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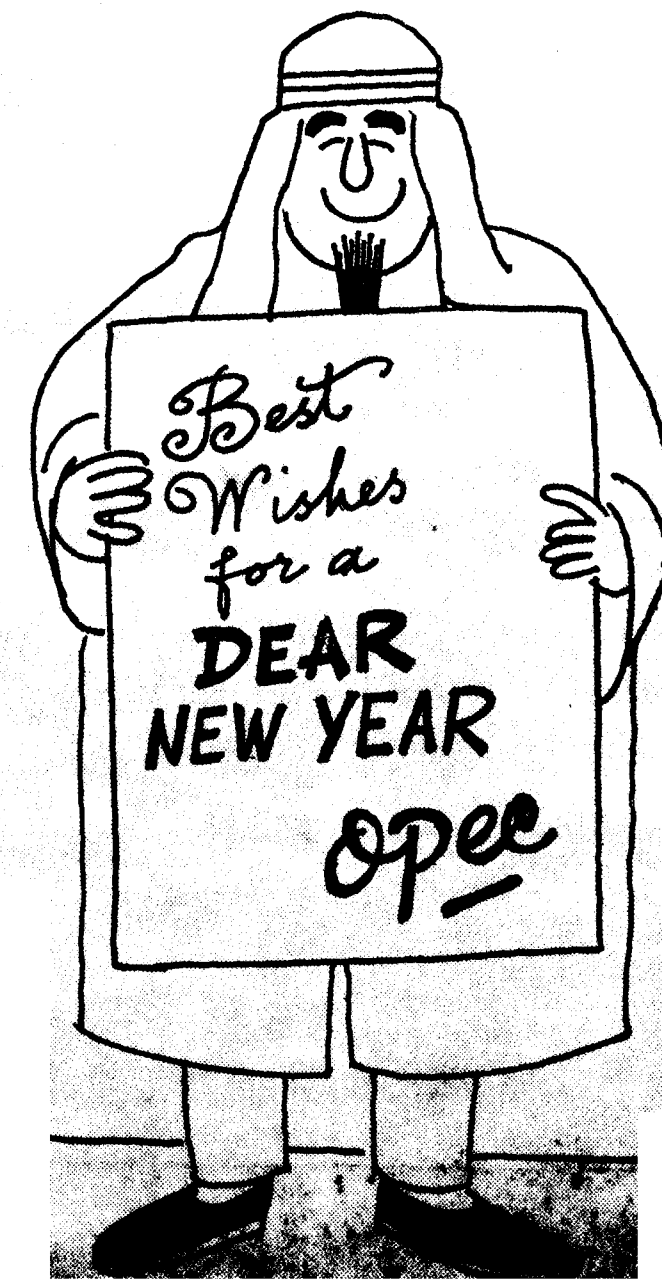
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Snakes and ladders

GIVEN A FEW weeks more it will be the Year of the Snake in large parts of Asia. Independently of this calendar our own country has been engaged in its own game of snakes and ladders. The gains on the economic front have been impressive and have been deservedly well publicized. Rather less attention has been directed towards the weak spots in the economy, but lately they have been successfully claiming consideration. Prices, particularly commodity prices, have tended to rise and are focussing attention on the need for the government being on guard against a revival of inflationary pressures. The cost of living is still very high for the common-run of households and it is becoming disturbingly obvious that large grain reserves or even stable food prices are not enough in themselves to relieve the urban middle class of this burden. The issue of sufficient employment opportunities for the young of this class, seeking to earn its living, is becoming more and more pressing and is already enormously relevant to the social stability of urban communities.

The vulnerable sections of our population, the poor and the deprived in our midst, have had promises made to them and have been encouraged to believe that their needs have been recognized and will hereafter be met. The government and the administration have been taken to them closer than ever before and this has stimulated all kinds of hopes and expectations in the hearts and minds of those millions of our people whom it will be cruel to disappoint and unwise too. It is important that they should be made to realise without delay that improvement in their conditions of living will have to be earned primarily through their own effort, with government policy of course helping to create the context and the circumstances conducive to the success of that effort.

In the industrial sector there is a tranquillity which cannot be too greatly treasured. Tiresome controversies about the dominance of the public sector or the role of the private sector have been stilled. Divisive political forces which have been trading on this confrontation find themselves helpless and without a hearing. Simultaneously and to some extent correspondingly animosities and antagonisms in employer-employee relations have eased and there is a new awareness of the common interest of management and workers in the progress of production and productivity. There is, however, a shared anxiety about the tempo of industrial growth and a worrying uncertainty about the community's purchasing power and consumption keeping pace with what is being produced or can be. Difficulties of individual industries apart, there is a definite lack of dynamism in investment activity which cannot be reconciled with this nation's stake in rapid industrial expansion.

The first weeks of the new year, therefore, need to be a period of urgent searching for policies which, while consolidating the gains of the past, will venture boldly in the direction of faster economic growth. For only if this growth is fast enough and large enough will there be hope of that expansion of employment which the urban middle class or the poor everywhere so greatly need for their good. Only then, again, the industrial peace that we now see can acquire true meaning as a positive, cooperative relationship between managements and workers on the one hand and between industry and the community on the other. The next central budget will naturally be expected to strike a blow in the good cause, but a welcome development in the government's management of the economy in recent times has been the continuous flow of day-to-day policy decisions or administrative acts designed to minister regularly and steadily to the wants of the economy. This practice should be kept up because even in the pre-budget weeks much could be done to impart greater stability to the economy and strengthen the community's faith in continued progress.

Bank credit and food stocks

THE RECENT discussions on credit and monetary policies adopted by the Reserve Bank in the past year have given rise to confused thinking in money market circles and many are at a loss to know what exactly is the import of the observations of government spokesmen when borrowers are experiencing great difficulty in getting their requirements and there is a veritable squeeze on credit. The interpretations of the trends in money supply and bank credit are so widely different that even experienced observers feel puzzled and wonder how there can be an alarmist view when there are definite indications to suggest that the expansion of food credit has been on account of bulging buffer stocks and increasing inventories of finished goods as a result of rising industrial production with no corresponding increase in offtake. There has of course been value inflation in some directions due to small adjustments in selling prices for some manufactured goods and a big rise in the cost of raw cotton and some imports.

objectives achieved

It should be said however that the monetary authorities have largely succeeded in their objectives in the sense that their directives to the scheduled commercial banks had been very nearly observed by the middle of December. But the question arises whether the tightening of the screw has had the desired results and the upward rise in wholesale prices in some directions has been arrested. With bankers following the policy of quarterly budgeting and strict supervision of the operations of big accounts, there should not be any difficulty in finding out how the expansion of credit has been taking place and whether fresh advances have been mis-applied and speculative activity encouraged. It is true that between March 26, 1976 and December 10, 1976 advances of scheduled commercial banks had increased by as much as Rs 1553 crores

as compared to Rs 853 crores in the same period in 1975. A good portion of the extra credit has been on account of buffer stock operations as procurement advances alone have risen by Rs 599 crores against only Rs 262 crores previously. But non-food credit also has increased by Rs 955 crores as compared to Rs 590 crores. If there could be any complaint at all about liberal lending it could be only in respect of Rs 365 crores, assuming of course that there would be a normal growth under this head with a rising trend in production.

The expansion of food credit was in-

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evitable as procurement operations were carried out on an unprecedented scale until recently and imports against earlier commercial purchases of foodgrains in foreign countries added also to buffer stocks. The situation became so unmanageable at one stage that there were contradictory observations about the desirability of continuing to build up buffer stocks. Some were of the view that an increase in buffer stocks even to 22 million tonnes was inevitable and export could not be permitted when millions were starving within the country and it was not also clear what was exactly the optimum level of base buffer stocks.

It must be stated however that those in charge of buffer stock operations got worried about the satisfactory maintenance of large stocks and the servicing of loan obligations when food credit continued to remain around Rs 2,000 crores. It has latterly been decided that there should be no net large increase in food credit and efforts should be made to recycle funds

by increasing the offtake through the public distribution system. This kind of approach will certainly prevent a net increase in money supply on account of injection of food procurement credit as there will also be a suction of funds from the public through sales by fair price shops. While theoretically an increase in money supply can be avoided with no net rise in buffer stocks, it should not be overlooked that cash paid against procurement purchases reaches different pockets while cash received through sales is taken out of other pockets and there may be different types of consumer spending by those in receipt of funds against sale of produce.

buffer stock finance

It cannot be contemplated at this stage that the funds required for maintaining buffer stocks should be provided entirely by the banking system as this process can be completed only over a period. It has also to be examined whether it will be desirable to pay interest at 12 per cent for securing procurement credit and incur subsidies for obviating an undue rise in the cost of servicing buffer stocks by the Food Corporation of India. This cost is bound to be heavy as against outstanding food credit of Rs 2115.58 crores on December 10, 1976, refinance provided by the Reserve Bank accounted for only Rs 631.20 crores on the same date. It can be expected that this borrowing from the Reserve Bank will be completely repaid in the next 12 months if no further expansion takes place in the coming months on a sizable scale. But this situation can arise only if there is complete liberalisation of restrictions on movement of foodgrains or there is a drop in output. The second development is not desirable as the momentum gained in 1975-76 will be lost if a big drop in output takes place subsequently due to distress selling in surplus areas or inadequate procurement buying.

It appears however that the performance of 1975-76 may not be repeated in 1976-77 though it will be necessary to add to buffer stocks, even if aggregate production turns out to be 112 to 114 million tonnes. The expectations of preventing a big increase in food credit with a recycling of funds already locked up in buffer

stocks may not materialise as it may become imperative to add to stocks by three to four million tonnes.

The conundrums relating to food procurement and maintenance of buffer stocks have therefore to be properly solved and some clear-cut policies have to be devised for financing procurement operations on a much cheaper basis than has been attempted so far. It may be argued that the impact on money supply may be different if completely owned funds are used for financing procurement purchases. But as stated earlier it should not be overlooked that even if bank funds or budgetary resources are utilised, the injection of purchasing power into sections of community which have unsatisfied needs will have different connotation than if bank credit was diverted to other directions.

non-food credit

It is here that there has to be a proper understanding of the big increase in the non-food credit in the first 11½ months of 1976. It is quite probable that the increase in credit was on account of an increase in stocks of steel, heavy chemicals, cement and other items and also due to expanding activities of the public sector undertakings. In that event the build-up of inventories cannot have an inflationary consequence. On the contrary they are symptoms of persistence of recessionary trends in some directions and it should not be overlooked that a more difficult situation would have arisen if a spurt in exports had not absorbed a good part of the increase in the output of some industries.

It has also to be remembered that the Reserve Bank has not been called upon to extend large assistance to member banks for meeting the needs of industry and trade. In fact, a good proportion of the amount borrowed from the Reserve Bank is on account of refinance against procurement credit—Rs 631.20 crores out of aggregate borrowing of Rs 847.87 crores—on December 10.

The banking system has managed to meet the needs of its constituents to a large extent even after complying with the directives of the Reserve Bank fairly satisfactorily only because there was a big rise in deposits by Rs 2688.83 crores

during the period under reference against only Rs 1602.33 crores in the corresponding period in 1975. There has only been a small increase in borrowing from the Reserve Bank by Rs 49.44 crores while cash balances have risen to the extent of Rs 397.43 crores against only Rs 88.19 crores and investments Rs 586.37 crores against Rs 276.16 crores. The reduction in refinance for food credit, the immobilization of cash balances with an increase in the reserve ratio by two per cent and the need to observe a high statutory liquidity ratio of 33 per cent had put banks in a straitjacket at the end of 1976.

The promised mid-season review in the next few weeks may lead to a better understanding of outstanding issues. But it is well to remember that the increase in prices in some directions is due to shortages of edible oils and raw cotton and the unhelpful policies of some state governments in the marketing of these

crops outside their regions. The inflow of remittances also cannot have had a deleterious effect as those receiving them have not added to inflationary pressures in the manner expected. The build-up of residual balances with banks has of course been used for expanding credit mainly for productive purposes.

The answer to this type of inflation now being experienced lies in large enough imports of commodities in short supply and the adoption of selective credit controls and not a blanket ceiling on all credits. There should also be a lowering of interest charges on advances even without a reduction in deposit rates. It will be interesting to know how government and the Reserve Bank act in this new situation as even experts in their ranks are not quite convinced of the efficacy or desirability of their actions and the need for flexibility in approach has been recognised.

Borrowing made easy

THE CENTRAL government took an unexpected decision to raise additional resources for Rs 110 crores through the issue of two new loans just before the close of 1976 mainly to relieve the scarcity of gilt-edged securities even though its ways and means position was quite comfortable. As the collections against advance tax dues were quite considerable, it was even possible to cancel ad hoc securities to some extent and also maintain large cash balances with the Reserve Bank. In view of the difficulties experienced by the scheduled commercial banks in adhering to the higher cash reserve ratio and reducing the outstanding amount against refinance of procurement credit, on the basis of the new formula, it had been hoped that new loans would not be issued earlier than January-February.

The monetary authorities however have been insisting on cash balances being maintained at the desired levels by member banks and the statutory liquidity ratio also could not be diluted. In actual practice of course it has been found

difficult to comply fully with the new directives as there was a big drop in cash balances of the scheduled commercial banks with the Reserve Bank during the week ended December 17 even with a sharp increase in borrowings from the latter. It would require a big effort to make adjustments on all sides even by investing sizably in new loans. How the individual banks had complied with the statutory obligations and also observed new directives at the end of 1976 will be known only from the balance sheets for that year?

There was, however, an anomalous situation in the money market in the latter half of December as banks had to invest fairly large amounts in government and approved securities even in the face of an unsatisfied demand for funds from their constituents. This was because fresh deposits had been mainly used in earlier weeks for augmenting cash balances and meeting the seasonal increase in credit. There was also a desire to avoid fresh borrowing from the central banking institution. The advances from this

source were even reduced for a time though, as stated earlier, it became necessary to borrow heavily during the week ended December 17 in order to complete advance tax payments.

The lists for two new loans having a notified amount of Rs 110 crores were easily oversubscribed as the Life Insurance Corporation and provident funds had investible funds and the scheduled commercial banks too had to take up fairly large parcels of these loans for avoiding a noticeable decline in the statutory liquidity ratio. The central government could thus borrow with ease in the third tranche and the terms were even more favourable from its point of view. The medium long dated 1993 loan carrying interest at six per cent is being issued for the third time. The first floatation was in July 1975 when the issue price was fixed at Rs 98.50. In October this year the same loan had an issue price of Rs 99.25 when it was reissued. The long dated 6 1/2 per cent 2003 loan was offered for public subscription for the first time in July last year. In the same month in 1976 however the 6 1/2 per cent loan had a maturity date in 2000 with the issue price at par. In October, the duration was increased to 26 years with no change in the interest rate or the issue price. It was only in December that the 6 1/2 per cent 2003 loan was reissued for the second time. In view of the higher current and redemption yields, there has been greater response from institutional investors for this loan.

target exceeded

The mobilisation of Rs 110 crores in the third phase has enabled the central government to exceed substantially the target for net borrowing through open market loans in 1976-77. The budget estimates provide for gross borrowing of Rs 810 crores and net borrowing of Rs 535.06 crores after redeeming two maturing loans for Rs 274.94 crores. The conversion of 4 1/4 per cent 1976 loan was successfully completed in July 1976 and the unconverted portion was repaid duly on the redemption date. The 2 3/4 per cent 1976 loan outstanding to the extent of only Rs 14.78 crores was repaid fully in cash on September 16, 1976. In the first phase the gross subscriptions in

respect of three loans amounted to Rs 523.79 crores, the net amount raised was Rs 263.63 crores, and after funding the maturing 4 1/2 per cent loan. In the second phase cash subscriptions were Rs 303.68 crores in respect of two loans and the net amount raised could be said to be Rs 288.90 crores, as the 2 3/4 per cent loan had been repaid earlier on September 16, 1976. In the third tranche the amount mobilised was Rs 110 crores. Aggregate gross borrowing has thus exceeded comfortably the budget estimate by Rs 127.47 crores and the net borrowing by the same amount to Rs 662.53 crores. This compares very favourably with the performance of 1975-76 when the net amount raised was Rs 453.42 crores. Indeed the receipts through open market loans in 1976-77 may be said to constitute an all-time record.

the strategy

The question is what should be the strategy for this purpose. The central exchequer is not in need of additional funds for Plan purposes as tax collections through indirect and direct taxes have been extremely satisfactory. On the basis of the revenues for the first seven months the budget estimate might be easily exceeded by Rs 500 crores on revenue account while even on present reckoning capital receipts may be higher by Rs 300 crores, in all by Rs 800 crores on both accounts. The supplementary demands presented to Parliament so far do not call for a net increase in Plan and non-Plan expenditure of more than Rs 133 crores. It is quite likely that fresh supplementary demands may be made during the budget session in February. Even so, the 'over-run' in Plan and non-Plan expenditure may not be more than Rs 400 crores particularly as it is probable that Plan outlay may not exceed the target. There is therefore the happy prospect of the budget estimate of Rs 327 crores relating to the overall deficit not materialising.

It can, however, be safely said that the Finance ministry is in a highly comfortable position and an attempt may be made in the closing weeks to effect even advance payments to state governments, if in particular directions it was found that the pace of Plan implementation had been held up due to inadequacy of resources at state levels.

The Reserve Bank will nevertheless feel

compelled to raise additional loans as the scheduled commercial banks alone may have to invest about Rs 250 crores before the end of March in government and approved securities with fresh additions to deposits of Rs 750 crores in three months. If an extremely conservative policy is adopted a big funding of ad hoc securities may be attempted. These operations usually take place in February/March every year. On the last occasion, in January 1976, ad hoc securities for only Rs 100 crores were converted into terminable loans. There may be funding of larger amount of Rs 200 crores in February 1977 as the holdings of Reserve Bank have got considerably depleted through net open market sales. It may also be possible to effect reissues for securing cash subscriptions to the extent of Rs 100 crores. In that event the central government will be benefited by the fourth tranche of borrowing and there will be no dearth of resources.

