naturally mesh with the new vein of interest in social objectives beyond pure economic index targets. That this trend is strongly on the increase is clearly indi- cated by preparations for the midpoint review of the United Nations second de- velopment decade. A "population watch" representing the population component to such new total-resource futurology should obviously be integrated into this review process. But beyond this immediate con- cern, "population impact studies" should be a crucial preliminary to the much longer-term development strategy which all countries now need.

Any proposal for a worldwide "popu- lation watch" must face the fact that different governments worry about their long-term policies at widely different rates. But this is itself a major reason for urgency in setting up a system of national "snap- shot photographs" of expectations. Such a system should be an essential part of any planning of national goals which could lead to a gradual mutual modi- fication of international expectations.

The resource crisis is bringing such thinking rapidly to the fore, but countries today are still making plans on the basis of vague assumptions that somehow other nations' technologies or resources will become available for them to use and that their share of the carrying capacity of the global "commons" of atmosphere and oceans will remain unspoiled by others for the time when they need them.

In the absence of a "mutual modifica- tion" of expectations, politico-economic forces are likely to consign many coun- tries to permanent underdevelopment and continual semi-starvation. Military sove- reignty and technology will offer scant protection against technological robbery of the means to growth.

Ironically, it is precisely a recognition among Third World countries of the fee- bleness of their national defences which may stimulate an interest in studies of po- pulation in relation to use of resources and environment — so long as these can be conducted at the national level, with the initiative coming from national govern- ments.

environmental demographers

The great bulk of expert knowledge necessary for such studies already exists (albeit dispersed among several discip- lines) in the advanced countries, but the Third World will need outside help. Yet the poorer countries are bound to regard foreign "environmental demographers" as at least as threatening as executives of multinational companies.

Such suspicions are not likely to be overcome unless developing countries first see the findings of population- resource environment studies for developed countries. Any proposal for a population watch related to resources and environ- ment should therefore call upon the coun- tries that now make the greatest claims on world resources and environment to un- dertake such studies in the first instance.

The United Nations draft world popu- lation plan of action, about to be presen- ted to the World Population Conference, contains recommendations for continued national action to improve health, check fertility, conduct research, pro- mote education and so on. But it lacks a single new initiative that could capture the public imagination. A de- centralized population watch, preferably as a component to the Earthwatch pro- gramme that was agreed at the Stockholm Environment Conference of 1972, would mark the World Population Conference of 1974 as a major step forward both in demographic and planetary thinking.

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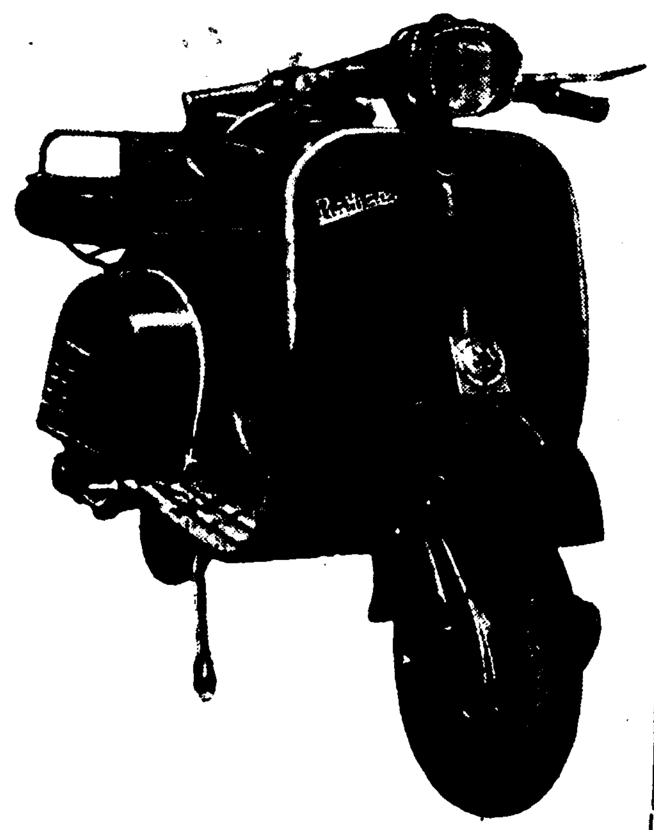

BOOKS BRIEFLY

Reviewed by
Academicus

What ails the steel industry ?

'roductivity Trends in Iron and Steel Industry in India: National Productivity Council, New Delhi; 1974; Pp 76; Price Rs 20.

:conomic and Employment Potential of Archaeological Monuments in India: **Rajesh** K. Agarwal and Sudesh Nangia: Economic Research Division of Birla Institute of Scientific Research, New Delhi; Asia Publishing House; Pp 78; Price Rs 20.

:hanges in the Per Capita Income and Per Capita Availability of Essential Commodities in India Since 1931: S.M. Kansal; Economic and Scientific Research Foundation, New Delhi; Pp 46; Price Rs 12.

ligher Education in India: Edited by K. Santhanam; 1974; Pp 104; Price Rs 2.50.

matomy of Inflation: D.H. Pai Panandiker: Centre for Monetary Research, New Delhi; 1974; Pp 111; Price Rs 15.

ndia's Development Experience: Tarlok Singh; Macmillan India; 1974; Pp 458; Price Rs 50.

Iron and steel industry constitutes one of the core sectors of the Indian economy eceiving a major share of the plan reources of the economy. One is thereore naturally curious to know how the ron and steel industry is progressing. Ve are also aware that performance of the ndustry, especially of the three units in he public sector, has been the subject of public debate. Hardly any attempt has een made however to study systematically the productivity trends in the inlustry or to analyse the various problems hat confront the industry. *Productivity 'rends In Iron and Steel Industry In India* nakes an attempt to fill the gap. The tudy makes an attempt to measure the evel of efficiency with which basic inputs ike men, material and machines have een utilised by the industry. It also studies industry-wise trends and inter-firm ariations in the performance of the five najor steel plants in the country, namely, 'ISCO, ISCO, Bhilai, Durgapur and Rurela. The study also identifies certain ireas where improvement is necessary. n view of the basic importance of the iron ind steel industry to the Indian economy ind to practically every sector and conumer, one is eager to know the state of iffairs in the industry.

The record of the iron and steel industry n India between 1946 and 1969 presents i mixed picture. Though the aggregate output increased five-fold during the period under review, the industry generally failed o cope with the planned requirement. During these 25 years, steel capacity has risen from about 1.5 million tonnes of ingot in 1946 to about nine million tonnes n 1969-70. It is unfortunate that as compared to capacity, actual production has moved at a slower rate i.e. from about 1.3 million tonnes of ingot in 1946-47 to about 6.5 million tonnes in 1969-70. The fourth Plan envisaged that the capacity would be stepped up from nine million tonnes in 1969-70 to about 12 million tonnes in 1973-74 and the actual production was supposed to grow from 6.5 million tonnes in 1969-70 to about 10.8 million tonnes. But the actual achievement in the year 1973-74 only touched the figure of about seven million tonnes.

creeping shortages

Part of the difficulties of the industry had their origin in general economic conditions of the Indian economy, widespread shortage of foreign exchange experienced during 1960s, the general industrial recession of 1965-67 and consequent slack in planned capital formation in the economy, creeping shortage of electrical energy and coal, lack of technical and managerial manpower, deteriorating quality of coal and iron ore and bottlenecks in transport facilities. Many of these hurdles still continue to hamper the rapid growth of the industry. The lack of coordinated effort to plan the production of iron ore, coal and transport facilities, especially railway facilities, to meet the ever increasing demands of the industry is the other contributory factor responsible for the slower growth of the industry. This study rightly maintains that "while it is true that some of these problems are inherent in the transitionary phase of an essentially nonindustrial economy into an industrial one, greater care in planning the expansion programmes would have eased the impact of these bottlenecks on the industry."

We notice from this study that the share of iron and steel industry in total industry both in terms of input and output had been on the increase up to 1964-65 and has then shown a marginal decline during subsequent years. The highest increase is shown by capital invested in the industry. Total productive capital employed by the industry as a proportion of total industrial capital increased from about 8.86 per **cent in 1946 to about 24.69** per cent in **1962 and then declined to** about 14.59 per cent in 1969. Even though the shares of industry in the value of output, value added and employment of industrial labour are also on the increase, the order of increase is comparatively low. Disproportionate growth of capital and labour on the one hand and capital and output on the other, has led to a further deepening of the already high relative capital intensity of the industry. This has resulted in a deteriorating capital output ratio. Thus while in 1962 about 24.69 per cent of capital was invested in the industry against which it accounted for about 7.91 per cent of industrial employment and 9.87 per cent of total industrial output, in 1969 the industry accounted for 14.59 per cent of industrial labour and produced about 8.77 per cent of the total industrial output.

measurement of productivity

The study has made an attempt to measure productivity in the industry. While the concept of productivity is fairly clear and measurable, it is very difficult in fact to measure changes in productivity of different inputs like labour and capital as productivity is a combined function of many variables. This study appears to have brushed aside all the difficulties and link straightaway total labour with total output and work out changes in the productivity of labour and in a similar manner productivity of capital.

According to the study, while labour productivity has shown remarkable increase by whatever indices labour productivity is measured, capital productivity has undergone a heavy erosion. Thus, while gross income per worker has increased by an average rate of growth of 21.5 per cent, gross-value added per worker increased by 11 per cent per annum and physical output (tonnes of ingot) per worker has increased by 1.2 per cent per annum, gross income as percentage of gross capital has declined from 280.4 in 1952 to 76.6 in 1969. Gross value added as percentage of gross capital also declined from 128.3 in 1952 to 24.0 in 1969. Naturally capital per tonne of steel has undergone rapid increases almost corresponding to the decline in output capital ratio from about Rs 195 in 1946, the tonnage requirement of capital has increased to about Rs 1,743 in 1969.

These opposite tendencies in productivity indices of labour and capital could be explained by what is known as capital intensity measured by capital labour ratio. This ratio has undergone phenomenal increase of approximately 44 per cent during the period under review. This implies that increase in labour productivity in the industry has been achieved mainly through capital intensification, while steady decline in the productivity of capital might be the indicator of the diminishing return to capital, inevitable result of a rapid expansion of the iron and steel industry and inefficient use of capital.

price policy

The study has also pointed out that part of the illness of the industry is due to lack of suitable price policy for steel products. Up to mid-sixties, the price policy did not take care of the prevailing cost of production. Raj Committee had opined that the retention price did not adequately reflect the real cost of producing steel in India and increments in the selling price did not match increments in costs during much of the past decade. Increases in prices of iron ore, coal and electricity which are the main inputs of the industry are much higher than increases in the price of steel. The study tells us that the estimated increase in the works cost per tonne of ingot produced is of the order of 20.66 per cent per annum for the period 1946 to 1969, while the increases in the prices of many finished items show lower rates of increases (light bars 8.5 per cent, strucurals 9.39 per cent, black sheets 11.31 per cent and plates 12.35 per cent) during the same period. While there might be good reasons to keep the steel prices on, the impact of low prices on the industry's performance must not be ignored. Such a price policy has resulted in reduction in the surplus generating capacity of the industry during the period under review.

An inter-firm comparison of some of the important aspects of industry is extremely revealing. It is found that capital cost per tonne of end product differs widely from one firm to another. Thus public sector steel mills are found to have higher capital costs than those of steel mills in the private sector. Capital output relationship also turns out to be unfavourable in the case of public sector steel mills compared to steel mills in the private sector. It is also found that all the units of HSL are operating much below their rated capacity, particularly in the later part of the sixties.

Though this study is quite important and has broken fresh ground, it could not cover many other aspects due to nonavailability of material and statistical data. There will have to be deep exploration of various aspects of the iron and steel industry such as cost price relationship, extent and causes of under-utilisation of capacity, transport bottlenecks, manpower requirements, extent of unproductive consumption of steel by the consumer sector, extent of capital substitution and its impact on productivities of labour and capital and causes and consequences of labour unrest. The study rightly maintains that unless all the important aspects are explored satisfactory detailed remedial measures cannot be suggested.

Though enormous industrial expansion has taken place in India after independence, both public and private sector industrial units suffer from many evils. Hardly any establishment in either sector has carried out an exhaustive enquiry of the type suggested by this study. Whatever progress that has come about seems to be based more on guess work, pragmatic approach and sheltered nature of the markets than an scientific analysis of various problems before the industrial units. If the industrial structure in India is to be based on sounder foundations and if the progress along right lines is to be achieved, detailed enquiries of the nature indicated in this study will have to be carried out by all the important units both in the public and private sectors. It is only on such studies that sound policies for developing industries in India can be based.

Economics of Archaeology

Having read books on planning, agriculture and inflation umpteen number of times, one is inclined to welcome this book for sheer novelty and freshness of approach to a subject which would appear to have practically nothing to do with economics.

Economic and Employment Potential of Archaeological Monuments in India: aims at generating "a meaningful dialogue on the economic and employment potential of archaeological monuments in India and more specifically on the measures to realise their potential." This should prove of special significance in view of our aim of creating more and more gainful employment opportunities for all types of skills in the country.

It has been rigntly pointed out by the authors that India has a rich heritage of ancient monuments which for variety, extent and beauty remains unsurpassed in the world. The Archaeological Survey of India (ASI) has about 3,500 protected monuments and sites on its list. This certainly does not exhaust the list of monuments in the country. The vast number of archaeological monuments in India can be roughly assessed from the fact that Delhi alone has a total of 1,314 monuments of which only 166 are protected!

items of revenue

These archaeological monuments have a number of economic implications. The expenditure by the ASI is incurred primarily on the maintenance and conservation of protected monuments. The main items of revenue from the monuments are entry-fee, lease of stalls, of parking space, of land, sale of grass and fruits and fees from the licensed guides and photographers. During 1969-70 the ASI spent Rs 2.5 million on maintenance and special repairs, the amount rising to 4.1 million during 1970-71. The ASI's revenue rose from Rs 1.2 million in 1969-70 to Rs 2 million in 1970-71. It is found that expenditure of ASI has always been exceeding its revenue. Quite a substantial part of ASI's expenditure relates to the maintenance of regular staff.

Monuments of national importance have been generating both direct and indirect employment. Direct employment can be computed from the records of ASI while indirect employment can only be estimated. In 1972-73 the ASI had a staff of 5,155 in addition to temporary workers employed from time to time for special repairs. During 1971-72 the number of such workers was about 1000. Excavation of monument sites also provides employment to many workers. The museums and libraries attached to monuments provide employment opportunities too. The epigraphic inscriptions on the monuments create employment for the specialised and trained personnel. The maintenance of archaeological gardens is a further source of employment.

Apart from direct employment, the archaeological monuments provide indirect employment the magnitude of which depends upon several factors such as accessibility of monuments, number of tourists visiting them, nearness of inhabited settlements and several other factors. Shopping centres, private canteens, taxi stands, buses and scooter-rikshaws, petty vendors are some of the sources of indirect employment. The ratio of direct to indirect employment at Red Fort worked out at 1:2. The foreign tourist traffic has jumped up from 2.5 lakhs in 1970-71 to four lakhs in 1972-73 and the total number of visitors to the famous Taj was about a million in 1971-72. If a number of facilities are provided at the listed monuments and hundreds of monuments which not listed at present are turned into protected monuments and various facilities to tourists are provided there, the number of both home and foreign tourists is bound to shoot up thus providing vast employment opportunities both directly and indirectly. It is unfortunate that in spite of the fact that these archaeological monuments help to secure foreign exchange worth about Rs 50 crores annually and possess great employment potential, the fourth five-year Plan does not make even a single reference to the importance of archaeological monuments in its programme for the development of tourism.

practical suggestion

In order to make archaeological monuments in India more attractive to home and foreign tourists and enable them to provide more employment opportunities, the authors have made a number of very practicable suggestions. Their suggestions pertain to investigation of tourist potential of monuments, bringing more monuments in the list of protected monuments, proper maintenance of monuments by appointing more attendants, provision of infrastructure facilities (such as good roads, efficient transportation, tourist rest houses, snack bars, swimming pools, open air amphitheatres, picnic spots etc., etc.), provision of trained guides, provision of drinking water and toilet facilities, addition of mini-museums to monuments wherever possible, charging fees, provision of better approach roads to monuments, board and lodging facilities near the monuments, employing 'old' craftsmen to repair monuments in the original manner, improvement of landscape around the monuments, provision of detailed information about monuments to tourists and building an efficient data-bank for research which might throw more light on monuments.

The authors have calculated that "even a modest annual outlay of Rs 10 crores would create over 165,000 jobs, which in their turn would support well over 660 thousand people." The authors have suggested that this sum can be raised through contributions by departments of Education, Tourism, private and institutional contributions and from the relevant agencies of the United Nations Organisation which for maintenance and preservation of monuments have already provided funds to Egypt, Columbia, Pakistan, Peru, Chile and Tunisia.

This is a novel study characterised by fresh approach, extremely interesting details about monuments (especially around Delhi) and practicable suggestions to improve the state of affairs prevailing at the present. Would the minister of state in the ministry of Tourism and Civil Aviation bring some fresh outlook to this problem which among other things has great employment potentialities?

Per Capita Income

What has been the impact of the much advertised five-year Plans adopted since 1951 on the standard of living of Indian people? Are people better of today than in 1930s?

Changes in the Per Capita Income and Per Capita Availability of Essential Commodities in India Since 1931 is an excellent monograph which reviews changes in income and consumption patterns in India during the past four decades, that is 1930-31 to 1970-71, and also makes an attempt to project the desired level of essential consumption up to the year 2000.

The author has worked out that the real per capita income (at 1948-49 prices) for all purposes stagnated during the period 1931-32 to 1950-51, increasing only marginally from Rs 244 in 1931-32 to Rs 249 in 1950-51 i.e. by about two per cent during the twenty year period. Relatively the growth of per capita income during 1950-51 to 1970-71 was fairly rapid rising from Rs 249 in 1950-51 to Rs 327 in 1970-71, registring an increase of about 31 per cent during the twenty years period. The growth of aggregate national income during 1951 to 1971 was in fact much higher (i.e. 3.5 per cent per annum), but as the population nearly doubled during the same period, the rate of growth of per capita income was relatively lower. It should be noted that in case of Japan, the growth rate of gross national product in real terms during 1953-71 was around 9.8 per cent per annum and per capita income grew at an annual average rate of about 8.7 per cent, compared to the Indian growth rate of about 1.4 per cent per annum!

As regards availability of essential commodities and services, it is found that in India the level of per capita availability of most of the food items (except sugar and oils) was higher in 1931-32. It declined subsequently during 1931 to 1950 with the lowest per capita availability in 1950-51. In terms of nutritive value of food, the present supplies of calories and proteins are estimated to be around 2050 calories and 51 gms. of proteins against the standard nutritional requirements of about 2800 calories and 63 gms. of proteins. The maximum availability of these was observed in 1931-32, the figures being 2150 calories and 58 gms of proteins which later on declined in 1950-51 to 1800 calories and 47 gms of proteins.

In contrast to India's extremely unsatisfactory performance in regard to making foodgrains available to people, Japan has improved its food availability considerably during the past two decades. The average per capita availability of calories and proteins in Japan increased from 1900 calories and 49 gms of proteins in 1949-50 to 2450 calories and 75 gms of proteins in 1967-68, thus exceeding even the normative requirements.

Among the non-food essential consumer goods clothing is an important component of the level of living. It is found from the analysis that the availability of cloth in India has not improved significantly during the past four decades. It is found that availability of cloth was abut 13.2 metres in 1935; increased marginally to 13.7 metres in 1965-66 and later declined to 12.7 metres in 1970-71. Compared with Indian performance Japan has made remarkable progress in this regard, the per capita availability of cloth increasing from 32 metres in 1960 to about 56 metres in 1970.

limited progress

It is only in respect of some durable consumer goods and services such as education and medical facilities that India has made some progress during the past two decades. Of course in this regard also India is nowhere near Japan. Thus in Japan there is one car for every 15 persons in 1971 as against one for every 1000 persons in India and one telephone for every four persons in Japan as against one per every 400 persons in India. The consequence of all this is that while expectation of life in India has increased (more due to decline in death rate due to improved medical facilities and provisions of drinking water) from 27 years in 1931 to 50 years in 1971, the present expectation of life in Japan is 70 years!

In addition to surveying developments over four decades, the author has also worked out projections in regard to essential commodities and services up to the year 2000. On the basis of normative

standards based on nutritional requirements, the total minimum requirements of foodgrains works out at 120 million tonnes in 1980-81, 138 million tonnes in 1990-91 and 157 million tons in 2000-01. The task of raising the calory intake of about 2000 in 1970-71 to the desired level of about 2300 by the year 2000-01 is challenging one. It is only if agricultural sector grows at the rate of about four to five per cent annually and the available rates in respect of foodgrains, milk, meat, fish and eggs increase steadily at rates varying from four to eight per cent per annum during the next quarter century, we in India will be in a position to enjoy a reasonable level of amenity and comfort by the year 2000.

What is democratic planning coming to? In the face of rising expectations, if even the rate of availability is increasing only at a snail's pace in this manner even after adoption of economic planning with the main purpose of raising the standard of living of the masses, it might be said that an explosive situation is developing which might undermine faith of the masses (whose actual standard of living must be deteriorating due to rising prices) both in democracy and economic planning. This raises two issues. Either we change radically our plan strategy to substantially raise the annual growth rate of the economy or, in addition, take drastic steps to reduce the population growth rate by methods not tried so far. If with all the huge industrial establishment, expanding public sector and infrastructure and the green revolution, majority of the people are becoming more and more miserable and are today living a worse life even when compared to the British days of exploitation of 1934, it is high time to ponder whether we have been following the right course since 1951. It is not merely the speed with which we run that matters but also the direction!

Higher Education

What is ailing our educational system? As in the case of weather everybody is talking about these ailments since independence or for even longer period but very little by way of radical reforms is being done. Is it that we are not in a position to diagnose the ailments or is it that we are incapable of taking remedial steps after correctly diagnosing the disease? *Higher Education In India* contains articles by eminent educationalists, Indian and foreign, which appeared in *Swarajya* of 1974, and deals with various problems of higher education in India.

What are the ailments which are affecting our higher education and what is being done to remove the defects? As K.R. Srinivas Iyengar has pointed out, during the last 75 years, physician after physician has made an attempt to feel the pulse of higher education in India. Curzon, Gokhale, Sadler, Hartog, Sargent, Radhakrishnan, C.R. Reddy, Lakshmanswami Mudliar, Kothari, the senates, academic councils, legislative assemblies and councils and even Parliament have been examining the patient and writing their prescriptions. But the patient is refusing to respond!

evils of the system

From the articles in this book and from the debates which are raging there seems to be agreement on the evils afflicting the present educational system in India. Problems of admission to colleges, favouritism and capitation fees, overcrowding of classes, inability of students to understand lectures which are formal and uninteresting, low quality of college teachers who are often recruited on grounds other than qualifications, exceedingly poor quality of texts and recommended books in regional languages, defective system of examination and manipulation of results at important examinations, are some of the evils which are now known to everyone. But there are also some additional and more serious evils which have made inroads into the higher education in India. Management of colleges by politicians and their lackeys, exploitation of the student community by political parties, irrelevance of the present system of higher education to life, rising unemployment and loss of faith of the student community in the educational system itself in surroundings that are characterised by blatant corruption, injustice, racketeering, profiteering and tyranny are more serious evils. Under such circumstances students are feeling alienated from the family, university and society at large. Developments in Gujarat and Bihar show that they have now become conscious of the student power.

How do we come out of the mess? Dr C.D. Deshmukh has suggested steps such as some changes in the constitutional provisions, raising the age of admission to colleges, evening colleges and correspondence courses for those who cannot enter colleges and providing intercalary year when students will work on rural projects, NCC training and learn English and general knowledge. After reading the suggestions made by C.D. Deshmukh to reform the education system which has all the conceivable defects, one gets the impression that the bureaucrat in Deshmukh never died, his UGC experience notwithstanding!

The article by K.R. Srinivas Iyengar is the most instructive and enjoyable. He has the knowledge, experience and sensitivity to understand deeply the problem of higher education in India in its totality. He maintains that "The heady pace of expansion, the paucity of resources, the mood of reckless piecemeal reform the choice of delaying procedures, the intrusion of politics and, above all, the lack of exacting standards of recruitment of teachers and enrolment of students might in course of time, make higher education a liability for the nation rather than its springboard for development" There is enough filth in every university and the holy Ganga itself is not equal to cleansing all the filth. He has pleaded for the courage to take right decisions more in consonance with the imperatives of our times.

The alienated and frustrated student of a community which has assumed the form of a standing revolutionary army is coming more and more under the influence of revolutionary gurus like Marcuse, Che Guevara, Frantz Fanon, Jules Debrary, R.D. Laing, Charu Mazumdar and Kanu Sanyal. The problem is to properly understand and try to contain student power by channelling it into worthy causes along non-violent lines. The worst thing would be to view the whole thing as law and order problem. What is needed is a revolutionary change in our educational system and not deceiving ourselves by asking for a little more money, a little reconstruction of the university act or curriculum or admission rules, or examination system.

revolutionary revaluation

The author maintains that "A more revolutionary revaluation of values is called for, a philosophy of education that would take note of the fact that the college student today denied light both at home and the academy, and exposed all the time to the fever and fret and poison and poverty... is waking up to ideals of his own appropriate to the conditions of the present atomic age of infinite possibilities and miserable realities." The author has faith that sundry teachers and students with faith and total dedication will by their own exertions and example stop the rot and give the right orientation to our higher education!

Then there are other educationists as also pseudo educationists who have suggested, according to their own lights, measures to improve the educational system. Thus Dr D.J. Reddy talks in terms of correspondence courses and open university; James A. Perkins has raised issues such as crisis of numbers, pressure on public funds and relevance of knowledge; Dr C.R. Mitra talks of research in educational planning on a continual basis; N.D. Sundaravadivelu pleads that "our students and teachers should not be dragged into the swift currents of contemporary politics"; K. Santhanam wants that higher education should depend upon possession of exceptional natural abilities, irrespective of caste and creed or other preferences, and decision to live dedicated, austere and exemplary life, none, however highly educated, receiving less than Rs 1000 and more than Rs 2500, but with plenty of leasure, library and laboratory facilities and with full scope for their activities. In effect this proposal implies revival of the old Brahminical tradition of simple living and high thinking with modern frills and parapharnelia. Some other educationists have made their experience in the educational fields in the USA, the UK, Federal Republic of Germany, and other European countries available to Indian educational planners to draw upon.

As in other fields, there is also great confusion in the educational field and the confusion is getting more and more confounded as a new tribe of 'educationists' has come up on the horizon since independence. Elected politicians put in charge of educational portfolio overnight become educationists and so do their lackeys made vice-chancellors of universities begin to seriously assume that they know all about education. Education appears to have fallen in the hands of those who should have been the last to handle it.

It is most unfortunate that since independence, government has been showing more concern for iron and steel and coal and electricity than for education which has been receiving residual attention and meagre funds. With the neglect of education the quality of the younger generation has been deteriorating so that present-day youth is without any convictions or sense of dedication. Some one has said, "Tell me what your youth is today and I will tell you what your country will be tomorrow." If this is true, our country appears to be going down the precipice. Neglect of education during the post-independence period will be put down as the greatest failure of the Indian government. By the neglect of education, the government has already written off the progress of the future generations of India!

Anatomy of Inflation

People everywhere have become frenzied about rapidly rising prices. Naturally economists have also caught this frenzy and are coming out with memoranda to the prime minister and the Semibombla and the government with various ordinances. It is no surprise therefore that D.H. Pai Panandiker of the Centre for Monetary Research, New Delhi, has also come out with his *Anatomy of Inflation.*

The author has described the different types of inflation that emerge in an economy, particularly in an agricultural economy like that of India. He has analysed the importance of foodgrains in the process of price determination, mechanism of the two types of inflation, namely 'deficit supply inflation' and 'excess demand inflation', and price trends in India during the past twentyfour years to locate the type of inflation that occurred at different times in the country. He has also suggested measures to restrain inflationary pressures in the economy.

The author has classified inflation into two broad categories, namely 'deficit supply inflation, and 'excess demand inflation'. In India the deficit supply in flation comes via the agricultural sector where production depends primarily on unpredictable monsoon. Given the level of demand and fluctuating production of agricultural production, marketable (marketed?) surplus suddenly falls short creating inflationary gap. It is to be noted that the inflationary gap pertains to that small but crucial part of agricultural production which is marked for urban consumption. A characteristic feature of the marketable surplus is that it is subject to far greater fluctuations than total agricultural production.

marketing surplus

A fall in agricultural production considerably reduces marketable surplus. Since this reduction in marketable surplus is generally more than proportionate to fall in total agricultural production, rise in the price of foodgrains due to fall in the agricultural production gets exaggerated. In a country such as India prices of foodgrains are of crucial importance since agricultural commodities constitute bulk of consumption of the working population. As such rise in agricultural prices pushes up wage rates and consequently cost of production. Since the rise in prices of industrial goods is roughly of the same order as increase in wage rates, the prices of industrial goods also rise, though their supply is fairly elastic. The author maintains that "since the deficit supply inflation is caused by shortfall in agricultural production, it has a minimum life span of a year. But inflation will last as long as the supply of agricultural commodities is not in consonance with the increase in income of the Non-Agricultural Sector."

'Excess demand inflation' is another type to which a developing economy is continually exposed. When the government attempts to push up economic growth rate beyond its 'natural' level, and if the rate of money supply is greater than the growth of marketable surplus of agricultural commodities, in particular foodgrains, it would have inflationary bias. Increased money supply pushes up the price level, 'though industrial prices are likely to go up first and farther.' The inflationary process is kept going by the link between prices and wages and will have to be continually backed up by expansion of money supply. The author has warned that the two types of inflation are not exclusive and the country can come under the spell of both the types of inflation at the same time.

agricultural development

As regards measures to fight inflation in India, the author has put his faith in agricultural development. Agricultural production, particularly foodgrains, has to increase as fast as possible so as to create a general state of abundance. Also demand for foodgrains and other essential commodities "has to be regulated by linking wages in non-agricultural sector to agricultural productivity." He is emphatic that "Agriculture sets the pace for price rise, whatever the type of inflation. Agriculture is the core of the economy, not steel and electronics. If agriculture does not grow, no other sector can grow." This is the gist of analysis and recommendations of Pai Panandiker.

Inflation, especially when prolonged over years, becomes an extremely complex phenomenon where every variable becomes a cause and also effect at the same time. Any straightforward classifactory analysis of the phenomenon as has been done by the author in this book appears inadequate. The problem must be viewed from the point of view of macrodynamics and not macrostatics. This implies that the classifactory analysis is inadequate to provide adequate basis for evolving measures to solve the problems of inflation.

There is no doubt that agricultural sector in India contributing nearly half of GNP should receive due attention. It is also true that shortfall in agricultural production and in marketed surplus can cause price distortions and lead to inflation via wage hikes in a poor country such as India where foodgrains constitute a major item in most family budgets. But the author's implicit assumption that in India shortfalls in agricultural production is the sole or at any rate the major cause of inflation appears to be of doubtful validity. With satisfactory monsoon and good agricultural production of about 104 million tonnes plus import of about four million tonnes in 1973, why was it that

prices of agricultural commodities shot up by more than 20 per cent last year even after the harvest? Faulty policies in respect of distribution and hoarding by farmers and traders can more than neutralise the gains in agricultural production. If the commodity is not immediately perishable (and therefore can be stored to any extent) and if the demand for the commodity is extremely inelastic as in the case of foodgrains, prices of such commodities can rise to any level, irrespective of the amount produced. This is precisely what has been happening in India. The same is true in respect of a commodity such as sugar. Also while the agricultural sector should certainly receive adequate attention, industrial sector must not be neglected as agricultural progress needs fertilisers, electricity, cement and steel.

Also, even if agricultural production increases (as it has during the last 25 years when the production practically doubled), if however the government continues budgetary deficit policy, rise in incomes and high income-elasticity of demand for foodgrains would push up agricultural prices as also prices of other goods accentuating inflationary pressures.

disequilibrium in economy

It must be understood that inflationary condition means disequilibrium in practically all the sectors of the economy and in the economy as a whole. Inflation is generated essentially because the country is trying to develop its economy at a rate faster than the rate warranted by the actual rate of saving, in the process overheating the economy. The only way therefore to fight inflationary pressures is either to slow down the growth rate to the level of actual (natural) rate of saving or push up the community's rate of saving which means greater self-disciplining and willingness to bear sacrifices for future progress or do both. If growth rate is not to be reduced, controlling inflationary pressures would involve comprehensive policy involving not only more production in the agricultural sector, but also fiscal, monetary, income and wage policies. Even this may not prove effective, if inflationary pressures are operating at full speed in other countries with which international trade is being carried on. Continual rise in the price of a commodity such as petroleum and crude may completely upset the apple-cart, unless people show preparedness to undergo further hardships and sacrifices.

Pai Panandiker's analysis is not comprehensive. It is inadequate in most parts while some other parts are certainly not theoretically valid. While his emphasis on the agricultural sector is quite correct, it must be remembered that that alone is not enough. The author himself admits as much and contradicts himself when he writes that "inflation will last as long as the supply of agricultural commodities is not in consonance with the increase in income of the non-agricultural sector." Further, the author's failure to make a clear distinction between 'marketable surplus' and 'marketed surplus' which is vital to the analysis of inflation is inexplicable. The author's analysis that if prices are brought down suddenly, that will result in unemployment cannot be accepted. He is applying static equilibrium analysis to a short-term dynamic situation. This is unwarranted.