In view of the vastly expanded capacity of the gilt edged market and the likelihood of fresh additions to deposits of commercial banks being of the order of Rs 3600 crores in 1977, these banks alone can invest freshly Rs 1200 crores in government and approved securities. Even if the share of the centre is taken at Rs 750 crores, net borrowing can be easily Rs 900 crores or even Rs 1000 crores, taking into account also the share of investible resources of Life Insurance Corporation and provident funds.

increased Plan outlay

There will of course be need for additional funds as Plan outlay is proposed to be raised to Rs 9500 crores or Rs 1600 crores more than the current financial year but credit can be taken for Rs 300 crores from foreign balances and there will also be an increase in tax revenues and other capital receipts. It will thus be possible to meet larger Plan expenditure through borrowed funds and the opportunity for streamlining the tax structure should not be missed. If the readjustments in taxes and an increase in Plan outlays lead to higher levels of consumption and increased production is easily absorbed, the collections through direct and indirect taxes also may be gratifying. The new developments in the gilt edged markets and the budget proposals for 1977-78 have therefore special significance.

Friedman and his contribution to economic thought

P. K. Bhargava

The author, who is Reader in Economics, Banaras Hindu University, brings out the major differences between the Keynesian revolution and the Monetarist revolution. It may be recalled that Prof. Friedman was awarded Nobel Prize in Economics last year.

THE AWARD of the 1976 Nobel Prize in Economics to Professor Milton Friedman of the Chicago University is clearly a recognition of the importance of monetary policy and of 'Monetarist Revolution'. It is well-known that the Keynesian revolution during the 1930's and in later years highlighted the importance of fiscal policy over monetary policy to achieve the desired objectives of the state and to prevent the destabilising influences resulting from boom or depression. The Keynesian belief was that skilled handling of fiscal instruments such as taxation and public expenditure could bring about desirable success so far as set objectives of economic policy were concerned. These ideas were repudiated by Professor Friedman who focussed attention on the importance of the quantity of money in circulation and suggested that the measures to control the economy should be chalked out from that direction.

importance of money

It may be noted here that the *General Theory* also recognised the importance of money in increasing the level of income and output in an economy under certain situations. According to Keynesians, monetary authorities could influence the level of investment through variations in interest rates by changing the quantity of money. However, from their own viewpoint this is true to a certain extent only because once the situation of liquidity trap is reached, whatever expansion may be there in money supply by the monetary authorities there would be no impact on interest rate as all the extra money created by the monetary authorities would be caught up into this trap. Liquidity trap is thus a cause of ineffectiveness of monetary policy. Moreover, on the basis of investigation some pointed out that the rate of interest was not a major

determinant of investment. Indirectly it meant that monetary policy would help neither fighting a depression nor controlling inflation effectively. As such, during the thirties and most part of the forties it was believed that fiscal policy was suited most to control instability in an economy.

One of the most important contributions of Professor Milton Friedman is the revival of the quantity theory of money. In 1956, there appeared under Professor Friedman's editorship a most important volume entitled *Studies in the Quantity Theory of Money* which was the product of the Workshop in Money and Banking

POINT OF VIEW

at Chicago. The significance of this volume was that it signalled the re-emergence of the quantity theory. Contrary to the orthodox version of the quantity theory of money, the revised version emphasises the relationship between changes in money stock and variation in money national income. It is thus a theory of the determination of money national income. The Keynesian theory explained the impact of changes in money supply through income-expenditure relationship via the multiplier process. This impact on Gross National Product (GNP) could either be in terms of physical output or through prices or through some combination of the two.

However, the actual impact will depend upon the extent of unemployed resources available in the economy. In contrast to Keynesian analysis, the revised version of the quantity theory clearly points out

that the relationship between the money stock and the resulting changes in GNP are much more predictable. Further, the Keynesian belief that in the situation of liquidity trap changes in money stock exert no effect on GNP is clearly denied by the Friedmanites. They emphasise that the impact of changes in the volume of money on output or prices will depend to a large extent upon the time period employed. It is also asserted that changes in volume of money may cause movements in interest rates, output and employment in the short run only; they will approach their natural level in the long run independently of the volume of money. In this sense the revised version closely resembles the traditional quantity theory but in a much more sophisticated manner.

revised version

Another important aspect of the revised version of the quantity theory is that money is treated as one of the various assets which people like to hold. In this sense the demand for money is a problem in capital or wealth theory, concerned with the composition of the balance-sheet or portfolio of assets. Contrary to the Keynesian view that demand for money largely depended on precautionary and speculative motives, Friedman shows that the most important elements influencing the demand for money are the rates of return on money and other assets, both real and financial, the level of permanent income and the ratio of non-human to total wealth.

The modern approach also draws attention to the fact that whereas the above variables are normally subject to slow change overtime, the supply of money may experience abrupt changes. Again the velocity of circulation of money far from being constant as was tacitly assumed in the traditional approach, the revised version emphasises that it will respond to significant changes in a predictable and rational manner depending upon the be-

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haviour of the above variables. Thus for instance, an increasing expectation of inflation would imply that people would like to reduce their money holdings which means that the velocity would rise.

However, the changes in the velocity of circulation of money would be gradual because the above variables on which it depends are subject to slow change over time. If the velocity of circulation of money is subject to gradual change over time whereas the supply of money may rise and fall rapidly, it clearly implies that the demand for money is independent of its supply. The independence of demand and supply is an essential tenet of the revised doctrine. From the above, it also follows that the demand for money may not show great variations in comparison to the supply (which may experience considerable fluctuations); then the changes in the value of money—which are to be explained in terms of supply and demand—are almost always supply determined.

effective substitute

The reformulated quantity theory also provides a better explanation for what constitutes an effective substitute for excessive money balances. The traditional theory emphasised that the only substitute for excessive money balances was goods and services; the role of financial assets was completely ignored. Any increase in money stock was presumed to be incurred on commodities resulting into a proportionate rise in prices. In contrast to this, the Keynesian belief was that the only close substitute for money is alternative financial assets.

It follows that if the monetary authorities increase the supply of money excessively, people would be induced to buy financial assets due to a fall in the rate of interest. A fall in the rate of interest would render money holding more attractive and other assets less attractive until eventually a new equilibrium is reached between the actual money holding and desired money stock. The reformulated quantity theory encompasses both these viewpoints. Money is looked upon as a substitute for all assets whether real or financial. The immediate impact may be felt in financial markets but complete

adjustment will involve commodity markets also.

In contrast to the Keynesian belief that emphasised the interest elasticity of demand for money, the modern quantity theorists try to show the interest inelasticity of demand for money. They can then claim that the rigid quantity theory holds. The increased stock of money in an economy would exert its influence fully on commodity market and on GNP only when the demand for money is interest inelastic. The Friedmanites are seeking empirical evidence to show that interest elasticity of demand for money is zero or nearly so because they emphasise a broad association between money (M) and GNP; although they themselves believe that it is too difficult to show precisely what processes within the economy connect changes in M to changes in the GNP.

In this connection, it is interesting to point out that Friedman and Meiselman in a study covering the period 1897-1958 found that the quantity of money provided a better explanation of the GNP than the multiplier did, except during the 1930's. This gave some relief to the Keynesians who could argue that 1930's was the period which Keynes's theory was primarily intended to explain. It may, however, not be easy to exactly quantify the relationship between the quantity of money and GNP but the modern quantity theorists do seem to have shown that money supply is a major factor leading to fluctuations in income.

uncertain time period

Professor Friedman and most of the adherents of the modern quantity theory are opposed to discretionary monetary policy because of the alleged instability of anti-cyclical monetary policy. The Friedmanites believe that discretionary changes in the volume of money cannot be used even as a viable instrument of short-term stabilisation policy mainly because of the uncertainty regarding the time period or the lags involved for those measures to be effective.

Hence, Professor Friedman through his 'New Monetary Rule' suggests that the stock of money should be increased year after year by certain percentage irrespective of cyclical needs. It is at once

clear that New Monetary Rule is cyclically neutral. However, it should be clarified why Friedman stresses the rule in a cyclically neutral fashion though his avowed intention is to maintain stability. This should not be regarded as a paradox because business cycles are certainly not useful according to Friedman but he thinks that they are inevitable and cannot be eliminated altogether. While he admits that, "Monetary policy can contribute offsetting major disturbances in the economic system arising from other sources"* he quickly adds that, "the potentiality of the monetary policy in offsetting other forces making for instability is far more limited than is commonly supposed."**

corrective responses

In addition he also believes that business fluctuations will be within fairly narrow limits because of the spontaneous corrective responses if the money behaves properly. This implies that the money stock should be increased according to the needs of an expanding economy and the monetary authorities should not permit the money stock to outpace the increase in national income.

The Keynesian revolution advocated that the monetary authorities should always focus their thinking on the problem of unemployment, it being the supreme evil in any economy. The much accepted view that mild inflation can cure unemployment has been repudiated by Professor Friedman who believes that inflation can help in solving the problem of unemployment only in the short run and not in the long run. In other words, a Phillips curve which shows a link between the level of unemployment and the rate of wage increase can be drawn only for a given state of inflationary expectations and in the long run it will be vertical. This happens because in the long run there is a natural rate of unemployment which exists in spite of a balance between real demand and supply factors in the labour market and neither monetary nor fiscal policies can correct the situation.

Finally, Professor Friedman has signi-

* Milton Friedman, 'The Role of Monetary Policy,' *American Economic Review*, March 1968, p. 14.

** *Ibid.*, p. 14.

ificantly contributed to the theory of consumption function by stating that consumption is determined by 'permanent income' and it is a constant proportion of it.

The Keynesians had emphasised that consumption is a function of post-tax income and that consumption could be significantly influenced by altering the disposable income through the use of

fiscal instruments but this is clearly denied by Professor Friedman.

The theoretical implication of the new theory of consumption function is thus to weaken the case for fiscal policy in general and in particular the reliance on personal income-tax as a counter-cyclical device. It may, however, be emphasised here that the actual 'measured' income for any individual or economy, consists

of the sum of permanent and transitory components. Hence, transitory income must also influence consumption but this is clearly denied by Friedman who assumes that transitory income will have zero effect on consumption i.e., it will all be saved. In everyday life, especially in developing countries the behaviour of consumers need not necessarily be so.

Impact of irrigation on food output

S. K. Tulsi

In this article an attempt has been made to show that expansion of irrigation facilities for one hectare of land has been accompanied by an increase of the order of three tonnes in foodgrains output, mostly in the shape of cereals. Farmers have not found it profitable to use additional irrigation for the production of pulses.

It is now widely recognised by planners and development scholars that setback to food output during the developmental effort gives rise to serious problem of inflation in poor countries where food is the principal wage good. This type of inflation cannot be effectively curbed through mere fiscal and monetary restraints. Before long, price expectations are formed, with the result inflation feeds on itself. Finally the very process of development comes to a grinding halt, not to mention the deleterious inequalities brought about in the society by such inflation.

insurance against vagaries

Irrigation provides both protection against any slideback in food output due to the vagaries of the rains and a powerful means for augmenting food output. It is our only guarantee against arms twisting in the international arena where food is becoming a political weapon in the hands of the major grain suppliers in the world market. Thus developing countries cannot play their due role in world affairs so long as they are vulnerable to the rains as well as the grain suppliers of the world. It is in this political context that the expansion of irrigation facilities in India has lately acquired added significance. The irrigation portfolio has been rightly transferred from the Power ministry to the Agriculture ministry at the centre, and as a matter of fact, the rate of expansion of irrigation facilities has almost been doubled.

The main objective of this article is to assess how expansion in irrigation facilities and additions to grain output have been related with each other. An attempt has also been made to show that the expansion in irrigation facilities tends to increase production of cereals as compared to pulses. In the light of such knowledge one may be able to predict future contributions to grain output in the wake of expanded irrigation.

far-reaching effects

The pure impact of irrigation on crop output is impossible to assess in the case of modern agriculture. That is, it is impossible to say how much of the increase in farm output is strictly due to irrigation only. It is only for traditional agriculture that broad norms—such as irrigation *per se* enhances farm output or yield of crop by a factor of 50 per cent—have any significance or meaning. For in such agriculture introduction of irrigation is not accompanied by multitude of other on-farm changes such as use of HYV seeds, fertilizers, weedicides, pesticides etc. In modern agriculture availability of irrigation brings about far-reaching changes in the use of chemical fertilizers, cropping pattern etc. Therefore, it would be logically a puzzle of immense dimension to figure out separate contributions of each of these factors of production to increased farm output in irrigated modern agriculture.

However, useful exercises in regression analysis may still yield some results which

may be fruitful for decision makers. Thus relating temporal changes in foodgrain output to temporal changes in irrigation facilities would yield statistical relationship, whereby one can infer marginal increase in grain output from given expansion in irrigation. Though such grain increases are not strictly due to irrigation alone, one can interpret them as follows.

concomitant changes

Should expansion in irrigation be accompanied by concomitant changes in modern agriculture which have been witnessed in the past, the impact of such irrigation in augmenting grain output in the future can be worked out reasonably with some degree of confidence.

More precisely, we have attempted the following simple multiple regressions:

$$Y = a_1 + b_1 I + d_1 R$$

$$C = a_1' + b_1' I + d_1' R$$

$$P = a_1'' + b_1'' I + d_1'' R$$

where :

Y is the output of foodgrains.
I is gross area irrigated.
C is the output of cereals.
P is the output of pulses.
R is weighted actual rainfall.

The regression results relate to the period 1955-56 to 1971-72, for which time series data are readily available. Foodgrains consist of cereals and pulses, which are measured here in tonnes. Irrigation facility is measured in terms of gross irrigated area under all crops. It may be pointed out that nine-tenths of the irrigation resources in this country are used for raising foodgrains. Rainfall is measured in millimeters. It is a weighted average of actual rainfall in various parts of India excluding the union territories.

The weight used is net area sown for each state for different years.

On the basis of the data available the following regression equation has been obtained:

$$Y = -24,026 + 2.99 I + 13.30 R \quad \dots(1)$$

$$(-1.529) (8.303) (1.759)$$

Here the values given in the parentheses are t-values respectively. The coefficient of multiple determination of this equation is pretty high, namely, 0.83. However, only the coefficient of irrigation variable is statistically significant, with a t-value of about 8.30.

Hoping against hope, it was attempted to introduce fertilizers (F) as an additional explanatory variable, but ended up with disconcerting results. The regression equation so obtained was as follows:

$$Y = -18,155 + 8.52 I + 27.05 R - 30.39 F \quad \dots(2)$$

$$(-2.964) (4.022) (3.294) (-2.633)$$

Though the coefficient of determination (R^2) improved to .89, the negative coefficient of fertilizers did not evidently make sense. Introduction of fertilizers garbled up the results because this variable bore high multicollinearity with irrigation ($r = .98$). However, this brought out how irrigation variable was accounting for the contribution to grain output from fertilizers as well.

Further taking into account the impact

of irrigation expansion (I) on cereals (C) and pulses (P), the following regression results were obtained:

$$C = -31108.54 + 2.96 I + 10.67 R \quad \dots(3)$$

$$(-2.39) (9.81) (1.69)$$

$$P = 8493.68 + .009 I + 2.44 R \quad \dots(4)$$

$$(2.34) (.11) (1.40)$$

In equation (3), the coefficient of irrigation obtained was 2.96 with t-value 9.81. This showed that one hectare increase in area irrigated tends to increase the production of cereals alone by 2.96 tonnes which is almost equal to the total increase in foodgrains output due to one hectare increase in gross area irrigated. Thus it is realised that with expansion in irrigation, there is increased bias towards cultivation of cereals.

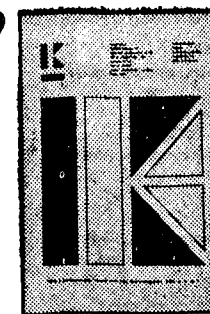
In regression equation (4), the coefficient of irrigation was considerably low, namely, .009 with t-value .11. The coefficient of multiple determination was also very low (.129) which was an indicator of almost negligible contribution of irrigation expansion to the production of pulses. The prices of pulses had risen steadily over time because of stagnant production. On the other hand there was a relative decline in the prices of cereals to pulses at a rate of 7.09 per cent because of the increase in the yield of cereals to pulses at a rate of 1.8 per cent.

Thus, irrigation expansion during

1955-72 by one hectare was accompanied by an additional grain output of about 2.99 tonnes. Of course in the same period fertilizer use shot up steadily from .16 million tonnes in 1955-56 to 2.6 million tonnes in 1971-72.

Moreover, it is known that yield-raising things happened in this period: advent of HYV seeds of wheat, maize etc, strengthening of agricultural extension services, movement of terms of trade in favour of the farm sector, etc. Whether irrigation facilities being created now would contribute as much as 2.99 tons per irrigated hectare would depend on concomitant changes in the above yield-raising factors. To a large extent, such changes follow in the wake of irrigation whenever irrigation is a limited factor in undertaking intensive modern agriculture. But conscious efforts by the government can hasten these changes. For example, credit requirements of irrigated agriculture are far greater than those for unirrigated agriculture. If farmers are left to themselves, they would take a long time to accumulate internal savings for meeting their short-term credit needs. Surely, provision of liberal credit along with irrigation availability would make increased contribution to farm output in the initial stages of irrigation.

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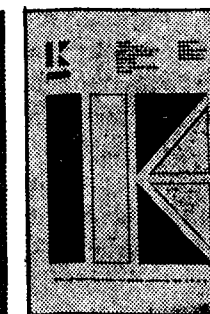
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Economic growth of developing countries

Economic development is a complicated phenomenon that involves many interrelated elements, according to Nobel Prize-winner economist Simon Kuznets. "But let's not make it too complicated, in the sense of encouraging a degree of helplessness", Professor Emeritus Kuznets of Harvard University said in an interview with John J. Harter. "There is a certain give and take in the matter. No country will achieve economic growth with complete efficiency. There are always errors, there will always be some waste. But by studying the established record of modern economic growth, developing countries can learn to reduce the costs and hasten the process of economic development." Professor Kuznets won the Nobel Prize in 1971 shortly after publication of his two best known books, Economic Growth of Nations and Modern Economic Growth. Following are excerpts from the interview :

Question. What causes economic growth? What does it involve?

Answer. Modern economic growth—that which has occurred in today's more highly developed countries since about 1800—has essentially involved a very substantial rate of annual increase in per capita aggregate product, despite the fact that popula-

Q. Do you consider modern economic growth as a different phenomenon from the kind of economic progress that occurred before 1800?

A. Most of the historical economic data we have deal with modern economic growth, but we do have some hard information—even statistical data—on the pre-

intensification of economic forces and processes that previously existed?

A. Well, there are large quantitative differences—so large that they sometimes amount to qualitative differences. After all, "knowledge" is a cumulative heritage of human experience, going back for centuries, or even millenia. But the rate at which knowledge has accumulated in modern times and the increasing efficiency with which it has been applied to productive power are so vastly greater than in earlier stages of history that they define a new epoch.

Q. Are all countries affected by modern economic growth?

A. It also affects developing countries. But the fact that they are less affected is why we define them as less developed. One cannot understand what is going on in these countries—what has been going on, and what is likely to go on in the future—without recognising that they all bear the imprint of modern technology. Some good results from this, but also some problems are created.

For example, the very sharp decline in the rate in developing countries essentially results from modern technology. This has occurred largely since World War-II, principally because medical technology has achieved a breakthrough in the control of several infectious diseases. A limited input of scarce material resources now permits the virtual removal of diseases that were traditional scourges. And since the birth rate did not follow this decline in death rates, the technological advance has accelerated the growth of population. This is a conspicuous example of the elective impact of modern technology on developing countries—one that has mul-

tiplied the number of their inhabitants.

Q. In what ways are the developing countries not caught up in this over-all process of modern economic growth?

A. When you look at the agriculture, industry, transportation, or education in these countries, for example, you find only a small nucleus or enclave that reflects modern technology. So you have two sectors in these countries, existing side by side. A very small modern sector, which tends to be isolated, and a much larger traditional sector. And there is not sufficient interaction between the very different technologies found in these two sectors.

Q. What can and should be done to rectify these imbalances?

A. I think the principal responsibility here must rest with the developing countries themselves. Generally speaking, the developing country can choose from a stock of modern technology that exists in the world. Often the technology used in the more advanced countries is too capital intensive to be efficient in the developing countries, particularly in the case of agriculture. For example, the United States has developed labour saving machinery to use on farms because we have plenty of land and a relatively limited amount of expensive labour for that purpose. But this labour saving machinery is less useful in developing countries that have abundant, relatively inexpensive labour that can be used in agricultural production. Every developing country wants to develop its own capacity to use modern technology, and at a certain point it should be prepared to modify its own social structure and political institutions to do this—and to develop its own inventions.

That sort of technical modification, which also may involve fundamental modifications of the structure, cannot be easy to achieve. Technological resources used in other countries may be of limited relevance because of local conditions.

This is one reason foreign aid programmes, on the whole, have achieved limited success—because the talent needed to adapt technological know-how develop-

ed in one country to conditions that exist in other countries is extremely rare.

Q. The developing countries put a great deal of emphasis on the need for technological development, but they talk mainly in terms of the need to import technology. Are you saying they should develop more capacity to innovate technology?

A. They must import technology to accelerate their productive capacity in the short run, because they cannot wait until their own engineers can invent it or at least modify the technology generally used in the more advanced countries. But as they adapt imported modern technology, they must develop their indigenous technical skills. I think one of the most important steps a developing country can take toward modernisation is to develop technological and inventive talent among its own people.

Q. Could you explain just what kinds of technology are particularly needed in the developing countries?

A. Well, take a look at a country that is now industrialised—one that began to develop its economy, really, late in the 19th century—namely, Japan. In the 1870's this country had a technological base that was far behind that of other developed countries. But then the process started when the Japanese government began to import modern technology. It sent people to the United States and Europe to study and buy machinery and it began to set up modern factories that were originally staffed by foreign engineers. But pretty soon Japan discovered that it could not follow the pattern of modern industry in other countries, largely because its own social patterns—especially its labour relations system and resource endowments—were quite different from those in the more developed countries. So the Japanese began to develop certain types of machinery that were particularly appropriate for the kind of simple production they needed. Spinning mills, for example, became more efficient in Japan. And they began to develop fish ponds to supplement the food produced on their farms. The idea here was to make better use of the time the farmer had at the end of his day. These were the kinds of steps that had no precedent in the United States or Europe.

Then when Japan began to set up heavy industry it sought to economise on capital, as by importing second hand machinery, for example. Still later, when they began to supply their people with more and better goods, they retained traditional types of housing, clothing and other items. Utilising a unique technology that took special advantage of the resources available to Japan at that time.

Throughout all this, they gradually improved their technology, utilising limited but increasing amounts of mechanical power and relatively large but decreasing amounts of labour. That approach—bringing in modern technology piecemeal to supplement and modernise the traditional economy—was a source of considerable strength to Japan.

Q. Can you say, in general terms, what kinds of technologies are most suitable to the needs of developing countries?

A. The term "developing country" covers a tremendously wide range of countries—a far wider range than the term "developed countries", whose economic similarities reflect similar technological patterns of development.

In fact, when you speak of developing countries, you are speaking of most of the world. Their present condition results from historical developments that go back for centuries. Until quite recently, historically speaking, they lived in isolation from the rest of the world and from each other. This means that they evolved with different institutions, traditions and cultures. And they range in size from countries like China and India that have populations of several hundred million to some of the very small sub-Sahara African countries. And yet certain types of production embodying modern technology may be suitable for the bigger—not the smaller—countries. So any generalisations regarding the technology appropriate for all developing countries may be misleading when it comes to specific applications.

Q. Would you say an important part of the economic growth process involves upgrading the quality and variety of the labour force, especially with respect to the managerial and technical personnel, that might

WINDOW ON THE WORLD

tion also increased much more rapidly during the same period than before. Technological progress and innovation—the application of new knowledge to the production of goods—made modern economic growth possible. But the increase in technological capacity was only the necessary, not sufficient condition. In addition, traditional social and economic institutions had to be modernised to facilitate the more efficient application of the new knowledge to production problems.

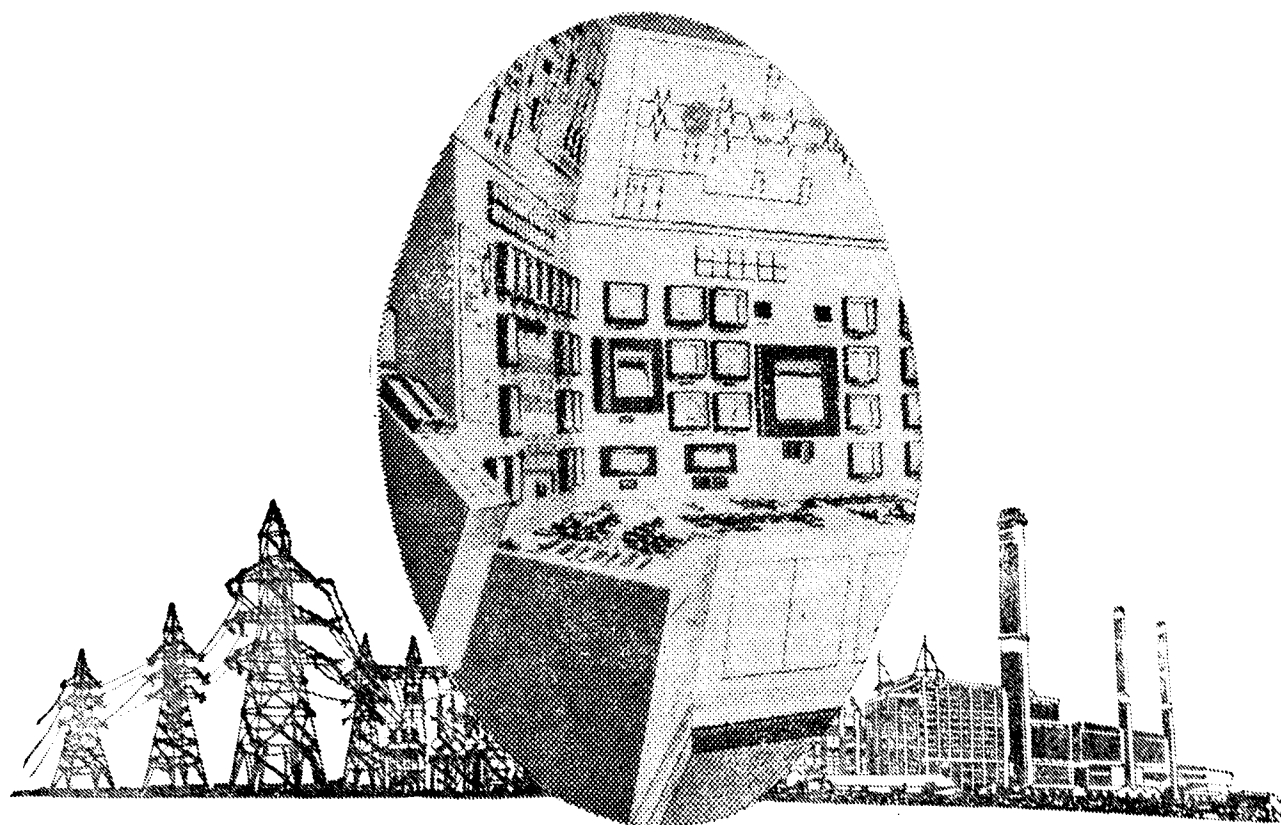
modern period. From all this, we find that the rate of modern economic growth is much greater than the rate of growth throughout history up to the 19th century. From this, we conclude that the factors that determine modern economic growth must be quite different from those that dominated economic growth earlier.

Q. But modern economic growth principally involves an acceleration and an

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make judgements regarding what is suitable?

A. Yes, but "upgrading" is a big word—and a long process. And the timing and sequence of this process are very important, because there will be tremendous waste if a country expends the large amounts of money required to train highly skilled personnel that cannot be suitably employed after they have acquired technical competence. And at each stage in its development, a country should consider which elements of its cultural heritage it wishes to retain and which it is willing to give up. It may have to give up some of its heritage because some of its institutions may be incompatible with a high level of production. But Japan, for example, chose not to give up its basic style of housing and other characteristic aspects of the historical Japanese experience. And India almost certainly would not abandon its religious legacy.

This bias towards tradition is a source of strength, because it preserves a kind of community unity and consensus—at least so long as it amounts to a search for those elements of modern technology that will be compatible with a country's cultural inheritance. Some production practices and technologies used in the industrial countries to increase the output of producer goods or consumer goods may be too disruptive to a society at one stage of its evolution but quite appropriate at a later stage.

Similarly, measures to stimulate a country's participation in international trade, or to encourage the importation of corporate practices and corporate organisation may help a country to meet its people's needs at a certain point in time, but not before that point is reached. A country's answer to any of these questions should, ideally, be systematic and take full account of the strong elements in the country's heritage and the weak elements in it. It is very difficult to analyse what can be taken from the world's storehouse of modern progress—the institutions, organisations and technologies—that will exercise the maximum positive impact at a minimum cost.

Q. How does a developing country figure out its priorities? How does it know when

it is the right time to make any specific investment?

A. Ideally, such a country should be principally concerned with the transition from its present stage to its next phase of economic development—not with the ultimate end. Let me illustrate with the experience of India. It should have been obvious to the government years ago that India was bound to experience a rapid decline in the death rate, with the usual delayed drop in the birth rate. The resulting population growth, combined with the expected industrialisation, would predictably raise the demand for food and the price of food, assuming a normal lag in the food supply. Under these conditions, investment in the skills needed to raise agricultural productivity should obviously be accorded highest priority. It would have been logical to delay large-scale allocations of scarce capital to heavy industry until after the over all economy had acquired the level of development that could sustain it and there has been sufficient success in raising the levels of agricultural production to provide some cushion in the economy. At such a point, the growth in the per capita demand for many agricultural products will slacken, and it would then make sense to emphasise investment in other sectors of the economy.

But there are always countervailing political arguments, pressing the presumed need of certain domestic industries that may not represent economically efficient investments, such as those that are said to be necessary for defence. Generally, the logical—the economic—sequence of investment should be determined by identifying the areas of greatest scarcity that appear to bottleneck other important areas of production. When these are overcome, government investment should move on to other priority areas.

Q. You have indicated the importance of population growth. How do demographic factors interact with national development policy, and what kind of attention should developing countries give to population policy?

A. I believe that developing countries should permit their people to make up their own minds, as individuals, as to

how many children they want, and should make available to everybody the tools of family planning. There appear to be some people in all countries who may want to limit the size of their own families, but lack familiarity with the tools. This may be a small group. The more effective long range approach to reducing population growth is to change conditions affecting popular attitudes—to bringing about recognition that a smaller number of children—educated and equipped with the skills required for "success" in modern society—may bring them greater satisfaction than a larger number of children poorly educated and unable to make a real social contribution. It is not easy to bring the required institutional changes, but they are required for—and tend to accompany—urbanisation, industrialisation and in a world, over-all economic and social development.

Q. You seem to say that a principal priority for a developing country should be to assess its own economy—to identify the products it is exporting, and especially those where exports are growing—and give particular priority to those sectors that reflect its comparative advantage...?

A. Yes, but I would add an important caveat—that the country should realise that its comparative advantage at any given time will not last for ever. So when a country invests to expand production in an efficient segment of its economy, it should keep in mind that its comparative advantage will shift over time. For example, it should consider whether there are competitors on the horizon that may deprive it of its comparative advantage fairly soon. It should avoid over investing in such an area, especially if the investment is large and will have a long term maturity. Also, the country should consider whether alternative investments might be more fruitful—as in new and expanding areas of economic activity.

Sweden is an interesting example of a small country whose comparative advantage has changed almost continuously over the years. Its comparative advantage in iron ore did not last very long, nor did its later comparative advantage in raw lumber, nor its still later compara-

tive advantage in paper. Sweden's experience here was a fairly typical pattern of trade for a small country—comparative advantage tends to fall in a short cycle. So a country should try to look as far ahead as it reasonably can, and try not to get caught in a situation that might be called export obsolescence.

Q. You emphasise the importance of making discriminating judgments. But the tendency toward innovation and initiative—especially at the higher managerial level—is a distinctive characteristic of a dynamic economy. Can this entrepreneurial spirit be cultivated in a developing country—and if so, how?

A. Entrepreneurial performance can be cultivated, primarily by giving it adequate opportunity to assert itself, and by rewarding it, whenever and wherever it exists, materially and socially. The creation of conditions in which society tends such rewards is important not only because this induces a higher level of economic performance, but also be-

cause it tends to raise the country's technological level.

Q. What have we learned in the last ten or twenty years that can help developing countries to devise effective development strategies?

A. I would hesitate to list specific points. Rather, I should argue that we have learned quite a bit about why and how modern economic growth has occurred in today's more advanced countries, and we know these lessons are in some way relevant to the problems faced by developing countries. Exactly which elements of this experience are most useful to the developing countries is a big question. There is a lot of debate these days about just what they can learn from the striking success of Japan. But I think the developing countries will be well advised to encourage their people to study the established records and analyses of how developed countries evolved. And then they should take a good look at their own historical heritage and their basic situa-

tion, and pick out from this array what they consider most relevant to their basic needs and what they would like to import from the developed countries.

In a nutshell, we have learned that economic development is a complicated phenomenon and that it involves many interrelated elements. But let's not make it too complicated, in the sense of encouraging a degree of helplessness, there is a certain give and take in the matter. No country will achieve economic growth with complete efficiency. There are always errors there will always be some waste. But by studying the established record of modern economic growth, developing countries can learn to reduce the costs and hasten the process of economic development. Personally, I am very optimistic about the future, because I have seen much evidence of the remarkable capacity of the human mind and society to devise ways to improve the human experience.

Courtesy : USIS

Growing unemployment in Europe

E. B. Brook

The new year finds the European countries fighting hard to keep down the level of unemployment. All the shipping yards are in difficulty and are dismissing workers, thus swelling the ranks of the unemployed. The golden days, says the author, remain in the future particularly for the United Kingdom where North Sea oil is expected to add some charm to the dismal economic scene.

THE US-Common Market economic relations have been reverted to the conditions of the "chicken war" of 1963 by the United States' unilateral decision to increase the duty on imported bulk brandy by two dollars a cask and on bottled brandy by \$1.75 a gallon. This may seem not a little trivial but the damage caused by this action is that the duty increases reverse a relaxation of brandy duties by the USA in 1963 on condition that the Common Market gave it a concession on poultry, especially turkey, which the Market accepted. There is no question of Market retaliation to the duty increases but the US action rearouses a long-standing difference between the two trade areas. That astute, some say opportunist,

member of the Market, France, is particularly affected and French cognac producers are likely to be more ruffled over this show of tariff aggressiveness than the bureaucrats in Brussels. Even so, certain minor offers from the Market easing some minor aspects of its poultry imports are regarded as no longer valid.