For example, the price of open market sugar rose from Rs 430 per quintal on August 1, 1974 to Rs 614 per quintal on September 18, 1974, giving sugar industry an extra profit of Rs 6 crores in August and of Rs 12 crores in September! Had the price rise of Rs 184 per quintal in less than two months any rlelation to costs? Price reduction under such circumstances will not have any impact on the level of employment. Also his suggestion that wages of the non-agricultural sector should be linked to productivity in the agricultural sector is not only impracticable but would mean choosing wrong means to achieve right ends.

heavy expenditure

Further, the author has dismissed the remedy of compulsory levy of foodgrains on landlords and farmers on the ground that that measure will involve very heavy expenditure on the part of the government and the amount could be better utilised by giving it directly to farmers to boost up agricultural production. Indians seem to have developed the knack of just not doing that which would solve the problem but doing something else that would add fuel to the fire! The government instead of imposing compulsory levy on agricultural producers, tried to impose compulsory levy on rice mills and wholesale traders investing huge amounts. They also banned carrying more than a small amount of foodgrains by consumers from one district to another. As we saw the results were disastrous and the government could procure less than one-third of the target. The author's suggestion that instead of government investing huge amount in direct procurement from farmers the amount should be given by way of loans etc. to farmers to produce more agricultural commodities looks quite attractive. Is the author ignorant of the fact that the government of Maharashtra invested Rs 700 crores directly and another Rs 500 crores were invested by cooperative
institutions in the manner suggested b
the author? Maharashtra produces les
of agricultural commodities than it di
ten years ago which means about R
1200 crores have gone down the drain
that is into the pockets of the supporter
of the ruling political party.

The only remedy that will help fight in
flation or contain inflationary pressures t
the maximum possible extent would be t
impose compulsory levy on producers giv
ing them a reasonable return and distri
bute the foodgrains so acquired in a ra
tional manner ensuring everyone mini
mum foodgrains. Once this is done an
prices of minimum foodgrains require
by consumers are stabilised, wages wil
automatically get stabilised thus stabilis
ing prices of manufactured goods and th
general price level. After all an alien go
vernment like the British government di
that in India during the last war. An
if someone objects to the system o
grounds of enormous cost of such publi
procurement and distribution system, le
him compare the costs with the benefit
of feeding the entire nation and keepin
them fairly satisfied! No costs will b
too great for such an objective. But th
is just what the government will not d
Possibily the government is afraid c
wounding the big farmers and landed i
terests on whose support they manage t
remain in power. It appears that th
government has vested interest in keepin
the prices rising. As some one has sai
inflation in India has become more of
political issue than economic! Meanwhil
economists and pseudo and part-tim
economists as also researchers from pre
tigeous-sounding research institutes woul
continue to write on inflation!

Development Experience

Tarlok Singh was associated very clos
ly with India's Planning Commissi
and formulation of five-year Plan
Until 1967 when he resigned from t
Planning Commission, he was at the cent
of things and carried a major responsibili
in the Planning Commission from i
inception. Being in the know of thing
he takes in his book *India's Developme
Experience*, a critical look backward o
Indian planning since independence unt
India decided to take a Plan holiday
1966 which he criticised as unwarrant
defeatism. With the advantage of hin
sight the author has made an attempt
this book to take a broad and rapid surv
of economic developments since indepe
dence and pin down what can now
seen to have been faults, not only in r
gard to implementation but also in r
gard to important and basic choices ma
in several five-year Plans. The aim of t
author is "to sift the experience of t

past two decades and more and to present a basis for a fresh start in planning for India's economic and social development." The seventies will be most demanding and India, if it is to meet the varied and difficult challenges, will have to brace up and face up to the challenges on the basis of the experience which it has accumulated since 1951. Who is in a better position to guide us in this regard than Tarlok Singh?

The broad survey of economic developments during the planning period has listed ome of the achievements to which it is iot necessary to draw attention here. It s the critical look at our past failures that vould stand us in good stead by providing eliable guidelines for the future. What ire the faults found by the author and vhat are the lessons drawn for the future?

According to the author, "the rate at vhich the Indian economy has grown for wo decades has been very low and gives ause for concern." He attributes low growth rate to three factors: (a) dependence of four-fifths of Indian agriculture on seasonal conditions, (b) insufficient emphasis in investment policies upon growth in each phase of development as a basis for growth in the succeeding phase and (c) the quality of management. This means the author is critical of heavy nvestments in the past in steel, heavy industries and machine-building and comparative neglect of agriculture and manpower resources. He is of the opinion that "there was need for a broader view of resources and their effective utilization for achieving growth and development."

short-range view

The author thinks that a limited and short-range view was taken of the nature of Indian agricultural problem and the success it is supposed to have achieved at the end of the first five-year Plan made us complacent leading to the neglect of fertilizers and land reforms in subsequent years. This also led us to concentrate during the second Plan period on basic and heavy industries and machine-building, taking "insufficient account of the time dimensions, the costs and the returns involved, the means available to the economy, and the precise manner in which the other related capacities would emerge from the proposed scheme of development, namely employment, savings, exports, surpluses and the ability to pay for imports." All this in simple terms means that the approach of bringing about economic development through capital goods industries (as the Soviet Union did) in contrast to development through consumer goods industries has been the cause of all subsequent ills which persist even today. In simpler terms this means Nehru's and Mahalanobis' fascination for the Soviet model has brought the country to the verge of ruin! A country where three out of every four persons are on the verge of starvation cannot afford to follow the path of development through capital goods industries involving long gestation period. It should have been foreseen that such an approach would mean scarcities of essential commodities, rising prices, misery of the masses, unemployment (due to capital-intensive methods adopted for basic industries), falling rate of saving and investment and lower growth rate. The approach adopted since 1956 was self-defeating!

economic instability

Economic stability is another matter which worries the author. According to him, in addition to monetary, physical and other policies, it involves reconsideration of "the entire pattern of development." Also he wants that economic development should at the same time achieve social development i.e. more and more people should participate in developmental activities and have a share in the growing prosperity. The same should apply to different regions. Obviously our planning has failed to achieve this so far. Also the author wants that there should be a move towards integration of the organised and the unorganised sectors through provision of financial and other infrastructure facilities to the unorganised sector in India. Our planning has failed so far to bring about this integration which is so essential for the progress of the vast number of agriculturists.

The author has drawn certain important lessons from his study in retrospect. According to him "agriculture, far more than industry will hold the key to self-reliant growth." He wants that resources available within the economy should be more effectively exploited. There is need especially to raise the productivity of agriculture and labour and make most economical use of foreign exchange resources. He wants that rise in the rate of domestic savings should be brought about by taxation policy. He has emphasised the necessity of widening the base of taxation for bringing all sctions of the community within the scope of taxation and by checking evasion and avoidance. According to him the rate of domestic saving should be pushed up also by 'restructuring agricultural units' and unorganised sectors and thus increasing their productivity. He has advocated labour-intensive techniques for production necessary to meet domestic requirements and capital intensive method to build efficient export sector. Finally, he is of the opinion that "the extensive institutional apparatus for research and the technical, scientific and skilled manpower now available can be put to far more effective and purposeful use than at present." Indian scientific talent now abroad should be brought back and absorbed in the mainstream of Indian life and asked to solve specific problems to stimulate economic development.

Tarlok Singh was involved with the Indian planning for so long that frankly he appears to be incapable of bringing a fresh look to Indian economy and Indian planning. He appears to think that basically Indian planning has proceeded along right lines and has developed potential which if properly exploited is capable of meeting India's challenges in the 1970s. All that is necessary is a little adjustment here and there — a little more emphasis on agriculture, agricultural inputs and land reforms, a little less emphasis on large scale basic industries requiring long gestation period, greater emphasis on labour-intensive methodology, rural reconstruction and so on and so forth. It is strange that some of the things done since 1956 were done at all and that it took nearly fifteen years for Tarlok Singh to know some of the basic things about Indian economy. The author's many statements are in such vague general terms — e.g. 'restructuring of agricultural units', broad view of resources and their effective utilisation' and so on, and are so often hedged by 'ifs' and 'buts', that often his analysis provides extremely unstable foundations on which to base definite policies.

mental blocks

When after more than twenty years of planning the per capita availability of foodgrains and other essential commodities is at present lower than what it was in 1934 (as indicated in one of the columns in these reviews) and when the standards of living of more than seventy per cent of the people is going from bad to worse during all the planning years so that they appear to be on the starvation line and when the World Bank in its latest report has listed India among one of the three countries which appear to have no future, it is strange that Tarlok Singh should still think that more or less marginal adjustments will improve the situation. The manner of planning and the type of regulatory framework adopted since 1951 and especially since 1956, has brought the country to the brink of material and moral collapse, for which the author must bear his share of responsibility. Some extremely radical measures within or outside planning will be needed to rescue the Indian economy. Old timers like Tarlok Singh seem to be suffering from mental blocks and appear to have got completely emersed in mobid creations of their own making!

TRADE WINDS

Panel on Essential Supplies

A NEW cabinet committee on essential supplies is being created for highest level decisions on problems of trade and distribution. It is felt that unless the system of distribution is rationalised the present economic crisis may persist because there is no guarantee that what is produced will reach the ultimate consumer. Mr T.A. Pai has been assigned the important task of streamlining trade and distribution. It is because of this revised thinking that industries such as sugar, vanaspati, textiles and pharmaceuticals have not been shifted from their original ministries. Mr Pai will be guided by the new cabinet committee which may comprise all ministers dealing with production industries, the minister for Agriculture and the minister for Industry and Civil Supplies.

Social Control for Greater Production

Mr T.A. Pai, the union minister for Industry and Civil Supplies stated recently that the government was determined to overcome industrial stagnation. Some kind of "social control" would be applied to both private and public sectors to achieve greater production, especially of essential commodities. In his first major speech after taking charge of the enlarged ministry of Industry and Civil Supplies, Mr Pai said he would do all he could to remove bottlenecks in the way of increased production. On his new charge of Civil Supplies, Mr Pai said his ministry's task would be to see that eight or nine basic commodities were not only produced in large quantities, but also distributed in all parts of the country at reasonable prices throughout the year. Mr Pai, inaugurating a discussion on the state of the Indian economy at the National Council of Applied Economic Research (NCAER) said, "The immediate problem is to get over the constraints and use fully the vast productive rappaatus we have set up in this country."

Import of US Staple Cotton

India is expected to import part of her requirements of medium staple cotton from the United States. Mr D.P. Chattopadhyaya, union minister for Commerce, stated recently after a meeting he had with the US Secretary of Commerce, Mr Frederick Dent, at Washington. India's cotton requirements will be about 400,000 bales and part of this is being met by imports from the Soviet Union on rupee payments. The balance will be possibly met from the US imports. Mr Chattopadhyaya indicated that he found the US Commerce Secretary's attitude "positive and responsible." The quantum of imports and the terms will be decided upon in due course. This will be one of the subjects to be discussed during the visit of the US Secretary of State, Dr Henry Kissinger, to New Delhi towards the end of this month.

India-Libya Agreement

An oil agreement under which India would buy a quantity of Libyan crude during 1975 and provide Libya with oil technicians was signed in Tripoli recently. The agreement, according to Libya's official Arab Revolution News agency, also called for an exchange of contracts between Libyan and Indian officials on the possibility of granting Indians oil exploration rights in Libya on the basis of sharing production. The agreement provides for the training by India of a number of Libyans on technical matters. The agreement was the outcome of talks conducted in Tripoli by an Indian team recently.

Directive to Foreign Shipping

Shipping companies not incorporated in India, and not having a branch office or place of business in this country have been permitted by the Reserve Bank to carry on in India, through local agents, their normal commercial activities such as transportation of goods and passengers and collection of freight charges and passenger fares. General permission to this effect has been given by the Reserve Bank under Section 29 of the Foreign Exchange Regulation Act, 1973.

Loans to Tea Gardens

The Tea Board of India has sanctioned loans totalling Rs 5 crores to the North Bengal tea gardens under different heads, according to the chairman of the board, Mr T.S. Broca. He stated that these loans were for the pur chase of machinery subsidy to old and uneconomic garden and for development work. Besides, a loan of one crore of rupees had also been given to small tea growers of Nilgiri Himachal Pradesh and Kerala.

Indo-Bulgarian Agreement

The first session of the Indo-Bulgarian Joint Commission for Economic, Scientific and Technical Cooperation concluded its deliberations recently. The protocol, incorporating the results, was signed by the two Co-Chairmen, Mr C. Subramaniam minister of Finance, and Mr Toncho Chakarov, minister for Machine Building and Metallurgy. The two minister also signed an agreement on cooperation in the field of science and technology, based on which working programme for cooperation in specific fields would be worked out.

The joint commission succeeded in arriving at concrete programmes of cooperation in the fields of agriculture and food processing industry, electronics, machine building and heavy industry, and pharmaceutical industry. Of these fields, particularly noteworthy progress was achieved in the fields of agriculture and electronics. The working programme in the fiel of agriculture relating to cooperation in developing rural agro-industrial complexes in Karnataka and Bihar is particularly noteworthy. Other fields included poultry development, development of horticulture, grape juice production, food processing machinery, animal husbandry and production of dairy products.

An intensive programme of collaboration, trade exchanges and exchange of information was also chalked out in the field of electronics. Schemes of collaboration were developed on a number of electronics items, such as software for mini-computers, computer peripherals, desk calculators, core memories for computers, etc. Other fields in which areas of cooperation were identified were machine building and heavy industry and pharmaceuticals and chemicals. A number of machine tools were identified for two-way supply. Prospects emerged for the supply of certain categories of railway rolling stocks, castings and other equipment from India to Bulgaria. The other items where collaboration is envisaged are food processing machinery, material handling equipment and textile machinery. In the field of pharmaceuticals and chemicals collabaration was envisaged in certain specified drugs, pesticides and insecticides. The Bulgarian side offered to extend the terminal date for the utilization of credits under the 1967 agreement.

Indo-German Energy-Research

A three-member Indian government delegation of energy experts, headed by Mr K.S.R. Chari, Secretary in the ministry for Steel and Mines and including Dr M.G. Krishna, Director of the Central Fuel Research Institute in Dhanbad and Mr H.N. Sharan, Head of the Research and Development Department of Bharat Heavy Electricals visited the Federal Republic of Germany from October 1 to October 11, for detailed discussions about joint research projects within the framework of the Indo-German governmental agreement on scientific and technological cooperation. Focal points of the talks in Bonn, in which Dr Y. Nayudamma, Director-General of the CSIR, also participated, were possibilities for bilateral projects in the sphere of energy research — an area accorded high priority by both governments. Apart from their talks with officials and experts from the federal ministry for Research and Technology and the ministry for Economic Cooperation, the Indian guests visited leading governmental and private research establishments in the Federal Republic of Germany.

Sugar Excise Rebate

The union government has announced a comprehensive scheme to give a rebate in the excise duty on sugar in the coming sugar season to optimise production to meet domestic demand and also to create surplus for export. Under the scheme, a rebate of central excise duty to the extent of Rs 60 a quintal on free sale sugar and Rs 16 a quintal on levy sugar is being given for sugar produced in October-November this year. The rebate will be on the production in excess of the average production for the corresponding period of the previous five years.

The government also announced a scheme for sharing excess realisations by the industry from the free sale sugar with the growers on a 50:50 basis from the beginning of this season in terms of the recommendations of the Sugar Industry Enquiry Commission. This is expected to be a big incentive for the growers to increase sugarcane production. The growers' share will be available to them in the form of higher payment for cane price in addition to the statutory minimum of Rs 8.50 a quintal for a basic recovery of 8.5 per cent or less with a premium of 10 paise for every increase of 0.1 per cent in recovery above 8.5 per cent.

Food Aid from ECM

The executive commission of the European Common Market proposed recently to give India more than $100 million in food aid. A commission spokesman stated that this aid would consist of 300,000 tonnes of cereals. In addition, he said, Europe would sell another 700,000 tonnes of cereals to India at world prices. The free cereals would come half from Common Market stocks and half from stocks of the nine member nations, he added.

Paris Food Products Fair

The sixth International Food Product exhibition will be held in Paris at the Porte de Versailles from November 12 to November 18, 1974, and already promises to be a success. Growing rapidly, despite the international economic and political situation, Salon International de L'Alimentation (SIAL) will have many more exhibitors this year and an exhibition area a quarter as large as was in SIAL 1970. Several thousand visitors are expected from France and from all over the world. India will be among the seven Asian nations participating in the exhibition.

World Bank Study on Agricultural Credit

Small farmers in the developing world should be able to obtain agricultural credit without having to pledge their land as loan security, a World Bank study on agricultural credit has concluded. Collateral in the form of land is quite in order, however, for long-term credit and large farmers, the study notes, adding, however, that this traditional form of collateral tends to exclude tenants, and militates against small farmers who often lack certified titles to their land. Lenders, too, are discouraged from making credit available to small farmers when land forms the traditional collateral requirements. The report suggests, instead, that loan repayments be coordinated with the marketing of crops. Another alternative, the study continues, would be to write contracts under which credit agencies are paid a percentage of the farmer's output rather than a fixed amount. In any case, the Bank study adds that flexibility in rescheduling repayments should not "encourage tardiness or provide less pressure on farmers to make repayments when they are able." The report, entitled *Agricultural Credit*, is the second in a series of papers published by the Bank on the subject of rural development. A first paper, *Land Reform*, was also published recently.

Regional Conference of Industrial Engineering

The Indian Institution of Industrial Engineering has decided to hold first regional conference in the country to enable all those concerned with improving productivity to put their heads together and evolve a common understanding of the problem of productivity. The conference would be held in the eastern region from November 24 to 26, 1974 at Durgapur and would be organised by the Durgapur Chapter of Indian Institution of Industrial Engineering. The theme chosen for the conference is "Productivity — from Precept to Practice." Mr A.L Dias, governor of West Bengal has been invited to inaugurate the conference which will also be attended by several eminent persons in the field of productivity sciences.

Footwear Export by STC

The State Trading Corporation has secured orders and firm commitments worth Rs 7 crores for the export of footwear, leather uppers and other products. Mr P. Seth, Director of STC, who led a delegation to several countries recently stated that if India could supply according to time schedule, there was a possibility of getting another order worth Rs 4 crores. The market was very receptive for various types of footwear and India could compete with other countries, if it could improve the finishing of the products. Offers of technical collaboration for improving the quality had been received from West Germany, Switzerland, France and Finland.

Capacity Utilisation in Public Sector

A project to study capacity utilisation in public sector manufacturing units has been undertaken by the Bureau of Public Enterprises, ministry of Finance. It is expected to be completed by March 1975. The first phase of the project, which is already under way, consists of a pilot study to test the methodology to be adopted. This study will try to define the problems likely to be faced and will also examine practical solutions waich have been found in different situations. Seven units from diverse fields and of varying capacity utilisation levels have been chosen for the pilot study. The units are: Indian Telephone Industries, Bangalore; Garden Reach Workshops, Calcutta; Urea Plant of Neyvelli Lignite Corporation; Synthetic Drugs Plant of IDPL, Hyderabad; Cochin Refineries; Heavy Machine Building Plant of HEL, Ranchi and High Pressure Boiler Plant of BHEL, Tiruchi. Their capacity utilisation varies from 21 per cent in the case of Urea Plant of Neyvelli Lignite Corporation to 153 per cent of the High Pressure Boiler Plant of BHEL. Following the pilot study it is intended to cover all the menufacturing units of the public sector in three phases covering approximately 20 to 30 units in each phase. In all, there are 104 units belonging to 64 public sector enterprises in the manufacturing field. Of these 15 are still under construction or in initial stages of production and have yet to reach a stabilised state of production. Of the 89 well established production units, 30 units, are operating beyond 75 per cent capacity utilisation; 21 units operate between 50 per cent and 75 per cent capacity utilisation; and 13 units have yet to reach 50 per cent capacity utilisation level. Of the remainig 21 units reliable estimates are not available for various reasons, including lack of clear definition of their capacity.

Support Price for Cotton

The Agricultural Prices Commission has recommended a higher support price for the basic variety of raw cotton—Punjab American 320F for 1974-75 cotton season. The commission has suggested a support price of Rs 195 per quintal, Rs 25 more than that recommended for last year. Prices for other varieties of cotton would be determined on the basis of usual price differentials.

Export of Electric Cables

The Indian Cable Company has recently secured another large order in south-east Asian market. Soon after the break-through in Hong Kong with two consecutive orders valued at one crore rupees, the Sarawak Electricity Supply Corporation, Sarawak, Malayasia has placed an order for 26.0 KM 11,000 Volts aluminium conductor paper insulated power cables valued Rs 20 lakhs. Delivery of the order will be completed during 1974-75.

Procurement of Rice in Andhra

An all time record has been set in procurement of rice in Andhra Pradesh by the Food Corporation of India in the kharif season which ended in April last. The total procurement by FCI rose to about 518,000 tonnes of rice during the kharif season, which began in November last. The procurement operations of the kharif season involved an outlay of over Rs 50 crores. A spokesman of FCI stated that the Agricultural Prices

THE CALCUTTA ELECTRIC SUPPLY CORPORATION LIMITED

(Incorporated in England)

NOTICE

Notice is hereby given that registration of transfers of Ordinary Stock in Calcutta will remain suspended and Register of Ordinary Stockholders of the Company in Calcutta will remain closed from 28th October, 1974 to 2nd November, 1974, both days inclusive.

By Order of the Board,

S.K. NIYOGI,
Secretary.

Victoria House
Calcutta 700001
3rd October, 1974.

BHAKRA MANAGEMENT BOARD

Public auction for sale of earthmoving machinery, workshop machinery, electrical equipment, scrap steel of different categories, Zinc Ash, Zinc Dross, Scrap, Copper, rejected tyres of sorts, Iron-Boring, Rubber dust, empty drums of sort. Brand new spare parts of different sizes and other miscellaneous items will be held in Disposal yard/ Plant Yard/Central Stores at 10 a.m. on 31-10-74.

Detailed lists and condition of auction can be had free from office of Superintendent, Procurement, C/Stores and Disposal Division, Nangal Township.

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Commission had set a procurement target of 600,000 tonnes for the entire crop year 1973-74 for Andra Pradesh. The target has been achieved almost in the first crop itself. The rabi procurement operations, which began in May last has so far yielded about 100,000 tonnes of rice. The procurement efforts of FCI were, however, supplemented by cooperatives detailed by the State government for the purpose.

Sale of Plantation Estates

Applications to Reserve Bank for permission to purchase or sell any immovable property in India by foreign companies and foreign citizens, or Indian companies in which non-resident interest is more than 40 per cent, are required to be accompanied by a valuation report in respect of the property in question from an approved valuer appointed by the government of India under the Wealth Tax Act. The valuation report, to be sent in quadruplicate, should be comprehensive, indicating the value of each of the major assets and also the manner in which the valuation has been arrived at. Applications for the sale of tea, coffee and rubber estates in India owned by sterling companies and remittance of sale proceeds thereof outside India, together with the valuation report from an approved valuer as stated above, should henceforth be submitted directly to the Controller, Exchange Control Department, Reserve Bank of India, Central Office, Bombay-400001, and *NOT* to the regional offices within whose jurisdiction the estates are situated.

Paper Mill in Indonesia

An Indian-Indonesian joint paper plant will be established in Indonesia, it was reported recently. The Indian Consul in Jakarta, Mr Vinod Kumar Grover told the Antara news agency that officials from the two countries were now negotiating to determine the site, capacity and capital investment for the plant. Another Indian embassy official meanwhile stated that nine joint venture companies involving total investment of $15 million would soon be realised.

Names in the News

The Board of the International Airports Authority of India (IAAI) has been reconstituted with the appointment of two members, **Mr B.S. Das and Mr S. Khurana**. Mr Das, who has been appointed as a whole-time member, and Mr Khurana, Director in the ministry of Tourism and Civil Aviation, will replace Mr S. Ramanathan and Mr N. Khosla, respectively. The other nine members of the IAAI board remain unchanged.

Nobel Prize for Economics for 1974 has been awarded jointly to **Professor Gunnar Myrdal of Sweden and Professor Friedrich Von Hayek** of Austria. The Royal Swedish Academy gave the award for the two economists' pioneering work in the theory of money and economic fluctuations and for their "penetrating analysis of the independence of economic, social and institutional phenomena."

Readers' Roundtable

Foreign exchange smuggling

Sir, Now that firm steps are being taken against smugglers, it is time to initiate measures to stop foreign exchange smuggling.

The Indian rupee should be independently floated instead of being linked to the floating pound sterling. The argument that the Reserve Bank of India does not have the expertise to handle an independently floating rupee is invalid. If the Reserve Bank has competent officers who are in great demand in newly independent countries for setting up and running their central banks, it is not known why RBI should not develop expertise in this field.

With proper supplementary measures like import duties to prevent inflow of luxury goods, a floating rupee will result in (a) a stimulus to exports, (b) prevent overcapitalisation of our industries because of "cheap" foreign exchange, (c) eliminate licensing corruption and scandals, and (d) bring large remittances from Indians abroad through the banking system.

At present, the manual tallying of foreign exchange forms filed by exporters (copies from the customs and commercial banks to be checked with the Reserve Bank copy are received after some months) takes several years at the rate of less than 10 forms tallied per day per employee. Arrears are said to have accumulated for over three years. Unscrupulous elements have taken advantage of this snail's pace procedure because by the time frauds are detected, the "ghost export firms" disappear! Computerisation will enable the Bank to pinpoint the frauds and take proper action in good time. Reserve Bank employees should cooperate with the Bank in computerisation of this activity in national interests forgetting their sectional interests.

The Finance ministry would do well to appreciate that under the law the Reserve Bank is the sole authoriy for foreign exchange control, and should be given necessary respect and scope to operate. For instance, while drawing the recent Foreign Exchange Regulations Bill, the Finance ministry did not show the Reserve Bank even the courtesy of consulting it.

M.R. PAI

Bombay

COMPANY MEETING

Nirlon Synthetic Fibres & Chemicals Limited

Registered Office :

Nirlon House, 254-B, Dr. Annie Besant Road, Worli, Bombay 400 025

Speech delivered by Shri S. Vaidyanatha Aiyar, Chairman of the 16th Annual General Meeting held on the 30th September 1974.

Shri S. Vaidyanatha Aiyar

Gentlemen:

I have great pleasure in welcoming you all to this 16th Annual General Meeting of the Company. The Report of the Directors and the audited Statement of Accounts have been made available to you in advance, and with your permission, I propose to take them as read.

The spiral of inflation has shown its impact all over the world and our country has not been an exception. It is a dreadful reality which everybody in the country has to face. The steep upward trend of the cost of living during the past six months clearly shows the seriousness of all the measures taken for controlling the inflation. What is being felt by the individuals in the day to day life is also experienced by the Management while administering the industry. Let us hope that the Government will hit upon some more definite production oriented measures for relieving the present situation of unabated inflation.

The supply position of Caprolactam as indicated by me in the last year continued to be alarming this year also. The Caprolactam price in the World market during the year under review has increased from $470 per m. tonne to over $2,200 per m. tonne. During the last few months, although the price of Caprolactam has come down slightly, but due to acute shortage of availability of foreign exchange, the STC has not been in a position to import Caprolactam to the fullest requirements. Gujarat State Fertilizers Co. Ltd., have started their commercial production recently. We welcome them and wish them every success in maximum operation of the Plant. We hope Caprolactam price of GSFC which is to-day pegged at Rs. 41/- per kg. will be suitably rationalised to a reasonable level.

Taking into account the foreign exchange available with the STC and the expected availability from the GSFC, it is estimated that we will still not be able to operate our Plant to the full capacity during the rest of the financial year also.

As a result of the shortage of Caprolactam, your Nylon Tyre Cord Plant had to be closed since February 1974 and could resume operation only during this month, i.e. after a lapse of over six months.

The production of Nylon textile yarn declined by about 38 per cent as compared to the production of last year. There was a decrease in the production of tyre cord by about 33 per cent during the year under review, as compared to last year. Due to shortage of Caprolactam as envisaged, we are afraid we may not be able to maintain our production even at the level of last year, which was much below our licensed capacity.

I am happy to report to you that during the year under review we achieved the production of Polyester filament yarn to the full expanded capacity permitted by Government. During the current year, however, there has been difficulty in obtaining raw material even for Polyester yarn, and the production will be comparatively lower during the current year.

Your Company along with other Nylon Textile Yarn manufacturers have signed a fresh Agreement with the various Actual Users' Associations of Nylon yarn. The special feature of this Agreement is that your Company can sell 25 per cent of the production at a somewhat better price than the balance portion, which is at an agreed price. The terms and conditions of this Agreement were well received by the Government. As a result of abnormal increase in the price of Caprolactam, the price of Nylon yarn has to be stepped up in accordance with the Agreement with the consuming industry. These factors compensated the turnover which would have been substantially low otherwise, due to the stiff fall in production.

The Polycondensation plant and machinery have been installed during the current year and is likely to be commissioned shortly. As a result of this project, your Company will be manufacturing Polyester chips which hitherto had to be imported for manufacturing Polyester yarn. The main raw material, i.e. DMT and Ethylene Glycol are expected to be made available indigenously, but not in adequate quantities as required by the Industry. As a result of commissioning the Plant your Company will be saving foreign exchange worth about Rs 70 lacs per annum.

The Company's application for importing capital goods necessary for expanding the textile yarn capacity to 4,200 tonnes, is still pending decision with the Government since no policy for permitting expansion of the existing Plant has so far been decided by them.

Your Company proposes to set up a Conveyor Belting Plant and has received a Letter of Intent for manufacturing the same. The Company is taking active steps to implement the said project at the earliest.

The Company's plans for Research and Development activities were examined by the Central Government auth rities and these activities ha now been recognised as su by the Central Government

Your Company continued i efforts of earning the forei exchange by way of expo The total export made by yo Company during the year und review was higher by 109 p cent as compared to last yea even though your Company h no obligation to export. Yo Company has now been reco nised by Government as a R gistered Export House.

The Bonus Share propos approved by the Shareholde at the last Extra-ordina General Meeting is being pu sued vigorously with the Go ernment.

The Company's relatio with the Labour continued be cordial. Your Company policy to finance various activ ties towards cultural, soci and intensive medical assi tance are being continued.

Before I conclude, I woul like to thank my colleagues c the Board for their co-oper tion, and all the Officers Sta and Workers of the Compar for the hard and sincere wo they have put in for the su cessful operation of our Plan

With these observations, now move that the Report the Board of Directors an the Annual Accounts for th year 1973-74, be adopted.

Note: **This does not purpo to be the proceedings of t Annual General Meeting.**

COMPANY AFFAIRS

Modest Recovery

THE BOMBAY Stock Exchange opened last week on a subdued note. Equities which were marked down considerably almost during the first three days on sustained selling, started staging a mild rally from mid-week onwards on expectations that the new Finance minister Mr C. Subramaniam would initiate steps for reviving the sagging economy. Hopes were also entertained that Mr Subramaniam, who was responsible for decontrol of some of the vital commodities when he was the Industry minister, would adopt a pragmatic policy to give a boost to the economy. The sentiment was also aided by the statement of Mr T.A. Pai, new minister for Industry and Civil Supplies, that he would make every effort 'to remove the bottlenecks in the way of increased production'. Market circles also greeted the new import policy for the second half of the current year to the extent that it did not make any major departure from the policy which had been in force for the preceding half-year. Operators were also enthused by the Railway ministry's decision to give a massive order of 14,000 four-wheelers to the wagon manufacturers.

Although Dalal Street reacted favourably to the cabinet reshuffle with a mark up in prices in a number of scrips, several shares sustained losses over the week, notable among them being Standard, Indian Dyestuff, National Rayon, Baroda Rayon, Ceat Tyres and Zuari. The undertone at the week-end was, however, hopeful. After remaining subdued for major part of last week, Lyons Range staged a welcome recovery towards the close. But the volume of business was restricted as operators and investors kept their commitments light by adopting a wait-and-see policy. On renewed short-covering at lower levels, combined with some improvement in investment enquiries, equities in both cleared and cash lists moved up to record moderate to handsome gains on balance. With no change in the general investment climate, trading in Madras Stock Exchange during the week was far from lively. Only small business was done in selected shares

Bihar Alloy

Bihar Alloy Steels Ltd is expected to commence production by the end of next month. The plant, put up at Patratu near Ranchi, will produce 40,000 to 50,000 tonnes of alloy, tool and special steels worth 30 to 33 crores of rupees, resulting in a saving of an equal amount of foreign exchange. The plant has been set up in technical collaboration with Crusot-Loire of France at a cost of Rs 35 crores. Equipped with a number of advanced facilities such as ultra high-power arc furnaces, the plant is considered to be one of the most modern alloy steel units in the world.