Trifling as this may appear, the two actions typify the sensitive, almost spiteful temper that has crept into Market affairs and made it prone to discern vicious competition and economic danger where probably none exists. The last kick from the Ford Administration appears to be a case in point. The Market's sensitiveness arises largely from its slowly growing sense of helplessness. The Market shows

itself increasingly nervous of the immense economic reserves of the United States as well as of the skill and energy of the Japanese. Militarily, western Europe, despite NATO's shield, is anxious about eastern Europe under the Soviet Union's guidance and is, with some justification, increasingly defensive against its fishing offensive.

Few would deny that western Europe faces graver economic uncertainties than at any time since the Arab oil embargo was imposed a little more than three years ago. The faltering recovery since that time in western Europe has been rendered less effective by its members' disparity in economic performance. It has been rendered aggressively defensive by the immense success of Japanese imports and is threatened anew as to its industrial and transport power sources by a new oil price. Never was the inability of the Market to take an initiative in mending its members' differences more clearly revealed than at the summit meeting

at The Hague when a policy of standstill was found to be the only way to preserve a facade of unity where very little exists. The Tindemans report recommending measures within the Market to move it towards the European Union is about to be buried as an interesting intellectual exercise, and economic divergencies, including monetary, grow. At the moment, Market members retreat into their own difficulties to find an excuse for doing nothing, giving western Europe's major politico-economic group a dismaying appearance of rudderlessness. The one definite statement to emerge at The Hague was Chancellor Schmidt's blunt remark that other members' difficulties had become far too great for Germany to undertake any new actions to help them. It is true that Herr Schmidt is noted for making unpleasant remarks unpleasantly and for being obstructive (the polite word is 'tough' apparently) when Germany anticipates a strain. His refusal to soften his opposition to developing countries' requirements in the form of a common fund to guarantee commodity prices has spoiled the prospects of agreement on a common position to be taken by the Market in the closing phases of the north-south dialogue in Paris. But, however obstructive Herr Schmidt may be, the important point for west Europe at the present time is that he leads the prosperous nations' stonewalling against less fortunate Europeans and the developing world alike.

idle capacity

Even Herr Schmidt cannot feel too sure of himself. Unemployment in West Germany stands at about one million in addition to increased figures of short-time working. As the IFO economic research bureau of Munich has revealed that about one-third of German industrial capacity is unused. To a country uncommonly dependent on foreign trade the decreasing expectation of further increases in export business is worrying. Managements of German manufacturing companies have, over the last 15 years, taken an ever more unhappy view of future growth and, hence, are increasingly reluctant to make the large-scale capital investments that create employment. While, in 1960, 53 per cent of manufacturing companies gave expan-

sion of capacity as the first aim of their capital investment, today only 12 per cent give that justification. West Germany is also being obliged to increase its grain imports in the coming year by as much as 1.5 million tonnes because of decreased farm production. Reasons are partly climatic with last year's drought, movement of labour from the land as "guestworkers" have to move home when German unemployment increases, and partly from the land-wasteful open-cast lignite mining which supplies industry with the cheapest form of coal but ruins the countryside. Even Chancellor Schmidt has a few reasons for humility.

growing unemployment

The Japanese, whose imports of cars, electrical machinery, watches and fine equipment to Europe roused the Market members to their one recent show of unity in protest, have suggested, unofficially, what may be a useful solution to trade wars in the form of a "division of labour". Japan, despite its appearance of great prosperity, has its problems and difficulties, not least a growing number of workless population. More than the Europeans, the Japanese are ready to adjust their affairs. The basic problem is that the Market countries and Japan are competing in many cases to make and sell the same products. However, aggressive Japan, may be in exporting its manufactures is wide open to imports of many agricultural products the Market has in super-abundance—butter, skimmed milk and processed meat. Japan, incidentally, is moving ahead fast to find and develop farm products—from soyabeans through coffee to tobacco—in South America, especially in Brazil. Its latest order to Brazil for these is worth \$600 million. Japan is establishing a pilot project to develop 125,000 acres of currently dry land in Brazil which if the project proves successful, would be expanded to 750,000 acres of irrigated, arable land on whose produce Japan would have the first foreign claim. In shipbuilding, Japan will reject a Common Market suggestion that it should restrict itself to 50 per cent of world orders, but may accept a compromise. Almost all shipbuilding is in difficulties. Japan is

cutting its shipyards labour force by 25,000, Australia is closing three of its five shipyards, the Dutch industry is working at only 10 per cent of its full capacity, Sweden is cutting production by 30 per cent and Britain's shipyards are in a serious plight. France is dismissing 6000 of its shipbuilders and even West Germany has axed 4000 jobs and more dismissals are looming there.

For the small, prosperous countries of central Europe, Austria has raised taxes and prices in an effort to remain in good order but maintains its schilling at so high a level that it discourages trade and tourism so essential to the Austrians; the well-off Swiss have a heavy official imbalance in payments. Overall, in west Europe, unemployment grows steadily and becomes a more disturbing social as well as economic problem.

The golden days remain in the future. For Britain, now again making heavy borrowings from the IMF, the prospects are that its North Sea oil may be worth £50 billion in ten years' time; for Italy, the other big debtor, runaway liras are returning home and more association with the middle-east and north African countries is beginning to yield profits. The European leaders, including those in the east, sent one another Christmas and New Year cards, but their weapons are ready for the close in-fighting that is expected in the new year.

Eastern Economist

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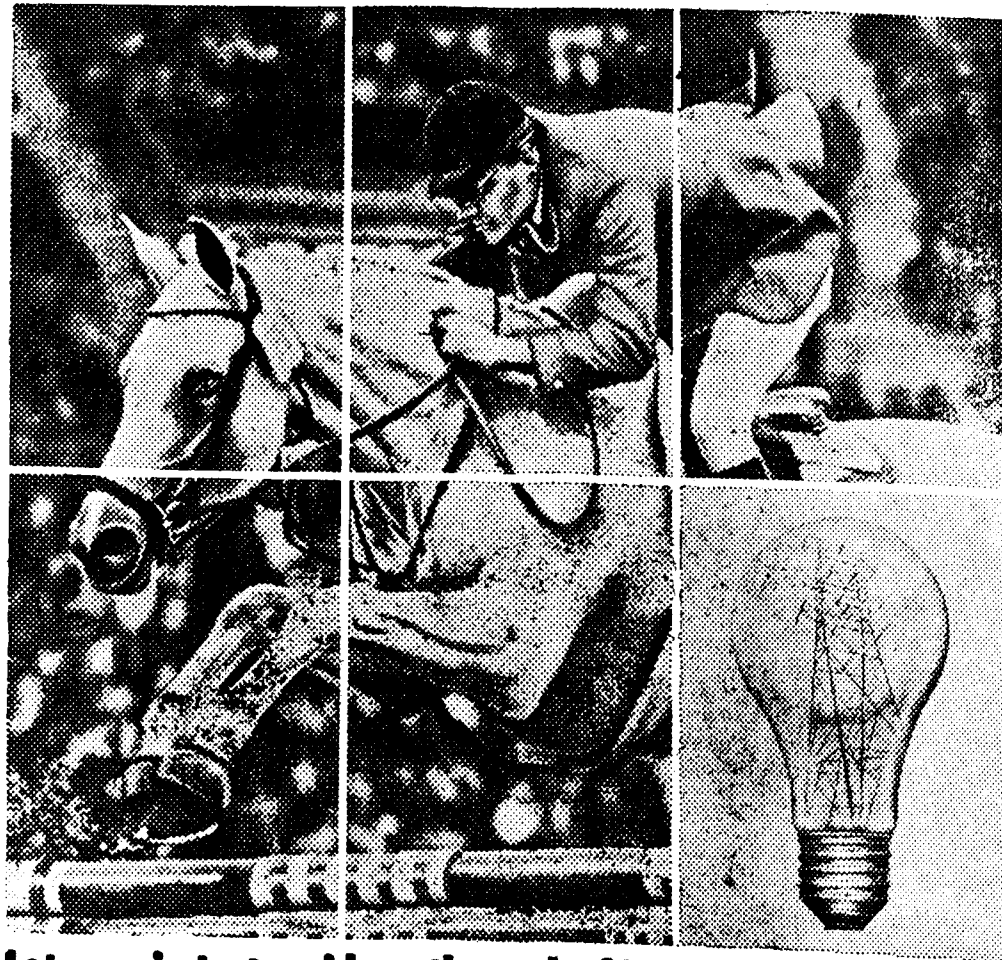
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Insight into farm finance

Reviewed by
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Rural Money Markets in India : Subrata Ghatak; Macmillan Company of India; Pp 230; Price Rs 58.

Readings in Industrial Finance : Edited by L.C. Gupta; Macmillan Company of India; Pp 421; Price Rs 68.

The Rise of the Corporate Economy : Leslie Hannah; Methuen & Co. Ltd, London; Pp 243; Price £7.75.

Untouchability in Rural Gujarat : I.P. Desai; Popular Prakashan, Bombay; Pp 265; Price Rs 40.

Britain's Economic Problems : Too Few Producers: Robert Bacon & Walter Eltis; Macmillan Press Ltd, Pp 194; Price £1.95 net.

Poverty of Policy : H.K. Paranjape; Somaiya Publications Pvt Ltd; Pp 387; Price Rs 85.

Rural Money Markets in India is an extended and modified version of the Ph.D. thesis which the author submitted to the university of London in 1972.

The author has made an attempt in this book to analyse a very important segment of the Indian economy, namely the rural money market. He has tried to test many of the existing hypotheses regarding rate of interest, pattern of repayment, etc on the basis of empirical data and what is of significance is that he finds that there is no basis whatsoever for accepting some of these hypotheses. Since rural money market is an important sector of the economy which has a vital role to play in future, it would be instructive to know the findings of the author.

levels of borrowing and debt are correlated with larger capital expenditure, while lower levels of borrowing and debt are correlated with greater family expenditure..." The evidence also suggests the great importance of personal security against which loans were given. This implies the dearth of different types of collateral in the agricultural credit markets and the desirability of diversifying the nature of the cultivators' assets with the promotion of their income and wealth.

According to the author, the hypothe-

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dual characteristics

There is no doubt that the Indian rural money market is characterised by duality with both organised and unorganised sectors operating in it. On the supply side, the unorganised sector dominates the field even at present notwithstanding the growth of the organised sector since 1951. The nature, composition and operation of both sectors exhibit a good deal of contrast. This implies that positive steps would be required to bring about the integration of the unorganised and organised sectors of the rural money market.

The author found on the basis of statistical data collected and scrutinised that "it is capital rather than family expenditure which is the more significant explanatory variable affecting the demand side." This would imply that "higher

sis that rural interest rates in the Indian economy are always very high is not generally substantiated on the basis of this study. For example, the average rural rate varied between about 15 per cent and 17 per cent between 1951-52 and 1961-62. As the price level during this period went up by about 30 per cent the fall in the real rate of interest must have been higher. Where interest rates as high as 20 or 30 per cent existed, the analysis of the cost side showed that greater risks, uncertainty and administrative costs were responsible for such a state of affairs. This implies that monopoly profits in rural interest rates must be existing only in a few cases.

According to the author, the hypotheses regarding positive correlation bet-

ween income and repayment and negative correlation between the rate of interest and income and repayments are empirically justified. It was also seen that the level of interest rate was inversely related to the degree of monetisation of the rural economy.

The author has argued that rise in farmer's income will enable him to accumulate more and better type of assets the use of which in the loan market is expected to reduce the rural interest rates by reducing the risk-premium and monopoly profit wherever it exists. Risk premium may also get reduced in future because of diversification of assets, adoption of improved agricultural technology and crop insurance.

basic weaknesses

The author found the basic weaknesses in the working of cooperative credit societies in their poor quality of administration and management as well as in their inability to mobilise deposits. The author has also asserted that the cooperatives failed to link the system of credit and marketing, this failure considerably increasing the task of promoting the necessary integration between the organised and unorganised rural money markets. Also, to increase agricultural productivity and income, particularly of small farmers, according to the author, it is necessary to link credit to both irrigation and fertiliser supply as well as to supervise loan-use effectively.

Our policy in regard to agricultural finance appears to be based on untested hypotheses which in other terms means certain prejudices and biases. No wonder a policy based on such unverified foundations has been unable all these years to deliver the goods. Before we try to find out the reasons behind a fact, we must first ascertain that the fact exists. Subrata Ghatak has certainly brought fresh insight to the problem which has been analysed all these years along traditional lines leading to the same old conclusions regarding money-lenders, rate of interest, cooperative credit and so on

The study has shown that we will have to review some of the traditionally accepted hypotheses and reshape over policy accordingly if we are to achieve worthwhile results in the field of rural credit.

INDUSTRIAL FINANCE

The articles included in *Readings in Industrial Finance* provide a judicious combination of theory and practice. The author has done well to include appropriate passages from the theoretical works of Keynes, Joan Robinson, Gurley and Shaw, Myrdal and Goldsmith, along with the institutional analysis and description of the working of various financial institutions concerned with industries by quite a few eminent Indian and foreign authors. Since the book is intended mainly for the Indian readers, naturally Indian institutions and problems have received major share of author's attention.

Since over the last decade or two, the problems of industrial finance have acquired new social dimensions inasmuch as financing methods and institutions affect control of industry and concentration of economic power, these have become important considerations in the formulation of government policy towards private industry in India and have been an important influence in shaping the structure and policies of industrial financing institutions. This can be proved by drawing attention to some of the articles in this book which has given a fairly comprehensive coverage to the methods and problems of industrial finance.

The author has classified the readings into seven broad sections: capital market, entrepreneurship, commercial banks, development banks, securities market, foreign private investment and social perspective of private industry.

Analysing the factors in the development of capital markets, George Rosen has shown how the structure of capital market has varied from country to country depending upon a variety of economic and social factors. Examining the Indian case, the author has shown how at the start of the programme of industrialisation private firms played a large role, how India had unorganised money market which met the demands for funds on the part of the rural and poor urban

population, an almost unrelated modern banking system the main purpose of which was to supply the short-term capital needs of the firms whose longer term requirements were largely met from the internal sources of the firms or the ownership groups, and the security market which contributed to meeting the longer term investment needs of only a few firms. The author has suggested that with industrialisation projected on a large scale, changes are required to meet the needs for finance which would exceed the capacities of the traditionally operating institutions.

Writing on the process of investment, William Diamond has stressed the point that the availability of finance is closely linked to a host of other equally important factors all of which together determine the rate of productive investment. This means that the government which wants to promote economic development should be prepared to encourage the growth of institutions necessary for such development, to provide the kind of legal framework they require and to finance the policies which will induce the volume of savings and the kind of investment it is seeking to bring about.

illuminating reading

'The Setting of Entrepreneurship in India' by A.F. Brimmer is an extremely readable and illuminating article throwing light on India's historical experience. The author has argued that the managing agency system of the industrial organisation in India was the result of efforts by the British and Indian entrepreneurs to overcome the limitations imposed by shortage of venture capital and business enterprise. He has maintained that whereas the acts of irresponsible managing agents receive great publicity, the great achievements of the managing agents as an instrument of much-needed industrial development in the country go unheralded.

Lord Piercy has surveyed the post-Second World War trends in the theory and practice of commercial banking. He has pointed out that in bank lending no clear line can be drawn between the provision of credit and provision of capital. Since stocks and work-in-progress are

elements of capital formation, commercial banks do provide their customers with capital year after year even though bank credit is nominally regarded as short-term in character. The author has noted that since the Second World War, the commercial banking system is expected to do more for financing capital formation of industry than the orthodox views on deposit banking would allow.

banking structure

The book includes a summarised version of the report of the study group appointed in 1968 by the National Credit Council. It is well-known that the group's recommendations have provided the basis of the recent official policy towards expansion of banking. The group pointed out the desirability of reorienting the structure of banking system to increase availability of credit to sectors heretofore neglected, viz, agriculture, small borrowers, weaker sections of the community and exporters. The report also emphasised the need for shifting the emphasis in lending policies and procedures from tangible security to viability of operation and worthiness of purpose. This article gives an idea behind the various changes which are taking place in recent years in the sphere of commercial banking in India.

Writing on the creation of lending institutions, Edward Nevin has examined the need for creating development finance institutions and the problems of their organisation and working. He has stressed that it is inescapable for the government to play a crucial role in the creation of these institutions. The author has also stressed that "the effectiveness of the lending programme in the circumstances of underdeveloped economies would often require that the provision of finance should be accompanied by proper advice, information, general investment consultancy, and control over business practices."

There are a number of other articles in this book explaining the historical evolution of some of the financial institutions in India and their reading certainly gives readers better understanding of the functioning of those institutions at the present. Articles on new issue market and

investment trusts by L.C. Gupta are worth careful perusal. Who would deny that in a country like India there is a clear need for many more investment trusts to bring the potential investors from the middle class into contact with the corporate sector? The Unit Trust of India fills the gap only partially.

It is seen that books on financial and banking institutions in India are not as plentiful as on other aspects of the Indian economy. This poses a serious problem for the students of banking and finance as they are required to refer to various articles scattered in numerous journals often not easily accessible to many readers. *Readings in Industrial Finance* edited by L.C. Gupta would therefore come very handy to the students of banking and financial institutions in India.

CORPORATE ECONOMY

It is commonplace knowledge that during the 20th century large monopolistic corporations have come to dominate the national economies of developed countries. England is no exception to this rule. In the course of the present century "the British industry has witnessed a transformation from a disaggregated structure of predominantly small, competing firms to a concentrated structure dominated by large, and often monopolistic corporations". For example, in England at the present, 100 corporations which now occupy the dominant positions account for something approaching one half of total manufacturing output, while at the turn of the century the largest 100 firms accounted for just 15 per cent of output.