Scindia Steam

Scindia Steam Navigation Company Ltd has turned out excellent working results during the year ended June 30, 1974. Its total turnover, including other receipts, outstripped the previous year's record by as much as Rs 12.30 crores and touched the peak figure of Rs 68.34 crores during 1973-74. The gross profit, including the profit on sale of assets, too recorded an appreciable rise to Rs 15.26 crores as against Rs 12.32 crores in 1972-73. Out of the gross profit, the directors have appropriated a sum of Rs 6.41 crores to depreciation reserve as against Rs 5.58 crores in the preceding year, while taxation absorbed Rs 65 lakhs as compared to Rs 55 lakhs a year ago. The net profit thus worked out to Rs 8.20 crores—Rs 2.01 crores more than in 1972-73. The statutory development rebate reserve requires to be provided in respect of ships acquired during the year came to Rs 3.50 crores as against Rs 5.00 crores in 1972-73. In addition to this, Rs 2.10 crores (previous year Rs 32 lakhs) is provided as a reserve for the previous year. With the balance brought forward amount of Rs 13 lakhs and Rs 1.11 crores in respect of development rebate reserve set free in this year, the total amount available for disposal comes to Rs 3.84 crores. The directors have recommended a dividend of Rs 2.40 per share, subject to deduction of tax, this being the maximum amount permissible for distribution under the dividend ordinance. The dividend, if sanctioned, will absorb Rs 1.63 crores. Out of the balance, Rs 1.11 crores is appropriated to general reserve, Rs 90 lakhs to dividend equalisation reserve and Rs 20 lakhs is carried forward.

The substantial improvement in working results—perhaps the best in the company's 55-year history — are attributed mainly to higher freight realisations during the year and partly to the employment of a larger tonnage following the inclusion of the 53,000 DWT bulk carrier in the company's fleet for the nine months of the year. Meanwhile the company continues to add to its fleet. It expects a bulk carrier of 75,000 DWT and two mini bulk carriers of 21,450 DWT each to be delivered in 1976. The company at present has a fleet of 45 vessels totalling 748,288 DWT.

Glaxo

Glaxo Laboratories (India) Ltd has reported impressive working results during the year ended June 30, 1974. Sales have gone up from Rs 30.98 crores to Rs 35.38 crores while the gross profit has advanced to Rs 3.84 crores from Rs 3.37 crores in 1972-73. The ratio of gross profit to sales is, however, maintained around 10.9 per cent. The company has already paid an interim equity dividend of seven per cent for 1973-74. In view of the dividend restrictions the management is unable to declare any final equity dividend for the year. Thus the total dividend for 1973-74 amounts to only seven per cent as against 18 per cent paid for 1972-73. Out of the gross profit the directors have appropriated a sum of Rs 59.59 lakhs to depreciation reserve, Rs 8.50 lakhs to development rebate reserve and Rs 186.00 lakhs to taxation reserve as against Rs 50.74 lakhs, Rs 9.50 lakhs and Rs 158.64 lakhs provided respectively in 1972-73. A sum of Rs 115.00 lakhs has been transferred to the general reserve as compared to Rs 80.50 lakhs in the previous year.

Indian Aluminium

In the first six months of 1974, Indal's sales revenue, including excise duty, totalled Rs 275.3 million, which is slightly lower than Rs 280.5 million achieved in the comparable period of 1973. Pre-tax profit of the company for the same period at Rs 27.3 million was only marginally lower than in the corresponding period of 1973 in spite of lower shipments and spiralling raw material costs. Net profit was Rs 15.2 million as compared with Rs 13.3 million in the first half of last year. Power shortages restricted the company's metal production in the half-year to 36,087 tonnes, i.e. about 70 per cent of effective capacity. The aluminium

only 62,050 tonnes of metal in the first half of 1974 as compared with 154,270 tonnes for the year 1973 and 179,100 tonnes in 1972. This was mainly due to power restrictions. The first half of Indal's new 20,000 tonnes smelter at Belgaum in Karnataka was completed at the end of 1973. The Karnataka Electricity Board has not yet sanctioned additional power for this smelter and the directors are making every effort to secure the requisite amount of power. In view of the provision of the restrictions on dividends the directors have not declared an interim dividend for 1974.

Ramon & Demm

Ramon & Demm Ltd has received the sanction from the Controller of Capital Issues for the issue of bonus shares in the ratio of four bonus equity shares for every five equity shares held. In spite of several adverse factors such as power cuts and shortage of raw materials the company's production during the year ended March 31, 1974 has increased from 754 tonnes to 772 tonnes. This has resulted in increased sales and the turnover was higher at Rs 3.09 crores as compared with Rs 2.79 crores in the previous year. Although the turnover was better than last year, there was a marginal decline in profits. This was due to increased wages and sharp rise in the cost of raw materials. However, the company's performance in the current year is quite encouraging. Its production in the first five months of the current year has increased to Rs 1.84 crores from Rs 1.22 crores in the similar period of 1973-74. Its sales during the same period of current year has more than doubled to Rs 1.88 crores from Rs 90 lakhs in the same period of last year. The company's total sales during the current year is expected to be around Rs 4.5 crores while production is expected to be about 1100 tonnes.

The company is vigorously pursuing the implementation of its expansion project. The company's application or the import of machinery has been cleared by the Government. The foreign exchange for the import of plant and the machinery for the project will be made available to the company as soon as the agreement between the governments of India and West Germany over the West German project aid (KEW loan) is signed. Construction of buildings is proceeding apace and is expected to be over by the end of this year.

Mysore Electro-Chemical Works

Mysore Electro-Chemical Works has entered into two technical collaboration agreements with M/s Accumulatoren fabrik Sonnenschein GmbH, West Germany, one for the expansion of the existing production facilities and the other for diversification of its products. These agreements will come into force as soon as the approvals of the governments of respective countries are granted. Under the expansion agreement envisaged the existing capacity would be doubled. The government of India has already issued a letter of intent for expansion from 59,500 numbers to 120,000 numbers for automotive batteries, from 10,000 numbers to 17,500 numbers for traction batteries, from 20,000 numbers to 30,000 numbers for stationary batteries and also for 10,000 numbers of train lighting cells. The collaboration agreement for diversification envisages manufacture of special lead acid storage batteries which are used in photo flash units, electronic equipment, transistorised radios, TV sets etc by the company. The production of such batteries will be the first of its kind in the country and the company is justifiably proud of being the first in this field.

The expansion and diversification programmes will be taken up for implementation shortly. The PVC separators are the major raw materials which are imported directly by the company and in order to save the much needed foreign exchange for the country, the company will shortly be setting up a plant for manufacture of these separators. The necessary permission has been obtained from the government of India and foreign currency loan for import of machinery is now being arranged. This plant will be installed soon and production is likely to commence during the current year itself. The company has full-fledged quality control, research and development department which ensures that every batteries which comes out of the production line is a masterpiece of quality and craftsmanship. The technical collaborators from West Germany—pioneers in the battery industry in the world — is providing the company with the latest know-how.

The quality and standard of MEC battery products are of a very high standard and they are finding a ready market. They are accepted as original equipment in Ashok Leyland trucks and buses, Ambassador cars, International tractors, Escort tractors and Mahindra and Mahindra jeeps and trucks. The company has entered the export market and has finalised an order for export of traction batteries to the USSR worth Rs 2.7 million and is also exploring the possibilities of exporting batteries to other countries. The company is confident of achieving an export target of Rs 3.5 million during the current year. The sale orders on hand including the export order exceed Rs 20 million.

Crompton Greaves

Crompton Greaves have reported improved working results for the year ended June 30, 1974 despite unfavourable factors such as steel shortages, cost inflation and power shortages. Sales have risen from Rs 35.48 crores to Rs 39.08 crores and profit before tax from Rs 3.06 crores to Rs 4.30 crores. During the year under review the company issued bonus shares in the proportion of one share for every two shares held by capitalisation of Rs 2.40 crores out of general reserve. The share capital of the company now stands at Rs 7.20 crores. In view of the restrictions on dividends the directors have recommended a dividend on increased capital at eight per cent against 15 per cent last year, which will absorb Rs 57.60 lakhs against Rs 72 lakhs in the previous year. A part of the proposed dividend is expected to be exempt from tax. The provision for depreciation is Rs 58 lakhs. From the pre-tax profit the directors have provided Rs 8.5 lakhs for development rebate reserve and Rs 12.5 lakhs for doubtful debts reserve. The balance of profit of Rs 4.09 crores has been transferred to general reserve. After adjustments of Rs 240 lakhs for capitalisation out of general reserve, the previous year's dividend of Rs 72 lakhs, taxation of Rs 127 lakhs and other smaller adjustments, the reserves at June 30, 1974 stand at Rs 7.54 crores. Tax on the year's profit estimated at Rs 2.42 crores will be paid out of reserves when due.

Supreme Industries

Supreme Industries, which has declared an equity dividend of 12 per cent for the year ended March 1974, has reported satisfactory progress in the current year so far. Sales in the first half of the current year have been higher at Rs 90.80 lakhs compared to Rs 57.29 lakhs in the same period of last year. The higher turnover does not mean proportionate increase in the volume of the products handled by the company but is attributed to the steep increase in the prices of plastic raw materials. Exports during the period have amounted to Rs 12.46 lakhs. Exports could have been higher but for the fixation of inadequate drawback rates and ineffective scheme with regard to replenishment of raw material consumed for export production. The company's application for capital goods licence to manufacture PVC pipes has been rejected due to constraint on raw material. It has received an import licence for a large moulding machine, which is expected to start production by February 1975. It has secured a defence order worth Rs 51 lakhs recently.

Unit Trust

The total investible funds of the Unit Trust increased to Rs 172.63 crores as on June 30, 1974 from Rs 141.96 crores as on June 30, 1973. These funds were invested in ordinary shares to the extent of Rs 77.90 crores (45.1 per cent), preference shares Rs 16.38 crores (9.5 per cent), debentures Rs 53.22 crores (30.8 per cent) and in other investments Rs 25.13 crores (14.6 per cent). The Trust's investments in industrial securities showed a significant overall appreciation of 19.1 per cent in relation to their book value as on June 30, 1974 compared to 6.7 per cent as at the end of the previous year.

There might be misgivings about the impact of government's recent anti-inflationary measures on the Trust's operations, particularly relating to the dividend restrictions on companies. Though this dividend limitation measure would no doubt reduce to some extent the Trust's income from its investments in ordinary shares, it would in no way affect the income from fixed-income yielding securities, viz., preference shares and debentures which are equally important in the Trust's investment portfolio. In fact, the income from these securities may even go up somewhat. The Trust would also take necessary action in adjusting its investment portfolio to the requirements of a changed situation. Despite the difficulties which it would, no doubt, face in the current year 1974-75, the Trust enters the second decade of its operations with renewed confidence.

News and Notes

National Rayon Corporation which has made considerable progress in the implementation of its nylon tyre cord project, is further diversifying its activities. It has applied to the government for a licence to produce annually 33,000 tonnes of rayon grade pulp and

15,750 tonnes of rayon staple fibre. The project is estimated to cost Rs 40 lakhs. The project will be set up in Chandrapur district which is a declared backward area in Maharashtra. The company hopes to receive substantial financial assistance from SICOM for this project. The total financial requirements for this project are being worked out. The project when commissioned would save foreign exchange to the tune over Rs 15 crores a year. Meanwhile the company's nylon tyre cord plant is expected to be on stream by the middle of 1975. The project cost is estimated at Rs 12 crores and is being financed largely from internal sources.

The foundation stone of the Rs 450.00-lakh spinning unit of **Mahavir Spinning Mills Limited** at Hoshiarpur, with an installed capacity of 25,000 spindles, will be laid by the Chief Minister of Punjab, Mr Giani Zail Singh on October 19, 1974. This company has been promoted by Vardhman Spinning and General Mills Limited, a sister concern of Oswal Group of Industries, a leading industrial house in this part of the country. This unit is the first large scale unit to come up in the district of Hoshiarpur, an industrially backward region of the state. This project is likely to be commissioned by early 1976 and will spin annually about 43 lakh kgs of grey carded cotton yarn valued at Rs 600 lakhs in medium to coarse count range. This yarn is the basic input for handlooms which number about 3,000 in the district of Hoshiarpur. Thus this unit will give a big impetus to the growth of handloom industry in the region. In the second phase, an expansion by another 25,000 spindles and 500 looms is envisaged which will make it a fullfledged composite unit.

Mr T.D. Sinha has been appointed Joint Managing Director of **Indian Aluminium Company Ltd**, a leading aluminium-producing company and one of the largest industrial enterprises in the country. A management expert, Mr Sinha is a Patna University law graduate and a past president of the alumini association of the Indian Institute of Management, Calcutta. He joined INDAL 25 years ago in 1949 and, after holding several important positions, became secretary to the company in 1960. Seven years later he joined the board of directors.

New Issues

Bank of Madura Ltd is offering 5,90,000 equity shares of Rs 10 each at par to the public for subscription. The subscription list opens on October 30 and the entire public is underwritten. The Unit Trust has underwritten shares worth Rs 9 lakhs while the LIC has underwritten equity capital to the tune of Rs 5 lakhs. The balance has been fully underwritten by leading share brokers. The bank is raising the capital to finance its expanding business. It is planning to open scores of new branches in several towns and cities and proposes to house its offices in its own premises. The bank's business has recorded a spectacular growth during the past few years. Its deposits have almost trebled within a very short period, jumping to Rs 27.43 crores at the end of last year from Rs 9.8 crores at the end of 1970. The bank's net profits too have shown an encouraging rise, increasing from Rs 2.17 lakhs in 1972 to Rs 2 69 lakhs in 1973. All in all the bank is poised for a major breakthrough in all spheres of its activities in the coming years.

Upper India Bearings and Bushings will be approaching the capital market some time in December with a public issue of Rs 24 lakhs, all in equity shares of Rs 10 lakh at par. The proceeds of the issue will be utilised for financing partly the company's expansion programme aimed at raising the capacity from 1.20 lakh pieces of bimetal bearings and bushings being used in the automobile industry to 15 lakh pieces per annum. At present the company is having a plant at Madras. A new unit is being established at Ranipet in North Arcot district in Tamil Nadu which has been declared as a backward area. The new plant is expected to commence commercial production by June 1975. The capital outlay on the project is estimated at Rs 91.27 lakhs. The company does not anticipate any difficulty in marketing its products since there is a good demand for bimetal bearings. The DGTD has estimated the demand for these bearings at 39 million pieces by 1978-79, while the capacity covered by the existing manufacturers including their expansion and the additional capacity approved for new units, is very much less than the projected demand.

Gogte Steels is offering to the public for subscription 612,500 equity shares of Rs 10 each and 35,000 (11 per cent) cumulashares of Rs 100 each, both at par. The subscription list for this fully underwritten issue opens on October 31. The proceeds of the issue will be utilised for financing partly the company's Rs 3.90-crore project being set up at Tarapur in Maharashtra for manufacturing 44,000 tonnes of steel billets per annum. This joint sector project will have two electric arc furnaces of 15 tonnes capacity each. The first furnace is expected to go into production by the end of this year and the second furnace in about two months thereafter. Besides a continuous casting machine will also be set up. The capital outlay on the project is estimated at Rs 3.90 crores. It will be financed crores and term loans of Rs 2.30 crores. The company has also received a letter of intent for setting up a wire rod mill for manufacturing high carbon wire rods for an installed capacity of 40,000 tonnes. It plans to set up this project as a second phase to derive the advantages of an integrated steel complex.

Capital and Bonus Issues

Consent has been granted to five companies to raise capital amounting to over Rs 3.24 crores. Following are the details:

Sita World Travel (India) Private Ltd have been accorded consent valid for 3 months to capitalise Rs 4,00,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of 8 bonus shares for every 9 equity shares held.

The Rayalaseema Mills Ltd have been accorded consent, valid for 3 months, to capitalise Rs 9,92,800 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.

S.P. Virmani and Son Private Ltd have been accorded consent valid for 3 months to capitalise Rs. 21,07,000 out of its general reserve and issue fully paid equity shares of Rs 1,000 each as bonus shares in the ratio of one bonus share for every one equity share held.

Ahmedabad, have been granted consent, valid for a period of three months, for issue of bonus shares worth Rs 82,00,000.

West Bengal Industrial Development Corporation Ltd, Calcutta, having a paid-up capital of Rs 207.40 lakhs have been accorded consent for the issue of 800 bonds of Rs 25,000 each, carrying interest at 6-1/4 per cent per annum and redeemable after 10 years, or cash at an issue price of Rs 98.85. The corporation will have the right to retain additional subscription to the extent of 10 per cent of the notified amount of Rs 200 lakhs. The proceeds will be utilised for augmenting the resources of the corporation. The consent order is valid for 12 months only.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Somany Pilkington	June 30, 1974	12.0*	Nil
Same Dividend			
Shree Sajjan Mills	March 31, 1974	10.0	10.0
Textool Company	April 30, 1974	Nil	Nil
Khatau Makanji Spg. & Wvg.	June 30, 1974	10.0	10.0
New Central Jute	March 31, 1974	Nil	Nil
Reduced Dividend			
Binani Metal Works	June 30, 1974	Nil**	5.0
Kalpetta Estates	April 30, 1974	8.5	12.5
Brooke Bond	June 30, 1974	11.0	20.0
Morarjee Goculdas	June 30, 1974	11.5	16.0
Calcutta Electric Supply Corporation	March 31, 1974	Nil	10.0

*Maiden dividend.

**For 15 months ended June 30, 1974.

RECORDS AND STATISTICS

EEC generalised preferences: an outline

As EARLY as 1958 a GATT report suggested that developed countries should give up protecting their industries against imports of manufactured goods from developing countries.

In May 1953, in a GATT ministerial meeting, the EEC ministers, and those of the countries associated with the Community, suggested that a suitable way of promoting the trade and development of the countries in an early stage of growth would be to give preferential treatment to their exports of manufactured goods and semi-manufactures.

The fact that GATT was reticent about this helped towards the formation of UNCTAD (United Nations Conference on Trade and Development), which was at that time in the process of gestation.

Further Headway

In 1964, at the first UNCTAD session, the idea put forward by the EEC and its Associates made further headway.

In 1968, at the second UNCTAD conference in New Delhi, agreement was reached on setting up a system of generalised preferences; and in October 1970, an agreement was reached in UNCTAD for bringing this system into being.

Since July 1, 1971 the EEC has been operating a system of customs franchise known as "generalised preferences", in favour of manufactured and semifinished goods coming from developing countries. Basic agricultural produce, basic industrial products and industrial raw materials are not included in this preference system.

Not Reciprocal

The preferences are not: *reciprocal* — the countries which enjoy them are not required to make equivalent reductions in their customs duties;

Discriminatory — the preferences are given to all developing countries.

The preferences are: *generalised* — the preferences are granted in principle by all developed countries.

The preferences are not negotiated. They are the subject of an autonomous offer resulting from discussion with the countries which are to enjoy them.

How the System Works

The Community system is based on preferential imports free of customs duty up to specified ceilings. The latter are calculated by reference to a fixed basic amount corresponding to the c.i.f. value of imports from the beneficiary countries in a specified reference year, plus five per cent of the c.i.f. value of imports from other countries (additional amount). The ceiling is thus raised each year, the additional amount being the indicator of the acceleration of trade between the Community and its industrial partners.

—For sensitive products there is a system of tariff quotas.

—The buffer", or maximum amounts, are fixed by the beneficiary countries. Their effect is to limit to a given proportion of the ceilings and quotas the maximum amount which may be used by any individual country.

In the dynamic of the operation the buffer mechanism cannot fail to secure additional opportunities for the less advanced and less competitive countries, and it will be up to them to take advantage of these.

—The exporting countries are required to supply certificates of origin, so that traffic diversions can be avoided.

Community Offers: 1971-73

In 1971, the system could only operate for six months.

The number of *processed agricultural products* covered by the Community scheme was 147. It remained the same through 1971-73. The system provides a selective safeguard clause which has never been used.

The impact in terms of products covered during the first 6 months of 1971 was U.A. 45 million* of imports into the Six from beneficiary countries which are not associated with the Community.

The ceilings and quotas opened amounted to:

UA 340 million in 1971
UA 780 million in 1972
UA 900 million in 1973

In 1971 the year 1968 was the reference year chosen for all calculations.

— The ceilings opened for 1972 showed an overall increase of 15 per cent. This resulted from the choice of 1969 as the reference year for calculation of the additional amount (five per cent of the imports from countries not included in arriving at the basic amount) The year 1968 remained the reference year for determining the basic amount.

For 1973, the year of reference for the additional amount was 1970, but the basic amount was still calculated from 1968 figures. The increase has been estimated at about 15 per cent.

Number of Products

—The number of products subject to tariff quota was:

53 in the first half of 1971
58 in 1972
60 in 1973

—In 1971, the buffers limiting the preferential imports from individual developing countries for specific products, were in general not higher than 50 per cent of the ceiling fixed for the product in question.

In 1972 and 1973, a number of the buffers were lowered from 50 per cent to 30 per cent, or from 30 per cent to 20 per cent. This was for the purpose of dealing with special situations (especially in Yugoslavia, Hong Kong, South Korea and Brazil) and was aimed to safeguard the advantages accruing to the less competitive beneficiaries.

Textiles Goods

The tariff quotas and ceilings opened amounted to:

19,429 tonnes for the second half of 1971,

39,444 tonnes in 1972 and 42,631 tonnes in 1973.

In 1972, the beneficiary countries fell far short of using all the opportunities offered by the Community scheme. The number of independent beneficiary countries rose from 91 in 1971-72 to 102 1973.

In December 1973, the council agreed to the principle of introducing a reserve proportion into the Community quotas, making it possible for available quotas not used by specific countries to be transferred into the reserve and

* UA—Unit of Account=c. BF 50=US $ 1 *before* the Smithsonian devaluation of 1972.

made available for use by other countries.

Three Essential Features

The first feature of the 1974 scheme is that *it is applied by the enlarged Community.* By protocol 23 annexed to the Act of Adhesion, the three member countries had been "authorised to postpone until January 1, 1974 the application of the Community system of generalised tariff preferences".

Secondly, *in virtue of the Summit directives given in Paris (October 1972)* in which the heads of state or government expressed their desire to promote a policy of development cooperation on the world scale, the Community improved its offer of generalised preferences.

Thirdly, the arrangements made by the Commission for 1974 link the application of the system of preferences with *the giving of effect to the common decloration of intent adopted after the negotiations with Great Britain and annexed to the Act of Adhesion.*

It is the intention of the Community to strengthen its trade relations with Commonwealth countries in Asia, taking into account the interests of other countries in the same region. The alignment upon the external tariff of the Community, as from January 1, 1974 of the customs tariffs of the new member countries, and more especially that of Great Britain, impries a raising of the rates of duty charged under the imperial preference scheme.

In regard to *processed agricultural products* the 1974 scheme adopted by the Council of Ministers on December 18, 1973 increases the previous preference margins and includes a number of additional products making 187 in all.

The most important of these are fish flour, certain varieties of shrimp, coconut oil for industrial use, dehydrated coconut, cocoa butter, soluble coffee, certain forms of preserved pineapple and, as a temporary and exceptional measure, tobacco leaf of the Virginia flue-cured type. The trade impact of the products covered is estimated at UA 450 million.

In regard to cocoa butter, soluble coffee and preserved pineapple, the Community has for the first time introduced a tariff quota into the agricultural sector of its generalised preferences scheme. Hitherto there had been no ceilings for the advantages given in respect of agricultural produce which were, however, subject to a safeguard clause.

Moreover the tariff quota opened for tobacco of the Virginia flue-cured type is the first practical application of the common declaration of intent; and it is the first time the Community has brought a basic product within the scope of its generalised preferences scheme.

For all industrial products other than textiles, the year 1971 was chosen as reference year for calculating both the basic amount and the additional amount.

— This has materially increased the ceilings, the total amount of which is higher to some UA 2,000 million. This is equivalent to a 40 per cent rise over the figures which would have resulted in 1973 by the Nine applying the system as applied in the same year by the Six.

Sensitive Products

—The number of sensitive products subject to quota is reduced to 51.

—In regard to the buffers, there are practically no restrictions compared with 1972 and 1973.

—*Manufactures of jute and coco* are given the benefit of a 40per cent tariff cut.

—The 1974 scheme envisaged a suitable procedure to secure fuller utilisation by beneficiary countries of the preferential advantages made available to them.

— For *textile goods* covered by chapters 50 to 63 of the Common Customs tariff, the quotas and ceilings have been calculated to provide a 50 per cent increase compared with those in force in 1973 for the Community of Six. The import potential is thus 68,205 tonnes, or about US 500 million.

Despite the threat of recession, the Community wishes to maintain its system of generalised preferences and push it still further.

It has gone out of its way to acknowledge its special responsibility to developing countries, who stand to be the biggest losers from the world crisis.

Policy of Association

The Community wishes to secure a balanced development between the system of generalised preferences and the *policy of association.* The latter comprises the Association agreements, including the current negotiations with the African, Caribbean and Pacific countries and those connected with a unified approach to the mediterranean countries.

The *Common Declaration of Intent* amounts to a permanent commitment in regard to Commonwealth countries in Asia. Some of these countries, especially India, are very seriously affected by the current crisis. A first stage in the implementation of this Declaration was accomplished as from January 1, 1974, largely by the operation of the SGP.*

The Commission intends to continue the improvement thus begun.

In the Community's general plans for the forthcoming *multilateral negotiations in GATT,* it pays particular attention to the case of developing countries which may be concerned about the "erosion" of the preferences they have enjoyed, by the granting of further tariff reductions.

It is the intention of the Community to continue improving its own system of preferences, the independent character of which has been emphasised in the foregoing.

The 1975 plan includes a number of *improvements* and *readjustments,* as well as *simple renewals and additional measures.*

For *processed agricultural products* covered by chapters 1 to 24 of the Common Customs tariff, the 20 per cent margins of preference are increased to 40 per cent for a number of products.

The 40 per cent margins of preference are raised to 50 per cent and SGP duties lower than five per cent and are eliminated. The volume of trade covered is stated to have been increased to UA 650 million.

Industrial Manufactures

For industrial manufactures and semi-manufactures, the improvements proposed by the Commission are primarily concerned with:

—raising the ceilings through the change in calculation procedure.

The basic amount remains unchanged, using the 1971 figures as the year of reference. The additional amount will be calculated from the 1972 figures.

The total increase in ceilings and quotas opened in 1975 is around 15 per cent. The volume of trade covered will be UA 2,300 million.

—the number of sensitive products subject to tariff quotas is reduced to seven.

The Commission intends to apply the lessons learnt from the SGP experience since 1971. Beneficiary countries have complained of the complexity of the quotas, and the rigid system of managing them. In the past none of the tariff quotas opened has been fully utilised.

—introduction of the reserve proportion into the tariff quotas. This is a method of helping beneficiary countries to

* System of generalised preferences.

make the best use of the advantages provided for them. Because of technical difficulties this system was not introduced in 1974.

The administration of the tariff quotas under the generalised preferences scheme is based on a definite allocation of specific shares to the member countries. This has raised the question of importers' equality of access to the Community market.

The Commission takes the view that in current circumstances a reserve proportion of 10 per cent of the amount of the quota is a minimum.

—*Manufactures of jute and coco* are given a tariff reduction of 60 per cent.

— Except for one product, the buffers may be raised to 50 per cent in respect of 44 products transferred from the present system of tariff quotas to the system of supervised ceilings.

The buffers for other products are to be kept at the 1974 percentage levels.

Readjustments

When it is established that any beneficiary has reached the buffers in 1972 and in 1973, or supplied at least 40 per cent of the imports into the Community from all beneficiary countries, a buffer of 15 per cent will be applied to the beneficiary in question.

It will still be able to have the benefit of the amount of the 1974 buffer until the amount of the 15 per cent stop exceeds it through the normal effect of progressive raising of the ceilings in subsequent preference-years.

The multifibre agreement was signed in Geneva on March 25, 1974, but the bilateral negotiations under it are not yet completed. The Commission is not at present in a position to submit to Council suitable proposals for textiles under the SGP. If these negotiations should not have been completed within the next few months, a transitional solution for 1975 will have to be considered. The present SGP system for the textiles sector as a whole would then be continued into 1975, with a uniform flat-rate increase of five per cent in the ceilings and tariff quotas.

Additional Measures

In regard to the rules of origin, a special effort has been made to help countries which are members of economic groups. The broadening of the rules tends to help regional integration; and the Commission has accordingly proposed to Council the use of a cumulative system of the EFTA type for exports to the community from (for example) Anase* or from the Andine Group.†

—A programme of seminars will be organised as part of an active continuation of the policy of providing information for government authorities and those commercially concerned.

—A system for collection of statistical data will shortly be in operation. The aim is to assess the effect of the preferences on economic activity in the Community and to measure the impact on the trade between the Community and the beneficiary countries.

—It has been decided to improve the statistical information regarding the preferential imports, so that the advantages made available can be better administered and better adjusted. Another measure contemplated is the formation of a documentation agency for analysis and advisory work on the generalised preferences.

East European Countries

Rumania: On June 4, 1973 the Council of the European Communities decided in principle that Rumania be included among the countries having the benefit of Community generalised preferences as from January 1, 1974. There was a rider to the effect that adequate arrangements would have to be made to to take into account the special case of this country. The measure coincided with a first stage in improving the system of generalised preferences.

The decision was based on criteria taking account of the development level and economic structure of Rumania in the light of similar criteria applied to the economies of other countries which have the benefit of SGP.

Textiles, footwear products covered by the ECSC Treaty and goods subject to tariff quotas are excluded from the SGP concession.

The plan regarding Rumania in 1975 envisages the possibility that these exceptions may be reconsidered in the light of the economic facts.

Any inconveniences which might be occasioned to the initial beneficiary countries through the inclusion of Rumania in the SGP scheme are mitigated by the fact that the preferential ceilings laid down for the whole of the beneficiary group will be increased by the volume of Rumanian trade with the EEC and by the inclusion in the system of maximum amounts per beneficiary country.

Bulgarian Requests

Bulgaria: In September 1973, on the occasion of the visit to Bulgaria of the French minister, Mr Messmer, the Bulgarian authorities emphasised that they had put in a request through the UNCTAD machinery to the effect that Bulgaria should be included among the countries benefiting from Community preferences.

The French representative informed Council of this wish in October 1973.

In the opinion of the Commission, consideration of the Bulgarian request requires an initial request by Bulgaria to the Community.

Conclusions

The generalised preferences are a turning point in international trade relations. At present there are 104 countries which have the benefit of them.

The industrial countries, including the Community and its members, have for the first time taken concerted action with the less advanced countries in the form of practical measures to assist development.

The Community policy relating to generalised preferences is based on a *progressive* attitude and a *pragmatic* approach.

—The advantages received by the beneficiary countries are being consistently improved and extended.

—At the same time a balance has to be kept between the need for promoting exports of manufactured goods and processed agricultural products from developing countries, and the protection of sensitive industries and products in the Community.

Import Capacity

The capacity of the Community of Nine for imports from developing countries is about UA 25,000 million annually.

Up to 1974 the burden of the action for developing countries was borne principally by the Community.

Recently the Canadian government made the necessary arrangements for bringing into effect a system of generalised preferences as from July 1, 1974.

The plan proposed by the United States is contained in the 1973 Trade Reform Bill, which is currently passing through the different stages of the legislative process.

Most of the countries who granting these preferences improved their system in 1974. At the last meeting of the UNCTAD special committee on preferences, they stated their intention of continuing their action to the same effect.

The generalised preferences are a main component of the development cooperation policy.

The policy of generalised preferences is in line with one of the ultimate objectives of the European Economic Community. This is the desire to seek a more balanced distribution of the world's wealth.

—Commisson Of The European Communities — Information Directorate Generale.

(*) Indonesia, Malaysia Philipines, Thailand and Sıngapore.

(†) Bolivia, Chile, Colombia, Ecquador, Peru and Vanezuela.

The Reconstituted Council of Ministers

IN A MAJOR reshuffle effected by the Prime Minister in the union council of ministers on October 10, Dr S.D. Sharma has been inducted as a minister of cabinet rank incharge of Communications. Five more have been added to the list of ministers of state and another five appointed as deputy ministers. Two ministers of cabinet rank and four other ministers have resigned.

The highlights of the change are the allocation of Agriculture and Irrigation portfolio to Mr Jagjivan Ram, External Affairs to Mr Chavan and Defence to Mr Swaran Singh. The following is the new allocation of portfolios in the union council of ministers.

Cabinet Ministers

1. Mrs Indira Gandhi: Prime Minister, Minister of Atomic Energy, Minister of Electronics and Minister of Space.
2. Mr Y.B. Chavan: Minister of External Affairs.
3. Mr Jagjivan Ram: Minister of Agriculture and Irrigation.
4. Mr Swaran Singh: Minister of Defence.
5. Mr D.P. Dhar: Minister of Planning.
6. Mr Uma Shankar Dikshit: Minister without Portfolio.
7. Mr H.R. Gokhale: Minister of Law, Justice and Company Affairs.
8. Mr K.D. Malaviya: Minister of Petroleum and Chemicals.
9. Mr L.N. Mishra: Minister of Railways.
10. Mr T.A. Pai: Minister of Industry and Civil Supplies. (Will hold temporary charge of the Department of Science and Technology).
11. Mr K. Raghuramaiah: Minister of Works and Housing and Parliamentary Affairs.
12. Mr Raj Bahadur: Minister of Tourism and Civil Aviation.
13. Mr K. Brahmananda Reddi: Minister of Home Affairs.
14. Mr S.D. Sharma: Minister of Communications.
15. Dr Karan Singh: Minister of Health and Family Planning.
16. Mr C. Subramaniam: Minister of Finance.
17. Mr Kamlapati Tripathi: Minister of Shipping and Transport.

Ministers of State incharge of Ministries or Departments

1. Mr D.P. Chattopadhyaya: Minister of Commerce.
2. Mr I.K. Gujral: Minister of Information and Broadcasting.
3. Prof S. Nurul Hasan: Minister of Education, Social Welfare and Culture.
4. Mr R.K. Khadilkar: Minister of Supply and Rehabilitation.
5. Mr K.C. Pant: Minister of Energy (will also assist the Prime Minister in the Departments of Atomic Energy, Electronics and Space).
6. Mr K.V. Raghunatha Reddy: Minister of Labour.
7. Mr Chandrajit Yadav: Minister of Steel & Mines.