The author of *The Rise of the Corporate Economy* has made an attempt to give an account of how today's giant industrial corporations have come to supersede small competing firms which dominated the 19th century industrial scene of the presently developed countries. The author has based this study on the statistical data of merger activity and industrial concentration in the United Kingdom during the 20th century. According to him, the crucial periods in the formation of the modern industrial corporations in the British industry were the two decades of the 1920s and the 1960s. The conventional explanations offered and

generally accepted so far of the formation of industrial corporations were based on monopoly powers and economies of scale. But according to the author, they offer "only partial answers to the timing and impact of these merger waves and to the motives of entrepreneurs." On the other hand Dr Hannah's explanation of the formation of big industrial corporations brings into focus the interplay of many and complex factors such as changes in business organisation and in managerial techniques, development of stock market and, of course, government policy towards industry.

The author has made an attempt to depict the evolution of modern industrial corporations in the United Kingdom. For example, the number of small firms employing 200 persons or less, which was 136,000 in 1935 had by 1963 declined to 60,000, and their share in manufacturing output over the same period was reduced from 35 per cent to just 16 per cent. In qualitative terms also modern corporations are different from their forebears. Modern corporations are more diversified; they have more complex organisational structures; they spend more on research; they are more likely to acquire control over rivals; many of their products are very different from those of previous firms. According to the author, the development of modern corporations is closely bound up with 'the second industrial revolution', the 20th century economic growth being based on electricity, motor car and chemicals rather than on steam, railways and textiles.

political implications

The significance of this organisational transformation has profound political and sociological implications. It induces substantial changes in relationship between government and industry; it has brought an increasing number of workers into the employment of large organisations; it has extended to the wealthier middle class what the industrial revolution accomplished for the working class by breaking the links between family and work which survived in the Victorian family business but are increasingly rare at present. In making this break, the modern form of corporation has divorced

the role of savings and investing from that of managing and directing. The author has rightly pointed out that "The harshness of capitalism that remains may still bear down heavily on individuals, but they do so less as a result of competitive market pressures on employment and wages, and more as a result of decisions which emanate from a managerial hierarchy which has supplemented the market as a means of coordinating market activities."

the upshot

What is the upshot of the development of corporate form of industrial organisation for the welfare of the community? The corporate economy has on the one hand created new possibilities for promoting economic growth; but it has also established an industrial structure with a potential for severely restricting the level of economic welfare and equitable distribution of income. This poses a difficult dilemma for modern governments, especially because it is usually difficult for government agency to assess fully and quantitatively either the benefits or the costs of any monopolistic situation currently existing. The author opines that though the promoters proclaim that corporations are created for the purpose of realising the best economic results which both capital and labour will share to their best advantage, the most consistent conclusion of research on mergers over the last fifty years is the finding that "a large number of them fall short of the hopes and intentions of their promoters." The author has not tried to analyse critically this problem and arrived at any definite conclusion in this regard because according to him, "the wider questions raised by this transformation lie beyond the scope of this work..."

Industrial organisation has been undergoing rapid transformation with the consequence that industrial system is becoming oligopolistic or monopolistic. The author has succeeded in explaining the various factors responsible for the emergence of corporations in the United Kingdom in the 20th century. It is rather disappointing that the author has not equally critically examined the welfare implications of this development. In spite

of this serious shortcoming, this is an excellent analysis worth careful study especially, by students of economic history.

UNTOUCHABILITY

The problem of untouchability has been defying all the concerted legal, social and economic efforts to solve it. Before further steps are taken, it is necessary to take stock of the situation that exists and the results achieved so far in our efforts to remove untouchability.

Untouchability in Rural Gujarat contains a descriptive account of this scourge in rural Gujarat. It makes an attempt to find out the extent and the manner in which untouchability is practised in rural Gujarat. Since untouchability is a universal problem in India, the findings of this study would give readers an idea of the extent and manner to which it is still practised in India and the fruits which attempts at removing untouchability have borne so far.

Untouchability, manifests itself in the avoidance of physical contact with persons and things. According to the author, the sense of physical contact is the crux of untouchability. If this disappears, the author would not mind even if the Hindus do not change their beliefs and mental attitudes. He feels that his enquiry affords grounds for holding such a view.

marked differences

As regards practising of untouchability, the author observed marked differences in the private sphere and in the public sphere. Barring practising of untouchability in village panchayats, he found that untouchability in the sense of avoidance of physical contact is no more practised and therefore no more a problem in the public sphere. He found that in rural Gujarat untouchables are not discriminated against in the public sphere.

In regard to practice of untouchability in the private sphere, though it was widely practised, there however were differences. For example, untouchability is very widely prevalent in regard to cultural matters such as temple entry. It is equally widely prevalent in the domestic sphere. But in the occupational sphere, the author observed significant breaches

in practising of untouchability. But even in these matters certain castes (the barber and the potter) seem to be observing untouchability to a great extent, while some other castes (for example, tailors) seem to be softening down. One reason, according to the author, may be that tailoring is becoming 'an open occupation'. All castes, higher and lower are taking to this occupation.

The other point in regard to occupational activity is in regard to restrictions on the untouchables in the choice of activities. It was found that untouchables are being recruited for house construction purposes even by caste Hindus. This is probably because of shortage of labour. But even here there are many 'ifs' and 'buts'. The tragic part is that even if sometimes the high caste Hindu employers may not mind, the lower caste Hindu employers may not permit untouchables to work in certain parts of the house.

role of education

The author's further enquiry into the occupational sphere showed that bhangis, chammars and khalpa are all still following their lowly traditional occupations, though younger generation is trying to give up some of their ancestral occupations. The general trend in occupational change by untouchables is to take to activities which did not exist at the beginning of the 20th century. These changes are the product of economic, political and technological developments outside the rural areas. These activities require some skills. The untouchables are trying to acquire these skills through education. What is needed therefore, is spread of education among untouchables. The author has observed that "the resistance to employment of untouchables both in private and public spheres may not be so much due to the belief in untouchability as due to scarcity of jobs which is obviously due to slow rate of development." This means the real breakthrough will come through economic development.

As regards practice of untouchability in the public sphere, the author found that except in panchayats, untouchability no longer presented a problem. In primary schools, it was found not to exist.

It appears that younger generation, particularly the educated among them, appeared less untouchability-minded even outside the schools. But in panchayats, it is obvious that adult culture prevails and the status acquired by untouchable members due to political position is practically nullified by illiteracy, economic dependence and numerical weakness of the members. The author observed that in the public sphere the Hindus do not observe untouchability not so much because they have become more liberal in their attitude, but because they are compelled to adjust their behaviour to the compulsion of changing situation,

irrational element

Thus the upshot of the author's enquiry is that in rural Gujarat, untouchability is strong in religious and domestic spheres; it is less strong and is weakening in the occupational sphere; and it is not at all a problem in the public sphere. This dual nature shows the role of irrational element in human behaviour.

What are the steps that require to be taken to remove untouchability in rural areas? According to the author, one way is preaching rationality and exposing the irrational elements in human behaviour. The other way is through the law with all the limitations of its enforcement in a country like India. The author has suggested that the enforcement of law against untouchability should be entrusted to untouchables themselves. Voluntary organisations and political parties will have to create awareness against untouchability especially in rural areas. The untouchables must be made politically conscious so that they are in a position to assert their civic rights. The third remedy and possibly the most effective would be, according to the author, economic development which would create more job opportunities in rural areas of the type in which considerations of caste, religion, etc become irrelevant.

The findings of the author from his study of untouchability in rural Gujarat will be found valid for other states also as untouchability is a universal phenomenon in India. It is a deep-rooted evil which has entrenched itself firmly in the attitudes of the people in rural areas

where the spread of literacy is still extremely limited. If the evil is to be uprooted, it will have to be attacked on all fronts and even then it is doubtful if this ancient evil will get unrooted as quickly as one would wish. Though education and economic development are the really effective remedies against untouchability in India, mere reliance on them will take very long time before untouchability disappears. While therefore persuasion and force of law must go hand-in-hand, it may be presumed that force will have to play at least for some time to come a major role in the uprooting of this age-old evil which even at present exhibits itself in varied forms in the day-to-day lives of most people in rural India. Drastic diseases require drastic remedies!

BRITISH ECONOMY

The decline of Britain after the Second World War has been rapid. If at one time it was Turkey that was called the sick man of Europe, that epithet now aptly applies to Britain. What is wrong with Britain? Why is her economy stumbling and crises-ridden? Why is the pound sterling, once the stablest currency in the world and avidly sought after by nations as the reserve currency sliding down vis-a-vis not only other western currencies but even in relation to Indian rupee, and is being suspiciously looked at as a reserve currency? What has gone wrong with her balance of payments so much so that even the western dominated International Monetary Fund should hesitate to make a loan and insist on stringent conditions for granting it? Where did the rot start? When? Who were responsible for it? Maladies such as these are not caused by fortuitous circumstances but are embedded deep in some long-standing developments. If a nation is to be set on the right path after reversing the declining trend, there naturally should be a thorough, dispassionate and objective analysis of the state of the economy and of the causes of its decline. It is only on the basis of such a critical and correct appraisal that right policies can be evolved enabling the country to come out of the stagnating or deteriorating condition and regain the status or eminence which is its due.

In *Britain's Economic Problems*, Robert

Bacon and Walter Eltis have made an attempt to analyse the trends in the British economy during the post-war years and especially in recent years, their central proposition being that part of the economy produced a surplus that makes it possible for the remainder sectors of the economy to function.

root of malady

The authors find the root of the present economic malady in the relatively declining number of workers being engaged in various industries that produce marketable goods, whereas growing number of workers are being employed in public services which produce nothing at all that could be sold at home or overseas. Not only this but the needs of capital equipment, imports and durable consumer goods of the employees in the public sector have to be largely met from declining industry. Thus a very great structural shift in employment has occurred in the British economy since about 1951. The authors have shown that employment outside industry increased by over one-third relative to employment in industry from 1961 to 1974 and this increase was most rapid in the public sector. The increase in employment to provide more public services continued through boom and recession, and until 1975 each increase was permanent, so that workers taken on in recession were not available for industry in subsequent years.

One reason why public sector employment could be expanded particularly rapidly was that extra jobs could be provided without an immediate need for extra capital investment. More workers could be fitted into existing offices. In industry, in contrast, extra workers will be taken on only if there is additional machinery with which they can work as the high cost of present-day labour can normally be covered—and industry must cover the cost of an extra worker through extra sales—only if workers have a considerable amount of machinery with which they can operate. The extra workers were therefore drawn into the public sector because all wanted improved social services and also because to increase public sector employment

appeared a cheap and socially desirable way of achieving full employment in times of recession. The departments of Education, Health and Environment found it easier to persuade the Treasury to approve their expansion plans at such times. Thus the authors have argued that it is the public sector activities which do not provide marketed output that put particular pressure on the resources of the remainder of the economy, that is, mainly on the industrial sector in the case of Britain. This has two distinct effects. It reduces the economy's marketed output, and at the same time it increases what producers must give up out of a diminished total to supply the needs of non-producers. The authors have maintained that expansion of service sector of the British economy (i.e. non-market sector) was one of the world's fastest.

adverse effect

The increase in expenditure on the service sector has produced both kinds of adverse effects. Attempts were made to finance this expenditure at the expense of workers' consumption. But workers did not acquiesce in this, so wage inflation accelerated unemployment and income policies had to be made increasingly strict. The workers managed to pass the bulk of extra taxation on to companies, who therefore had to pay for the expanding non-market sector. Companies responded by investing less so that the British economy suffered from declining market sector employment. Britain, according to the authors, is therefore, suffering from both growing structural unemployment and a situation where incomes policies have to be tougher or unemployment higher than before to contain inflation.

The question 'Can economies have simultaneously zero growth, rapid inflation, substantial unemployment and a balance of payments deficit?' was set in Oxford. The undergraduates answered that this combination of failures is possible only in an undeveloped country. This has now been achieved in Great Britain.

This is the gist of the thesis put forward by the authors in this work. But the style of analysis and presentation is

typically Anglo-Saxon, roundabout and indirect and mixing various threads of arguments at one and the same time, creating a sort of confusion in the minds of readers though the basic proposition which is sought to be put before the readers is pretty simple. Lucidity is certainly not the strong point of these authors.

One would also question their hypothesis that it is this lack of balance between market-sector and non-market sector of the British economy that is responsible for the tragic decline of the British economy. The argument is superficial, for the restoration of the balance would not necessarily put the British economy on the road to prosperity. Ultimately it is the British resources that would determine the rate of growth, and the entire development of the British economy during the 18th and 19th centuries or even upto the beginning of World War I had come to be based on cheap raw materials which the British economy could obtain from her colonies such as India which were under the British political subjugation. Once this source dried up, Britain has come to occupy the position which nature destined for it. Only a development such as massive oil-find in the North Sea can rescue the British economy from the present doldrums. One very much doubts whether a little shift of resources from service sector to the market sector can do the trick.

DULL DROSS

The word 'poverty' seems to have a sort of vicarious attraction for the Indian authors who must therefore try to project the word on the title page, whether it is meaningfully apt and aesthetically elegant or not. H.K. Paranjape's book '*Poverty of Policy*' is a case in point. Publication of the book which is nothing more than "a collection of essays written over a period of about ten years" suffers from a number of serious defects inherent in such a publishing venture. Many articles are likely to lose their relevance especially if they are read in a radically different environment, (such as that in India since the declaration of emergency), when many of the policy-trends are likely to be reversed. Also a collection of such articles contains only a sectoral analysis and gives out just a bit

of thinking of the author, thus depriving the reader of an integrated picture of a situation spread over a decade or of the thinking process of the author. H.K. Paranjape's book contains all such lacunae and pitfalls making the reading of the book a dull and drab exercise rather than stimulating intellectual experience which one hopes from the author who has variegated experience and who was involved in some of the policy-making decisions about which he has written in this book.

Of the three parts, the first is on 'Economic Policy' containing seven articles which, according to the author, are of comparatively recent origin and therefore of practical relevance even in the changed context.

poverty of thought

The first articles, 'The Poverty of Policy' (which incidentally provides the title to the book) is a sort of rambling discourse repeating what has been said and written upon umpteen number of times by eminent and sundry on the gathering economic crisis. He prescribes that "we confine the use of discretionary controls to a comparatively small number of major decisions. For other purposes, it would be better to use monetary and fiscal devices and also the control that the state can indirectly exercise as a major shareholder and banker," the use of prices mechanism and profitability ("which is not to be dismissed as a capitalist aberration"), and decentralisation "with more powers being conferred on regional and local authorities for developmental programmes" is nothing but a hotchpotch of policy framework and 'poverty of policy' (to use the author's own phrase) against which the author proposes to raise his voice.

The one recurring theme of the author in this part of the book is that government must have an incomes policy. The author has maintained that fixing of ceiling on emoluments was a step in that direction, that the first Pay Commission was the main culprit setting the train along wrong lines, and public ownership can be used in various ways in which income distribution can be changed in a more egalitarian direction. According to him, "it is

necessary that a rational policy and well designed instruments for its implementation are adopted." One is amazed at the naivete of the author's treatment of the incomes policy. Is he not aware of the ramifications of such a policy in a vast and predominantly agricultural country like India with the type of administrative machinery which he rightly berates? Has he not observed the antics which are going on even in a disciplined country like England in the name of incomes policy? The same sort of banalities characterise the other articles in this section. In fact, one finds it difficult to fathom the mind of the author and one wonders whether he has himself a fully worked out and integrated framework with which to analyse the various problems confronting the country. The contradictory lines of thinking which the author often adopts betray an absence of such a framework. Mere cavilling at whatever the government does appears to be the main refrain of all the articles.

reversal of policy

Part two of the book includes papers and addresses on different aspects of the government's industrial policy. Various aspects of the policy relating to private sector industries were subjected to critical scrutiny during the sixties. For example, there was the Mahalanobis Report on the Distribution of Income and Wealth, the Monopolies Inquiry Commission, report prepared by R.K. Hazari and so on. The author is critical that there is "a slow but steady reversal of the policy package of 1970..." There is "less emphasis on 'self-reliance' and a softer approach to foreign capital and collaboration. There is no talk of breaking up larger houses or of curbing their further development as such." The author wants that even fundamental structural changes must be brought about in the industrial system even when the country faces crisis. But did not the policy advocated by the author bring the industrial march of the country practically to a halt during early 1970s? Has not the reversal of the policy against which he complains achieved for the country substantial results? Developing countries like India cannot afford the luxury of adherence to a dogmatic policy laid down

by academicians sitting in their ivory towers.

The third part deals with the problems of administrative change. The author has pointed out the various administrative bottlenecks for which the government is again held responsible.

Poverty of Policy is itself characterised by poverty of which the author is persis-

tently complaining. The articles indicate neither the analytical rigour of an academician, nor the touch of practical wisdom of a policy-maker. The author goes on repeating platitudes in a vapid style making the reading of the book extremely dull without any compensation either by way of intellectual stimulation or the lesser pleasure of enjoyment of delectable prose.

diagnostic approach to problem solving in maintenance. With the aid of such instruments as vibration analysers, radiography and flaw detectors which are well illustrated with practical examples and case studies and their principle of working and their application, the theory is expounded in clear terms.

basic need

For any function to be controlled, it is imperative that parameters should be determined to measure it. The author is credited with the treatise of the methods of measuring maintenance effectiveness and the principle of Designing-Out-Maintenance to meet the specific and specified requirement of any industry—the basic need being to keep the volume of maintenance as minimum as possible at optimum level of performance. The measurement of safety effectiveness is yet another new parameter developed by the author to demonstrate how this can be an important function of the maintenance manager in increasing profitability and productivity of the unit.