Ministers of State in various Ministries

1. Mr Niti Raj Singh Chaudhary: Ministry of Law, Justice and Company Affairs.
2. Mr Mohan Dharia: Ministry of Works & Housing.
3. Mr K.R. Ganesh: Ministry of Petroleum and Chemicals.
4. Mr A.C. George: Ministry of Industry and Civil Supplies.
5. Mr Shah Nawaz Khan: Ministry of Agriculture and Irrigation.
6. Dr (Mrs) Sarojini Mahishi: Ministry of Law, Justice and Company Affairs.
7. Mr B.P. Maurya: Ministry of Industry and Civil Supplies.
8. Mr Om Mehta: Ministry of Home Affairs, (Department o Personnel and Department of Parliamentary Affairs.)
9. Mr R.N. Mirdha: Ministry of Defence (Defenc Production).
10. Mr P.K. Mukherjee: Ministry of Finance.
11. Mr Mohd Shafi Qureshi: Ministry of Railways.
12. Mr A.P. Sharma: Ministry of Industry and Civil Supplie
13. Mr A.P. Shinde: Ministry of Agriculture and Irrigation.
14. Mr V.C. Shukla: Ministry of Planning.
15. Mr Surendra Pal Singh: Ministry of Tourism and Civ Aviation.

Deputy Ministers in various Ministries

1. Mr Z.R. Ansari: Ministry of Industry and Civil Supplies
2. Mr Bedabrata Barua: Ministry of Law, Justice and Com pany Affairs.
3. Mr Bipinpal Das: Ministry of External Affairs.
4. Mr A.K.M. Ishaque: Ministry of Health & Family Plann ing.
5. Mr C.P. Majhi: Ministry of Petroleum & Chemicals.
6. Mr F.H. Mohsin: Ministry of Home Affairs.
7. Mr Arvind Netam: Ministry of Education, Social Welfa and Culture
8. Mr Jagannath Pahadia: Ministry of Communications.
9. Mr J.B. Patnaik: Ministry of Defence.
10. Mr Siddheshwar Prasad: Ministry of Energy.
11. Mr Sukhdev Prasad: Ministry of Steel & Mines.
12. Mrs Sushila Rohatgi: Ministry of Finance.
13. Mr B. Shankaranand: Department of Parliamentary Affair
14. Mr Buta Singh: Ministry of Railways.
15. Mr Dalbir Singh: Ministry of Works & Housing.
16. Mr Kedar Nath Singh: Ministry of Agriculture and Irr gation.
17. Mr Vishwanath Pratap Singh: Ministry of Commerce.
18. Mr Dharam Bir Sinha: Ministry of Information & Broa casting.
19. Mr G. Venkataswamy: Ministry of Supply & Rehabilitatio
20. Mr Balgovind Verma: Ministry of Labour.
21. Mr D.P. Yadav: Ministry of Education, Social Welfa and Culture.

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FOOD FOR THOUGHT

A rare opportunity

In our quest for commodities to earn additional foreign exchange so as to mitigate the pressure caused by the sharp hike in our import bill for petroleum and petroleum products, sugar has come in handy and holds out great promise. Because of world-wide shortage of sugar, its price in the international markets has ruled at a remunerative level. The government of India, working in close association with the industry, succeeded in exporting substantial quantities, earning nearly Rs 100 crores till the end of September 1974. Latest estimates indicate that total sugar exports from the last season's output would be about 500,000 tonnes and would yield foreign exchange earnings of the order of Rs 300 crores. Incidentally, a profit of about Rs 175 crores would accrue to the government of India because of these sugar exports.

The current assessment of the world sugar market points to continued shortages for the next six months, possibly extending to the next three years. This is indeed a golden opportunity for our country to earn additional foreign exchange by taking all possible steps to maximize output. The export of half a million tonnes of sugar from the last season's production was possible because the output had been only marginally less than four million tonnes. Surely production in the current sugar season can be raised to not less than 4.5 million tonnes, out of which a million tonnes could be exported and a sum of Rs 600 crores earned through exports. At the proposed levels of production and exports, the demand of the domestic market will be almost fully met.

Then, what stands in our way for the achievement of this goal? The industry is of the view that production of sugar during the current season might be slightly less than that of last year instead of being more because of two reasons. First, the acreage under sugarcane in the factory area has somewhat fallen. Second, the condition of the sugarcane crop has deteriorated due to a long spell of drought in certain areas and floods in others. On top of that, the non-availability of adequate quantities of fertilizers in time has also affected unfavourably the growth of the crop.

There is no doubt that these inhibiting factors would limit the efforts of the sugar industry to produce more sugar than in the last season but the fact which needs to be underlined is that the organized sector is not the only agency making use of the sugarcane crop. It has to face fierce competition from the producers of *gur* and *khandsari*. If somehow the supply of sugarcane to the organized sector as well as the co-operative sector was maintained at a higher level than in the preceding season, the target of producing 4.5 million tonnes of sugar would not be difficult to attain. All that needs to be done is that the other competitors, namely the producers of *gur* and *khandsari*, should not be placed in a position where they are able to outbid the industry. Already the *khandsari* producers have raised their capacity so as to produce around one million tonnes in a year. It is believed that *khandsari*, which is now comparable in quality to factory sugar, should also be brought within the orbit of the public distribution system. It is the view of Mr P. Maruthai Pillai, president of the Indian Sugar Mills Association, that the government can procure at least 300,000 tonnes of *khandsari* for distribution under the levy system. The export of this much quantity, at the present world prices of sugar, would result in additional foreign exchange earnings of the order of about Rs 200 crores. Surely there is a case for bringing *khandsari* under the levy system, which is at present applicable only to crystal sugar.

The *khandsari* producers are placed in a very happy position because they pay only nominal excise on sugar produced by them. While the excise duty on free sugar is as high as Rs 120 per quintal, it is no more than Rs 15 per quintal on *khandsari*. Because of this comparatively small incidence of excise duty on *khandsari*, its producers are able to offer a higher price to sugarcane growers, thus forcing some of the sugar factories to stop crushing sugarcane well ahead of the close of the season. This should not be allowed to happen in the current year if this country is really keen

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to take full advantage of the world market situation in sugar. The opportunity is too good to be thrown away absent-mindedly.

The government has fixed the statutory cane price for the current season at Rs 8.50 per quintal. This is only a support price because, in a competitive market, the industry has sometimes been forced to pay 50 to 60 per cent more than the statutory cane price. In a way this is only a notional price, but the size of the sugarcane crop depends to a large extent upon the price fixed for sugarcane by the government well ahead of the sugarcane season. The industry is rightly of the view that because of the sharp increases in the prices of agricultural inputs such as fertilizers, diesel, cost of irrigation, etc., sugarcane growers should enjoy a higher statutory price.

The industry is not satisfied in regard to the policy of excise rebates for the 1974-75 season and feels that it hardly provides the much-needed incentive to industry for increasing its output. The analysis made by it has shown that the majority of the sugar factories would not be able to derive much advantage from the scheme. It has suggested that the base output in the excise rebate scheme should be on the average production of the preceding three years instead of five years. If this were done, the scheme would provide a substantial incentive to a number of factories resulting in enhanced production.

The demand of the industry for the lifting of the credit squeeze needs careful consideration. On prompt payment to the sugarcane growers depends the capacity of the industry to be able to attract sugarcane. In the absence of the availability of adequate credit the industry may be hampered in its efforts to expand production.

The concessions sought by the sugar industry are such as would not throw any of the calculations of the government out of gear. This is the time when the government as well as the industry should operate by placing confidence in each other. All difficulties of the industry should be sorted out in a sympathetic manner. We have no doubt that Mr Jagjivan Ram, the minister for Agriculture and Irrigation, with his vast experience in this agro-based industry, will not let this rare opportunity slip through bureaucratic bungling.

Retreat from dear money?

ON THE eve of the 1974-75 busy season, bankers are scanning the horizon for hopeful signs as they are worried about their ability to meet the increase in demand for funds from industry and trade and from borrowers in the priority sectors. The banking system has been feeling somewhat over-extended in the past few months and in the absence of the anticipated growth in deposits and contraction in advances, the resources position at the end of the slack season is none too comfortable. There has of course been latterly a bulge in deposits of the scheduled commercial banks and the net decline in procurement credit as a result of a heavy depletion of buffer stocks has enabled member banks to reduce borrowing against refinance facilities and the outstanding amount under the bill market scheme. Even so, there was a net increase under these heads on October 4, 1974, by Rs 166 crores as compared to the corresponding week in 1973 implying that banks had need for additional resources and had very nearly borrowed from the Reserve Bank what they had deposited with the former additionally by way of cash balances in order to comply with a higher reserve ratio of five per cent. The position would have been still worse had it not been for the decision of the monetary authorities to reduce the reserve ratio to five per cent from seven per cent effective from June 29, 1974.

What has been mainly responsible for the upset in calculations of banks is the slow growth in deposits. Even with the better showing in recent weeks the growth in deposits of scheduled commercial banks between December 28, 1973, and October 4, 1974, has been only Rs 1,170 crores against Rs 1,193 crores in the same period in 1973 and Rs 900 crores in the corresponding period in 1972. This clearly indicates that for the first time in recent years there is the likelihood of the additions to deposits being even marginally lower than those recorded in 1973 which is certainly a retrograde trend. The slower growth in deposits may be due to the diversion of funds to industrial units as deposits or loans under the permitted heads and for being even directly lent to traders and industrial units. But the amounts additionally diverted cannot be more than Rs 100-150 crores. The question therefore arises whether benami deposits have been withdrawn or the additions to the credits under individual accounts have not been on the former scale.

While the answers to these questions may be provided by the trends in working funds of member banks in the coming months, their immediate problem is to find the required resources for expanding credit in the coming busy season without relying heavily on the facilities provided by the central banking institution. The situation will certainly be unmanageable if credit is expanded by over Rs 1,000 crores against additions to deposits of about Rs 650 crores in November 1974-April 1975. In the last busy season the increase in advances was Rs 1,037 crores against a rise in deposits of Rs 682 crores. It therefore became necessary to borrow heavily against refinance facilities and under the bill market scheme. This procedure cannot be adopted to the same extent in the next six months as the position now is not even as comfortable as it was in October last year, not to speak of the excessive liquidity that was noticed in the third quarter of 1972.

The Reserve Bank governor will be having discussions with the chief executives of the major banks on October 29 when an announcement in respect of the credit policy for the busy season is expected. Already, bank establishments are assessing the credit needs of their constituents and cautioning them against any major upward revision of the credit limit owing to the constraints on resources. Whatever increase in deposits that may take place in October and November might be absorbed by the central government which has to complete the second tranche of its borrowing programme for the current financial year before an assertion of busy season trends.

With the issue of central loans in July and floatations of state loans in August and September, apart from the spate of issues of bonds by financial corporations and state electricity boards, there has already been an increase in investments of member banks in the curent year so far by Rs 319 crores against only Rs 157 crores in the same period in 1973. The release of cash balances of about Rs 200 crores in the last week of June has been more than fully absorbed by the net borrowing of central and state governments and public bodies and a good portion of fresh deposits also had had to be invested in government and approved securities.

The stipulations regarding a reduction in the outstanding amount under the bill market scheme and in borrowings against refinance facilities had also to be observed. Cash balances are therefore barely conforming to statutory obligations and it cannot also be said that the investment deposit ratio is very much higher than the bare minimum. It is therefore felt that the issue of new central loans should be for only Rs 150 crores and the government should endeavour to reach the target through staggered borrowing and not attempt to raise larger sums as tax revenues are quite encouraging.

The only redeeming feature in recent months is the indication of a deceleration in the rate of growth in advances. The net rise in the first eight months has been Rs 782 crores against Rs 818 crores on a comparable basis in 1973. The increase would not have been even on this scale but for the sudden accumulation of stocks of cotton textiles and yarn in recent weeks as a result of a serious dislocation in the trade which has been responsible for the impounding of working funds to the extent of Rs 70 crores.

In view of the upsets in calculations in the last busy season, there is no disposition on the part of bankers to take any definite view of credit requirements in the coming months. But it is generally accepted that the present situation is vastly different and the recent trends towards a decline in prices in some directions should be helpful in preventing any undue accumulation of inventories. Besides, the adjustment to the situation arising out of the sharp rise in oil prices has been completed. Only procurement credit may be on a larger scale if bigger quantities of rice are secured and there is a special drive for intensifying procurement of wheat in the second quarter of next year.

The procurement operations out of rabi crops have no bearing on the credit needs for the busy season. In respect of rice only a marginal increase in procurement prices has been permitted and it is unlikely that the performance of last year will be repeated. There will of course have to be larger advances against sugar as higher prices may be fixed for levy sugar following the increase in the minimum price for cane. But the net increase in advances may not be such as to have a disturbing effect as exports have to be maintained at a high level and there are also varying estimates about the quantum of production for the current crushing season.

The expansion of credit in the next six months for all purposes may thus be very much less than that of 1973-74 busy season and may not be more than Rs 800 crores. If deposits rose by Rs 650 crores and the statutory obligations have to be observed the Reserve Bank should not be opposed to an increase in borrowing against refinance facilities and under the bill market scheme by Rs 400 crores. It can be expected that there will be a normal slack season in 1975 and credit will have to be expanded only for procurement purposes if there is a bumper rabi crop.

The monetary authorities have therefore a special responsibility when formulating a new credit policy especially as it has been complained that the squeeze had had a hurting effect on productive activity and high interest rates have actually inflated manufacturing costs. There can be no more absurd levy like the tax on the gross income derived by banks on advances. Also the efficacy of dear money is being questioned in developed countries while the president of the Federation of Chambers of Commerce and Industry Mr K.K. Birla, has drawn pointed attention to the adverse effects of the credit squeeze and a need for liberalising curbs. The time has arrived for beating a retreat from dear money and adopting new policies. There will of course have to be physical controls over the application of credit. But there will have to be selective relaxation of curbs and even a cheapening of credit. Is it too much to expect that the monetary authorities will adopt a helpful attitude?

Eastern Economist 30 Years Ago

OCT. 27, 1944

An interesting question arises whether the centralized distribution of food grains, which has come in the wake of the procurement and rationing activities of the Provincial Governments, has so worked as to increase the cultivator's share of the consumer's price, and if so whether the system has any lessons of permanent value for the post-war reorganization of agricultural marketing. Taking the case of rice produced in Tanjore and sold at Coimbatore, which is about 180 miles from Tanjore, we find that the price paid to cultivator at village for 1·5 maunds of paddy (required to produce one maund of rice) is Rs 7-1-8, whereas one maund of rice is retailed at destination at Rs 9-13-8.

In other words, the cultivator gets annas 11¼ in the rupee or about 72 per cent of the price paid by the consumer. In another case, to wit, of Bezwada rice sold at Calicut, the retail price of one maund of rice at Calicut is Rs 9-7-10, whereas the cultivator near Bezwada gets Rs 6-14-1. Here, the cultivator's share is a little higher, about annas 0-11-7 in the rupee or 72·4 per cent. If these cases, which are typical enough, may be taken as a reliable general guide, it will not be incorrect to conclude that marketing costs have gone down under Government control, as before the war it was estimated that the producer got, on average, only about eight and a quarter annas for every rupee paid by the consumer. It may be that part of the economies is due to the avoidance of unnecessary transport, but this is negligible as, even in normal times foodgrains were not transported over long distances, were generally consumed within the producing or adjacent areas and only rarely crossed provincial boundaries.

IDBI's leap forward

As THE apex body for term-lending to industrial enterprises as well as for exports, the Industrial Development Bank of India (IDBI), indeed, has done a creditable job during the twelve months to June, 1974. Not only did its financial operations receive a great fillip during this period but also its overall operations got diversified a good deal.

The impressive increase in the assistance programme of the IDBI last year is evident from the fact that slightly over 20 per cent of its aggregate gross as well as effective sanctions during the 10 years of its existence were effected in this year. The gross sanctions between July 1, 1964, and June 30, 1974, had been of the order of Rs 1,105.2 crores and the effective sanctions to the tune of Rs 983.6 crores. Of these, the year 1973-74 accounted for Rs 236.3 crores and Rs 232.6 crores, respectively. The last year's gross sanctions exceeded the previous year's figure by Rs 78.4 crores. The increase in effective sanctions was as much as Rs 96.3 crores.

The utilisation of assistance too recorded an impressive improvement last year. It was of the order of Rs 162.2 crores, as against Rs 106.6 crores in the previous year. Of the total utilisation of the assistance sanctioned since the inception of the IDBI (Rs 726.8 crores), nearly 22 per cent was effected in 1973-74 alone.

Although all types of assistance were made available by the IDBI on an extended scale last year, the most noteworthy growth took place in four types: (i) effective direct loan sanctions to industrial units (from Rs 43.2 crores in 1972-73 to Rs 58.1 crores), (ii) refinancing of industrial loans (from Rs 30.7 crores to Rs 45.1 crores); (iii) rediscounting of bills of manufacturers/sellers of machinery (from Rs 49.8 crores to Rs 76.3 crores); and (iv) assistance for export, particularly through the establishment of a Rs 25-crores credit line to Bangladesh).

Whereas the state financial corporations and commercial banks were assisted on an increasing scale through the refinancing of industrial loans, the Industrial Credit and Investment Corporation of India, the Industrial Finance Corporation of India, one state financial corporation (Haryana), and two regional consultancy organisations—the North-Eastern Industrial and Technical Consultancy Organisation (NEITCO) and the Kerala Industrial and Technical Consultations Organisation (KITCO)—were assisted on an extended scale through subscriptions to their shares and bonds. This assistance increased in 1973-74 to Rs 10.2 crores from just Rs 2.8 crores in 1972-73.

To some extent, the larger assistance provided by the IDBI last year is accounted for by the increase in individual loan amounts due to inflationary tendencies. But the number of industrial loans refinanced as well as the bills rediscounted too showed a marked rise. The refinance facilities were availed of last year by commercial banks, co-operative banks and state financial institutions in as many as 2,926 cases, as against 2,204 cases in the previous year. The bills rediscounting facilities were utilised by the manufacturers of indigenous machinery and equipment in 804 cases, as against 693 cases in the previous year.

Through the refinance facilities those who were assisted were the small-scale entrepreneurs and road transporters. The ultimate major beneficiaries of the bills rediscounting scheme were the state electricity boards and road transport corporations, although the cotton textile industry too continued to avail of this assistance to a significant extent. Since its inception, the IDBI had refinanced up to June 30, 1974, 9,853 industrial loans and rediscounted 1,963 bills and promissory notes.

The main beneficiaries of the direct loans during 1973-74 were the industrial projects in the backward areas and those belonging to the core sector. As much as 46 per cent of the direct assistance to industrial units last year went to those located in the backward areas. This assistance was made available on concessional terms. In the previous year, just about 14 per cent of the direct assistance sanctioned went to the projects in the backward regions.

Another notable feature of the direct assistance sanctioned in 1973-74 was that 70 per cent of it was for new projects, as against 40 per cent in the previous year. The core sector units benefitting from IDBI's assistance belonged to such industries as petrochemicals and industrial chemicals, tyres and tubes, special steel billets/ingots and wires, agricultural tractors, sheet glass, scooters and aluminium roll-bond panels for refrigerators. The direct assistance facility was availed of by manufacturers of yarn (in the co-operative sector) and enamelled copper wire for expansion purposes. The industries assisted in the backward areas included sugar, special steel billets/ingots and wires, tyres and tubes, commercial plywood, etc. The hotel industry also benefitted from the direct assistance. Some supplementary finance was as well provided by the IDBI to 11 units already assisted by it in the insulators, nylon filament yarn, cement, hotel, paper and alloy steel industries for meeting cost overruns caused by increased import duty and cost of imported plant and equipment owing to revaluation of some foreign currencies, increase in cost of construction materials etc. Two units in the glass and electric lamp industries were provided assistance for relieving strain on their financial position.

The most important fact that emerges from the operations of the IDBI during the recent past is that whereas core sector industries have been assisted on a significant sale, accent is now there on progressive geographical dispersal of industries. The latter objective is being achieved through encouraging the establishment of industries in the backward areas in particular and the small and medium-scale units in general. During the five years to June 30, 1974, of the Rs 594.8 crores total effective assistance sanctioned by the IDBI, as much as Rs 180.4 crores (30.3 per cent) was provided for schemes in the specified backward areas. In the previous five years, the units in backward areas received assistance from the IDBI to the tune of Rs 35.6 crores—15.6 per cent of the aggregate Rs 227.9 crores assistance sanctioned. The small-scale sector, similarly, accounted for as much as 64.9 per cent of the total effective refinance assistance provided by the IDBI during the five years to June 30, 1974—Rs 90.9 crores out of Rs 140.06 crores. In the earlier five years, this sector got refinance assistance to the extent of only Rs 3.3 crores out of the aggregate effective refinance assistance of Rs 82.1 crores.

Another significant fact to be noted in regard to the operations of the IDBI is that the relative share of large industrial houses in all the schemes of assistance has gone down progressively. In so far as direct project and refinance assistance are concerned, there has also been an absolute decline. During the five years to June, 1969, these houses received direct assistance to the tune of Rs 58.61 crores out of the total Rs 108.47 crores such assistance provided by the bank. During the subsequent five years, out of the Rs 230.84 crores direct assistance made available, the large houses received only Rs 57.79 crores. The industrial loans of large houses were refinanced during the five years to June, 1974, to the extent of only Rs 5.78 crores, even though total refinancing amounted to Rs 140.06 crores. For the earlier five years, the two figures were Rs 26.51 crores and Rs 62.10 crores. The large industrial houses, of course, were provided larger export assistance and greater bills rediscounting facilities—Rs 43.32 crores as against Rs 14.43 crores, out of Rs 71.33 crores and Rs 15.30 crores, and Rs 68.54 crores as against Rs 14.87 crores, out of Rs 223.68 crores and Rs 37.35 crores respectively, during the five years to June 30, 1974, and June 30, 1969. But their relative share in these types of assistance went down. The large industrial houses are now primarily assisted in their core sector and export-oriented projects.

Although the IDBI continues to cater to a very large extent for the direct loan requirements of the private sector, a very important development that has taken place in the recent past is the sizeable increase in direct assistance to projects which, though technically in the private sector, have significant government/SIDC participation and/or control in management. Some textile mills in the co-operative sector as well as some public sector projects have also been directly assisted by the IDBI.

As regards the diversification of the activities of the IDBI, the above makes it abundantly clear that the requirements of the backward areas as well as small industries are now receiving increasing attention. With a view to fostering this trend further, special regional consultancy agencies are being formed to identify and train entrepreneurs in the industrially backward areas. Obviously, these entrepreneurs will have to start their operations on a small scale. Two such agencies—NEITCO and KITCO—have already been set up. In collaboration with the other governmental financial institutions, including nationalised banks, the IDBI is conducting surveys of all the industrially backward areas so as to identify specific projects ideal for implementation in the next five or ten years in the light of the resources endowment, demand potential and availability of infrastructure facilities. Most of these surveys have been completed; several of them have also been published. A special handbook of information on industrial development of backward regions has also been brought out by the IDBI. Some feasibility studies too have been commissioned by the bank in collaboration with the other term-lending institutions for the benefit of new entrepreneurs. It is now being well appreciated that a good deal of follow-up action will be necessary in regard to the development of entrepreneurial talent in the backward areas. The IDBI is gearing itself to this task.

Another diversification effected by the IDBI in its operations is the strengthening of its supervision over the assisted projects so that the problems faced by them can be effectively tackled. Corrective action has already been initiated by the bank in close liaison with other financial institutions in a number of such cases. The IDBI is also taking a keener interest in the rehabilitation of sick industrial units. In several such cases, the timely

Estimates of Sanctions and Utilisation of Assistance During 1974-75 (July-June)

(Amount in crores of Rs)

Type of assistance	1973-74 (Actuals) Sanctions	1973-74 (Actuals) Cash Utilisation	1974-75 (Estimates) Sanctions	1974-75 (Estimates) Cash Utilisation
1. Loans (other than for exports)	58.1	46.8	90.0	50.0
2. Underwriting and Direct Subscriptions	7.2	4.7	10.0	5.0
3. Refinance of Industrial Loans	45.1	27.7	52.0	29.8
4. Rediscounting of Machinery Bills	76.3	63.7*	90.0	75.0*
5. Export Finance				
Direct Loans for Exports	32.9†	6.7	15.0	18.7
Refinance of Export Credits	2.7	1.0	3.0	3.7
6. Subscriptions to Shares and Bonds of Financial Institutions	10.2	11.6	15.0	15.0
Total:	232.6	162.2	275.0	197.2

* That is, face value of bills minus rediscount retained.

† Including special credit of Rs 25 crores to Bangladesh.

support lent by the IDBI is said to have helped salvage not only its own investments but also of the other financial institutions. With a view to furthering this activity, steps have been initiated to set up an intensive care-cum-advisory cell in the bank which will have specialised staff.

The IDBI has also effected a number of relaxations and modifications in its various assistance schemes so as to make them more popular. The refinance assistance scheme, for instance, has been streamlined in several ways. The time limit for the submission of applications by state financial corporations for refinance by the IDBI has been extended from the original one-month period to three months from the date of sanction of assistance by SFCs and for the actual availment of refinance from 12 months to 18 months from the date of communication of sanction of refinance by the IDBI. The commitment charge has been made leviable on the amount of refinance remaining undrawn after a period of nine months from the date of communication of sanction instead of six months. The application form the refinance too has been simplified a great deal. The refinance scheme now includes loans to all types of industrial estates, excepting those set up by the central or the state governments. Refinance facilities can now be availed of by the SFCs in respect of their loans to fishing units as well. On the export front, a buyers' credit scheme has been introduced under which credit's are made available to foreign buyers in participation with commercial banks in India for export of capital goods from this country for financially self-supporting projects. While no maximum limit for such credits has been stipulated, the applications normally considered are for higher value contracts of at least one crore of rupees.

As a result of the streamlining of its operations and the impressive performance during the last year, IDBI can well look forward to a further marked growth in the assistance it provides. As a matter of fact, during the first three months of its current fiscal year, i.e. between July and September, both the sanctions and disbursement of assistance by the IDBI have increased by more than 100 per cent as compared to the corresponding quarter last year. The total assistance sanctioned has been of the order of Rs 72.9 crores, as against Rs 34.1 crores during July-September, 1973, and the actual utilisation of assistance by the loanee concerns Rs 54 crores, as against Rs 21.3 crores. The face value of the bills discounted during this quarter amounted to Rs 35.1 crores, as against Rs 13.3 crores during the corresponding period last year. The refinancing of industrial loans was done to the extent of Rs 17.4 crores, as against Rs 7.3 crores. The performance of the first quarter of the bank's current financial year, in fact, has been much better than could be envisaged on prorata basis of its estimates of sanctions and utilisation of assistance given in the table on page 747.

The greater reliance of industrial units on accommodation from the IDBI as well as the other term-lending institutions is not surprising in the least, for the stock markets during the last three years have not been in a satisfactory state. The recent restrictions placed on dividend disbursements by industrial units have made the matters worse. If the tempo of industrial expansion has to be maintained, the resources of the term-lending institutions apparently will have to be augmented considerably.

FROM THE CAPITAL'S CORRIDORS

R. C. Ummat

IMF's Oil Facility • Emergency Food Production Plan • FCI's Performance

EVEN THOUGH the government of India has drawn upon the recently created special oil facility of the International Monetary Fund (IMF) to the extent of only one-third of its entitlement, the likelihood of further drawals from this source are not ruled out. India's entitlement under this facility is around 500 million SDRs, equivalent to nearly $600 million. The first drawal has been of the order of $200 million.

The matter is understood to have already been discussed by the union Finance minister, Mr C. Subramaniam, with the Managing Director of the IMF, Mr Johannes Witteveen, who was here on a short visit last week. The main reason for availing of the oil facility to a fuller extent is the likelihood of our balance of payments position deteriorating sharply in the coming months not only on account of higher crude oil import bill but also owing to the dire need of augmenting food supplies through imports and keeping up imports of fertilisers and industrial intermediates. Apart from financing crude oil imports, the oil facility, it is learnt, can be drawn upon to some extent for covering the overall trade deficit.

decision on carry-over

Mr Witteveen told newsmen at a press conference here last week that the IMF had not yet decided whether the entitlement of a country under the oil facility could be carried over to the next year. This may be another reason for India availing of this facility to a larger extent than has been the case hitherto, even though it considers the average seven per cent interest on the oil facility loans rather high. Mr Witteveen, however, expressed the view that considering the present global inflationary tendencies and the interest which first class government paper commands in the advanced countries, the seven per cent interest on oil facility accommodation cannot be termed as harsh. He, of course, conceded that the plea of the developing countries for a lower rate of interest on these loans had a good deal of force in it. The issue, he indicated, would be considered by the IMF when the extension of the oil facility for next year comes up for deliberations.

The IMF will be finalising plans about the next year's oil facility programme after the receipt of the report of the special committee appointed at the last annual meeting of the World Bank and the Fund about a month ago, to go into the entire question of recycling of the surplus money available with the oil exporting countries, as a result of the quardupling the prices of crude oil over the past 12 months. This report is expected to be ready by the end of this year or in early January.

larger funds

In view of the massive flow of funds to the oil exporting countries and the limited capacity of the world capital markets to absorb these funds, Mr Witteveen expected that the funds available next year for the oil facility programme would be much larger than in the current year. This year the availability of funds has been 2.8 billion SDRs, equivalent to nearly $3.4 million. Mr Witteveen's expected that the oil exporting countries would even otherwise route larger funds through the IMF because of three advantages which the IMF channels provided as compared to the world capital markets. The advantages are: (i) the liquidity of SDRs; (ii) the guarantee of IMF loans by all the member nations; and (iii) the minimum fluctuations in the value of SDRs.

The drawals under the oil facility, Mr Witteveen clarified, were subject to two conditions. Firstly, the loanee countries, it is stipulated, should not resort to protectionism; they have to avoid additional import restrictions. Secondly, efforts have to be made by them for developing alternative sources of energy.

* *

The union ministry of Agriculture is understood to have drawn up an emergency programme to increase food production during the coming months which cover the late kharif season and the next rabi crop. The emergency programme has been designed to take advantage of the recent rains which have been fairly widespread.

The programme includes maximisation of the yield from the standing kharif crops, ratooning of the high-yielding jowar crop which is ready for harvesting and cultivation of short duration pulses and oilseed crops in central and western India. The details of the programme have already been circulated to the state governments. They have been asked to launch it within about a fortnight.

The major benefit is expected to accrue from the ratooning of the high-yielding jowar crop and the cultivation of short duration pulses and oilseeds crops. Through ratooning—cutting of the standing plants about two to three cms above the ground level—it is stated another crop of jowar with a much better yield than the standing crop can be secured if there are some further rains. Even if there is no further rain, the new crop can be utilised a fodder crop. The short duration pulses and oilseed crops, scientists opine, can be taken resort to in such states as Madhya Pradesh, Gujarat and Maharashtra where the kharif crop has already been harvested, by applying a sizeable dose of chemical fertilizers.

The yield from the standing rice crop in some parts of the country, it is felt, can be augmented through the application of a further small dose of fertilizers—about 10 kg. of nitrogen per hectare.

As regards the next rabi crops, the

states have been advised to propogate amongst agriculturists the need to expedite sowings in the rain-fed areas. Concerted efforts are being made to make available adequate quantities of fertilisers, seeds and pesticides to farmers to enable them to go in for expeditious sowing operations.

It has also been suggested to the flood-affected states of Bengal, Bihar, Uttar Pradesh and Orissa that they can profitably go in for the cultivation of sweet potatoes. Tamil Nadu can bring about 20,000 hectares more under tapioca.

* *

Considering power constraints on the utilisation of capacity of all its five running units and the increase in production costs not only due to the higher prices of material inputs—naphtha, coal, DAP, sulphur, and electricity—but also on account of the upward revision in the dearness allowance and pay-scales of employees, the 1973-74 operations of the Fertiliser Corporation of India (FCI) cannot be termed as unsatisfactory. The corporation turned out during the year 296,000 tonnes of nitrogen, as against 294,000 tonnes in the previous year. Its capacity utilisation at 83 per cent was similarly slightly higher than in 1972-73 (81 per cent).

The mounting costs, which were not fully compensated by the increase in the statutory controlled prices of the corporation's products, however, brought down marginally both its gross and net profits (after providing for depreciation and interest) from Rs. 19.92 crores and Rs. 5.40 crores in 1972-73 to Rs 18.98 crores and Rs 4.56 crores, respectively. Had power constraints not been there, the output could have gone up by about 45,800 tonnes of nitrogen, valued at approximately Rs 10 crores. The profit too would have been higher by about Rs 4 crores. According to the management, all the plants of the corporation, except the Sindri plant, could be worked to 95 per cent of their installed capacities. In the case of Sindri, the capacity has been derated because of obsolescence. The derated capacity of Sindri too could be worked to over 90 per cent if adequate power was available.

Plant-wise, both the Trombay and the Nangal units yielded sizeable surpluses—Rs 7.95 crores and Rs 4.36 crores, respectively. The planning and development division of the corporation too yielded a profit of Rs 22 lakhs. The Sindri, Namrup and Gorakhpur projects, however, showed losses of Rs 7.19 crores, Rs 0.34 crores and 0.07 crores, respectively. Had the operations of Namrup and Gorakhpur projects not been hampered by power, particularly tripping of power, the only unit which would have shown a loss would have been the 22-years old Sindri unit.