Any industry employing machines

Maintenance management

Design-out-Maintenance & Instrument Aids : Durgesh Chandra; Universal Book Corporation, Bombay and Instrument Association of India, Bombay; Pp 281+ 99 Diagrams; Price Rs. 62.50

Reviewed by **K.K.Varshney**

THE ROLE of maintenance to aid productivity and optimum utilisation of assets and resources is not yet well recognised in the developing economy of our country. In this context, the publication of *Design-out-Maintenance* is welcome. The author propounds the theory that a major part of maintenance of the plant and machinery can be done while the machine is on-stream. According to him, the scheduled maintenance or periodic maintenance is a

costly system where the machine is taken out of productive services for overhauls.

The author's analogy that the human body which is the most efficient machine ever invented or produced so far is maintained while the machine is in operation and that sophisticated machinery in industrial activity can be treated the same way thereby reducing down-time and increasing machine's productive capability, is understandable. This naturally brings

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would stand to gain when wear and tear of rotating or moving parts is reduced and when non-destructive methods of testing of materials are employed and maintenance is measured, planned and controlled. It is brought out in the treatise how it can be done.

Any industry is basically run for profit, for quality production of items of its choice and to meet the needs of the market. With this prime objective, the financial considerations alone dictate all activities, including maintenance. Unless the maintenance manager is able to budget and organise, he and his department should be ready to play a subservient role. Therefore, chapters on budgeting and organising have been given due importance and have been exhaustively covered.

An industry uses machines, materials

and energy in the process of manufacturing. The chapter on Efficiency Drive in utilities covers some aspects of heat, electric power, steam and water but the treatise seems to have turned sketchy here. The materials management covers only the inventory control for quantity and quality and completely passes over the importance of materials movement and handling needs and rationalisation of their planning. Human resource planning and skill training and development, of course, have not been dealt with at all. However, some compensation is provided in illustrating some of the modern techniques such as the Queue Theory, The PERT Technique and Tribology. On the whole, the book will do well to broaden the outlook of maintenance engineers and help them in achieving wider responsibility encompassed within the function.

Books received

Readings in Indian Labour and Social Welfare : J.N. Mongia; Published by Atma Ram & Sons, Kashmere Gate, Delhi; Pp. 804; Price Rs 100.00.

Science, Universities and Research in India : M.H. Gopal; Published by Geetha Book House, New Statue Circle, Mysore-570001; Pp. 72; Price Rs 20.00.

Watch Your Figures : C. Northcote Parkinson & M.K. Rustomji; Published by the Macmillan Company of India Ltd.; Pp. 153; Price Rs 12.50.

Assets of Rural Households : Published by Reserve Bank of India, Post Box No. 1036, Bombay-400 001; Pp. 209; Price Rs 17.00.

Second India Studies: Services: Hannan Ezekiel and Madhoo Pavaskar; Published by the Macmillan Company of India Limited; Pp. 135; Price Rs 8.00.

Credit Planning Objectives and Techniques : Edited by S.L.N. Simha and A. Raman; Institute for Financial Management & Research, 3, Kothari Road, Nungambakkam, Madras-600034; Pp. 337; Price Rs 40.

Nation-Building in Independent India :

M.N. Srinivas; Oxford University Press, 2/11, Ansari Road, Daryaganj, New Delhi-110 002; Pp. 36; Price Rs 2.

Development Co-operation : Published by Organisation for Economic Co-operation and Development; Pp. 273; Price \$16.25, £8 00.

Disguised Unemployment in Under-Developed Countries (With Special Reference to India) : B.N. Ghosh; Published by Heritage Publishers, M-116, Cannought Circus, New Delhi-110001; Pp. 152; Price Rs 20.

Optimization in Economic Theory : A.K. Dixit; Published by Oxford University Press, Pp. 134; Price Rs 30.

Professional Management in India—Problems and Prospects : Edited by M.V. Pylee & K.C. Sankaranarayanan; Published by Foundation for Management Education, School of Management, University of Cochin; Pp. 466; Price Rs 75.

Report of the Sales-cum-Study Team to the Middle-East: Published by the Processed Foods Export Promotion Council; Pp. 114; Price Rs 20.

Scope for Industries in Different States: Published by Indian Investment Centre, "Jeevan Vihar", Parliament Street, New Delhi-110 001; Pp. 314; Price Rs 12.

A Select Bibliography on Women in India : Research Unit on Women's Studies, S.N.D.T. Women's University, Bombay; Published by Allied Publishers Pvt. Ltd., 13/14, Asaf Ali Road, New Delhi-110 002; Pp. 131; Price Rs 17.50.

The Agrarian Prospect in India : Daniel Thorner, Allied Publishers Pvt. Ltd., 13/14, Asaf Ali Road, New Delhi-110 002; Pp. 82; Price Rs 17.50.

State and Nation Building : A Third Worlder Perspective : Edited by Rajni Kothari; Allied Publishers Pvt. Ltd., 13/14, Asaf Ali Road, New Delhi; Pp. 336; Price Rs 55.

Managerial Options in India : Edited by Manish Nandy; Allied Publishers Pvt. Ltd., 13/14, Asaf Ali Road, New Delhi; Pp. 117; Price Rs 25.

A Survey of Research in Economics : A Project Sponsored by the Indian Council of Social Science Research, New Delhi; Published by Allied Publishers Pvt. Ltd., 13/14, Asaf Ali Road, New Delhi; Pp. 424; Price Rs 60.

Economic Theory : Asit Banerji & Ajit Singh Vats; Published by the Macmillan Company of India Limited; Pp. 268; Price Rs 15.

Breakthrough to Brighter Days : Edited by Dr Raj K. Nigam; Published by Standing Conference of Public Enterprises, Chandralok, 36, Janpath, New Delhi-110 001; Pp. 312; Price Rs 2-0

Floating Currencies, Gold and SDRs : Some Recent Legal Developments ; Joseph Gold; International Monetary Fund; Pp. 87.

The Electricity Tariff in India—A Comparative Study : Published by Punjab, Haryana & Delhi Chamber of Commerce and Industry; Pp. 50.

Higher Education, Social Change and National Development : Edited by J.N. Kaul; Indian Institute of Advanced Study, Rashtrapati Nivas, Summer Hill, Simla-171 005; Pp. 232; Price Rs 65.

Asean Market for Select Engineering Products : Published by Indian Institute of Foreign Trade, Ashok Bhawan, 93, Nehru Place, New Delhi 110 024; Pp. 194.

COMPANY MEETING

Delhi Cloth & General Mills Co., Ltd.

Speech of the Chairman, Board of Directors Dr. Bharat Ram

Following is the speech of Dr. Bharat Ram, Chairman, Board of Directors delivered at the 88th Annual Meeting of the Company held on December 28, 1976 at Delhi.

Ladies and Gentlemen,

I have great pleasure in welcoming you to the 88th Annual General Meeting of your Company and wishing you all a happy new year. The Directors' Report and the Audited Accounts for the year ended 30th June, 1976 have already been circulated. The Directors have recommended the maximum dividend permissible.

The results must appear to be disappointing but by and large it has been due to the bad situation in textiles. As I mentioned last year textile industry in the country is in an extremely difficult position. In the last one year there has been price rise of cotton by almost 60% whereas those of cloth have hardly gone up by 5%. This single factor coupled with the burden of the controlled cloth obligation on which there is a loss of over one rupee per square meter, has created a crisis in the textile industry. Our textile mills are no exception. In spite of some corrective measures like permission for imports of non-cotton fibre, situation has not improved. More and more mills are becoming sick and closing down. It is a pity that the Government has not given urgent attention to the problems of this industry.

When we last met in December, 1975 some beneficial results of the 20-Point Programme of the Prime Minister were becoming manifest, parti-

cularly, the restoration of discipline in all walks of life and a new sense of confidence in the economy. In 1975-76 the production of foodgrains touched an all time high figure of over 118 million tonnes and even a buffer stock of 18 million tonnes has been built.



Dr. Bharat Ram

Improvements were also recorded in generation of electricity, production of steel, coal and fertilisers etc. Inflation was contained. Exports also recorded a satisfactory growth of over 18%.

However, in spite of this satisfactory record today the economy by and large is not in too healthy a condition. Even last year, in my speech I had said "It will be dangerous to place undue confidence in some narrow and random indi-

cators which may suggest that the economy is poised for faster growth".

To start with, in spite of good agricultural harvest, we are still short of some of the vital agricultural commodities like cotton and oilseeds on which depend a fairly large chunk of our industrial economy.

The Government is disturbed with regard to the possibility of inflation starting again. However, the price rises which have taken place since March, 1976 have been largely due to the rise in prices of cotton, edible oil and to a small extent sugar. In fact, even the Government recognises that more than 75% of the price rise has been due to these three commodities. Therefore, what is required is to contain the prices of these commodities. Government must import large quantities of edible oil and cotton and if necessary, incur some loss to bring down the prices to a reasonable level. In the case of sugar, unless the prices of sugarcane are reduced and there is some control on the production of gur and khandsari, the sugar industry can hardly be responsible for increase in prices. The Government can also release more sugar to keep the prices to a reasonable level. In order to prevent the prices going up, the Government is concentrating more on stringent money policies, which un-

fortunately are affecting industries in general, while the price rise is largely due to the high prices of cotton and edible oils.

It is true that there has been a substantial increase in money supply. Normally, with so much increase in money supply, there should have been an upsurge in demand, but the fact of the matter is that there is hardly any industry, which is not loaded with excessive inventory. Barring a few industries, the profitability in most industries has deteriorated considerably, which has resulted in poor cash flow position of the companies. A good part of the increased money supply has been absorbed by higher inventories in steel, coal, cement and in many other industries. Secondly, the borrowings by companies have increased because of lower internal resources generation due to lower profitability. The short point that I would like to make is that in spite of increased money supply demand has not picked up and unless demand picks up industrial growth and employment cannot take place. We seem to be caught up in a vicious circle. It is very necessary that adequate investments take place, otherwise in 3-4 years, we shall find shortages taking place. But in the present condition of the capital market and the not too healthy state of existing industries, it would be too optimistic to

expect large investments. With the high rates of fixed deposits whether in the banks or with companies together with the low profitability in industries, it would be futile to expect the capital market to become active. In my humble opinion, in order to revive the economy and to generate employment, I would suggest a few urgent steps:

—firstly, if the Government does not wish to reduce interest rates then the rate of corporate tax must be brought down by at least 10 per cent.

—secondly, excise duties and import duties by and large should be reduced considerably, particularly on basic raw materials. These reductions will bring down the prices of finished products, stimulate demand and in the long run would also increase revenues of the Government through increased production.

—thirdly, Government expenditure, which in spite of the proposals in the Fifth Five Year Plan has not increased very much should be stepped up, particularly in construction and transport fields, which have a big potential for employment.

I am convinced that the reduction in excise duties, import duties and corporate tax will yield good results, not only for development, but will also as I have said earlier not reduce the Government revenues.

I have no intentions of painting an over pessimistic picture of the situation and yet one cannot deny that the future investment and development is dependent on the health of the existing industries.

We have entered a new phase in the economic life cycle of the country and must now take positive measures to promote investment and growth

than to have excessive concern with other factors which are in the ultimate analysis counter-productive in nature. The Government, I am sure is aware of some of these problems and I have every confidence that it would be taking

suitable measures to revive the economy.

Every effort is being made in our own industries to improve the profitability and I have every hope that in the running year we should be better than last year.

In the end, I would like to thank all our employees for the hard work which they have put in.

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

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TRADE WINDS

Import Policy Liberalised

THE UNION government has further liberalised the import policy by placing 23 iron and steel items on Open General Licence. It has also been decided to grant direct licences for the import of polyester, viscose and polynosic fibres to more categories of actual users. Of the 23 iron and steel items placed on OGL, import of six items will be canalised through SAIL International for meeting its requirements of actual users who will not be allowed to import the same. The remaining 17 items can be imported by actual users registered with concerned government organisations.

The items canalised through SAIL are: Alloy steel strips (hot rolled) excluding stainless steel strips, high speed steel strips and those specified at serial numbers 1 to 20 of schedule D to appendix 41 of the Red Book (Volume 1) for 1976-77; tin mill black plates for the manufacture of prime tin plates and for tin cans (0.24mm. and thinner); ship-building quality plates—Lloyds grades B,D,E, AH-36, DH-36 and EH-36; ship-building quality sections—bulb flats, angles, and plates, bars, structurals and semis in Lloyd's grades A,B,D,E, AH-36, DH-36 and EH-36; dynamo grade non-grain oriented (CR NGO) electrical steel sheets strips in coils—in sizes above 1,000 mm for the manufacture of large dynamos and generators, in all sizes for hermetically sealed motors; and

transformer grade cold rolled electrical steel sheets strips in coils (CRGO/CR NGO).

The 17 items which can be imported by actual users are: Ferro-cobalt; ferro-nickel; ferro-titanium in powder form to specification IS460-1962 grade I. Titanium 30 per cent minimum; aluminium 2.0 per cent maximum; carbon 0.1 per cent maximum; silicon 2.3 per cent maximum; sulphur 0.03 per cent maximum; phosphorus 0.1 per cent maximum; ferro-silicoaluminium; ferro-zirconium; ferro-selenium; stabilised ferro-boron with aluminium and titanium; (e.g. grainal or batsalloy) ferro-molybdenum in powder form to specification IS 406-1962; molybdenum 65.70 per cent; carbon 0.03 per cent maximum; silicon 1.5 per cent maximum; sulphur 0.05 per cent maximum; aluminium; 0.50 per cent maximum; copper 0.5 per cent maximum; phosphorus 0.50 per cent maximum; ferrow tungsten in powder form to specification IS 460-1962. Tungsten 74.82 per cent carbon 1.0 per cent maximum; silicon 0.5 per cent maximum; manganese 0.50 per cent maximum; phosphorus 0.77 per cent maximum; sulphur 0.06 per cent maximum; ferro-nickel in powder form to specification IS 460-1962.

Non-cobalt bearing high speed steels of all grades (a) Rounds: (i) below 3 mm dia and (ii) above 160 mm dia (b) Squares: (i) below 100 mm, (ii) above 26 mm to below 40 mm (iii) 40 mm to 120 mm

(c) Flats: (i) below 16 mm width and (ii) above 160 mm width. Cobalt bearing high speed steel of all grades to the categories and sizes mentioned above. Alloy tool steel including die steel sections other than die blocks—(i) rounds above 250 mm dia; and (ii) other sections above 250 mm wide. Die blocks (including oil hardening, non-shrinking, high chromium die blocks and round die blocks). (a) of maximum width 750 mm and cross section above 230,000 sq mm (b) of width above 750 mm. Hot or cold rolled high speed steel strips, sheets, plates or sheets in coils. Alloy tool steels (including die steels) sheets, plates and sheets in coils. Hardened and tempered strips for watch, timepiece and clock springs only (thickness 0.09 mm to 0.460 mm only and width 1.00 mm to 19.00 mm only) with naturally rounded edges.

Import of Polyester

So far as direct import of polyester, viscose and polynosic fibres is concerned, the following categories will also be eligible for licenses: Units holding registration certificates issued under item No 23 (1), 23 (3) or 23 (5) of the first schedule to the Industries (Development and Regulation) Act, 1951; and all cotton, woolen, art silk units registered with the Textile Commissioner, Bombay, and holding permits under the various textile control orders issued by the Textile Commissioner, including co-operative societies of powerloom owners whose looms are covered by permits issued by the Textile Commissioner.

It has also been decided to allow import of 'viscose tow' in addition to viscose and polynosic fibres. Accordingly, all licences issued for import of

viscose and polynosic fibres will be automatically valid for viscose tow and it will not be necessary for the actual users to approach the licensing authorities for specific endorsement on import licences in this regard. With a view to keeping a close watch on the demand and availability of polyester fibre, it has been decided that actual users holding import licences for this fibre should send fortnightly reports regarding contracts effected and actual imports made to the Textile Commissioner.

Caltex Takeover

The President on December 30 promulgated an Ordinance providing for the acquisition of the shares of Caltex Oil Refining (India) Limited and for the acquisition and transfer of the right, title and interest of the Caltex (India) Limited in relations to its undertakings in India. Following promulgation of the Ordinance, 450,000 shares of Caltex Oil Refining (India) Limited, were on December 30 transferred to the government of India. The shares were received by Mr B.B. Vohra, Secretary, ministry of Petroleum on behalf of the President of India from Mr F.H. Lavenhagen, Vice-president of Caltex (India) Limited. The government has subsequently issued a notification transferring the right, title and interest of the Caltex India Limited in relations to its undertakings in India to the government company—Caltex Oil Refining (India) Limited.

With the take-over of Caltex Oil Refining (India) Limited nearly 26.9 million tonnes of refining capacity in the country out of the total 27.40 million tonnes would be in the public sector. The only refinery which now remains outside

government control is the small 500,000 tonne unit of the Assam Oil Company at Digboi and negotiations for its take-over are currently in progress. Under the agreement reached earlier between the government of India and the Caltex Petroleum Corporation of the US, a net sum of Rs 13 crores is to be paid in US dollars to the Caltex Petroleum Corporation in five instalments for the acquisition of their refining and marketing assets and operations in India.

Sterling Rate

The Reserve Bank has revised its rates for the purchase and sale of pound sterling for spot delivery. The new rates are: buying £6.6007 per Rs 100 (corresponding to Rs 15.15 per £), selling—£6.5574 per Rs 100 (corresponding to Rs 15.25 per £). The buying and selling rates have been so fixed as to yield a middle rate of Rs 15.20 per pound. The Reserve Bank will continue to buy forward sterling for delivery up to nine months at rates to be determined, as hitherto, by adding a margin of £0.0125 per Rs 100 per quarter or part thereof of its spot buying rate. Accordingly, the forward rates would be £6.6132, £6.6257 and £6.6382 per Rs 100 for delivery up to three month, six months and nine months, respectively.