In the interest of overcoming power difficulties, though partially, it is encouraging to note that despite the Fuel Policy Committee's recommendation that the establishment of captive power plants in industrial units should not be encouraged, the union government has allowed the FCI to install in-plant power generation facilities in all its units at least to the extent required for protecting the critical equipments. Steps have already been taken to install immediately a 12.5 MW turbo-alternator at Gorakhpur. The set is to be imported under the $17 million credit recently obtained from the World Bank. Similar schemes for the other units are expected to be finalised in the near future.

expansion programme

The corporation is also going ahead vigorously with the implementation of its expansion programmes which, when completed by the end of the current Plan-period, would raise its nitrogen manufacturing capacity from about 360,000 at present to nearly three million tonnes. Besides the Durgapur project, which though mechanically completed in 1971 is yet being treated as a construction project for it has still to yield production on commercial scale owing to several pieces of equipment, particularly in the ammonia unit, causing trouble, the corporation has on hand 12 projects, namely, Namrup expansion, Gorakhpur expansion, Nangal expansion, Trombay expansion phase IV, Trombay expansion phase V, Sindri rationalisation, Sindri modernisation and the setting up of new projects at Barauni, Ramagundam, Talchar, Haldia and Korba. Production at Durgapur, according to current anticipations, is expected to be stabilised fully only by the middle of 1976. Based on naphtha as feedstock, this project is designed to produce annually 305,000 tonnes of urea and 15,000 tonnes of amonia for sale. The Barauni project and the Namrup expansion scheme, which will be yielding 330,000 tonnes of urea each, are nearing completion and are expected to go into production by the end of December.

The Barauni project is based on naphtha and the Namrup expansion scheme on natural gas. The Sindri rationalisation scheme, which will result in the production of triple phosphate to a capacity of 326,000 tonnes based on pyrites and rock phosphate, is expected to be completed by June next year. The modernisation programme of this plant, under which 330,000 tonnes of urea will be produced from fuel oil, however, will be completed by April, 1978.

other projects

Besides the Sindri rationalisation scheme, the FCI hopes to complete next year the expansion programme of the Gorakhpur project which will yield 111,000 tonnes urea capacity based on naphtha. Three projects, namely, the Ramagundam plant, the Talchar unit and the Nangal expansion scheme are expected to be completed early in 1976. The Ramagundam and Talchar projects, which are based on coal, would have a capacity of 495,000 tonnes of urea each. The Nangal expansion scheme will yield a capacity of 330,000 tonnes of urea. Its feedstock will be fuel oil.

The Haldia plant and the Trombay phase IV expansion scheme are anticipated to be completed by March and July, 1977, respectively. The former will have fuel oil as feedstock and turn out annually 165,000 tonnes of urea and 500,000 tonnes of nitro-phosphate. The latter will raise the present capacity of the Trombay unit by 365,000 tonnes of nitrophosphate. To run this capacity, ammonia will be imported in the beginning. When the fifth expansion of this unit, which will raise its capacity by another 236,000 tonnes of urea, is completed by July, 1978, the ammonia requirement of the fourth phase programme would be met locally. The fifth phase programme of Trombay is to be based on fuel oil. The Korba unit, which will be producing 495,000 tonnes of urea from coal, is expected to be completed by October, 1978. One more project of the FCI, namely the Paradeep Plant, which will produce besides fertilisers, soda ash, has been cleared in principle.

In line with the recommendation of the Fuel Policy Committee, the FCI is now engaged in drawing up plans for the future fertilisers projects to be based only on coal. It has already completed studies for two units to be located at Giddi in Bihar and Marghrota in Assam. The study for a plant at Kampattee in Maharashtra is in the final stages. Studies in regard to two more units—one to be located in Madhya Pradesh and the other in Uttar Pradesh—are expected to be taken up shortly.

World population conference

Impressions about journalists' encounter

L. T Karamchandani

"It knocked out biases, from the technical and political points of view," commented an editor from one of the developing countries while summing up the Encounter for Journalists on Population which preceded the World Population Conference at Bucharest (Rumania) in August 1974.

The World Population Conference organised by the United Nations was deeply concerned with two problems: first, how best could the media covering the conference be briefed on the major issues; and second, how could the media be helped to translate effectively the importance of these issues to their specialised audiences or readership ?

the format

After weighing all possible courses, the United Nations decided upon the format of an Encounter for Journalists, to take place immediately before the 3-day conference was to begin. Journalists attending the conference were invited to participate in a series of discussion sessions in which two or more experts on various population-related themes freely voiced their views. Open debates followed. A widely recognized editor chaired each discussion session, and a "resource" person was on hand to supply factual data. To further involve the journalists, each discussion session closed with a question and answer period. To ensure good response from the media men from developing countries, where population is a vital issue, the United Nations offered to bear the travel and living expenses of a limited number of journalists from Asia, Africa, Latin America and the Middle East.

A number of governments including Denmark, Finland, the Netherlands, Norway and Sweden willingly rendered financial support to the project.

Further support came from the German Marshall Fund of the United States, whose president, Mr. Benjamin Read, played an active role in suggesting speakers, and was present in Bucharest for both the Encounter and the Conference. Other contributors were the United Nations Fund for Population Activities, the Population Institute, John D. Rockefeller III, the Rockefeller Foundation and private Mexican donors. The Philips company of the Netherlands made an unusual gift of tape recorders.

While the United Nations organized the Encounter through the Centre for Economic and Social Information under the guidance of a Management Committee, it was greatly assisted by the Rumanian Union of Journalists which ironed out important details in Bucharest. Thank to Mr Ioan Stanculescu, Secretary of the Union of Journalists, this proved a very helpful arrangement.

lively discussion

The discussions were indeed lively. Dr Aurelio Peccei, President of the Club of Rome debated *Population and World Resources* with Dr. Han Suyin, physician and author of *A Many Splendored Thing*. Lester Brown of the Overseas Development Council in Washington, D.C. and author of the new publication on consumption of food and energy, *In the Human Interest*, took up the question of 'population policy' with Dr Aziz Bindary, President of the Supreme Council on Family Planning of Egypt, and also with Prof. Lucille Mair, a member of the Social Development Commission of Jamaica. Anthropologist Margaret Mead and the Commissioner for Economic Development of Lagos, Rasheed Gbadamosi explored 'Human Settlements: Urbanization and Development' from the general and specific points of view respectively.

Dr Okite Saburo, President of the Overseas Economic Cooperation Fund of Japan, Prof. Costin Murgesou, Director of the International Economic Research Institute in Bucharest, and Prof. Candib Mendes de Almedia of Brazil, a member of the Pontificial Commission for Justice and Peace discussed 'Population and Economic and Social Development'.

At the final discussions senior editors from major publications expressed their views on how to project the ideals through various media. Among others the notable speakers were Victor Aguilar, General Manager of Bolivian Television, Prof. Nestor Ignat, President of the Journalists' Union of Romania, Jean-Pierre N'Diaye, a member of the editorial board of "Jeune Afrique", and Peter Kellner of the *Sunday Times* (London).

In all, more than 250 journalists attended the Encounter sessions and later engaged the speakers in probing question and answer exchanges. Following each meeting, a small working group of the UN sponsored journalists met to produce a summary report and the covering press release. Although these report session took place under pressing conditions of time it gave the UN Fellows a chance to meet on another and applaud or criticize positions on population, according to their own experience.

major figures

Dr Antonia Carrillo-Flores, Secretary General of the Conference, opened the Encounter. Major population conference figures including Mr Rafeel Salas, Executive Director of the UNFPA, and Mr Leon Tabah, head of the United Nations population division, addressed the Encounter Fellows at special press conferences in the Press Centre.

Since one of the major purposes of the Encounter was to assist the United Nations in planning similar meetings for journalists at future international conferences, an evaluation was considered essential. To achieve an accurate assessment from the journalists themselves UN presented them with a series of three separate questionnaires, all asking for their frank views on the position of the speakers, their effect on pre-Encounter opinions held and so forth.

The reactions were generally positive. Some of the opinions expressed were "speakers broadened my views", "not only knowledgeable, but stimulating", "it was helpful to meet journalists from other parts of the world" and "I have had the great opportunity to listen, learn and exchange views with colleagues, and hear well-known specialists on various aspects of the population problems."

Constructive criticism was however not omitted, although most journalists would have preferred fewer speeches, and more direct involvement in the discussions, with greater opportunity to express their own views in the exchanges. Smaller groups for questions were suggested. The United Nations is now taking a careful look at the evaluation, and will act on suggestions made.

The news stories on population matters, which have been forthcoming throughout the Third World since the Encounter, are proof indeed of the value of the Encounter at Bucharest. It is hoped and expected that these will continue in the months to come.

Asia's food crises: a programme for action

Dr Mohinder Singh

IN THE last two decades periodic food crises have been a familiar feature in the food deficit countries of Asia. In some cases, the severity of each succeeding crisis seems to have increased. As is well-known, around four-fifths of the area sown to rice, the staple food of the vast majority in Asia, depends on rainfall. Now and then, shortfalls in production occur because of drought, floods or typhoon damage. When shortfalls in production occur in several countries in the same year, the crisis assumes a regional complexion. Its severity is greater, if the modest rice surpluses in the region, rarely more than three million tonnes a year, are also reduced.

mitigating factor

A mitigating factor, hitherto, has been the availability of wheat and other grains from the developed countries and especially their availability on concessional terms. But the food crisis of 1973 was more extensive and severe than the preceding crises. The 1972 rice harvests were poor in most of the developing countries of Asia. In parts of Africa and the USSR also grain harvests were unsatisfactory. Owing to large purchases of wheat by the USSR and some other countries in 1972-73, wheat prices increased sharply and by September 1973 were over three times the prices prevailing a year ago. In June 1973, wheat stocks with major exporting countries were at the lowest level since the Korean war. Very little rice was available for sale in 1973.

Unfortunately no significant improvement is in sight. The 1974-75 world wheat crop is expected to be lower than the previous crop; and carryover stocks with the major exporting countries are lower than a year ago. Total supplies of foodgrains in the United States are expected to be substantially lower than in 1973-74. Prices of wheat and coarse grains remain high. In Asia, the 1974-75 rice crop has suffered in several countries due to drought and/or floods.

Generally, the action taken to deal with each crisis follows a similar pattern. To begin with, steps are taken to arrange larger imports of foodgrains from abroad and to procure surplus grains from within the country. Second, arrangements are made for distribution of foodgrains to non-producing consumers in urban areas (or to specified low income groups). Third, emergency food production programmes are adopted; the goal of achieving self-sufficiency in foodgrains within a relatively short period (two or three years) is announced, often at the highest level. The pace of agricultural development quickens. But if the harvest in the following two years are better than the average, the situation tends to look hopeful. The tempo of agricultural development effort slackens. Meanwhile, consumption requirements continue to increase. And within a few years, there is another serious shortfall in production and a new food crisis. The goal of food self-sufficiency remains elusive.

What then should be the approach to the hitherto intractable problem of food self-sufficiency? One thing that has to be recognized at the outset is that it calls for a long-term strategy for bringing about a sustained increase in the production of cereals (also proteinous foods) and reduction in the fluctuations in production and supplies. It requires coordinated and concerted action covering a broad front. Since technological improvements have a vital role in the modernization of agriculture, the development of supporting industries (e.g. chemical fertilizers, processing of foods etc.) and infrastructure (including development of rural roads and transportation) have also to receive adequate attention.

high-yield varieties

A favourable factor in the situation is the availability of the new high yielding varieties of cereals responsive to heavy inputs of nitrogenous fertilizers. But the technological breakthrough has really occurred in the case of wheat. In the case of rice, the new seed varieties can be grown only under conditions of controlled water supply. Moreover, considerable applied and adaptive research is required in the different regions of each country. In the case of some other cereals, some technological problems have still to be solved.

Let us consider briefly some important elements in a possible action programme.

To begin with, in the medium term, the aim should be rapid expansion of marketable surplus of cereals through concentrated use of new seed/fertilizer technology in areas most promising. For instance, in areas suitable for wheat production, major effort could be concentrated on increasing its productivity and production. Similarly, in irrigated areas (actual and potential) where the available high yielding varieties of rice can be grown, effort could be concentrated on them. In Bangladesh, for instance, some of the high yielding varieties of rice could be grown in the spring season by utilizing underground water-resources. Again, in the case of Indonesia, rice surpluses could perhaps be increased more quickly by concentrating effort in some of the islands other than Java.

notable points

Two points should be noted. One is that concentration of effort in areas most promising should be secured, as far as practicable, through increase of the total effort and not diverting effort from areas currently being covered. Secondly, while the basic idea of 'concentration' is not new, it is being considered now in the context of availability of new high yielding varieties of wheat and to some extent of rice. Again, in the past, concentration of effort implied concentration of development expenditure, a sizable part of which was in the form of government outlay, or provision of grants or low interest loans. Political pressures negated such efforts by insisting on wider geographical spread of these resources. In view of the increased profitability of agriculture associated with high yielding varieties of seed, political pressures could perhaps be contained by eliminating subsidies from agricultural supplies and short-term credit and linking supplies of some inputs (e.g. chemical fertilizer) with sale or barter of specified quantities of wheat or rice.

For its success, the goal of increasing marketable surplus of cereals requires several supporting measures. These include expansion of irrigated area, provision of agricultural inputs, extension services, credit and marketing as well as agronomic research. While these are known elements of developmental effort, some reorientation in approaches can be considered.

In the medium term, expansion of irrigated area should be secured through planned utilization of underground water resources. The strategy should be to encourage the farmers to use their own savings, the role of governments being limited to: (a) providing advisory services; (b) ensuring availability of institutional credit to bridge the gap between the funds required and the resources of the farmer; and (c) ensuring availability of technical facilities and materials through approved construction companies etc. Moreover, the farmers could be encouraged to set up irrigation groups or associations and go in for jointly owned and operated tubewells.

Some recent developments that call for fresh thinking and action should be noted. One is that in years of deficient rainfall, water supplies in the reservoirs are reduced periodically and hydro-electric power generation is adversely affected. As a consequence, the power available for operation of tubewells, lift pumps and industries linked to agriculture is adversely affected. A second and enduring adverse factor is the recent sharp increase in the price of crude oil.

In view of these, it might be useful in some cases to arrange for independent assessment of (a) the 'normal' water-level in reservoirs of hydro-power projects that can be expected in the light of past experience and (b) the frequency with which shortfalls are likely to occur. The possibility cannot be ruled out that the original assumptions regarding 'normal levels' were too optimistic. Or is there any longer trend towards increasing deficient rainfall?[1]. An assessment of the type suggested could serve as a basis for planning availability of additional energy supplies through conventional thermal power plants or nuclear plants to meet the gap (present and future) in energy requirements and also mitigate somewhat the effects of periodic shortfalls in hydroelectric power.

direct relationship

The output of high yielding seed varieties has a direct relationship with the use of fertilizers. For instance, an increase of one million tonnes in the consumption of fertilizers could mean an increase of 8 to 10 million tons in the production of wheat or rice.[2] In the developing countries of Asia, the consumption of fertilizers increased from 1.4 million tonnes (N) to 5.06 million tonnes in 1969-70 and the forecast for 1980 is 12.8 million tonnes (N). Some important recent developments in the fertilizer situation should be noted. One is the curtailment of production in several exporting countries owing to lower prices in the second half of the 1960's and the consequent running down of stocks. Global supplies became short in relation to demand in the latter part of 1971 and prices started increasing. Thus early in 1974 the f.o.b. price of urea was US $250-280 per ton as against $46 per ton in 1971.[3] A recent aggravating factor has been the increase in the prices of crude oil and oil based feed-stock. Although the immediate problem is to secure supplies of fertilizers from abroad, action has also to be taken to improve utilization of existing production capacity (often barely 60 per cent at present). In the medium term expansion of production capacity might also be necessary. In planning for new capacity, care has to be taken to ensure that only economic sized plants are established and where domestic requirements are expected to be small, joint production arrangements between two countries might be considered. Furthermore, the economic feasibility of non-oil based manufacturing processes would have to be carefully considered in view of the sharp increase in the prices of petroleum. And international assistance and support for research and development of new processes for manufacturing non-oil based fertilizers would also be useful.

debt burden

Two other points should be noted. One is that owing to sharp increases in oil prices, the balance of payments problems of many of the developing countries will be aggravated and they may need external assistance to import the vitally needed supplies of fertilizers. Although the availability of long-term low interest loans could help tide over the immediate difficulties, in the long run increases in the existing heavy debt burden of many countries could also create problems. Bilateral trading arrangements might help in some cases. In some others, 'grants' in the form of fertilizers (bilateral or international) might be a better alternative to loans Second, within a country efficient use of fertilizers might be facilitated by charging market price or bartering these with specified quantities of foodgrains.

Extension education, has an important role in increasing productivity and production. The difficulties of extension work have sometimes been over-estimated in the past. For, in several countries, new varieties of cash crops could be popularised fairly quickly. And more recently the high yielding varieties of wheat, that are much more profitable than the older varieties, have spread fairly rapidly even before any large extension network could be established. The techniques of field demonstration, group approach, and training of young farmers can help deliver the goods, even with limited personnel, when the improvement to be recommended is significant. Some of the important factors limiting the spread of new technology are arrangements for the availability of production credit, agricultural requisites (chemical fertilizers etc.) and marketing, including storage and transportation. In the present context, these acquire a new dimension and call for innovative, flexible and pragmatic approaches. A few important points are noted here. One is that with the spread of known high yielding seed varieties, the volume of production credit required per hectare of sown area as also per village increases sharply. Second, while existing credit institutions like co-operatives cannot be expanded rapidly, new innovative arrangements and practices could be tried. These could include, for instance, direct provision of production credit by co-operative banks to groups of viable farmers in a village on the basis of a joint guarantee regarding repayment. Third, there are well-known advantages of a link up between production credit and arrangements for supplies of agricultural requisities as in Japan and Taiwan. Finally, if institutional credit is to play a major role in the modernization of agriculture and credit institutions are to remain viable, they should be enabled to recover loans through proceeds of the crops marketed.

agronomic research

In the context of programmes for improving land productivity, agronomic research is of basic importance. Some aspects of it need to be noted here. To begin with, the improved seed varieties being developed at international research institutions require supporting research (basic and applied) at the national level as well as applied and adaptive research in each region of a country to develop varieties suitable for different areas. And this implies the need for a sizable research establishment in each country as has been done in Japan. Furthermore, agronomic research has to be of a continuing nature to develop resistance to pests and diseases, to increase yields, to improve nutritional content etc. Besides, experience shows that following introduction of an improved variety, yields tend to increase but attain a plateau within a few years. In the case of Japan, for example, yields per hectare of rice (paddy) which averaged 4.25 tonnes in 1948-52 and 4.34 tonnes in 1952-56 started increasing from 1957 and stood at 5.14 tonnes in 1961. Thereafter yields more or less stabilized and the next significant increase occurred in 1966 with a yield of 5.75 tonnes. After that yields attained a plateau.[4] The experience of Taiwan is somewhat similar. Generally, breakthrough in yields is associated with introduction of new seed varieties, increased (or improved) application of fertilizer, improved control of pests and diseases, improved cultural practices.[5] Hence, the continuing nature of research in this direction.

A second major area calling for action is the need to reduce fluctuations in production. But agriculture in Asia being largely dependent on the monsoon, fluctuations in production cannot be eliminated completely. Nevertheless, it should be possible to reduce the frequency and amplitude of shortfalls in production in relation to the long-term trend. The table below throws some light on the present position in this respect.

larger decrease

It should be noted that, in almost every country, the average decrease in production is larger than the average increase. In the case of a country like India, in four out of six years the decline in output below the trend ranged between 8.3 and 14.4 per cent. In terms of the 1971 output, it would mean a shortfall in production of 5.3 million and 9.2 million tonnes. Again, in Sri Lanka, in four out of seven years the decline in output below the trend ranged between 4.8 per cent and 24 per cent. In Thailand, in five out of seven years, the decline ranged between 6.4 per cent and 21.4 per cent. On the other hand, in Japan in four out of five years, the decline ranged between 3.1 per cent and 4.4 per cent.

For reducing fluctuations in production, particularly shortfalls in production, a number of suggestions can be considered. To begin with, there is the need to encourage innovative research to identify the main seasons during which the crops suffer as well as the major causes for these losses (for instance droughts in September) and to find ways of reducing them. Consider, for example, the case of Japan, where the periodic losses due to typhoon damage have been reduced by sowing rice under vinyl covering much ahead of the previous sowing season and harvesting the crop before the main 'typhoon season'. Moreover, crop losses have also been reduced through control of pests and insects.

maximising production

Another approach might lie in maximising production in irrigated areas and also in expansion of irrigated area, especially through utilization of underground water resources. Incidentally, in Japan almost all the area under rice is irrigated. While that target may not be feasible in many Asian countries, sizable expansion of irrigated area could improve the security against deficient rainfall.

Over the longer period, promotion of research on improving productivity of crops grown in areas receiving scanty rainfall would be desirable. At the international level, research along these lines is underway at the International Crop Research Institute for Semi Arid Tropics.

To minimize the impact of fluctuations in food production on the supplies available to governments for food distribution, the developing food-deficit countries have been maintaining national food reserves. These reserves comprise imports from abroad and domestic purchases, especially following a good harvest, when market

Average Percentage Variation of Rice Production from Trend 1957-71

	Burma	India	Indonesia	Japan	Philippines	Sri Lanka	Thailand
Average decrease	9.7 (4)	6.8 (6)	3.8 (8)	3.3 (5)	3.1 (8)	5.7 (7)	8.5 (7)
Average increase	3.2 (11)	4.4 (9)	3.5 (7)	3.1 (8)	3.7 (7)	6.3 (8)	5.6 (8)

Notes:
1. Trend is based on five year moving average.
2. For Japan the period covered is 1957-69 because from 1970 Government tried to reduce production.
3. Figures in brackets denote the number of years in which actual production was lower or greater than the trend.

Source: F. A. O., Rome: Production Year Books, 1972 and earlier.

prices are low, sometimes even lower than the minimum government guranteed prices. Wheat forms an important part of these reserves, owing to its availability on concessional terms, relatively lower prices and ease of storage. In view of the considerable capital costs involved in building and maintaining food reserves, their size is often limited to a few months requirements for food distribution by the government concerned. However, the targets for national reserves have been increased in the past two decades. For instance, in India the official target for food reserves was two million tonnes in the 1950's but following the 1965-66 food crisis, it was decided to establish a buffer stock of at least three million tonnes. For the fourth Plan period (1969/70-1973/74) a target of five million tonnes was originally set; subsequently it was increased to seven million tonnes.[6]

The developing rice exporting countries generally export the maximum possible quantity, but some stocks are held by exporters or millers except in Burma where export trade has been nationalised. Governments in these countries have not maintained national food reserves.

major shortcoming

In the post-World War II period, food aid has been available largely from the USA and to some extent from other developed countries. Except for limited quantities available in the form of outright grants or gifts, the bulk of aid was in the form of sales on concessional terms involving payment in local currencies and in instalments covering 30 years or so with a grace period of around 10 years. Food aid thus helped the developing countries to meet food shortages without diverting their limited foreign exchange resources from development programmes. But there is also the obverse side of food aid. Perhaps, a major shortcoming of large scale food aid was that it diverted the attention of the countries from the basic problem of increasing domestic production.

For example, although the high yielding varieties of wheat had been successfully developed in Mexico in the 1950's and that country had become self-sufficient in 1957, it was only after the disastrous crop failures of 1965-66 that India started experimenting with these seeds. In Indonesia, in recent years, large imports of foodgrains from the USA on concessional terms have provided local currency resources for financing development expenditure in agriculture. Consequently the much needed fiscal reforms have been postponed. But food self-sufficiency remains a distant goal. Is it a mere coincidence that practically no Asian country that received large food-aid in the post-war years, has attained self-sufficiency?

Limited quantities of food aid have also been available in the 1960's from the World Food Programme. This aid has been in the form of grants to meet emergencies arising from natural disasters and to promote selected development projects.

speedy action needed

In a sense, the problem of stabilizing the food supplies available for distribution to non-producing consumers, is largely a problem of developing Asian countries with four-fifths of their cropped area depending on rainfall and with massive annual increments of population (around 40 million). Periodic crop failures in one or more countries push up domestic prices and require speedy action to expand the supplies available for distribution. Bilateral food aid agreements take several months to negotiate. Even if funds are available for purchasing, supplies from North America arrive after several months. Moreover, if crops have failed in several countries, prices in exporting countries increase. Sometimes freight rates also go up. The rice surpluses available in Asia are small even in relation to normal import requirements of deficit countries. Some possible approaches to the problem are examined below.

An important area for action is to assist the developing food deficit countries to strengthen their national food reserves and to persuade the developing rice exporting countries to maintain national reserves. Several considerations are involved in determining the appropriate size of national food reserves including past experience, rates of increase in domestic production and consumption, financial burden etc. However, an approximate idea might be formed by setting the target for national reserves 25 per cent higher than the largest imports of rice and wheat in any of the years 1967-71. On this basis, the food reserves required would be nine million tonnes for India, two million tonnes for Bangladesh, 2.6 million tonnes for Indonesia, 1.3 million tonnes for the Philippines and 1.5 million tonnes for Sri Lanka. In the case of Burma and Thailand national reserves targets might be set at one-third of the highest exports in 1967-71 or 300,000 tonnes for Burma and 500,000 tonnes for Thailand.

One way of making it possible for the developing countries to strengthen (or build) national food reserves would be to provide them with long-term credits that carry only service charge by establishing a special facility of the IDA type, perhaps within the same framework, to reduce administrative costs. Criteria could be established for determining the volume of assistance required by the countries including the level of food reserves currently being maintained, the balance of payments position, the existing debt-service burden etc.

For convenience let us assume that in the case of Bangladesh, the Philippines, Sri Sanka, Burma and Thailand, the full initial cost of the grains required would be met through credits and that in the case of India and Indonesia one-half of the total cost would be met through credits. Let us also assume that three-fourths of total reserves in these countries would be in the form of wheat and one-fourth in the form of rice.[7] For obvious reasons, a programme for expansion of national reserves can be started only when world supply situation improves and prices come down to reasonable levels, say \$100 per ton for rice and \$80 per ton for wheat. On these assumptions, the total credits required by these countries would amount to US \$964 million.

financial burden

The countries receiving credits will have to bear the annual costs (including costs of turnover) and assuming that these costs would amount to seven per cent of the capital cost, the total annual financial burden on these countries would be about \$100 million.[8] For countries other than India and Indonesia, the total annual costs may be around \$32 million.

The idea of a regional food reserve sounds attractive. However, in practice it is not easy to build, maintain and operate a regional reserve. A more practical way of achieving the same objective might lie in evolving a scheme that integrates the concept of a regional buffer stock scheme with national reserves. One possible approach might lie in providing international assistance for expansion of national reserves on the condition that a specified percentage of national reserves is designated as a regional reserve. The implication would be that a participating country having a good crop might be required by an international organization like the World Food Programme to make available to it a part of its regional reserves, for the use of another country that has suffered a short fall in production. Various arrangement could be considered for these transactions.

For example, a country might agree to make these supplies available to WFP on replacement basis a year later. In turn WFP could make these supplies available to a participating country in the form of a commodity loan to be rapaid in terms of an acceptable commodity. The problems likely to arise in the working of this or other arrangements like differences in type or quality of grain, the prices to be used for settling accounts, arrangements for inspection and arbitration etc. will have to be spelled out in the agreements between the WFP and the countries. And the possibility of default, for reasons beyond the control of a country, will also have to be provided for.

facing shortfalls

With the type of national-cum-regional arrangements referred to above, the participating countries would be better prepared to face shortfalls in food production that do not affect all of them at the same time. But even in a contingency of the latter type, they would fare better and international trade would not be seriously disturbed.

At the international level, the action required would be, firstly, to arrange credits of around US $1,000 million. The amount would be lower if part of the wheat required for reserves becomes available in the form of gifts or grants. Moreover, in mobilizing the resources required, the possibility of persuading the oil exporting countries to establish a special facility for this purpose with the IDA could be explored. Some of the middle eastern oil exporting countries are food deficit and have a special preference for quality rice. Given assurances of supplies upto specified limits, on prevailing market prices, these countries might sympathetically consider provision of financial assistance. Even food-deficit countries like India could participate in giving such assurances by guaranteeing export availability of specified quantities of *basmati* rice. Secondly, cash resources would have to be provided to an organization like WFP to operate a regional reserve scheme.

For containing the food crises in developing Asian countries, action is required not only at country level but also at international level.

At the country level, it is necessary to have a long-term strategy for increasing production of cereals (also proteinous foods) and reducing the amplitude of fluctuations in production. In the medium term, the emphasis has to be on increasing marketable surpluses of cereals through concentrated use of proven technological improvements in areas most promising. These efforts would have to be supported by increasing utilization of underground water resources, provision of production credit, supplies of chemical fertilizers, extension work, agronomic research etc.

crucial problems

A crucial problem relates to ensuring availability of chemical fertilizer through arranging imports, improving utilization of existing production capacity as well as expansion of production capacity. But this is an area requiring substantial external aid. The continuing nature of agronomic research in programmes for varietal improvement has to be recognized and institutional arrangements for adaptive research have to be strengthened. At the same time, agronomic research can be useful in helping to reduce periodic crop losses as in Japan.

For dealing with the difficult problem of procuring domestic marketable surpluses, consideration could be given to the experience of Japan and Taiwan where governments have successfully exercised monopoly control over rice marketing. In the latter case, fertilizers have been bartered with rice.

If national food reserves are expanded within the framework of a regional food reserve scheme, the countries would generally be better prepared to cushion the impact of shortfalls in production without seriously disturbing international trade.

Five broad areas requiring international action and assistance are noted below.

First, financial assistance in the form of long-term low interest loans (preferably credits of the IDA type) is required by the countries to facilitate: (a) planned development of underground water resources; (b) provision of adequate energy supplies; (c) expansion of capacity for fertilizer manufacture; (d) import of fertilizers in the short-term.

Second, international action and assistance is required to strengthen agronomic research. This is already being

undertaken at international level by three research institutions. These institutions could perhaps expand their activities to include advisory assistance to the countries for strengthening their research programmes or facilities and international financial institutions like IBRD (IDA) could provide credits to expand research facilities at the country-level.

A third area requiring international action and assistance is promotion of research and development of new processes for manufacturing fertilizers that do not use natural gas or petroleum as feedstock. Research institutions having expertise should be financially assisted by the United Nations Development Programme to work on these problems.

A fourth area for international action and support is research and development to discover new sources of energy including harnessing of wind power and solar energy that are abundant in Asia. In these fields also United Nations could promote research effort through grants to research institutions.

Finally, substantial financial assistance (around US $1,000 million) in the form of credits of the IDA type is required to help the developing Asian countries expand and maintain national food reserves, possibly within the framework of a regional food reserve scheme.

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1. Cf. United Nations Development Forum, April 1974: Drifting Towards Drought.

2. FAO: CERES, March-April, 1974.

3. United Nations ECAFE: Report of the Expert Group on World Fertilizer Fund (30 May 1974); also Working Paper.

4. Based on data in Production Year Books of FAO.

5. Japan FAO Association, Tokyo: Agricultural Development in Modern Japan.

6. Government of India, Ministry of Agriculture (Department of Food): Review of Food Scarcity Situation in India, Nov. 1967, and Report, 1973-74.

7. In the case of India, the whole of the externally financed reserves have been assumed to be in the form of wheat because rice imports are very small in relation to total imports. In the case of rice exporting countries, the reserves would be in the form of rice only.

8. According to an FAO estimate these costs amounted to nine per cent of capital cost. However, since interest charges are expected to be much lower in the present case, a rate of seven per cent hasbeen used. (cf. FAO Commodity Policy Studies, 11)

Uncertainty more uncertain

Vienna

E. B. Brook

WITH THE British general election out of the way west Europe is assured of only one thing — that another element working for change in its political and economic make-up has been made more certain. The West German refusal to accept the decision of the Market's Council to raise farm prices in the Community by five per cent has made it obvious that the only solution in fixing prices within the Market is to embed them in the comprehensive economic and currency policies of the organization and not fix them ad hoc to meet temporary circumstances and under threat of civil unrest by Europe's farmers. The British election result has made it fairly certain that the Labour government in London will now carry out its promise to put the question of Market membership to the unusual, for Britain. test of a popular referendum. There may be no hurry about this; Britain has far more pressing problems than whether to go in to reverse in its association with the continent. Market membership cuts across all party lines and the result of a referendum on the subject might well be more unpredictable than many seem to think. But the effect on Europe and the Market is to make a period of some uncertainty more uncertain.

The farm prices difficulty, involving a deep stocktaking of the common agricultural policy, has revealed to the Market what difficulties it brings on itself by trying to fix prices without controlling production and gleefully accepting the initial good results of the protection they give against outside competition. The production results of high fixed prices and virtual protection have been first the "mountain of butter" of which the principal beneficiary was the USSR which bought shiploads at cut prices and now the "mountain of beef" which has also resulted in such farming Market members as Ireland and France shipping boatloads of prime beef cheaply to the same destination in order to avoid complete loss. It has resulted, also, in such European non-members as Austria seeking urgently and cheaply markets for its cattle as far afield as Japan while people in the Market area buy their joints more expensively.

Further expected surpluses of milk and milk products up to at least next spring will have to be tolerated but the Market will be required by its principal financial contributor, West Germany, to keep more closely to the principles of the Rome Treaty which founded it and control farm production as well as the prices of the products. On the farming side there has been a dismaying display of greed and a disregard of energy shortages when everywhere farmers demonstrate using tractors which burn up valuable petrol and diesel oil to voice their grievances.

Another area of change for the Market is fast approaching, working out a relationship with east Europe which, according to Brusssel's own regulations of common policy, making bilateral trade agreements between its members and the east European socialist states illegal after the end of this year, is forced upon it. The necessity for a Common Market relationship with east Europe and Comecon — the east's much older common economic organization — comes to Brussels when its circumstances no longer re semble the golden days of the sixties. I members are crucially short of fu and industrial energy; several of the already buy some natural gas an oil from the USSR. The totality c its membership is again uncertain wit a referendum promised in Britain an its agricultural price-fixing has bee thrown in to the complex problem c economic and currency unity by th West German refusal to accept th recommended five per cent rise in farr produce prices. It is not the best cond tion in which to face an increasingly cor solidated economic structure in ea Europe whose principal partner benefi from the oil difficulties by being enable to raise its prices for gas and oil almo four-fold.

Faded into history are the days whe the Market's first president, Hallstei banned relations with all east Europ Today's President, the Corsican M Ortoli, so far from refusing to receive ea Europe is making the first move by visi ing Moscow next month at the invitatic of Comecon's Secretary-General, M Fadeyev. M. Ortoli will take with hi a sample trade pact, to be approved b the Market's Foreign ministers in a fe days, incorporating a list or rules f Market members in trading with the ea Europe.

comprehensive agreement

East Europe prefers comprehensive c operation agreements to piecemeal indiv dual commercial pacts and this type working arrangement has for some tin been superseding the old-style two-wa bargain. The Common Market will fir Comecon an organisation very differe from itself, unable legally to negotia with others for all the east Europeans b very strongly dissuading its members fro trying to bargain individually with t Common Market.

At the same time as the Market an Comecon try their hand at getting togeth a detente between the Market and i smaller brother in west Europe, EFT (the European Free Trade Associatio is getting started. EFTA, now a mixtu of Scandinavian and Alpine countries ar Portugal, has for some time been large ignored by the Market which has pr ferred to make agreements individual

WINDOW ON THE WORLD

... beginning now to accept the practice of collective meetings of experts from the Nine of the Market and the Seven of EFTA to discuss technical problems created by these agreements. Progress will be slow, largely because of French and Italian hostility to EFTA as an alternative to the Market weakening the scope of the Rome Treaty, but EFTA has proved remarkably durable. As long ago as 1961 it was supposed to be dying since when it has survived the major shock of losing Britain's membership and also Denmark's.

Portugal was, till recently, an odd man out in this grouping of small countries committed to liberal democracy and it may not be insignificant that the first Common Market official to visit Portugal is now in Lisbon to discuss possible future relations between the European Community and Portugal's three African independence. Portugal would need considerable aid and progress for several years before it would be strong enough to stand the strain of Market membership but the possibility has been thought of.

World efforts to meet inflation and lessen the force of the energy problem may have been helped forward slightly by the US President's new economic programme but it has not deeply impressed west Europe. Initial response within the USA is not expected to be swift but no one can ignore changes in an economy whose national output is greater than that of the whole Common Market and Japan put together. The impact of President Ford's measures is far from clear in Europe nor their effect on the rate of inflation.

With the US Congress facing mid-term elections next month the Congress that year may have so large a Democrat majority that his Republican policies may not appeal after a long interval. In the USA, as everywhere, there will be preference for measures that avoid recession and unemployment: both in the USA and in Britain reflation is likely to be preferred to deflation and monetary policies relaxed to whatever extent is necessary to avoid financial convulsions. France, whose parliament will shortly consider an anti-inflation levy, is already regarding the proposal as antagonizing both employers and labour. The way of the economizer is hard; everyone is cutting down on energy consumption by up to 20 per cent, but the majority are not economizing by more than 12 per cent. Christmas is coming; long faces and hard days belong to next year which always seems much farther away than the mere two months interval before we get there.

The Rome conference: a preview of the food problem

THE SPECTRE of world food crises can be banished by interlinked programmes of massive new investment in agriculture — with contributions from the oil-rich countries as well as from traditional sources — expanded food aid, security stockpiling of food supplies and better trading arrangements.

This is the thesis of an exhaustive study, 'The World Food Problem: Proposals for National and International Action", prepared for consideration by the United Nations World Food Conference to be held in Rome from November 5 to 16.

long-term solution

Basic to the study is the idea that the only long-term solution to the problems of chronic under-nourishment of nearly half a billion of the world's peoples and threat of famine is a substantial increase in the agricultural production of the developing countries. Direct food aid is called for also, but as a palliative until the poorer countries move closer to self-sufficiency either through increased food production or export earnings to finance food imports.

The document puts at $US 5,000 million the target for annual external assistance for agriculture in the developing countries — in technological expertise, grants and loans, "soft" and "hard". The present flow of such assistance is estimated at $US 1,500 million.

To monitor and coordinate this flow of aid through existing national and international agencies, Conference Secretary-General Sayed A. Marei suggests the establishment of a World Food Authority governed by a Permanent Council, elected in equal numbers by the United Nations General Assembly and the Conference of the Food and Agriculture Organization of the United Nations.

Such an authority, Mr Marei foresees, would provide the "direct interrelationship" among existing development agencies that is "non-existent or unclear" at present. It would not, in the secretary-general's view, become a new operating agency but rather a financing and coordinating body to integrate the work of such organizations as FAO, the World Food Programme, World Bank, or regional banks and others in to an overall strategy for tackling the food problem in the three interrelated areas of food production, food security and food aid.

"What is called the world food problem is really two problems", the document declares. "The first is the threat of famine, food shortage or excessively high food prices, following dislocation of supplies due to some disaster or unexpected fluctuations in production. This danger extends from relatively small dislocations affecting only a limited number of people to a major disaster caused by crop failures extending over many countries. The second problem is the ever present hunger of the poorest people of the world".

high output goals

"In order to prevent the projected food deficits of the developing world", the paper says, "substantially higher goals of food production will have to be established and achieved. It is estimated... that the minimum requirement is to step up the average annual growth rate of food production from 2.6 per cent in the preceding 12 years to at least 3.6 per cent in the next 12 years. If this minimum acceleration in production is not secured, then, given the likely increase in demand, the developing countries as a whole might well face annual deficits approaching 85 million tons (of cereals) in normal years and over 100 million tons in years of bad crops."

Almost half of the document is devoted to analysing the series of measures deemed necessary for achieving the necessary increase in food output in the developing world. They cover a wide range, from agricultural inputs such as fertilizers, research to overall rural development and investment.

Among these are proposals to expand production of fertilizer, pesticide and quality seeds; to increase livestock production in Africa by controlling the tetse fly scourge; tripling expenditures on agricultural research in developing countries; improvement, rehabilitation and extension of existing irrigation systems and establishing new systems; and doubling the fish production in the developing world by 1985 to vastly increase intake of protein.

"The steps needed to bring about an improvement in food production in developing countries are not startingly new," the document comments, "but have been presented to highlight the complex interrelationships in the task of agricultural development and also to underline many specific programmes which deserve high priority".

trebling allocations

The implementation of the recommended actions would call for more than trebling the current allocation of external resources for assisting the development of agriculture in the developing countries between 1975 and 1980, the paper states. This would mean raising the annual flow of such resources to the poor countries for this purpose from about $US 1,500 million in 1975 to at least $US 5,000 million by 1980, it adds. This would facilitate stepping up the annual rate of total investment (domestic and external) in agriculture to a range of $US 16,000 to $US 18,000 million during this period.

Agricultural output of the developing countries in fact has expanded over the past twenty years as rapidly as that of the developed countries, the paper notes, but the growth has been insufficient. The main reason cited for the growing imbalance between the food supply and demand was the rate of population growth which in the developing countries was twice as fast as in the developed countries. Today the developing world has 2,500 million inhabitants — by the end of the century it might have 5,000 million mouths to feed.

By most conservative estimates, the document says, more than 460 million people "are permanently hungry" and their capacity for living a normal life cannot be realized. At least 40 per cent of them are children. The majority live in rural areas — small farmers, tenants and rural people without land or jobs. They also include the desperately poor in city slums.

Increasing food production will not automatically solve the distribution aspects of the food problem the document warns, but special steps need to be taken to get food to the many millions of the under and-mal-nourished. It asks whether, for example, it is not possible to aim at providing supplementary nutrition to at least one-quarter of the world's undernourished children. It would cost only $US 20 per year to provide 600 additional calories and 20 grammes of protein to each child's daily diet. It also has been calculated that $ US 50 million a year for a ten-year period would cover the cost of eliminating the greater part of the diseases directly due to lack of vitamins and certain other nutrients.

"Analysis of the trends in world food production indicates that the potential exists for an adequate food supply over the next decade", the document asserts, "provided that both national and international measures are adopted to increase production and productive capacity. But two factors in particular make it imperative that improvements in food production are accompanied by a system of food security".

varying abilities

One is the varying ability of countries to respond to the need for increases in food supplies and in resources at their disposal for importing the necessary food. Second, the fluctuations in food production arising primarily from irregular weather patterns mean that even a satisfactory trend of food availability may be interrupted by periods of shortfall.

"The breakdown in world food security came about largely because of a system of stockholding which was inadequate to meet an unexpected shortfall in grain supplies in a period of rising demand", the paper asserts. "During the past twenty years there were always in the background the large surplus stocks held in the grain exporting countries which could be drawn upon in any emergency. But today the agricultural policies of some of these countries have been revised in order to avoid in the future the accumulation of surpluses."

Therefore, the document states, the burden of whatever is the minimum quantity of stocks in cereals and other foods which the world needs for security will have to be shared among a much larger number of countries.

"This is the heart of the concept of world food security", it adds. "It implies a general intent on the part of all countries to establish their own food insurance through stockholding and a willingness to engage in international co-operation regarding the holding and management of food stocks."

"The financing of security represents a burden which must be distributed in an equitable way taking into account the benefits received and the ability to pay for these benefits. This implies inevitably a commitment by developed countries to shoulder a major proportion of the costs of any world security scheme."

Trade has important links with food security, the paper points out. Countries that will need to import food on a regular basis must have export opportunities, at fair, stable prices, for their products of both agricultural and non-agricultural origin.

"Without a trade and payments system which gives to developing countries the same opportunities that are enjoyed by the developed world", the document declares, "food security will be hard to achieve".

Many developing countries will require concessional food aid on a continuing basis if they are to sustain even a minimum level of food security for their populations, the paper declares. Such aid had fluctuated greatly in past years and the volume had been cut in half during the past eighteen months compared with its average level during the preceding ten years.

The paper suggests that food aid be reorganized on a longer term and more secure basis. Governments should accept a concept of forward planning, say on a three year basis.

'hard core' requirements

"It is suggested also", the paper adds "that the bilateral and multilateral programmes taken together aim at providing a minimum quantity of ten million tons of grain per year to take care of "hard core" food aid requirements. The cost of food aid in future should be equitably shared between food-exporting and other high income countries."

In addition to being invited to endorse the main elements of the strategy proposed in the document, the World Food Conference will be asked to recommend how the strategy as a whole and its various parts should be implemented. It also should indicate how the additional resources required for carrying out the strategy should be mobilized.

Many of the actions recommended fa partially or fully, under existing Unit

Nations Specialized Agencies, the document notes. Other functions are carried out by *Ad Hoc* intergovermental bodies or not at all. The point is stressed that there is no direct interrelationship between several bodies with development assistance funds and those various agencies and bodies which formally or informally coordinate national and international policies on food aid and food security.

"It would be unrealistic to suggest the creation of a "supranational" body or organization which will oversee everything and monitor national policy or actions in all fields", the paper asserts. "What is essentially needed is a mechanism that will provide sustained and effective support to national action necessary to achieve the desired objectives and at the same time facilitate coordination of international actions and policies in all the related and complementary areas. It has therefore been proposed that the World Food Conference consider the creation of a new body, perhaps to be called a "World Food Authority", to implement or coordinate the implementation of the appropriate recommendations and decisions of the Conference".

Essentially three functions are suggested for such an authority:

1. To mobilize international financial assistance for agricultural development in developing countries including assistance from new sources which may not be equipped to channel such funds individually: using existing channels of disbursement and technical support where feasible;

2. To provide support to a wider system of world food information and security and to facilitate the observance of the (proposed) international undertaking of world food security; and

3. To facilitate the implementation of the longer term food aid policy proposed for adoption by the Conference.

—*U.N. Centre for Economic and Social Information*

New strategy for Europe's energy problem

THE OIL crisis has revealed clearly, and in a lasting fashion, the European Community's excessive dependence on imported energy. The revelation has compelled Europe to reconsider its energy policy. The age of cheap imported energy has probably ended and will not return for a long time, if ever. The European Commission, the Community's executive and initiating body, therefore saw itself obliged to present the legislative body, the Council of Ministers with comprehensive proposals for a future energy policy strategy.

The principal objective of these proposals is to achieve the maximum reduction possible in the degree of dependence on the rest of the world for energy. By this means, greater security of supply should be guaranteed and drastic price changes in the energy sector avoided. In this connection, the intention is not solely to avoid increases in the prices of the various sources of energy: even considerable price reductions on the energy markets are hardly desirable, as they would cast doubt upon the viability of investments in other energy sources in the Community, which are aimed at helping to reduce the dependence on imported energy.

On the one hand the forms of energy produced within the Community are to be sold as cheaply as possible, to attract the consumer to them. On the other hand, successful attempts to achieve greater security of supply can be made only if the investors, i.e. the undertakings can expect sufficient viability in the long term. A happy compromise between these two premises must be found. What is certain is that the public authorities must provide assistance for such a drastic structural change. It is also certain that the objectives in view can be attained only if consumers as a whole become aware of their collective responsibility for finding a better, i.e. more rational, use of energy, which will in future be in shorter supply and more expensive than before. It will be the duty of the politicians and businessmen and of public and private associations to create such an awareness.

solidarity of members

A further precondition for the successful reorganisation of the energy sector is solidarity on the part of the Member States.

Only when the sharing of burdens and the free movement of goods is possible without hindrance in normal times can such solidarity be achieved in times of crisis. However, solidarity also involves greator division of labour. In the longer term it is thus in the economic interests of each Member State to organize its supplies of its main energy-carriers along Community lines. Thus, for example, W. Germany and the United Kingdom will have to concentrate on their coal production and assume responsibility for supplying other countries in which coal is no longer produced. The same applies to the Netherlands in respect of natural gas, and to the United Kingdom and France in respect of oil.

A slowdown in the growth of demand for oil, more rapid development of nuclear energy, increased supplies of natural gas and improved competitivity of coal, including a larger potential market for imported coal : these are the fundamental objectives to be attained by 1985. If these objectives are to be attained, the supply structure must be diversified, both geographically and as regards types of energy, in such a way as to prevent crises from arising in respect of either quantities or prices. A lesson can be learnt in this connection from the oil crisis which has been overcome, and the prices crisis, the effects of which will be reflected in the national balance of payment figures over the next few years. The objectives for 1985 include an average annual growth of the Community's gross product of 4.[illegible] per cent. At the same time it is assumed that substitution, i.e. the change-over from the consumption of one source of energy to the consumption of others, can be achieved only in stages in some sectors and is completely impossible in others. In the medium term, the opportunities for substitution are extremely limited in the steel industry or in the motor transport sector, for example, while the electricity sector is far more able to adapt.

Now on to the more concrete objectives. A more rational use of energy could reduce internal consumption by [illegible] per cent compared to the figure originally

estimated for 1985. Provided that nuclear energy can be developed and obtained more rapidly in future, the share of electricity in the total consumption of energy should rise from the current figure of 25 to 35 per cent. The Community's dependence on imported energy is to be reduced to 40 per cent in 1985 (1973 : 63 per cent). Dependence on imported oil is to be reduced from 98 to 75 per cent, and the share of oil in the total supplies of energy in the EC is to be reduced to 40 per cent (1973 : 60 per cent) If the dependence on imported oil is to be reduced, the Community must produce 180 million tonnes of crude oil in 1985; high hopes have been placed on North Sea oil. In future the use of heating oil in thermal power stations is to be restricted.

In the case of coal, the current production level (255 million tonnes/year) is to be maintained. At the same time it is planned to import more coal. This would mean that in 1985 coal would still cover 15 per cent of total energy supplies. In 1973 it was 23 per cent. As a general rule, thermal power stations are to change over from oil and natural gas to coal and nuclear energy. In 1985, nuclear energy should cover approximately 50 per cent of the demand for electricity. This would require an installed capacity of at least 200 GWe. Natural gas is to cover 25 per cent (1973 :12 per cent) of the Community's energy supplies. To this end, production of natural gas in the Community is to be doubled to 230 million toe (tonnes of oil equivalent). At the same time it is planned to increase imports considerably and to obtain imports from varied sources, pursuant to the principle of diversification.

need to rethink

The need to rethink the energy policy, which arose from the oil crisis, becomes particularly clear if the objectives laid down in the energy strategy are compared with the figures drawn up for 1985 before the crisis. For example, the original estimates suggested that the dependence on imported energy would rise by one to 64 per cent as compared to 1973.

It must be stressed that the figures given are not estimates but objectives. The Community, i.e. the governments of the Member States, must enter into a political commitment, the economic and social aspects of which will give rise to numerous problems. If the strategy is to prove successful, joint responsibility must be assumed at a community level by undertakings, the Member States and the Community institutions. The EC Energy Committee will probably play an important role in the implementation of the strategy. The Committee, to which experts from the Commission and from the Member States belong, and of which the Belgian Vice-President of the Commission, Mr. Henri Simonet, is Chairman, is to assist the Commission in examining the objectives. It may be assumed that the very composition of the committee will enable it to be the authoritative body in preparing decisions. The decisions themselves must then be taken by the Council.

colossal investments

According to Commission estimates, investments in the entire energy sector in the Community will rise to approximately \$300,000 million (1973 value) during the period 1975-85. The greater proportion of this amount, i.e. approximately \$150,000—180,000 million, will be invested in the electricity sector, with approximately \$120,000 million having to be spent on nuclear energy. A sum of \$110,000 million will be invested in oil and natural gas, and \$6,000 million in coal. Investments to approximately 1.5 per cent of the Community's gross product, will rise to approximately 2-2.5 per cent during the period 1975-1985. This means that, roughly speaking, the growth of investments will be between 0.5 and one per cent of the gross Community product. Provided that that there is no noticeable drop in the prices of imported oil in the long term. the additional net investments required within the framework of the strategy for the period in question will probably amount to approximately \$10,000 million. During the same period however, the Commission thinks that it will be possible to make a net saving of approximately \$50,000 million on payments for imported energy.

One of the most important tools for attaining the objectives and encouraging the collaboration of the undertakings is a prices policy which offers sufficient long-term returns on the investments needed. Such a policy must be accompanied by incentives to increase investment or by fiscal measures to prevent those forms of energy with low production costs from receiving an extra economic benefit. Because of the large amount of investments required, the undertakings will have to resort to a considerable degree to the international capital market. The Community must facilitate such investment if it is to attain its objective, i.e. to cease to be dependent on imported energy.

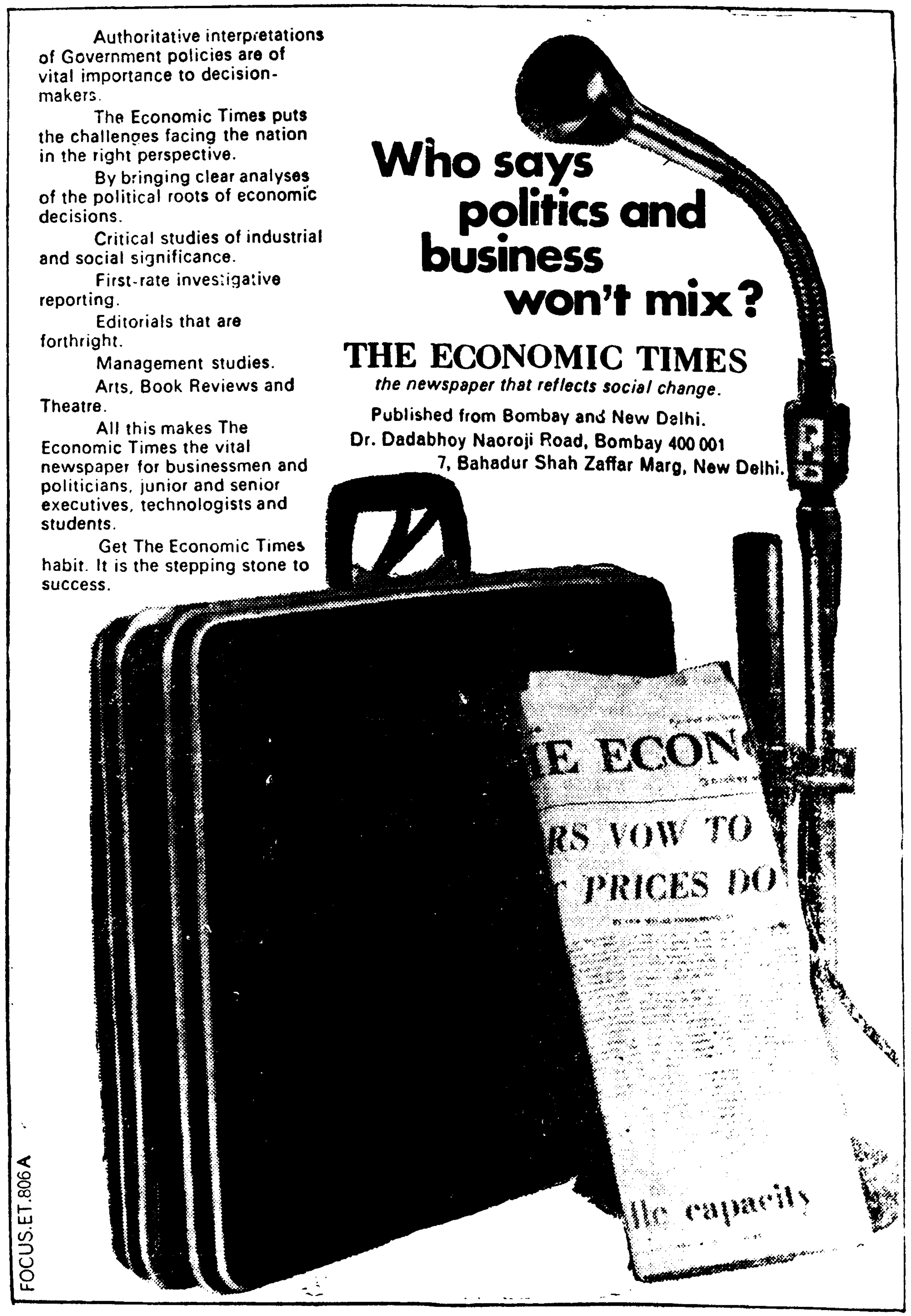
In the proposals which it has now presented for a new energy strategy, the European Commission has laid down guidelines for the development of all sources of energy. Nuclear energy will play an important role in this new strategy. By 1985, for example, the date set for attaining all the medium-term aims of the strategy, 50 per cent of the total electricity generated should be produced using nuclear energy. The share of electricity in the EC's total consumption of energy should by then amount to 35 per cent (1973 25 per cent). An installed capacity of approximately 200 GWe would then be required to obtain the quantity to be generated using nuclear energy. As electricity can be produced on the basis of various types of primary energy, it can be considered as particularly advantageous from the point of view of security of supply. The annual rate of increase in the consumption of electricity, which is currently 7.2 per cent will probably rise to eight per cent at the beginning of the 'eighties and to approximately nine per cent by 1985-1990. Greater use will be made of electricity partieularly to heat buildings and in the field of traffic and transport. Furthermore, consumption in off-peak periods must be promoted, and this must be done by fixing appropriate tariffs. Another reason for altering the tariffs is to enable electricity producers to receive adequate revenue so that nuclear power stations can be constructed.

accent on nuclear energy

While there is to be an exceptionally large increase in the supply of nuclear energy, the generation of electricity using hydroelectric power will probably increase only slightly, and its importance as a source of electricity will therefore decrease still further. Almost the only Community country in which the production of electricity on the basis of brown coal is still economical is Germany. As soon as nuclear energy can meet the increased demand for electricity, better use will probably be found for a certain proportion of the brown coal. Gasification is a possibility which deserves particular mention.

As a general rule, natural gas, too, should be reserved for more important uses. The strategy lays down that natural gas should be supplied to power stations only on the basis of interruptible supply contracts and only if it can be put to no better use for the moment or if the use of natural gas is indispensable for economic, technical and environmental reasons.

Oil-fired thermal power stations should limit their consumption in the long-term to the heavy residual oil from the refineries. In future, the construction of new oil-fired power stations should be authorized only in exceptional cases. A[illegible]



example of such an exceptional case would be to enable low-capacity power stations to cover peak period requirements. The existing oil-fired power stations, and those under construction, should, if possible, gradually start to be used only in medium-demand and peak periods. Theoretical result of these measures should be the reduction of the share of petroleum products in the total generation of electricity from the current figure of 30 per cent to less than 20 per cent in 1985.

fast breeders

Electricity generation in coal-fired power stations should be increased from the current level of 30 per cent to 50 per cent by 1985. If there is to be a considerable increase in the available supplies of steam coal, long-term contracts must be concluded between the coal industries and the electricity producers. On the other hand, it is in the Community's interest to promote the development of new nuclear power stations. The development of the fast breeder should contribute towards security of supply, the introduction of high-temperature reactors should prepare the way for better use of nuclear energy as a producer of heat, and the advantages of both types of reactors should be combined.

Although a certain proportion of the coal produced in the Community has once again become competitive as a result of the increase in oil prices, the coal industry is, for various reasons, unable to adapt quickly to this new situation. The reasons for this are the considerable amount of time required to develop new production capacities, the inability to bring closed pits back into operation, the inability to guarantee viability, and difficulties in recruiting and training workers. The Commission's strategy is based on the assumption that the use of coal in the steel industry will remain relatively stable. A dynamic development could take place in the electricity industry. on the other hand, where the polyvalence of the power stations enables them to change over to coal relatively fast. At present, approximately 80 per cent of the Community's coal consumption is divided almost equally between the power station sector and the steel industry. Community coal covers approximately 90 per cent of this consumption.

The Commission is of the opinion that the Community's coal production should be stabilized by 1985 at its current level of approximately 250 million tons per year. If this target is to be reached a number of stringent measures are required. For example, rationalization must be achieved by concentrating output on the coalfields with the highest productivity. Should it be necessary, for regional or social reasons, to keep a particular coalfield in operation, the costs incurred must be borne by the public authorities. Rationalization in existing pits and the creation of new production capacities must be assisted by means of low-interest loans from the European Investment Bank and the European Coal and Steel Community (ECSC). Attractive wages and guaranteed promotion opportunities, plus financial incentives to increase mobility should help in the recruitment of worker, The prices policy to be followed should enable a system of price autonomy to be introduced gradually for the coal undertakings. Finally, the Community must make financial contributions to enable more research and development work to be carried out. This policy must be supplemented by a number of additional measures which are imposed by the low degree of adaptability of the coal industry.

increased research

Financial assistance would be required in this connection to guarantee the competitivity of the consumer with a long-term attachment to coal. In addition, research into the gasification of coal must also be intensified. As the Community's coal industry is at present scarcely in a position to cope with the sharply rising demand, especially for electricity generation, increased imports from non-Member Countries can be expected. In this connection, the conclusion of long-term contracts and the participation of industries in joint ventures in the coal industries of non-Member Countries must be promoted. The opening of the Community's markets to coal from non-Member Countries must, however, not jeopardize the existence of the Community's coal industry. There should therefore be a certain amount of supervision. The stockpiling policy should make up for the effects of interrupted supplies by requiring that considerable stocks be accumulated by producers and consumers.

In the case of oil, the Commission's strategy is based on the assumption that in 1985 this source of energy will still cover 41 per cent (1973 : 61 per cent) of the Community's total energy requirements. Oil will therefore remain the most important source of energy in the Community. The role of the multinational oil companies will change in some fields. For example, the market should become more transparent. In practical terms this means that undertakings must be prepared to keep the national and Community institutions informed on price, quantity and investment trends. The EC Energy Committee would appear to be a suitable body for remaining in permanent contact with the undertakings. The Commission stresses that it does not want to force this contact into a inflexible, legalistic framework. Consequently, an appeal will first be made to the goodwill of the undertakings to work together under changed conditions. However, it is very important that the Common Market should remain attractive to the undertakings because of its uniformity.

On the question of commercial policy, the Commission proposes constant supervision of the importation and exportation of hydrocarbons by means of a system involving the automatic issue of licences. This would ensure that a constant flow of information would be obtained on the quantities traded and would at the same time enable protective measures to be adopted in times of crises or tension. In addition, an effort should be made to harmonize the prices of oil and petroleum products in the Community. An attempt should be made to attain this objectives by stages, at the end of which a set of Community rules on price levels should be drawn up. However, the authorities should be able to intervene only in cases of tension on the market. The Community's rules on prices would include the obligation for undertakings to publish price lists for all important petroleum products in the principal consumer sectors.

"speak with one voice"

The Commission is of the opinion that Member States should, in future, consult the European Institutions before concluding agreements with oil producing countries. When engaging in cooperation with other consumer countries, especially within the framework of the OECD, the Community should "speak with one voice". Special efforts must be made in future to prospect for oil in new areas, such as the North Sea. Although most of the expenditure in this connection must be borne by the oil industry, an active contribution from the Community could be required in certain cases. The EC's expenditure on "Community Projects"* should be increased. Furthermore, the term "Community Projects", which is currently restricted to technological development in the field of hydrocarbons, should be extended to include prospectives, storage and transport. Should difficulties arise with regard to

*"Community Projects" : projects having the nature and status of supranational industrial cooperation which could benefit from fiscal and capital concessions granted by the Community.

should be available which should include the control of movements of crude oil and petroleum products within the community more rapid methods of obtaining information on imports and exports, a number of measures to restrict consumption and the ability to intervene in the field of prices.

Natural gas, from which approximately 13 per cent of the Community's energy was produced in 1973, should cover approximately 25 per cent of the requirements in 1985. The doubling of the share of energy supplies covered by natural gas also requires a doubling of natural gas production in the Community to approximately 230 million t.p.e., and a substantial increase in imports.

additional incentives

The Commission proposes that internal production be increased by implementing measures such as tax concessions for the exploration of new sources of supplies and financial aid. Furthermore, the extension and integration of the transport and stockpiling system will enable the transport of natural gas to be effected under safer conditions, seasonal fluctuations in growing demand to be coped with more easily and the security of supply to be increased, should supplies be interrupted for technical or political reasons. Furthermore, natural gas must be put to the best possible use, i.e. it should no longer be used in power stations, and prices and tariffs must be harmonized at Community level.

Assistance towards the accomplishment of the multifarious tasks set be the energy strategy should be given by a Community body which has legal personality and financial autonomy. The Community must supply this body with the necessary funds to enable it to take part in Community projects. It should be under the supervision of the Commission and be assisted by an advisory committee comprising representatives of the Member States and of the various circles concerned, such as industry, labour and consumers.

—Commission of the European Communities Information Directorate-Generale

TRADE WINDS

Ordinance on Poll Expenses

The President promulgated on October 19 an ordinance to provide that election expenses, incurred by a political party or a person other than candidate shall not be deemed as expenditure incurred by the candidate for the election. The Ordinance has been promulgated to get over the situation created by a Supreme Court judgement, which brought expenses incurred by a political party within the mischief of the expenditure ceiling provision of the election law. The Ordinance will not affect decisions already made by courts. The Ordinance, signed by President Fakhruddin Ali Ahmed, appended this explanation to section 77(1) of the Representation of the People Act. "Notwithstanding any judgement, order or decision of any court to the contrary, any expenditure incurred or authorised in connection with the election of a candidate by a political party or by any other association or body of persons or by any individual (other than the candidate or his election agent) shall not be deemed to be, and shall not even be deemed to have been, expenditure in connection with the election incurred or authorised by the candidate or by his election agent for the purposes of this subsection."

Coal Output

Production of coal, which has been given top priority among the sources of energy, was expected to rise to about 145 million tonnes by the end of the fifth five-year Plan from the present 78 million tonnes, the union deputy minister for Energy, Prof Siddheswar Prasad stated recently. He indicated that the original target of 135 million tonnes was revised in view of the world oil crisis and subsequent high cost of oil import. One of the basic things that would guide national energy policy, he said, is to reduce the cost of energy input and therefore stress would be laid on building large sized plants to obtain economies of scale.

India-Gabon Cooperation

President Fakhruddin Ali Ahmed and Gabon President, Mr Albert-Bernard Bongo recently expressed their desire to strengthen the economic, scientific and technical cooperation between the two countries. Speaking at a banquet hosted in honour of the visiting President, Mr Fakhruddin Ali Ahmed assured Mr Bongo India's fullest cooperation in the task of economic and social development in the "same spirit and comradeship as we have supported all these years the struggle for freedom and independence." In his reply, Mr Bongo said the relations which have been woven between India and Gabon in the diplomatic sphere can and should result in the establishment of a much larger framework of cooperation.

Consortium Banking

The Reserve Bank of India has accepted the recommendation for the evolution of a consortium banking system in India for promoting collective application of resources to the optimum development of the economy. The recommendation was made by a study group appointed by the bank under the Chairmanship of Mr G. Lakshminarayanan, Chairman and Managing Director of Indian Bank, to study the participation arrangements between banks and make recommendations to improve them. After eliciting the views of bankers and industrialists, representatives of term-lending institutions, government officials, presidents of chambers of commerce and industry, the group presented its report to the Reserve Bank on July 16, 1974.