Assistance from Norway

Norwegian government has agreed to give an assistance to the tune of 25.3 million Norwegian Kroners (Rs 4 crores approx.) to India in the form of fertilisers. A plan of operation was signed recently by Mr P.S. Kohli, Joint Secretary, department of Agriculture and Mr Carl Anonsen, Counsellor of the Norwegian Agency for International Development.

This aid is in pursuance of an agreement signed in June, 1973 between the government of India and the government of Norway according to which the former received fertilisers to the extent of about 100 million N. Kr during 1973 to 1976 as gift.

Indo-Soviet Trade

The Indo-Soviet trade plan for 1977 envisages a total turnover of Rs 900 crores which represents an increase of about nine per cent over the 1976 level of Rs 827 crores. The trade protocol for 1977 was signed by Dr P.C. Alexander, Foreign Trade Secretary, and Mr I.T. Grishin, Soviet deputy minister for Foreign Trade, on behalf of their governments, on December 28. The new plan, however, does not include crude oil supply by Russia and matching exports from this country. It is stated that arrangements in this regard would be finalised by the end of February and the total turnover then would cross the Rs 1,000-crores mark.

The Soviet delegation during the trade talks had offered to supply 5.5 million tonnes of crude spread over a period of four years, commencing with one million tonnes in 1977 and the remaining quantity of 4.5 million tonnes equally distributed over the next three years. The Indian team offered to supply pig iron and steel products. Under the protocol, specific provision has been made, for the first time, for the export of machinery and equipment from projects set up with Soviet assistance. The Heavy Engineering Corporation will export items worth nearly Rs 5 crores to the Soviet Union in the year 1977.

The USSR has agreed to supply increased quantities of petroleum products, sulphur,

various non-ferrous metals and selected engineering goods. India, on its part, will export increased quantities of automobile storage batteries, hand tools, aluminium power cables, electronic instruments, computer software, drugs and medicines, paints, detergents, cosmetics, tyres, finished leather in addition to leather shoes, readymade garments, knitwear, carpets and jute goods. Besides, a provision has been made in the protocol for export of new items such as machine tools, medical instruments aluminium foils and wool veneers.

Industry in Backward Areas

The working of the scheme of investment subsidy for promotion of industrial development in backward areas was reviewed by a high-level coordination committee, presided over by the minister for Industry, Mr T.A. Pai. The procedure for the scheme has been revised and the new provisions will become operative from January 1, 1977. Some of the important changes in the scheme are : (a) According to the present procedure, various disbursing agencies prefer claims to the department of Industrial Development for reimbursement of the Central Investment Subsidy. Under the revised procedure, all disbursing agencies will prefer their claims to the state level committees, who, after scrutiny and verification etc. will prefer a consolidated claim to the department of Industrial Development for reimbursement. The full responsibility for verification of the claim and answering any audit objections etc. will now vest in the state level committee. This procedure is expected to reduce considerably the time

lag involved in the submission of the claim and reimbursement to be sanctioned by the department of Industrial Development. (b) In the original scheme, provision had been made for the payment of interest on the amount of claims from the day of disbursement by the disbursing agencies to the date of reimbursement by the department of Industrial Development. This provision has been deleted in the manual as it is not normally an accepted practice. (c) In the original scheme, substantial expansion had been defined as increase in the value of fixed capital investment of an industrial unit by not less than 25 per cent. This limit is now being reduced to 10 per cent only in the manual. (d) By a new provision in the manual, units which move from metropolitan cities and other developed areas to backward areas eligible for investment subsidy are also being made eligible for payment of subsidy. This is expected to help dispersal of the industry from congested areas to backward areas.

Cash Subsidy

(e) Under the scheme, where a unit has not commenced production, it is eligible to draw subsidy at 50 per cent of the amount admissible and the balance 50 per cent on commencement of production. By a separate provision, the state level committees have been authorised to pay 85 per cent of the subsidy admissible to a unit in as many instalments as the committee may decide and the balance 15 per cent on commencement of production. This has been done to enable the unit to receive a larger quantum of subsidy in the initial stages before commencement of production. (f)

Among the industries eligible for investment subsidy, hotel industry is not at present included. This industry is now included as one of the eligible industries for investment subsidy. (g) The determination of the essentiality as regards the extent of land and factory buildings including floor space of the factory building required for the industrial unit for purposes of the subsidy has been left to the full discretion of the state level committee. (h) The need for defining the "effective steps" has also been dispensed with.

The central government's scheme of investment subsidy for industries to be set up in backward areas has been in operation since 1971. An outright investment subsidy of 10 per cent of money spent on fixed capital such as land, building and plant and machinery was originally allowed. It was raised to 15 per cent from March 1, 1973 and the maximum amount payable is restricted to Rs 1.5 million per industrial unit. The ministry of Industry has now decided to bring out a manual containing all the liberalisation steps decided upon from time to time. The latest procedure will be incorporated in it.

Export Awards

Seventy-five companies received awards for export performance in 1975-76 at a function organised by the Chemical and Allied Products Export Promotion Council recently. The awards were presented by the Commerce minister, Prof D.P. Chattopadhyaya. Special export awards were given to six companies and export badges to 69. The companies which received the special awards are : Hyderabad Asbestos Cement Products

Ltd, Hyderabad, Dunlop India Ltd, Calcutta (top seeded exporters), Deccan Enterprises Ltd, Secunderabad (highest exporters in the small-scale sector), and Dr Beck and Co Ltd, Poona, Chemco Supply Corporation, Bombay and Kores (India) Ltd, Bombay.

Industrial Capital

Public sector in India has picked up the tempo of ownership. Public sector factories held 60.1 per cent of the fixed capital and 52.4 per cent of the productive capital in 1973-74, according to the annual survey of industries of the year. The survey shows that out of every 1,000 factories in the year, 51 belonged to the public sector, 16 to the joint sector, 868 to the private sector, leaving 65 factories for which ownership particulars were not available. Public sector provided about one-fourth of the total employment and emoluments of the entire factory sector. Out of every Rs 100 contributed by the factory sector to the national income in 1973-74, Rs 23 came from public sector enterprises. Among them, wholly state or local governments had the preponderant share in number, capital and employment. The report prepared by the Central Statistical Organisation, Department of Statistics (ministry of Planning) makes a comprehensive study on capital invested, employment, wages and salaries and quantity and value of inputs and outputs of the factories registered under the Indian Factories Act, 1948. For the first time, the report makes an analysis of the salient characteristics of all registered factories classified by size of employment, types of ownership, type of organisation, size of the capital and year of initial production.

The survey shows that private sector enterprises which constituted 86.8 per cent of the total contributed 73.1 per cent of the value added. The shares of these enterprises in employment, emoluments and output also were high at 73 per cent, 68.6 per cent and 79 per cent respectively. Their share in fixed capital and productive capital were relatively less presumably because of the depreciated book value of their fixed assets over a longer period. The joint sector factories consisted mostly of the state or local government and private enterprises jointly. The contribution of the joint sector as a whole was in the range of 4 to 6 per cent of the principal characteristics considered. It also shows that the private sector factories had the smallest fixed capital per employee (Rs 8,678). The figure for the public and joint sector were respectively five and three.

Manufacture of Electric Motors

The ministry of Industry has issued a clarification regarding electric motors reserved for development in the small-scale sector. In order to remove any confusion or ambiguity, the types of motors have now been clearly indicated and are as follows: (a) "Electric Motors upto 10 HP (7.5 KW) A.C. single phase/three phase Squirrel Cage Induction Motors excluding the following: (i) Flame-proof motors. (ii) Specially designed motors for specific duties. (iii) Variable speed motors such as pole-changing motors. (iv) Loom/Textile motors. (v) Motors for hermetically sealed and semi-sealed compressors.

(b) "FHP Motors 1/8th HP to 1 HP A.C. single phase/three phase Squirrel Cage Induction Motors excluding

the following: (i) Motors for hermetically sealed and semi-sealed compressors. (ii) Flame-proof motors. (iii) Loom/Textile Motors. It has been further announced that industrial undertakings other than small-scale and ancillary units engaged in the manufacture or production of the above items will not be eligible for exemption from licensing provisions. Any industrial undertaking which are not now exempted will be required to cease operations after a period of six months from December 18, 1976, except under and in accordance with a licence issued in this behalf by the government of India. All industrial undertakings which have to obtain c.o.b. licences should apply in form 'EE' along with the additional details of their scheme in the prescribed proforma to the ministry of Industry by March 17, 1977.

Steel Exports

Hindustan Steel has exported 117,730 tonnes of pig iron through Paradeep Port during the first eight months of the current financial year—TISCO exported 20,211 tonnes of steel joists through the port during the same period. The port is expected to export about 250,000 tonnes of pig iron and steel joists by the end of the current financial year. Hindustan Steel will make a trial shipment of billets and GC sheets through the port during January, 1977. TISCO has made arrangements to make trial shipment of about 2000 to 2500 tonnes of billets and rods every month commencing from December this year. During the period from April to November, the port handled a traffic of 141,730 tonnes of pig iron and steel joists. These exports have been mainly to Russia and Iran.

COMPANY AFFAIRS

Delhi Cloth

WHILE ADDRESSING the annual general meeting of Delhi Cloth and General Mills Co. Ltd, the chairman, Dr Bharat Ram, dealt with the problems confronting the economy in general and the industry in particular. The chairman expressed concern over the substantial increase in money supply. With so much increase in money supply, the chairman said, there should have been an upsurge in demand, but the stark fact is that there is hardly any industry which is not loaded with excessive inventory. Barring a few industries the profitability in most industries has deteriorated considerably which has resulted in a poor cash flow position of the companies.

High Inventories

A good part of the increased money supply has been absorbed by higher inventories in steel, coal, cement, and in many other industries. Moreover the borrowings by companies have increased because of lower internal resources generation due to lower profitability. So the chairman has come to the conclusion that in spite of increased money supply, demand has not picked up and unless the demand picks up, the chairman asserted, there cannot be any industrial growth or generation in employment. Hence the chairman felt the need for adequate investments in the absence of which the economy will be experiencing shortages

in three to four years. But in the present condition of the capital market and the none-too-healthy state of existing industries, it would be too optimistic to expect large investments. With the high rates of fixed deposits whether in the banks or with companies together with the low profitability in industries, the chairman observed, it would be futile to expect the capital market to become active.

Reduction in Taxes

Dr Bharat Ram has put forward three suggestions to revive the economy and generate employment. According to him, if the government does not wish to reduce interest rates, then the rate of corporate tax must be brought down by at least 10 per cent. Dr Bharat Ram is also of the opinion that excise duties and import duties by and large should be reduced considerably particularly on basic raw materials. These reductions, the chairman observed, will bring down the prices of finished products, stimulate demand and in the long run would also increase revenues of the government through increased production. Dr Bharat Ram has also suggested that the government expenditure, which in spite of the proposals in the fifth five-year Plan has not increased very much should be stepped up, particularly in construction and transport fields which have a big potential for employment. Dr Bharat Ram is of the firm conviction that reduction in excise duties,

import duties and corporate tax will yield good results not only for development but will also not reduce the government revenues.

Dempo Steamship

Gross freight earnings of Dempo Steamships Ltd were lower at Rs 10.76 crores during the year ended June 30, 1976 as against Rs 11.75 crores in 1974-75, registering a fall of nine per cent. The gross profit before providing for depreciation and development rebate reserve amounted to Rs 3.46 crores as against Rs 5.31 crores in the previous year. This considerable fall in profits has been the result of extremely depressed freight rates and steep rise in the cost of operations due to inflation. The directors have recommended a dividend of 20 per cent for the year and it will be free of tax.

Since the prices of both second hand ships and new buildings have dropped significantly, the company feels that this is the right time to augment its fleet further keeping in view the long-term prospect. Taking advantage of this situation, the company is processing a number of proposals to acquire additional ships.

Sirpur Paper

Sirpur Paper Mills has suffered a setback in its working during the year ended June 30, 1976. Sales during the year declined to Rs 13.35 crores from Rs 16.56 crores while gross profit too receded to Rs 1.20 crores from Rs 4.40 crores in 1974-75. The directors have recommended a lower dividend of 8.5 per cent as against 10 per cent declared in the previous year.

Production of paper and paper board dropped to 40,656

tonnes from 42,545 tonnes in the preceding year. Power cut coupled with frequent breakdowns have been attributed for the fall in output. There was a further decline in the demand for paper and board and with a view to stimulate demand and clear the accumulated stocks the company had to effect significant reductions in prices of its products and allow extensive credit facilities to its customers.

The modernisation and renovation of plant and machinery continued during 1975-76. With a view to improve the chemical recovery, a roaster and an evaporator fabricated by the company are being shortly commissioned. The company has received an industrial licence to manufacture complete range of paper and pulp making plant of 10/15 tonnes per day capacity. It has already received some orders and the work has been taken in hand to execute the same.

Kirloskar Oil Engines

Kirloskar Oil Engines has succeeded in developing an economical, high speed, compact diesel engine in the range of 75 HP. This product has evinced keen consumer interest and is now on the regular production line. This engine has successfully undergone rigorous reliability and endurance tests on a vehicle from Pune to Leh and back. The company is now planning to send to Europe a vehicle fitted with this engine for proving its reliability in the international market.

The company has also introduced two new models of five and 10 HP engines developed by its own research and development efforts and development of further models up to 100 HP is in progress. The

company has always been expanding and diversifying its activities to meet the consumer requirements and also to benefit its shareholders through improved results.

A letter of intent has been received by the company for the expansion of its bearing manufacturing capacity from six million pieces a year to 12 million pieces a year. The first phase of this expansion is being set up at Ahmednagar to produce copper, lead powder and bimetal strips—the raw materials so far largely imported for manufacture of bearings. Detailed plan for the second state implementation of this project is under preparation.

The company has also been granted a letter of intent for setting up high duty alloy iron castings foundry with a capacity of 60,000 tonnes per year. The government has also approved the collaboration proposal in this regard and discussions with the World Bank and other Indian institutions for financial assistance are in progress.

Chloride India

After achieving a substantial increase in sales and profits during the year ended August, 31, 1976, Chloride India hopes to improve its performance during the current year.

Mr J. Sengupta, managing director, in his review of operations, has said these hopes are based on the company being involved in some vital sectors of the economy such as agriculture, power, transportation and communications—all given high priority in national planning.

Mr Sengupta has said the demand for truck and tractor batteries has been on the increase; so also there has been a sizable growth in the sale

of industrial batteries. Currently, there has been a fall in the demand for the train-lighting cells, though the demand may rise with the planned expansion of the railways. The demand for car batteries has not picked up because of the high car prices and operating costs.

The company is considering the setting up of a 100 per cent export unit at Haldia port. The unit will mainly manufacture special types of batteries to meet Japanese competition in the international markets. Its application for an industrial licence awaits government approval. It has also on hand a major import substitution project for which developmental work has already been initiated by the company's new research and development centre. It is also under consideration for expanding the company's anti-mony alloy making capacity at Shamnagar.

The company's sales were at Rs 25.65 crores in 1975-76 as against Rs 23.42 crores in 1974-75 while gross profit was higher at Rs 5.39 crores

against Rs 4.46 crores in the preceding year. A final dividend of 16.5 per cent has been declared against the interim dividend of eight per cent declared earlier.

A bonus issue in the ratio of seven shares for 17 held has already been announced and the directors have said that their intention is to recommend payment of dividend of not less than 18 per cent on the enhanced capital for the first year after the proposed bonus issue.

Empire Industries

The new automatic glass bottle manufacturing plant of the Vitrum Glass Division of Empire Industries which was put up in record time commenced commercial production on December 25. The technology used is of the highest order and the equipment is supplied by world leaders in the glass industry. The capacity is 18,000 tonnes per annum. The total outlay on fixed assets is of the order of Rs 2.8 crores. The markets catered to are the pharmaceuti-

cal and brewery industries for local and export consumption.

Indofil Chemicals

Indofil Chemicals Limited has developed a chemical that will help substitute imported chemicals now used by the petroleum industry. The product called PLEXOL^R 150 has several important uses in the processing of lubricating and fuel oils.

The petroleum industry is importing over 400 tonnes every year of similar chemicals for its use at a cost of over twenty lakh rupees in foreign exchange. PLEXOL^R 150 will help save this amount. Manufacture of this product in India has been possible as a result of the development work done at Indofil, based on basic research undertaken by their principals, Rohm and Haas Company, Philadelphia, USA.

Bombay High will soon become a major source of crude for the country. But this crude is very waxy. For this purpose, Indofil is planning to develop a flow improver.

To meet the increasing de-

Eastern Economist 30 Years Ago

JAN. 10, 1947

Rationing of mill cloth at 5 yds. for an adult and 2 yds. for a child per annum came into force on January 1. A statement issued by the Government makes it clear that the quota allowed to this Province by the Central Government under the All-India Cloth Distribution Scheme is 10.8 yds. *Per capita* consisting of 4.2 yds. of mill cloth and 6.6 yds. of handloom cloth. It is therefore explained that the quota does not admit of a higher ration of mill cloth. The Government state that various steps are being taken to reduce the present high prices of handloom cloth, which is three to three and a half times the cost of the corresponding variety of mill cloth, to about two times the cost of mill cloth. Simultaneously with the introduction of rationing a reorganization of the textile control department has also been made. In the meantime, the textile industry in the Province

seems to be heading towards a crisis consequent on labour troubles. The Court of Enquiry appointed to enquire into the problems connected with the working conditions of labour in the textile industry recommended certain interim reliefs including the increasing of the basic wages. Regarding bonus, the Court held that the three months salary given already as bonus was adequate. The Government ordered accepting the recommendations and the mill-owners too agreed, though, under protest. But the workers in the Coimbatore area have given notice of a general strike from the middle of this month if their demands including six months' salary as bonus and certain other demands are not met. Developments in the next week or so will be watched with interest.

mand of additives for the petroleum industry, Indofil also has plans to develop Viscosity Modifiers and V.I. Improvers which are currently being imported. Since these products are based on acrylic technology, Indofil will have the benefit of years of experience of their principals, Rohm and Haas Company, who are the acclaimed leaders in this field.