To promote the consortium, the study group recommended that the member banks should evolve a common form of credit appraisal and documentation so that the borrower was not called upon to submit details to each bank in its own form and execute bonds of pledge or charge or undertaking in favour of every bank separately in its own form. An appropriate committee might be set up to draft and evolve a common form of documentation. Even in regard to term lending by inter-institutional group, a common form of documentation should also be evolved.

The group has, however, stressed that the common form of documentation should not prevent an independent examination of the proposition by each participating bank or institution. As regards post-credit follow-up, it suggested that this should be done at a single point, that is every member doing it by turn and reporting the result of his inspection to others. The food consortium arrangements should be forged between the banks themselves and the total business of the Food Corporation of India should be shared among the participating banks. Even the other consortia arrangements, concluded recently with the initiative of the Reserve Bank in respect of some large lending limits, should become voluntary arrangements brought about by the financing bank themselves.

The group has also recommended that the guidelines issued by the Bureau of Public Enterprises should be revise permitting public sector under takings to deal with any ban of their choice and transfe accounts from one bank t another. The group was o the view that there was n case to treat public secto undertakings differently fron the private sector corporation in the matter of bankin arrangements and hence th involvement of the Bureau o Public Enterprises in th banking arrangements of publi sector corporations was no necessary. It felt that wit the nationalisation of the 1 major banks, the context ha changed. Further the pro gressive canalisation of trade particularly import-expor trade, through public agencie had added importance to th question of sharing of publi sector business. The grou also emphasised the desirabilit of bringing the public secto undertakings having multipl banking arrangements unde consortia arrangements.

Iron Ore Exporters

With Brazil, one of the world's largest iron ore exporters, agreeing to the idea of forming an iron ore club, the meeting of iron ore exporting countries in Geneva in the first week of November may see the emergence of an organisation of iron ore exporting countries on the pattern of the Organisation of Petroleum Exporting Countries (OPEC). Australia which had been reluctant to join a formal club, has also relented after the recent visit of the union minister for Petroleum and Chemicals, Mr. K.D. Malaviya, to Australia. India, which had been appointed as coordinator for the ministerial level meeting in Geneva, has done considerable spade work in selling the idea of an iron ore exporters' organisation to realise better price for this commodity.

Mr. D.P. Chattopadhyaya, union minister for Commerce, met Brazilian President, minister for Foreign Affairs and minister for Mines and Energy recently and impressed upon them the need to form an organisation of iron ore exporting countries. According to a report, Brazil has agreed to join India in its efforts to form an organisation of this type. Brazil, however, feels that the organisation should be of a flexible type. The developed countries, with large iron ore exports, such as, Australia, Sweden and Canada have been attending as observers the meetings held by iron ore exporting countries in the developing world.

Jute Export Team

To assess the long-term implications of some international developments on the Indian jute industry, a high powered fact-finding delegation is leaving for the US shortly. The delegation will be headed by Mr S. G. Bose-Mullick, Secretary for Export Production, in the Commerce ministry, the Jute Commissioner, and a representative of Indian Jute Mills' Association as other members of the delegation. Earlier expectations that due to the energy crisis, the competition from synthetic substitutes to jute goods as packing material would lessen has been belied. On the contrary, competition has remained firm, except for a few months when there was a sudden spurt in demand and high buying of jute goods occurred during last three months of 1973. An analysis of this phenomenon made by the Commerce ministry has revealed that because the manufacture of polypropylene was an integrated part of crude refining processes in the US.

Leipzig Fair

The 1974 Leipzig Autumn Fair, which closed its gates on September 8, following eight days of brisk business, is a renewed impressive illustration of the fame of the Fair city as "a place of trade open-to-all the world". More than 6000 exhibitors from 48 countries offered representatives of industry, trade, science and technology, excellent opportunities for successful business, useful contacts and extensive information. This year's Autumn Fair was keynoted by two significant anniversaries: the 25th of the founding of the GDR and a quarter of a century of successful cooperation between the states of the Council for Mutual Economic Assistance (CMEA). The Leipzig Fair proved that cooperation in the field of external economic relations with several countries of Africa, Asia and Latin America, has shown a remarkable increase. The growing participation of prominent combines and firms from non-socialist industrial countries reaffirms the attractiveness of Leipzig — the international centre of world open trade. Important export and import contracts were signed in the Fair city with exhibitors from India, France, Italy, Belgium, Great Britain, the Federal Republic of Germany, Austria, Sweden, Switzerland, the Netherlands and several other countries.

Trade with EEC

India's exports to the European Economic Community have improved in 1973-74. The exports to this region amounted to Rs 592 crores as against Rs 406 crores in 1972-73. In fact, about 25 per cent of India's total worldwide exports was absorbed by the EEC. Although India still has an adverse balance of trade with EEC as a whole, the deficit appears to be declining and India seems to be moving towards a balance of trade with the community as a whole. With several member countries of the Community, India already has a favourable balance of trade. These include the United Kingdom, Italy, the Netherlands, Denmark and the Ireland. The two-way trade between India and EEC has registered an increase of 69 per cent in value between 1970-71 and 1972-73 while Indian exports to the Community have increased by 52 per cent. The trend continued in 1973-74.

It is understood that India's rapidly growing exports to the Community have contributed appreciably to the record increase of 44.5 per cent in India's total export trade during the first four months of the current financial year. In the context of India's trade with the Community, a Commercial Co-operation Agreement between India and the Community has come into force from April 1, 1974. Under this, an Indo-EEC Joint Commission has come into being which held its first meeting in Brussels in May, 1974.

New Board for LIC

The government has reconstituted the board of directors of the Life Insurance Corporation of India (LIC) with effect from October 16, 1974. The present chairman, Mr K. R. Puri will continue as chairman. The new members of the board are: Mr K.R. Puri, chairman, LIC, Bombay, Mr R. M. Mehta, managing director, LIC, Bombay, Mr R. B. Pradhan, managing director, LIC, Bombay, Mr R.D. Thapar, Additional Secretary, department of Revenue and Insurance, ministry of Finance, New Delhi, Mr V. V. Chari, Deputy Governor, Reserve Bank of India, Bombay, Mr Gurdev Singh, Chandigarh, Mrs. Indira Maya Ram, Jaipur, Prof. Y. B. Gangurde, Bombay, Mr Mohammed Shabir Khan, head of the department of Economics, Aligarh Muslim University and Dr Bhabatosh Datta, Calcutta.

Improved Production of Heavy Units

The 14 heavy industrial units under the ministry of Industry and Civil Supplies have achieved 38 per cent of their targeted production of Rs 566 crores in the first six months of the current financial year. The performance of the units, formerly under the ministry of Heavy Industry, "would have been better, but for power-cuts and non-receipt of imported and indigenous materials in matching quantities and shortage of working capital." The value of production in six months ending September this year was Rs 213.49 crores as compared to Rs 146.27 crores for the same period last year. The target for the first half of this year was, however, Rs 250.89 crores. There are 15 units under the Heavy Industry, but Scooters India is yet to go into production. Of the 14 units in production, the Bharat Heavy Electricals alone accounted for more than 50 per cent of the value of production. At Rs 112.56 crores the BHEL achieved 91 per cent of its target for the period.

Norwegian Team for Shipyard

A team of experts from Norway arrived in this country recently to visit Hajira in South Gujarat to examine this place as a possible site for the proposed shipyard. The expert team had discussions with the state government. The adviser to the governor, Mr H.C. Sarin, presented Gujarat's case before the experts' team. The team later left for Hajira. This is the second expert team from abroad which has been assigned by the union government to report on two suitable shipyard sites in the country. A British team has already visited Hajira.

Ships for Export

The Mazagon Dock, a public sector undertaking, has entered the international shipbuilding market and has secured export orders worth Rs 8 crores. The order is for two 2,500 DWT cargo vessels for Singapore, 64 barges for Iran and one for Saudi Arabia. According to experts, there is tremendous potential for export of ships particularly small and medium vessels. Besides intensifying shipbuilding, the "Dock" is getting set to fabricate off-shore drilling rigs, off-shore fixed platforms and semi-submersible as well as jack-up rigs. It is already booked to make off-shore platforms for the Oil and Natural Gas Commission.

So far the only foreign exchange earning source of the "Dock" was repair of foreign ships. It earned foreign exchange worth Rs 3 crores during last year. The current year, opened with the supply of a dredger to the Kerala government on January 17. It also delivered eight 500-tonne Iron ore barges to various parties.

COMPANY AFFAIRS

Smart Rally

THE STOCK market staged a smart rally last week with several scrips recording significant gains on fresh support and hectic bear covering. The volume of business also improved considerably. The sentiment was aided by a number of reassuring ministerial pronouncements. The statement of Mr. T.A. Pai, the union minister of Industry and Civil Supplies, that no obstacles would be allowed to come in the way of expanding production of any essential commodity in any sector and the Prime Minister's emphasis at the meeting of secretaries of economic ministries to cut down delays in inter-ministerial consultations and ensure effective implementation of economic policies for stimulating agricultural and industrial production, were welcomed by marketmen. Reports hinting at the possibility of relaxation of credit in certain specified fields also brought some cheer to the market. The government's intention to revise upward the steel retention prices and expectations of decontrol of automobile prices also enlivened the market sentiment.

Dalal Street opened the week on a steady note with equities improving by appreciable margins. Over the week, equities, on balance, recorded handsome gains. Among the pivotal scrips, NOCIL were in the limelight with the quotation advancing from Rs 272 to Rs 301 before reaching to Rs 295. Gujarat Fertilizer shot up from Rs 456 to Rs 478 before closing at Rs 473. ACC moved up sharply from Rs 69 to 79 before finishing at Rs 75. Tisco, Telco, Scindia Steam and Great Eastern Shipping, among others, registered moderate gains. The Calcutta Stock Exchange, after a prolonged downtrend, staged a modest recovery during the week. There was scattered buying in active scrips which were considered to be profitable at the current level of prices. Selected buying marked the trading in Madras Stock Exchange during the week. The price trend, in general, was steady.

Sayaji Mills

The Chairman of Sayaji Mills Ltd, Mr Vadilal Lallubhai, has presented in his annual address to the shareholders of the company a penetrating and brilliant analysis of the ills of our economy during 1973-74. In sharp contrast to the many X-rays of the economy made by emiment spokesmen in public and private sectors, the chairman's treatment of the subject breathes an air of down-to-earth reality. Apart from locating the factors that caused social tensions and stresses and strains in the economy, the chairman with his remarkably practicable good sense, profound wisdom and farsightedness has put-forward certain cogent suggestions and concrete proposals to pull the economy out of the mire and help it to regain its earlier vigour and vitality.

A runaway inflation, massive shortages of even the essential articles of common consumption, alarming rise in prices, food shortages and serious maldistribution, stagnation in production both in industry and agriculture—all combined have caused widespread discontent in the country. The fact that barely 0.59 per cent of the population are paying income-tax, doubtless proves that overwhelming majority of the population are below the subsistence level. Int he present conditions Mr Vadilal feels strongly — and rightly so — that only a reordering of priorities at once alone can help the masses and save the economy out of the present impasse. The accent, according to the chairman, should be on production of carefully selected articles which are indispensable for the minimum well-being of the weaker sections of the society, such articles being, foodgrains, cooking oil, firewood and kerosene, coarse and medium cloth, match box, sugar and jaggery, soap, house building materials, bricks, cement, lime corrugated and asbestos sheets and agricultural implements. While a most determined and relentless drive for the production of these irreducible minimum number of indispensable articles of "mass consumption", should be immediateily launched, and executed speedly, in the interim period imports of such articles may also be made, wherever necessary, in public and private sectors.

Once the solid foundation of self-sufficiency in the production of these basic necessities of life of millions of people is built, the government should proceed forthwith with ruthless determination in stepping up the production of certain infrastructural essentials such as power, irrigation and transport and of inputs such as fertilizers and seeds for agriculture and raw materials for industry. It is only after these sectors of vital importance are taken care of adequately that other articles of production should be thought of. The reorientation of economic policy on the lines of such reordering of priorities, the chairman emphasised, will help reduce our requirements of steel and crude in the future to a quantity much less than envisaged in the fifth five-year Plan, which in turn will earn for the country considerable amounts of badly-needed foreign exchange.

The chairman also made a pointed reference to the inordinate delay in the execution of the Narmada project which has inflicted incalculable hardship to the masses and colossal loss to the nation. The chairman sincerely hoped that the government would shed its apathy and casual attitude and execute the scheme without further loss of time.

Hada Steel

Hada Steel Products Ltd has reported considerable improvements in its working results during the year ended June 30, 1974, with sales and profits in particular recording spectacular increases over the preceding year. The financial results indeed, look all the more pleasing when considered against the several adverse factors with which the company had to contend with during the year, the principal factors among them being the shortage of key imported raw materials, the severe constraints in power supplies, steep escalation in the cost of production and teething troubles. Notwithstanding these unfavourable circumstances, the company was still able to push up its sales to the record level of Rs 54.66 lakhs from a mere Rs 6.82 lakhs in 1972-73 while gross profit was more than doubled to Rs 9.22 lakhs from Rs 4.02 lakhs in the preceding year. Out of the gross profit the directors have appropriated a sum of Rs 1.86 lakhs to depreciation reserve as against Rs 0.96 lakhs in 1972-73 while the allocation to development rebate reserve was provided with an amount Rs 61,750 as compared to Rs 2.54 lakhs in the earlier year. This leaves a substantially higher net profit to Rs 6.74 lakhs, an increase of as much as Rs 6.22 lakhs over 1972-73 and the entire surplus was transferred to the general reserve. The directors have recommended, subject to the approval of the Haryana Financial Corporation, an equity dividend of 12 per cent and also payment of 10 per cent on 5000 redeemable cumulative preference shares. The dividends—equity and preference—will absorb Rs 1.46 lakhs and will be paid out of the general reserve. An application is being made to the income tax department for granting exemption under section 80K of the Income Tax Act, 1961.

In spite of stiff competition already in this line, many more firms have been granted DGTD registration for manufacturing hacksaw blades. As such it is feared that there will be unhealthy competition. To meet the situation the directors are taking adequate steps to improve the marketing arrangements in various zones. The company is also making all out efforts to export but there is resistance due to competition from the UK, Japan, W. Germany and China. The company at the same time is going ahead full steam with the implementation of its slitting saws project and if everything goes well the plant is expected to be on stream early next year.

Nirlon Synthetic

Nirlon Synthetic Fibres and Chemicals Ltd has completed the installation of all machinery and equipment and the polycondensation plant is expected to be commissioned shortly. As a result of this project the company will be manufacturing polyester chips which hitherto had been imported for manufacturing polyester yarn. As a result of commissioning of the plant the company will be saving foreign exchange worth about Rs 70 lakhs per annum. Meanwhile the company has received a letter of intent for setting up a conveyor belting plant and active steps are being taken to implement the same at the earliest.

The company's application for importing capital goods necessary for expanding the textile yarn capacity to 4200 tonnes is still pending with the government since no policy for permitting expansion of the existing plant has so far been decided by the government. As a result of the shortage of caprolactam the company's nylon tyre cord plant had been closed since February 1974. The plant again had been put into operation but only after a lapse of over six months. Production of nylon textile yarn as well as the output of tyre cord declined by 38 per cent and 33 per cent respectively during 1973-74 as compared to the performance in the previous year.

Due to shortage of caprolactam it is feared that the company may not be able to maintain production even at the level of last year which again was much below the licensed capacity. Although the company achieved production of polyester filament yarn to the full expanded capacity permitted by the government during 1973-74, in the current year there has been difficulty in obtaining raw material even for polyester yarn and hence production will be comparatively lower during the current year.

The company along with other nylon textile yarn manufacturers have signed a fresh agreement with the various Actual Users' Associations of nylon yarn. The special feature of this agreement is that the company can sell 25 per cent of the production at a somewhat better price and the balance portion at an agreed price. The terms and conditions of this agreement have been well received by the government. As a result of the abnormal increase in the price of caprolactam, the price of nylon yarn has to be stepped up in accordance with the agreement with the consuming industry. These factors compensated the turnover which would have been substantially low otherwise due to the stiff fall in production. These were highlighted by the Chairman, Mr S. Vaidyanatha Aiyar while addressing the annual general meeting of the company.

Hyderabad Allwyn

The 300-litre capacity Allwyn Samrat, the country's first twin-door domestic refrigerator, was launched on October, 12, 1974 by Mr J. Vengal Rao, the Chief Minister of Andhra Pradesh. There has been a growing demand from the consumers for a domestic refrigerator with a large overall capacity and having a large-sized deep-freeze and separate doors for the deep-freeze and the main-fridge. It may be mentioned that Allwyn also has the distinction of being the only refrigerator with ISI certification. Allwyn Snow and Allwyn Queen were awarded ISI certification with effect from August 1, 1974. All refrigerators of these capacities produced after that date bear the ISI mark.

In the early stages Allwyn's activities were confined to war contracts and the manufacture of furniture. Production of all-metal bus bodies was taken up in 1955 in collaboration with Park Royal Vehicles, a subsidiary of British Leyland. From these small beginnings Allwyn has today turned out to be the coach builders for the nation. A large number of buses with Allwyn-made bodies are in use by various state road transport undertakings. Manufacture of refrigerators was taken up by Allwyn in 1958 for the first time in the country in collaboration with Pressed Steel Company of the UK. Again, true to its tradition, Allwyn scored another first with the introduction in 1972 of the 380-litre capacity twin-door/double - temperature commercial refrigerator. Other Allwyn products in the refrigeration line include bottle coolers and deep freezers. Allwyn continues to manufacture equipment for the defence.

Again in tune with its philosophy of diversification Allwyn manufactures gravity ventilation equipment, LPG cylinders, aircraft seats and bandsaw machines. The new products which Allwyn plans to introduce in the market in the near future includes cooking ranges and washing machines. Allwyn recently received a letter of intent for the manufacture of 24,000 scooters and a separate company styled "Andhra Pradesh Scooters Ltd" has been promoted for this purpose. The first batch of Allwyn assembled scooters are expected to roll out of the factory in the second half of 1975.

The government of India had allowed Allwyn an expansion of its licensed capacity to manufacture up to 30,000 refrigerators during 1971, with a stipulation that five per cent of the annual production should be exported. In 1972 Allwyn secured an order for 5,000 refrigerators from Poland. The goods have since been shipped. Allwyn has once again approached the government for a further expansion to 100,000 refrigerators per annum. It has also plans to operate in a bigger way in foreign markets, particularly in the Middle-East. The turn over of Allwyn which was only Rs 8 lakhs in 1942-43 rose spectacularly to Rs 6.32 crores in 1965-66 after which there has been a steep fall. After the take-over by the Andhra Pradesh state government there has been a steady all-round improvement, the turnover in 1973-74 being o the order of Rs 10 crores.

T. Maneklal

T. Maneklal Mfg Company has reported modest improvement in profits and sales during the year ended May 31 1974. With an increase in gross profits to Rs 72.67 lakh from Rs 67 lakhs sales have gone up to Rs 4.91 crores from Rs 4.13 crores in 1972-73. An equity dividend of 12 per cent has been declared for the year which is the maximum permitted under the dividend ordinance. However, this is payable on an enlarged capital resulting from the one-for three bonus issue, the bonus shares being eligible to a pro rata dividend. The company paid a dividend of 20 per cent in 1972-73. The proposed equity dividends will absorb Rs 7.45 lakhs as compared to Rs 11.92 lakhs in the previous year. Out of the gross profit, the directors have allocated Rs 26.94 lakhs to depreciation reserve, Rs 8 lakhs to development rebate reserve and Rs 22.25 lakhs taxation reserve as against Rs 18.56 lakhs, Rs 2.48 lakhs and Rs 28.90 lakhs provided respectively in 1972-73. The net profit after these allocations amounted to Rs 15.48 lakhs as compared to Rs 17.07 lakhs in the preceding year. After adjustments a sum of Rs 15.33 lakhs has been transferred to the general reserve out of which the proposed dividend will be paid.

Working in the current year was so far—up to October 15—is quite satisfactory. Sales during this period have been substantially higher at Rs 1.93 crores as against Rs 1.22 crores in the same period of last year. Orders on hand amount to Rs 5.51 crores as against Rs 4.11 crores a year ago. Early this year the company has fixed a sales target of Rs 6 crores for the current year. But the company is now rather sceptical of achieving this target in view of the recessionary tendencies that is being noticed in the textile industries. The company has commenced production of leather cloth on a commercial scale in the new plastics division set up at Vatwa. The licensed capacity of this division, set up at a cost of Rs 20 lakhs, is four million square metres per annum.

Premier Tyres

Premier Tyres has reported encouraging working results during the 15-month period ended June 30, 1974 with appreciable improvements in production, sales and profits. The company has reported a handsome rise in gross profits to Rs 3.15 crores during the 15 months under review as against Rs 1.83 crores over the 12-month period ended March 31, 1973. Its sales too were significantly higher at Rs 24.17 crores during the period under report as against Rs 18.66 crores in the previous year. Its production also improved to Rs 25.86 crores from Rs 18.75 crores. The directors have recommended a dividend of Rs 11 per share for the period under review. But it is payable on an enlarged capital resulting from the one-for-five bonus issue.

In 1972-73 the company paid a dividend of Rs 15 per share. Out of the gross profit, the directors have appropriated Rs 81.16 lakhs to depreciation reserve as against Rs 41.92 lakhs in the previous year while the allocation to development rebate reserve was stepped up from Rs 1.90 lakhs to Rs 7.28 lakhs. The profit before tax amounted to Rs 2.27 crores as compared to Rs 1.39 crores in the previous year and the entire amount has been transferred to the general reserve. The tax liability estimated at Rs 154 lakhs (Rs 95.35 lakhs in the previous year) will be paid from the general reserve. The proposed equity dividend will claim Rs 19.80 lakhs as compared to Rs 22.50 lakhs and it will be paid out of general reserve.

News and Notes

In spite of several constraints such as the shortage of raw materials, power difficulty and credit squeeze, **Hindustan Brown Boveri** has fared extremely well during the first five months of the current year. Its sales during the period May to September 1974 were higher at Rs. 6 crores as compared to Rs. 2.5 crores in the corresponding period of last year and Rs. 15.67 crores in the whole of 1973-74. Although the order position is quite healthy growth of business has slowed down and this is giving considerable anxiety to the company. The take off of arc furnaces at the company's Baroda plant has slackened significantly on account of the credit squeeze. Again the fresh booking of orders for furnaces were negligible as the growth of mini steel plants has declined to a great extent. The company's Faridabad plant which produces electric motors is facing acute shortage of power. Its Howrah and Bombay plants are, however, working satisfactorily.

Despite various obstacles, **Searsole Chemicals** has started partial commencement of commercial production. The over run in the cost of the project is estimated at Rs. 10 lakhs but no additional finance will be required immediately as some of the civil construction work not directly connected with production has been deferred for the time-being. Barring unforeseen circumstances the company hopes to close the current year with a marginal profit. The directors are hopeful of declaring a maiden dividend in the second year of its operations, subject to the approval of the financial institutions.

New Issues

Ramon Engineering, promoted by the Ramon group, will be approaching the capital market some time next month with a public issue of Rs. 15 lakhs—all in equity shares of Rs 10 each at par. The proceeds of the public issue will be utilised for financing partly the company's Rs 80-lakh project in Aurangabad in state of Maharashtra for manufacturing Mopeds of 49.8 cc capacity. The company proposes to manufacture 6000 units in the first year, raising it progressively to 24,000 units by the fourth year of production for which the requisite letter of intent has alread been received. The projec cost of Rs 80 lakhs will b financed by the share capita of Rs 25 lakhs, central subsid of Rs 8.20 lakhs, long-tern loan from MSFC of Rs 2 lakhs, from SICOM of Rs 1 lakhs and public deposits an loans of Rs 6.80 lakhs.

Agro Cargo Transport Lt will be entering the capita market on November 4, 197 with an equity capital issu for Rs 30 lakhs comprisin three lakhs equity shares o Rs 10 each. The subscriptio list which will open on Nov ember 4, will close on Nov ember 18, but not earlier tha November 8. The entire issu of Rs 30 lakhs worth of equit shares has been underwritten This company is a highly so phisticated and organised trans port company to serve the fas developing industrial comple in the Tuticorin area. Havin regard to the vast expandin Tuticorin complex with SPI spear-heading the complex there is assured growth pros pects for the company. SPI has agreed to appoint Agr Cargo Transport Limited a one of their principal trans port contractors. The com pany has so far acquire 21 trucks. The compan will increase its fleet in phased programme. The tota cost of the project is estimate at Rs 125 lakhs.

DIVIDENDS

(per cent

Name of the company	Year ended	Equity dividend declared fo	
		Current year	Previous yea
Higher Dividend			
Malwa Vanaspati	December 31, 1973	6.0	Nil
New Swadeshi Mills of Ahmedabad	March 31, 1974	8.0	5.0
Same Dividend			
Titaghur Paper	March 31, 1974	7.0	7.0
Anil Hardboards	March 31, 1974	Nil	Nil
Rohtas Industries	March 31, 1974	Nil	Nil
Aluminium Industries	March 31, 1974	Nil	Nil
Seshasayee Paper and Boards	March 31, 1974	12.0	12.0
Reduced Dividend			
New Standard Engineering	March 31, 1974	Nil	11.0
Amalgamated Electricity	March 31, 1974	12.0	14.0

COMPANY MEETINGS

SAYAJI MILLS LIMITED

AHMEDABAD

Statement of Mr Vadilal Lallubhai, Chairman, Sayaji Mills Limited, Ahmedabad to the Shareholders of the Company.

"Reordering Plan Priorities at once to help the masses and save the country"

I would like to take this opportunity to briefly review some of the fundamental features of the Indian economy during the year under review. It is both an axiom and a commonplace to say that any company—however big or small—functions within the frame-work of general economic situation in the country, and is most significantly influenced by it in its working and in its results. It is, therefore, not only relevant and appropriate but also essential to recall the fundamentals of the Indian economic scene.

No year in the history of India since independence has witnessed such grave economic crisis as 1973 and 1974. A runaway inflation, massive shortages of even the essential articles of common consumption, frightful rise in prices, food shortages and serious mal-distribution, stagnation in production—both in industry and agriculture—all these combined to cause a widespread and terrific discontent.

Produce massively mass consumption goods

That the overwhelming majority of our countrymen are extremely poor is proved by the fact that out of the total population of about 600 millions, only 35,31,086 persons are income-taxpayers which is only 0.59% of the population. One can, therefore, easily imagine how many millions, of our countrymen should be going half-starved with the increasing prices of foodgrains and their unavailability too in adequate quantities in many places.

To have sought to build a grand and massive superstructure on a foundation which was extremely week is manifestly contrary to the realistic and pragmatic theories of Gandhiji. With a true insight into what is "real India," Gandhiji placed great stress on food self-sufficiency and a network of village and small industries which together with agriculture would keep the spectre of hunger and unemployment away from the masses.

The right thing to do is to "re-order" our priorities and emphasise the production of carefully-selected articles, which are indispensable for the minimum well-being of the weaker sections of our countrymen. Among such articles would be:—

(1) foodgrains, (2) cooking oil, (3) firewood and kerosene, (4) coarse and medium cloth, (5) match box, (6) sugar and jaggery, (7) soap, (8) house-building materials, bricks, cement, lime, corrugated and asbestos sheets and (9) agricultural implements.

Resources can be found

In other parts of the world, all these essentials of the common man are taken care of, whereas in India some of, these articles badly needed by the poor, such as kerosene, match-box, coarse and medium cloth etc. are being subject to heavy excise duty instead of being subsidised wherever necessary. These items should be manufactured in a massive manner and with maximum expedition, which will naturally call for top priority in the deployment of resources in money, organisation and materials. These resources are by no means impossible to muster, provided the new production of other articles of lesser priority is drastically reduced to the point of most of it being "made only for export." Wherever our manufacturers are below international standards, they should be brought up to international standards by obtaining collaboration from advanced countries. Glaring example is of the motor car.

While a most determined and vigorous drive for the production of these irreducible minimum number of indispensable articles of "mass-consumption" should be immediately launched and pushed forward speedily, in the interim period imports of such articles may also be made, wherever necessary, in public and private sectors.

Once the solid foundation of self-sufficiency in the production of these necessaries of life of the millions of our countrymen is built up, the Government and leaders of industry should, with equal determination and drive, try to increase the production of certain infrastructual essentials like power, irrigation and transport, and of inputs like fertilisers and seeds for agriculture and raw materials for industry. It is only after these two sections of pivotal importance are taken care of adequately that various other articles of production should be thought of. Thr reorientation of our economic policy on the lines of such reordering of priorities will help reduce our requirements of steel and crude in the future to a quantity substantially below that envisaged in the Fifth Five-Year Plan, which in turn will save for the country so much badly-needed foreign exchange.

In some important countries, the priorities are arranged like—first agriculture, second light industry and last heavy industry. By doing this, they have satisfied the poor people's necessities. They have created contentment. They have seen to it that there are no price fluctuations in the items of poor man's consumption and still have had fair high growth rate.

"Parkinsonian" Proliferation

Governmental expenditure must be and can be very substantially reduced by abolishing or drastically curtailing the size of several departments, which have expanded in true "Parkinsonian" style since 1947! To cite an example, Pandit Jawaharlal Nehru himself spoke in 1963, expressing in the following words, his deep concern at the way in which the Planning Commission's offices and departments had proliferated, though he himself was its Chairman! "A close body of people, who think and advise the Government, has grown into a huge organisation with all the departments of Government almost duplicated there and each one sending papers to the other"! Equally bloated and superfluous are the "Parkinsonian" set-up of the many departments of Government.

It may be recalled that in 1947, when our country became independent of British rule, the public expenditure was considered too high for a poor country by all the great leaders of those days. Since then, how steep and stupendous has been the Government of India's public expenditure is well known. This could be considerably slashed down, without in any way affecting the welfare of the masses.

If the above measures are put through, with determination and speed, and if we follow austerity for a few years, there would be no necessity for deficit financing, and it would reduce public and private expenditure in a substantial way, resulting in the decline of prices of the necessities of the poor, in the stabilisation of the economy and in bringing contentment to the people.

Several of the suggestions mentioned above were made to the Government on several occasions. I hope that the situation which has now developed will bring new thinking on the part of the Government, indications of which are seen in the recent utterances of the leaders. But any halting action is bound to be inadequate and will not achieve the purpose.

Avert Gujarat disaster at any cost

Before I conclude, I must refer to the grave crisis facing us nearer home—in Gujarat itself—as a result of the unprecedented drought conditions prevailing now.

It is believed that in the last one century there was never such a drought. It is feared that the loss of human lives and cattle may be of staggering proportions. Semi-starvation of many thousand is already in evidence. A nation-wide and well-directed relief scheme is an urgent and imperative necessity and must be put into operation soon. It is the duty of all of us to help in a big way to ameliorate the sufferings of those affected by drought. Whatever private effort can do to mitigate hardships of drought-striken areas will, of course, be done and must be done but that is bound to be small when compared to the Governmental efforts, which must be on a massive scale to match the intensity and extensive nature of the drought conditions prevailing. It is painful to hear reports that so far the Government of India's response to appeals for relief to the people in such terrible plight has been halting and half-hearted. I hope that these reports will prove unfounded and that the Government of India would act promptly, fully and effectively and not lag behind.

What a colossal loss

The incredible delay and vacillation which have been allowed to bog down the finalisation and speedy execution of the Narmada project have been causing astounding loss to the entire nation. If only the Narmada project had already been commissioned and was working now, what a blessing would it have been even in a drought year like this! That project would have produced not only enough food for the whole of Gujarat but would have supplied fair quantities to the other needy states of India too! It would have considerably eased the problem of drinking water and subsoil water and would have lessened the shortage of power. The neglect of Narmada project all these years has caused considerable loss not only to the people of Gujarat but also to the country as a whole. Let us hope that it will now be settled soon.

In conclusion, I may state that your Company will continue diligently to serve the interests of our firm and also fulfil its obligation to society in general. Your Company faces the future with a renewed sense of confidence and dedication.

Ahmedabad,
September 28, 1974.

N.B This does not purport to be a record of the proceedings of the meeting.

RAMON & DEMM LIMITED

Chairman, Shri H. K. Shah's Speech

Following is the text of the speech by Shri H. K. Shah, Chairman, Ramon & Demm Ltd, at the 10th Annual General Meeting of the Company held at the Indian Merchants Chamber Conference Hall, Bombay, on Friday, 27th September, 1974.

Ladies & Gentlemen:

I have great pleasure in welcoming you to the 10th Annual General Meeting of your Company.

The 10th Annual Report and the audited statement of Accounts for the year ended 31st March. 1974 have been with you for some time and with your permission I propose to take them as read.

Let me begin on a cheerful note. I am happy to inform you that your Company has received the sanction from the Controller of Capital Issues for the Issue of Bonus Shares in the ratio of 4 Bonus Equity Shares for every 5 Equity Shares held.

However, we are meeting at a time when India is passing through a difficult economic situation. Both external and internal factors have contributed to our sad plight. The oil crisis has pushed up the cost of transportation, fertilizers and power. The unprecedented inflation has reduced the purchasing power of the rupee from 100 paise in 1949 to 29 paise in 1974. Hence, prices of consumer and industrial goods have touched a new high. This in turn has resulted in the clamour for increased wages, resulting in further pushing up of costs of all commodities and thereby their prices. The railway strike in May 1974 and its aftermath is an example of this process of prices chasing wages and vice-versa.

Added to this gloomy picture is the fall in agricultural production. In 1973-74 the fall was to the tune of 10 per cent. The forecast for the next year too is not a cheerful one. Side by side industrial growth has been declining and in 1973-74

Shri H. K. Shah

there has been practically no growth at all.

Inflation which has resulted from the rise in money supply on the one hand and shortage of production on the other, has eaten into the vitals of India's economy. Inflation is the enemy of development. Its adverse effects have spread to all sections of society. So far one cannot see any silver lining on the horizon, and it is difficult to visualize a breakthrough.

Naturally the people look to the Government to take the lead in bringing them out of this morass. Recently a few monetary measures have been taken with a view to bringing some stability in prices.

Here I may make a mention of the recent credit squeeze imposed by the Reserve Bank of India. Apparently it is aimed at reducing the money supply and thereby curbing inflation. This measure will, no doubt, reduce the money supply but at the same time it will have an adverse effect on productive activity.

On account of the credit squeeze your Company has to face a reduction in the credit facility as well as the discounting limits with the bank. Naturally, this has affected your Company and the continuing tight money conditions have also created problems not only for your Company but also for the Industry as a whole. Coupled with this, the upward trend in prices of raw materials, consumable stores and other manufacturing expenses continues. There is no indication that the trend will be reversed. The cost of financing has also gone up due to the upward revision of the basic bank rate. Incidentally, this hike in bank rate is likely to push up the cost of all materials, which in turn, would result in high prices of articles manufactured.

The sure remedy, to my mind, for this deep-seated economic malaise is increased production—both agricultural and industrial. The steps taken or contemplated to be taken by the Government should primarily be directed to pave the way for more and more production. It should be ensured that any fiscal measure to be taken does not directly or indirectly affect productive activity in any way.

In its own modest way your Company is pursuing the policy of increased production. In 1973-74, inspite of several adverse circumstances like power cuts, shortage of raw materials, etc the production increased from 754 tonnes to 772 tonnes. This has resulted in increased sales and the turnover was Rs 3.09 crores as compared with Rs 2.79 crores last year.

However, though the turnover has been better this year, there is a marginal decline in profits. This is attributable to increased wages and increase in the cost of raw material.

This year the performance is still better. During the first five months of the current year, your Company has increased the production to Rs 1.84 crores and sales to Rs 1.88 crores. The figures for the corresponding period for the previous year were Rs 1.22 crores and Rs 90 lacs respectively. The total sales for the current year may well amount to Rs 4.5 crores and the production rise to about 1,100 tonnes.

Your Company is vigorously pursuing the implementation of the expansion project. The Company's application for the import of machinery has been cleared by the Government of India. The Foreign Exchange for import of plant and machinery for the project will be made available to the Company as soon as the agreement between the Governments of India and West Germany over the West German Project-Aid (KEW Loan) is signed.

Your Company has already negotiated with the foreign suppliers for the supply of plant and machinery for the expansion project and, wherever necessary, advances towards the purchase price for the machinery have also been remitted, so as to obtain the benefit of firm prices and delivery dates. Some of the indigenous machineries have already been received and the remaining are expected to be delivered within a few months. Construction of buildings, to accommodate the additional plant and machinery for the project, has reached the final stage and is expected to be over by the end of this year.

The satisfactory results for the year have been due to the contribution made by all staff and employees as a team. To them I wish to express on behalf of my colleagues on the Board and myself our appreciation for their services and hard work during the past year.

Note: **This does not purport to be a record of the proceedings of the meeting.**

RECORDS AND STATISTICS

IDBI—A decade of performance

SOON AFTER its establishment a decade ago, in addition to providing direct assistance to industrial concerns, the Industrial Development Bank of India (IDBI) began to operate the scheme for refinancing of industrial loans and medium-term export credits inherited from the erstwhile Refinance Corporation for Industry Limited. In April 1965, was introduced the Machinery Bills Rediscounting Scheme, designed primarily to assist the machinery manufacturers to market their products on easy credit terms. This scheme which was initially restricted to a few machinery manufacturing industries was thrown open to cover all machinery manufacturing industries in November 1966. In January 1969, the scheme was extended to cover purchaser-users in the public sector such as autonomous bodies like electricity undertakings, transport corporations and government companies. The scheme which was originally intended to help machinery manufacturing industries hit by recession has turned out to be of special assistance to small and medium-sized industries in modernising and expanding their equipment.

IDBI has also widened the scope of the scheme for refinancing of industrial loans. To induce banks and State-level financial institutions to assist small road transport operators, it extended the refinancing facilities to this sector as from November 1968. Recently, with the sanction of the IDA Credit of $25 million to Government of India. IDBI introduced a scheme whereby small and medium units can procure from abroad machinery and in special cases, technical services by having recourse to loans from SFCs to be refinanced by IDBI.

In the field of export finance, IDBI has deepened its commitments in the provision of increasing export term credit needs which the commercial banks by themselves could not have met. In August 1967, the scope of the scheme for refinancing of medium-term export credit was enlarged with the object of stimulating the flow of credit to the export sector and to enable Indian exporters of capital and engineering goods to compete more effectively in the international markets. The facility, which was normally extended to exports of capital or engineering goods was also extended to cover finance for the overall cost of construction projects executed by Indian concerns abroad, where the bulk of the construction contracts constitutes equipment, material and services etc., of Indian origin. The facilities under the scheme were also extended to exporters in the public sector. Refinance of export credit is provided at a concessional rate of interest.

In December 1968, a scheme for providing direct finance at concessional rates to exporters of engineering goods, in participation with commercial banks, was introduced. The scope of direct assistance which was available only in the form of supplier's credit financing was enlarged in December 1973, to cover buyer's credit. Under the buyer's credit scheme, IDBI participates with commercial banks in granting credits directly to foreign importers in connection with exports of capital goods from India. IDBI now also provides export finance to exporters who are not industrial concerns.

In addition to financing, IDBI also provides export counselling to exporters and assists them in carrying out negotiations with importers abroad. Thus, in the field of export financing, IDBI has been playing the role of an export bank.

As mentioned in the earlier reports, the IDBIs approach to the provision of direct financial assistance has been governed by its role of an apex institution. Its direct financing operations have been largely undertaken in participation with other institutions, particularly the IFCI, the ICICI, the LIC and the UTI. To maintain close working relationship with these institutions, IDBI initiated in September 1965 the monthly Inter-Institutional Meetings of the Senior Executives of the IFCI, the ICICI, the LIC and subsequently the UTI. At these meetings, the broad policies in the field of project financing are discussed and coordinated and proposals are considered for the provision of financial and technical assistance on a consortium basis. The IDBI has also taken up the coordinating role in deciding the terms of conversion of a part of the loan into equity in terms of the government guidelines issued in June 1971.

The areas for coordination have been gradually extended. Appraisal and supervision of projects assisted on a joint participation basis are being coordinated so as to avoid duplication and undue delays. A uniform basis for the collection and processing of project data for all the central financing institutions as also standardisation of application forms and loan documents is being evolved. IDBI has extended its scope of the coordinating role in the field of export financing also. It has constituted two groups (a) The Consultative Group and (b) The Ad-hoc Working Groups. While the Consultative Group is concerned with the broad problems and policies in regard to export financing, the Ad-hoc Working Groups consider specific export proposals to facilitate quick and coordinated decision-making to avoid undue duplication or delays.

With the increasing activities and growing complexities associated with the financing of industries, IDBI has streamlined its organisational set-up. It has opened regional offices at Delhi, Calcutta and Madras and 12 branch offices in different states. The branch offices are expected to maintain close liaison with the industrial, financing and developmental agencies in the various states and also act as contact points for promotional activities of IDBI. The regional offices are delegated powers to sanction assistance — direct as well as indirect—upto certain limits. Mention may be made in this connection of the liberalisation of procedure in sanctioning refinance to SFCs on their loans upto Rs 2 lakhs — a liberalisation which has enabled the regional offices to provide such refinance on a near-automatic basis.

In order to bring about better regional distribution in industrial development, IDBI started in 1970 schemes of concessional direct and refinance assistance applicable to units in specified backward districts. Under the direct assistance scheme, the concessions include lower rate of interest, longer moratorium and repayment periods, larger subscription to risk capital etc. Refinance assistance is extended to the full extent at a low rate of interest to small and medium units located in specified backward districts. The progress under the concessional assistance schemes is covered in some detail separately in an earlier section.

Having attained a certain degree of maturity in what may be described as its traditional activities, IDBI, in its latter phase of five years launched upon its innovational and promotional activities. If the traditional activities aim at stepping up the rate of capital formation in the industrial sector in the country, the promotional activities aim at achieving its socially desirable distribution both among regions as well as among small and new entrepreneurs. The broad objective is to help bring about regional balance by promoting industries in less developed regions.

The following tables summarise the progress of the IDBD during the past decade:

TABLE I

IDBI : Trends in Assistance Sanctioned (Gross)—1964-65 to 1973-74 (July-June)

(Amount in crores rupees)

	1964-65		1965-66		1966-67		1967-68		1968-69	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1. Direct loans (other than for exports)	8	16·2	23	35·6	19	40·5	13	17·9	16	15·0
2. Underwriting and direct subscriptions	29	6·8	23	7·6	10	2·4	10	2·3	11	9·7
3. Refinance of industrial loans	124	24·6	182	22·2	145	20·8	117	10·1	336	15·2
4. Rediscounting of bills	2	0·1	49	2·2	131	7·1	237	12·4	335	15·5
	(2)		(14)		(26)		(54)		(104)	
5. Subscriptions to shares and bonds of financial institutions	8	6·3	6	1·7	9	9·4	7	1·9	3	4·5
Total of 1 to 5	171	54·0	283	69·3	314	80·2	384	44·6	701	59·9
	(171)		(248)		(209)		(201)		(470)	
6. Export finance										
(i) Direct	—	—	—	—	—	—	—	—	2	6·5
(ii) Refinance	1	0·5	3	0·8	4	0·8	3	0·3	11	7·5
(iii) Foreign line of credit	—	—	—	—	—	—	—	—	—	—
Total of 1 to 6	172	54·6	286	70·1	318	81·0	387	44·9	714	74·0
	(172)		(251)		(213)		(204)		(483)	
7. Guarantees for loans and deferred payments	3	7·8	5	19·3	4	31·9	—	—	1	0·01
8. Export Guarantees	—	—	—	—	—	—	—	—	1	0·6

IDBI : Trends in Assistance Sanctioned (Gross)—1962-65 to 1973-74 (July-June)—*continued*

(Amount in crores of rupees)

	1969-70		1970-71		1971-72		1972-73		1973-74		Total since inception of IDBI in July '74	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
(1)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)
1. Direct loans (other than for exports)	18	11·7	26	43·2	35	56·0	57	59·0	49	60·7	264	355·8
2. Underwriting and direct subscriptions	16	7·9	14	5·7	21	16·6	37	8·2	24	7·2	195	74·5
3. Refinance of industrial loans	992	16·2	1552	26·1	2194	32·2	2517	35·3	2975	46·o	11134	248·8
4. Rediscounting of bills	455	24·1	553	28·5	593	45·3	693	49·8	804	76·3	1963	261·3
	(129)		(152)		(204)		(231)		(292)		(456)	
5. Subscriptions to shares and bonds of financial institutions	1	0·5	6	8·6	4	3·2	5	2·8	5	10·2	22	49·2
Total of 1 to 5	1482	60·3	2151	112·1	2847	153·4	3309	155·1	3857	200·6	13578	989·6
	(1156)		(1750)		(2458)		(2847)		(3345)		(12071)	
6. Export finance												
(i) Direct	14	11·2	16	11·3	12	9·3	4	2·7	4	7·9	52	59·0
(ii) Refinance	5	1·3	18	14·1	10	3·3	2	0·1	3	2·7	60	31·5
(iii) Foreign line of credit	—	—	—	—	—	—	—	—	3	25·0	3	25·0
Total of 1 to 6	1501	72·8	2185	137.5	2869	176·0	3315	157·9	3867	236·3	13693	1105·2
	(1175)		(1784)		(2480)		(2853)		(3355)		(12186)	
7. Guarantees for loans and deferred payments	2	2·6	2	2·6	—	—	1	0·3	1	0·04	19	64·6
8. Export Guarantees	—	—	2	1·1	—	0·1	—	—	—	—	3	1·8

Note: The number of applications in respect of item 4 relates to the number of purchaser-users and in respect of item 5 to the number of financial institutions. The number of manufacturers/sellers who availed of facilities under the Rediscounting scheme is given within brackets in item 4.

TABLE IIA

IDBI : Trends in Assistance Sanctioned (Effective) 1964-65—1969-70

(Amount in crores of Rupees

	1964-65		1965-66		1966-67		1:67-68		1968-69		1969-70	
	No.	Amount	No.	Amount	No.	Wmount	No.	Amount	No.	Amount	No.	Amour
1. Direct loans (other than for exports)	6	14·8	19	32·4	16	16·9	13	14·6	15	13·2	12	4·8
(a) Other than backward districts		14·4		30·5		15·9		13·3		6·3		3·2
(b) Backward districts		0·4		1·9		1·0		1·3		6·9		1·7
(Of which at concessional rate)		(—)		(—)		(—)		(—)		(—)		(—)
2. Underwriting and direct subscriptions	26	6·2	20	6·0	8	0·9	9	1·2	10	2·3	15	6·1
(a) Other than backward districts		5·2		6·0		0·8		0·9		0·8		2·5
(b) Backward districts		1·1		0·02		0·1		0·3		1·5		3·6
(Of which at concessional rate)		(—)		(—)		(—)		(—)		(—)		(—)
3. Refiance of industrial loans	113	20·9	167	19·5	136	19·4	112	9·2	309	13·1	832	13·5
(a) At normal and concessional rates (other than to small-scale industries, small road transport operators and units in backward districts)		20·9		19·3		19·2		8·8		10·6		7·8
(b) At concessional rates :												
(i) Small-scale industries		0·4		0·2		0·2		0·4		2·4		3·3
(ii) Small road transport operators		—		—		—		—		0.1		2·2
(iii) Backward districts		—		—		—		—		—		—
4. Rediscounting of bills	2	0·1	49	2·2	131	7·1	237	12·4	335	15·5	455	24·1
	(.2)		(14)		(26)		(54)		(104)		(129)	
5. Subscriptions to shares and bonds of financial institutions	8	6·3	6	1·7	9	9·4	7	1·9	3	4·5	1	0·5
Total of 1 to 5	155	48·4	261	618	300	53·7	378	39·4	672	48.5	1315	49·0
	(155)		(226)		(195)		(195)		(441)		(989)	
6. Export finance	1	0·2	3	0·7	4	0·5	3	0·3	12	13·6	19	11·8
(i) Direct	—	—	—	—	—	—	—	—	2	6·5	14	10·6
(ii) Refinance	1	0·2	3	0·7	4	0·5	3	0·3	10	7·1	5	1·2
(iii) Foreign line of credit	—	—	—	—	—	—	—	—	—	—	—	—
Total of 1 to 6	156	48·6	264	62·5	304	54·2	381	39·7	684	62·1	1334	60·8
	(156)		(229)		(199)		(198)		(453)		(1008)	
7. Guarantees for loans and deferred payments	2	5·3	3	10·6	4	8·2	—	—	1	0·1	1	0·1
8 Export Guarantees	—	—	—	—	—	—	—	—	1	0·6	—	—

Note: Number of applications in respect of item 4 relates to the number of purchaser-users and in respect of item 5 to the number of financial institutions. The number of manufacturers/sellers who availed of facilities under the Rediscounting scheme is given within brackets in item 4.

TABLE IIB

IDBI : Trends in Assistance Sanctioned (Effective) : 1973-74 (July-June)

(Amount in crores of rupees)

	1970-71		1971-72		1972-73		1973-74		Total since (inception of IDBI in July 1964	
	No	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1. Direct loans (other than for exports)	25	35·6	34	50·5	54	43·2	49	58·1	243	284·2
(a) Other than backward districts		23·6		26·9		19·4		30·7		184·3
(b) Backward districts		12·0		23·6		23·8		27·4		99·9
(Of which at concessional rate)		(–)		(12·0)		(5·8)		(27·1)		(44·9)
2. Underwriting and direct subscriptions	12	4·1	21	14·2	35	7·0	2	7·2	180	55·1
(a) Other than backward districts		4·0		8·3		4·1		4·0		36·6
(b) Backward districts		0·03		5·9		2·9		3·2		18·5
(Of which at concessional rate)		(—)		(2·0)		(1·1)		(3·1)		(6·2)
3. Refinance of industrial loans	1370	24·0	1684	26·8	2204	30·7	2926	45·1	9853	222·2
(a) At normal and concessional rates (other than to small-scale industries, small road transport operators and units in backward disricts)		10·3		9·0		6·3		8·2		120·4
(b) At concessional rates :										
(i) Small-scale industries		10·7		11·3		13·3		19·5		61·3
(ii) Small road transport operators-		2·7		3·0		3·0		2·8		14·0
(iii) Backward districts		0·3		3·5		8·1		14·6		26·5
4. Rediscounting of bills	553	28·5	593	45·3	693	49·8	804	76·3	1963	261·3
	(152)		(204)		(231)		(292)		(456)	
5. Subscriptions to shares and bonds of financial institutions	6	8·6	4	3·2	5	2·8	5	10·2	22	49·2
Total of 1 to 5	1966	100·8	2336	140·0	2991	133·5	3808	196·9	12261	872·0
	(1565)		(1947)		(2529)		(3296)		(10754)	
6. Export finance	32	23·9	22	22·1	6	2·8	10	35·6	112	111·6
(i) Direct	15	11·3	12	19·0	4	2·7	4	7·9	51	58·0
(ii) Refinance	17	12·6	10	3·1	2	0·1	3	2·7	58	28·6
(iii) Foreign line of credit	—	—	—	—	—	—	3	25·0	3	25·0
Total of 1 to 6	1998	124·7	2358	162·1	2997	136·3	3818	232·6	12373	983·6
	(1597)		(1969)		(2535)		(3306)		(10866)	
7. Guarantees for loans and deferred payments	2	2·1	—	—	1	0·3	1	0·04	15	26·7
8. Export Guarantees	2	1·1	—	0·1	—	—	—	—	3	1·8

TABLE III

IDBI : Trends in Assistance Utilised 1964-65 to 1973-74 (July-June)

(Amount in crores of rupees)

	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	Total since incept-tion of IDBI in July 1964
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1. Direct loans (other than for exports)	—	19·9	20·7	18·0	13·3	10·9	4·9	9·6	25·2	46·8	171·3
(a) Other than backward district	—	18·7	20·5	16·1	12·3	9·0	4·1	6·6	16·2	22·4	125·9
(b) Backward districts	—	1·2	0·2	1·9	3·0	1·9	0·8	3·0	9·0	24·4	45·4
Of which at concessional rate)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(3·1)	(9·6)	(12·7)
2. Underwriting and direct subscriptions	0·4	5·3	5·2	1·1	1·6	2·2	3·7	1·8	5·0	4·7	31·1
(a) Other than backward districts	0·2	4·7	5·0	1·0	0·4	1·5	1·5	1·8	2·9	2·3	21·4
(b) Backward Districts	0·2	0·6	0·2	0·1	1·2	0·7	2·5	0·1	2·1	2·4	9.7
(Of which at concessional rate)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(1·0)	(1·1)	(2·1)
3. Refinance of industrial loans	21.2	21.4	19·5	10·8	11·6	12·5	21·2	25 0	25·0	27·7	194-8
(a) At normal rates	21·2	21·4	19.5	7.3	4.4	3.5	4.1	1·0	1·5	7·1	91.0
(b) At concessional rates (other than to small-scale industries, small road transport operators and units in backward districts)	—	—	—	3·4	5·7	7·0	8·7	8·5	5·8	0·8	39·9
(c) At concessional rates											
(i) Small-scale industries	—	—	—	0·1	1·5	1·9	7·6	10·0	10·4	12·2	43·[illegible]
(ii) Small road transport operators	—	—	—	—	—	0·1	0·7	3·0	2·9	0·2	6·[illegible]
(iii) Backward districts	—	—	—	—	—	—	0·1	1·5	4·4	7·5	13·[illegible]
4. Rediscounting of bills	0·1	1·9	6·1	10·6	13·3	20·6	24·3	38·3	42·5	63·7	321·[illegible]
5. Subscriptions to shares and bonds of financial institutions	6·3	1·7	7·4	3·9	4·5	0·5	3·8	5·3	2·8	11·6	47·[illegible]
Total of 1 to 5	28·0	50·2	58·9	44·4	46·3	46·7	57·9	79·0	100·5	154·5	666·[illegible]
6. Export finance	—	0·9	0·4	0·3	2·5	5·6	21·9	15·0	6·1	7·7	60·[illegible]
(i) Direct	—	—	—	—	—	2·9	12·0	10·2	3·9	6·7	35·[illegible]
(ii) Refinance	—	0·9	0·4	0·3	2·5	2·7	9·[illegible]	4·8	2·2	1·0	25·[illegible]
(iii) Foreign line of credit	—	—	—	—	—	—	—	—	—	—	—
Total of 1 to 6	28·0	51·1	59·3	44·7	48·7	52·3	79·8	94·0	106·6	162·2	726·[illegible]

TABLE IV

IDBI's Direct Assistance to Public Sector Projects

(Amount in lakhs of rupees)

Name of the Company	Nature of project	Product	Location (Dist.-State)	Assistance sanctioned		Assistance utilised
1. Indo-Nippon Precision Bearings Ltd.	New	Ball bearings, tapered roller and cylinderical roller bearings.	Hyderabad (A.P.)	Loan	50·00	50·[illegible]
2. Traco Cable Co. Ltd.	Diversification scheme	Power cables paper insulated telecommunication cables.	Ernakulam (Kerala)	Loan	50·00	45·[illegible]
3. NGEF Ltd.	Diversification-cum-balancing scheme	Electrical equipments-power transformers, meters, switch gears and switch boards.	Bangalore (Karnataka)	Loan	100·00	100·[illegible]
4. Travancore Cochin Chemicals Ltd.	Expansion	Caustic soda, chlorine and sodium sulphide etc.	Ernakulam (Kerala)	Loan	305·00	200·[illegible]
5. Nagaland Sugar Mills Co. Ltd.	New	Sugar	Khoima (Nagaland)	Loan	50·00	45·[illegible]
6. Punjab Breweries Ltd.	New	Beer	Ludhiana (Punjab)	Loan	35 00	
7. Chitradurga Copper Co. Ltd.	New	Exploration and processing of copper ore.	Chitradurga (Karnataka)	Loan	50 00	
8. Assam Petro-chemicals Ltd.	New	Petro-chemical complex based on natural gas for manufacture of urea, formaldehyde, glue and moulding powder.	Lakhimpur (Assam)	Loan Under-writing	110 00 111·50	
9. Rajasthan State Tanneries Ltd.	New	Leather foot-wear	Tonk (Rajasthan)	Loan	56·00	
10. Scooters India Ltd.	New	Manufacture of 2 wheel and 3 wheel scooters	Near Lucknow Uttar Pradesh	Loan	220·00	
			Total	Loan Under-writing	1026·00 111·50	440[illegible]

Assistance Sanctioned by the Term-financing Institutions During the Fourth Plan and 1973-74 (April-March)

(Amount in crores of rupees)

	Rupee Loans			Foreign Currency Loans			Understanding & Direct Subscriptions: Ordinary and Preference Shares			Debentures			Total		
	1972-73	1973-74	Fourth Plan	1972-73	1973-74	Fourth Plan	1972-73	1973-74	Fourth Plan	1972-73	1973-74	Fourth Plan	1972-73	1973-74	Fourth Plan
IDBI	87·0*	176·1*	505·6*	—	—	—	3·4	8·3	33·2	2·1	—	2·7	92·5	184·4	541·5
	(25·2)	(34·5)	(103·6)										(25·2)	(34·5)	(103·6)
IFCI	37·3	36·2	130·4	4·3	4·3	18·4	3·1	3·4	11·5	1·0	—	1·8	45·7	43·9	162·1
ICICI	13·4	19·8	59·0	29·0	34·7	129·0	3·7	5·1	17·9	3·3	1·6	11·2	49·4	61·1	217·1
IRCI	6·1	7·2	19·9	—	—	—	—	—	—	—	—	—	6·1	7·2	19·9
SFCs*	77·8	104·9	328·0	—	—	—	0·9	0·8	3·5	—	—	—	78·7	105·7	331·5
SIDC**	18·1	21·9	90·4	—	—	—	5·4	4·8	27·5	—	—	0·2	23·5	26·7	118·1
Total	239·7	366·1	1133·3	33·3	39·0	147·4	16·5	22·4	93·6	6·4	1·6	15·9	295·9	429·0	1390·2
UTI@	—	—	—	—	—	—	3·2	3·8	15·2	6·7	4·1	34·6	9·9	7·9	49·8
LIC@†	11·6	17·1	53·1	—	—	—	4·8	4·9	22·3	3·7	3·9	31·0	20·1	25·9	106·4

TABLE VI

Assistance Disbursed by the Term-financing Institutions During the Fourth Plan and 1973-74 (April-March)

(Rupees in crores)

	Rupee Loans			Foreign Currency Loans			Underwriting and Direct Subscriptions: Ordinary and Preference Shares			Debentures			Total		
	1972-73	1973-74	Fourth Plan	1972-73	1973-74	Fourth Plan	1972-73	1973-74	Fourth Plan	1972-73	1973-74	Fourth Plan	1972-73	1973-74	Fourth Plan
IDBI	62·4*	113·4*	347·6*	—	—	—	3·5	4·9	15·3	0·8	—	1·7	66·7	118·3	364.6
	(19 1)	(22·8)	(78·7)										(19·1)	(22·8)	(78·7)
IFCI	21·5	27·4	93·4	4·1	3·0	15·0	1·6	1·5	5·1	0·8	—	1·5	28·0	31·9	115.1
ICICI	7·9	13·8	38·7	28·0	26·3	107·7	2·5	1·9	9·3	1·3	1·5	6·7	39·7	43·5	162·4
IRCI	3·5	5·2	9·8	—	—	—	—	—	—	—	—	—	3·5	5·2	9·8
SFCs**	44·1	56·1	194·3	—	—	—	0·6	0·5	2·4	—	—	—	44·7	56·6	196·7
SIDCs**	12·7	15·3	55·9	—	—	—	3·9	3·2	16·3	—	—	0·05	16·6	18·5	72·2
Total	152·1	231·2	739·7	32·1	29·3	122·7	12·1	12·0	48·4	2·9	1·5	10·0	199·2	274·0	920·8
UTI@	—	—	—	—	—	—	1·7	2·3	8·0	4·0	5·5	20·8	5·6	7·8	28·8
LIC@	4·2	10·7	26·0	—	—	—	4·0	3·8	15·9	5·8	5·6	23·1	14·0	20·1	65·0

* Comprising direct loans, refinance to banks and rediscounts. Refinance t o SFCs, indicated separately within brackets,is excluded to avoid double counting.

** Data are provisional.

† Including disbursement, if any, on account of guarantees.

@ Data for 1973-74 are provisional and those for 1972-73 are revised.

Table VIIA

Statewise Distribution of Total Financial Assistance (Sanctioned) by the IDBI : 1964-65 to 1973-74 (July-June)

(Amount incrores of rupees)

State	Financial Assistace Sanctioned										
	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1. Andhra Pradesh	0.41	10.10	3.26	2.20	1.25	1.32	4.68	3.17	5.23	5.63	37.25
2. Assam	0.08	0.04	—	—	—	—	0.06	14.05	2.33	6.50	23.06
3. Bihar	0.17	0.39	0.71	4.43	1.60	0.74	7.24	7.43	6.37	12.55	41.63
4. Gujarat	19.35	2.05	5.52	1.69	3.02	4.91	25.87	7.85	8.84	16.00	95.10
5. Haryana	0.07	0.85	0.67	0.42	0.57	1.55	2.89	3.25	3.58	6.07	19.92
6. Himachal Pradesh	—	—	—	—	—	—	0.29	0.56	0.27	0.89	2.01
7. Jammu & Kashmir	—	—	—	—	—	—	0.09	0.22	0.12	0.53	0.96
8. Karnataka	0.97	0.79	2.53	1.19	4.89	3.31	4.40	19.07	10.45	16.47	64.07
9. Kerala	0.04	0.60	1.02	1.38	1.33	0.81	1.64	6.30	3.23	8.63	24.98
10. Madhya Pradesh	2.02	0.71	0.60	0.40	1.70	6.90	7.34	3.83	3.96	3.13	30.59
11. Maharashtra	8.43	29.70	12.05	9.77	19.87	20.66	31.03	33.62	31.02	52.69	48.84
12. Manipur	—	—	—	—	—	—	—	0.01	—	—	0.01
13. Meghalaya	—	—	—	—	—	—	—	—	—	0.14	0.14
14. Nagaland	—	—	—	—	—	—	—	—	0.50	—	0.50
15. Orissa	0.26	0.97	0.12	0.20	3.48	0.13	0.10	1.18	1.78	3.58	11.80
16. Punjab	0.12	0.16	0.33	0.23	0.17	0.24	0.53	0.92	4.06	3.20	9.96
17. Rajasthan	0.11	0.20	1.56	2.54	3.07	0.99	0.43	2.26	2.77	6.12	20.05
18. Tamil Nadu	6.03	8.21	7.23	7.89	5.70	6.60	7.96	29.76	19.06	27.62	152.06
19. Tripura	—	—	—	—	—	—	—	—	—	—	—
20. Uttar Pradesh	0.54	0.78	5.71	0.55	0.95	1.68	4.53	6.63	7.83	7.94	37.14
21. West Bengal	3.14	3.74	3.14	4.02	9.63	6.67	13.46	16.29	20.45	17.22	97.76
22. Union Territories	0.51	1.51	0.32	0.85	0.42	3.84	3.56	2.47	1.64	2.50	17.61

Note : (1) Classification based on location of projects assisted in each State. In a few cases, assistance was sanctioned for expansion of existing-units, setting up of new units in more than one State; such assistance has been included in the State where the assistance has gone predominantly. In the case of rediscounts, the classification is based on the location of machinery manufacturer/seller.

(2) Figures are exclusive of subscriptions to shares and bonds of financial institutions, Special Credit to Bangladesh and guarantee assistance.

Table VIIB

Statewise Distribution of Total Financial Assistance (Utilised) by the IDBI : 1964-65 to 1973-74(July-June)

(Amount in crores of rupees)

State	Financial Assistance Utilised*										
	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1. Andhra Pradesh	1.17	1.34	9.31	2.96	1.60	1.12	3.23	4.40	4.46	5.42	35.01
2. Assam	0.20	0.04	—	—	—	—	—	0.12	4.25	8.72	13.33
3. Bihar	0.53	0.12	0.92	0.18	2.67	3.04	1.81	3.95	6.89	11.03	31.14
4. Gujarat	1.81	14.41	9.08	5.18	3.02	3.78	6.23	5.68	11.01	16.48	74.68
5. Haryana	0.04	0.74	0.67	0.53	0.53	0.76	2.47	2.64	3.49	3.32	15.19
6. Himachal Pradesh	—	—	—	—	—	—	0.16	0.34	0.43	0.47	1.40
7. Jammu & Kashmir	0.30	—	—	—	—	—	0.05	0.20	0.06	0.41	1.02
8. Karnataka	1.30	0.88	0.33	3.44	2.63	2.79	3.98	3.64	9.07	12.81	40.87
9. Kerala	0.27	0.29	0.81	1.37	0.69	1.69	0.94	2.07	2.93	4.72	15.78
10. Madhya Prades,	0.61	2.18	0.56	0.38	1.44	1.72	8.41	5.78	1.89	3.44	26.41
11. Maharashtra	8.27	15.11	17.19	17.26	11.01	15.14	26.99	29.83	25.94	[illegible]5.06	201.80
12. Maoipur	—	—	—	—	—	—	—	—	—	—	—
13. Meghalaya	—	—	—	—	—	—	—	—	—	0.07	0.07
14. Nagaland	—	—	—	—	—	—	—	—	—	0.45	0.45
15. Orissa	0.54	0.59	0.27	0.37	0.46	0.15	0.93	1.76	1.10	2.02	8.19
16. Punjab	0.42	0.21	0.21	0.37	0.14	0.10	0.57	0.79	1.71	1.94	6.46
17. Rajasthan	0.52	0.25	—	1.56	1.81	2.10	1.03	0.79	0.91	2.59	11.56
18. Tamil Nadu	2.48	7.84	7.33	3.67	8.01	8.23	6.46	14.31	16.69	21.85	96.87
19. Tripura	—	—	—	—	—	—	—	—	—	—	—
20. Uttar Pradesh	0.26	0.57	0.55	2.31	3.43	1.96	1.70	3.97	3.01	6.55	24.31
2 . West Bengal	2.56	3.55	4.11	3.08	6.56	7.14	5.98	7.27	7.92	11.19	59.36
22. Uoion Territories	0.40	1.32	0.56	0.11	0.27	2.09	5.09	1.16	2.05	2.19	15.24
Total	21.68	49.44	51.90	40.77	44.27	51.81	76.03	88.70	103.81	150.73	679.14

*Inclusive of disbursements in respect of refinance sanctioned by the Refinance Corporation for Industry Ltd. prior to its merger with the IDBI in September 1964.

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