Unit Trust

The Unit Trust of India (UTI) which has already crossed the sales turnover of last year and is heading towards a new record in the current financial year is very likely to step up the dividend on the Unit Scheme 1964 as well as on the Unit-linked Insurance Plan, according to Mr G.S. Patel, chairman of UTI.

Outlining the steps the Trust proposed to take to make units more popular, Mr Patel said a plan to open one-man offices in the selected districts of Punjab, Haryana and Gujarat had been finalised. In the eastern region it was proposed to open a one-man representative office in Durgapur-Asansol industrial complex. The Trust also had a plan to conduct a door-to-door campaign in metropolitan cities like Bombay, Calcutta and Delhi.

News and Notes

Texmaco has convened an extraordinary general meeting in the first week of January to seek shareholders permission for purchasing 250,000 equity shares of Rs 10 each at par at the face value of Rs 25 lakhs in Kamani Engineering Corporation. This is, however, subject to the approval of the government.

The directors of **Hindustan Aluminium Corporation** have decided to clear the arrears of preference dividend for the two years 1974 and 1975 and

will be paid to those shareholders who are on the company's register as on January 15, 1977.

Four more branches of **Canara Bank** were opened in Chandni Chowk, Shakti Nagar, Ramakrishnapuram and Parliament Street on December 30. With these the number of branches of Canara Bank in Delhi has risen to 26.

The Reserve Bank has prohibited the **Pretty Savings and Investment Co Pvt Ltd** of Calcutta from accepting from the public fresh deposits by way of subscriptions or otherwise to the prize chit/benefit schemes conducted by it.

The prohibitory order has been issued following the failure of the company to comply with certain provisions of the directions issued by the bank to miscellaneous non-banking companies.

New Issues

Triton Valves Ltd, a new company incorporated in Karnataka to undertake manufacture of four million automobile tyre and tube valves per annum, proposes to enter the capital market by the end of January with a public issue of Rs 17.3 lakhs in equity shares of Rs 10 each and Rs 4 lakhs in preference shares of Rs 100 each. The Karnataka State Industrial Investment and Development Corporation is participating in the project as a co-promoter with an investment of Rs 3.5 lakhs in equity shares and Rs 4 lakhs in preference shares.

The company is setting up a sophisticated plant at Mysore for the manufacture of valves, in technical collaboration with a French firm. The project cost is estimated at Rs 110 lakhs which will be met by share capital of Rs 40 lakhs (Rs 32 lakhs in equity and

Rs 8 lakhs in preference shares), term loans from financial institutions of Rs 58 lakhs and a central government subsidy of Rs 12 lakhs. The public issue has been fully underwritten.

Capital and Bonus Issues

Consent has been accorded to these companies to raise capital.

The details are as follows:

Messrs Simplex Concrete Piles (India) Pvt Limited, has been accorded consent, valid for six months, to capitalise Rs 434,850 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for each equity share held.

Messrs Somany Pilkington's Limited, has been accorded consent, valid for six months, to issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for each equity share held.

Messrs J.K. Synthetics Limited, Kanpur, has been accorded consent, valid for six months,

to capitalise Rs 60 million out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of two bonus shares for three equity shares held.

Messrs Kunal Engineering Co Ltd, Coimbatore, has been accorded consent, valid for six months, to capitalise Rs 750,000 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for three equity shares held.

Messrs Indokem Limited, Bombay, has been accorded consent, valid for 18 months, to the issue of equity shares of Rs 1.6 million for cash at par on rights basis in the ratio of 2:1.

Messrs Shri Bhawani Cotton Mills and Industries Limited, has been accorded consent, valid for six months, to capitalise Rs 3.5 million out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for each equity share held.

Dividend

Name of the company	Year ended	(Per cent)	
		Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Panyam Cements	August 31, 1976	15.0	12.0
Consolidated Coffee	June 30, 1976	25.0	20.0
Bhopal Sugar Industries	June 30, 1976	25.0	16.0
Gammon India	July 31, 1976	12.0	8.0
Same Dividend			
Sree Valliappa Textiles	June 30, 1976	9.0	9.0
Madura Sugars	Sept. 30, 1976	Nil	Nil
Hada Steel	June 30, 1976	12.0	12.0
International Computers	Sept. 30, 1976	11.0	11.0
Reduced Dividend			
Sirpur Paper	June 30, 1976	8.5	10.0
Kirloskar Brothers	July 31, 1976	8.0*	10.0
Hercules Hoists	August 31, 1976	10.0	13.0

*On the enlarged capital.

Reserve Bank's report on currency and finance

THE REPORT presents an exhaustive review of developments in the different sectors of the economy—national income, savings and investment, sectoral outputs and price trends, money supply, credit policy and banking developments, budgets and public debt, developments in trade and tariffs, balance of payments and exchange control, and currency and coinage. Information on industrial licensing policy, selective credit controls, refinance facility available from the Industrial Development Bank, licences issued to banks for opening branches and number of offices opened abroad by Indian banks, gold and silver prices, and company legislation is given in the appendices. It contains 113 statistical statements highlighting the dimensional and structural changes that have taken place in the economy over a period of years.

Government Sector

It also includes 4 new statements relating to financial flows in the government sector—1972-73, consumer price index numbers for agricultural labourers, coverage of deposit insurance, and net issue/withdrawal of small coins by centres. Data relating to the working of medium and large public limited companies cover upto 1974-75. Besides, indices of industrial production with base 1970=100 have been presented for the first time according to use-based, input-based sectoral classification.

A summary of the report follows :—

The efforts to contain inflation, initiated and pursued vigorously since July 1974, yielded positive results in 1975-76, when prices actually declined by 3.0 per cent (between end-June 1975 and end-June 1976), in contrast to a rise of 0.7 per cent in 1974-75 and 27.8 per cent in 1973-74. Taking monthly average indices, prices recorded a decline of 6.0 per cent during 1975-76 (July-June), in sharp contrast to an actual rise of 16.8 per cent in 1974-75. The decline in prices was of considerable significance to the economy in that it created an environment of stability and confidence, gave a measure of relief to the public that had been squeezed by inflation in the preceding two years, helped greatly to dampen the psychology of scarcity, and rendered possible greater mobilisation of resources and increase in investment, the two essential ingredients in the development effort. Reflecting to some extent the impact of internal measures, foreign exchange reserves improved considerably, indicating the strengthening of the country's external payments position.

Substantial Improvement

The substantial improvement in the overall supply situation, as reflected in the significant growth in agricultural and industrial output, played a crucial role in bringing prices down. Although the fiscal and monetary measures taken in 1974-75 to restrain aggregated demand in the economy were

reinforced and continued during the year, these alone could not have ensured the required balance between demand and supply but for the increase in output recorded in 1975-76. Agricultural output increased by eight per cent due to very favourable weather conditions, accompanied by improved use of agricultural inputs, and contributed to a comfortable supply position in food and non-food commodities. Industrial output as a whole increased by 4.4 per cent due primarily to a rise of over 10 per cent in the output of core sector industries, improved availability of raw materials and harmonious industry-labour relations; textiles and a few consumer durable industries, however, recorded declines in output as a result of slackness in demand.

Money Supply Expansion

Money supply, which is broadly indicative of the aggregate demand in the economy, expanded by 11.7 per cent during the year, i.e., almost twice the rate of increase of 6.4 per cent in 1974-75. This, however, was not as much a source of concern as in 1974-75 viewed in relation to a rise of 6.0 per cent in real national income. Though a sizeable increase in bank credit to commercial sector was primarily responsible for the expansion in money supply, it was matched by real resources in that the credit expansion reflected the need for financing a larger increase in output particularly of the agricultural

RECORDS AND STATISTICS

sector. Another important source of monetary expansion which gave rise to matching claims on real resources was the sizeable inflow of foreign exchange. It is also noteworthy that the role of bank credit to government in money expansion was much smaller than in the previous years, reflecting the reduced dependence of the government on the banking system including the Reserve Bank.

Decline in Credit

In fact, the credit extended by the Reserve Bank to the government declined during the year, in contrast to a sharp rise in 1974-75. This was made possible by the additional resources mobilisation efforts by the centre and the states, success of the voluntary disclosure scheme, larger market borrowings and receipts of small savings, increased industrial production and sizeable foreign aid realisations. These fiscal efforts were reinforced by monetary restraints which were operated in a flexible manner so as to facilitate increased supplies.

The reversal of the inflationary situation, building up of substantial stocks of food-grains and the launching of the new economic programme during the year gave a new turn to the development effort. The decline in prices provided the climate for increasing investment so as to move towards accelerated growth with greater social justice—the main theme of the new economic programme. In this the

government took the lead by stepping up Plan investment and this was facilitated by improved budgetary position. Private sector investment also tended to move up; thus new capital issues by non-government public limited companies at Rs 99 crores in 1975 were much larger than in the preceding year; similarly, the financial support extended to the corporate sector by the term-lending institutions was also higher during the year. The remarkable growth in foreign exchange reserves, despite a sizeable deficit on trade account during the year, introduced a new factor in economic management. Apart from imparting greater viability to the country's external payments position, the reserve growth has become an important policy instrument for making it possible to accelerate investment without running the risk of serious inflation. Thus the economic situation as it developed by the year ended June 1976 contained all the important elements favourable to attaining progressively higher levels of investment in an environment of relative price stability.

Rise in Prices

Viewed against this background, the developments in the economy subsequent to June 1976 seem to be somewhat out of tune. The two major developments, which seem to have become a source of concern once again, are the steady rise in prices and expansion in money supply. The wholesale price index (1961-62=100), at 310.2 on November 6, 1976, shows a rise of almost three per cent over the index as of June 26. The rise in prices since March 20, 1976, when prices resumed their upward trend, has been about 10 per cent

thus wiping out a considerable part of the price decline achieved between September 1974 and March 1976. Simultaneously, money supply has expanded by 3.6 per cent between end-June and November 12, 1976, compared with an expansion of less than one per cent in the corresponding period of 1975. Taking the financial year so far i.e. from end-March to November 12, 1976, money supply has increased by 11.2 per cent, compared with an increase of 6.3 per cent in the same period of 1975.

Speculative Forces

Considering, however, that the pressure on prices has emanated from a few items in each of the two important commodity groups of the index (namely, food articles and industrial raw materials), the price rise could be regarded as "sectional" resulting from shortages and distributional problems connected with these specific commodities. The rise in prices caused by spot shortages to have been aggravated by speculative forces in the market for these items.

The recent rise in prices points to some important facts. It is obviously necessary to have accurate and scientifically based crop estimates, as otherwise frequent revision in estimates could unsettle the market and lead to speculation and a psychology of scarcity. It is equally important to evolve an effective policy for the raising and marketing of commercial crops which would facilitate an early detection of the emerging shortages, as also the framing of a realistic export policy in regard to these commodities. The price rise has also laid bare the deficiencies of the existing channels of distribution and

points to the need for enlarging public distribution so as to include not only foodgrains but also other essential commodities. Such a public distribution system would necessitate the building up of buffer stocks of commercial crops besides foodgrains. The recent rise in prices, though sectional, calls for continuing vigilance, as otherwise these pressures are likely to spill over and develop into a general price rise. The commodities which have shown price rise in the last eight months are mass consumption items and even marginal shifts in their supply position are likely to seriously disturb the price situation. Besides, in an economy which has gone through the ordeal of inflation for two years and which may still be prone to inflationary pressures, price stability cannot be taken for granted.

Strong Measures

In the short-run, therefore, measures to improve supplies of the "price-sensitive" commodities are called for, restriction, postponement or staggering of exports of these sensitive items may be one solution. Similarly, supplies could be improved through imports. The government has already moved in this direction by arranging for larger imports of raw cotton and edible oils any by restricting exports of groundnuts (HPS variety) and staggering sugar exports. These measures, together with regulation of bank credit for commercial crops in short supply, should greatly discipline the behaviour of prices in the short run.

Further developments on the price front would very much depend on the size of agricultural output this year, the rate at which these would flow on

to the market, progress of industrial output, pattern and pace of investment in the economy, and the nature of monetary and other policies.

Despite delayed monsoons and floods in certain parts of the country, the overall foodgrains production is likely to be around 116 million tonnes.

Food Buffer-Stocks

Even if the output falls below the target of 116 million tonnes, it may not be a cause for concern, considering the stocks of 17-18 million tonnes build up over the previous year which could be drawn down to a sizeable extent to check the rise in prices. As for commercial crops, there is likely to be a shortfall or no perceptible increase in output except in the case of jute and mesta. The outputs of raw cotton and groundnut are likely to be below 1975-76 levels.

Industrial output is estimated to have recorded a rise of 12 per cent during January-August 1976 and, on present indications, it is expected to increase by nine per cent during the year as a whole. A number of measures taken by the government during the year have contributed to this order of growth. A considerable part of the increase in output has been achieved through better utilisation of capacity based on larger availability of inputs. If higher rates of rise in industrial output are to be achieved, additions to capacity will have to take place and this in turn will call for a rising rate of investment. The climate for industrial investment seems to be favourable now. Apart from simplifying the procedures for imports of capital goods, spares and components and raw materials, the government has granted excise duty relief in

respect of a number of items of manufacture, so that the end-prices of these are within the reach of consumers. In the wake of these measures and the step-up in Plan investment by the government, private investment is also expected to go up.

Increased industrial investment should result in greater availability of industrial products at reasonable prices. In this the industry has to play its role. The aim of industries should be to lower prices of industrial products over time. Recent experience shows that prices of manufactures have either remained stable or declined marginally even when the overall price index declined substantially. This suggests that in respect of manufactures the relief to consumers was more by way of improved availability than reduced prices. In a changing market situation from sellers' to buyers' market, industries should face the challenge by adjusting their attitudes to pricing and marketing their products.

Monetary Restraints

While efforts are made to improve the supply position, the present framework of monetary restraints will have to continue so as to correct imbalances between aggregate demand (money supply) and aggregate supply; otherwise pressures on prices may become accentuated, particularly in the context of rising investment, and thus impair the objective of development with relative price stability. The need for continuing the monetary restraints becomes obvious in the light of the recent monetary expansion which has emanated from several sources such as inflow of foreign exchange, increase in credit for food pro-

urement, reflationary impact of the budget, step-up in investment and credit to commercial sector, resulting in an increase in the liquidity of the banking system. This needs to be restrained; or else monetary expansion during 1976-77 is likely to outpace the growth of national product and thus disturb the balance between money supply and output and prices.

(The review of the general trends in the Indian economy is given below.)

Income and savings

National Income: The substantial growth in agricultural and industrial production mainly contributed to the higher growth rate of real national income during 1975-76. The growth in real national income (at 1960-61 prices) is estimated at 5.5 per cent, compared to 0.2 per cent in 1974-75. The per capita real income at Rs 354 is estimated to rise by 3.8 per cent, in contrast to the decline of 1.7 per cent in the previous year.

Saving: The rise in the ratio of domestic saving to national income at current prices from 13.2 per cent in 1974-75 to 14.5 per cent in 1975-76 has to be viewed in relation to the major sectors contributing to domestic saving, i.e., public sector (including public sector undertakings) private corporate sector (including cooperative institutions) and the rest grouped as the household sector. Thus viewed, the largest proportion of domestic saving originated, as in the previous years, in the household sector. This sector contributed 64.6 per cent of the aggregate domestic saving in 1975-76, compared to 61.3 per cent in 1974-75. The share of public sector in domestic saving in-

creased from 30.4 per cent in 1974-75 to 31.4 per cent in 1975-76, while that of private corporate sector declined. The aggregate saving of the household sector increased from Rs 5,333 crores in 1974-75 to Rs 6,938 crores in 1975-76, showing an increase of 30.0 per cent. As a proportion to net national product, it increased from 8.9 per cent to 11.2 per cent.

Investment: The aggregate investment as percentage of national income registered an increase from 14.4 per cent in 1974-75 to 16.0 per cent in 1975-76 due mainly to an impressive rise in domestic saving. As a result the share of domestic saving in total investment is estimated to have increased from 88.2 per cent in 1974-75 to 90.9 per cent in 1975-76. Correspondingly, the share of net inflow of foreign resources declined from 11.8 per cent to 9.1 per cent.

Output and prices

Agricultural production: The increase in agricultural production during 1975-76 is estimated at 8-10 per cent. Production of foodgrains, which responded to favourable weather conditions and improved application of inputs, viz, seeds, irrigation and fertilisers, amounted to 118 million tonnes, against 114 million tonnes in the previous year. During the year 1975, public distribution of foodgrains aggregated 11.1 million tonnes, compared to 10.8 million in 1974 and 11.4 million tonnes in 1973. The government's stocks by the end of June 1976 stood at 17.6 million tonnes, compared to 4.9 million tonnes a year ago. As for commercial crops, the production of oilseeds was higher (11.0 million tonnes against 8.4 million tonnes), while that

of cotton and jute/mesta was lower (66.70 lakh bales and 58.30 lakh bales, against 70.80 lakh bales and 58.34 lakh bales). The output of coffee was also lower (82,000 tonnes, against 92,100 tonnes), whereas the sugarcane crop was of the same size as in 1974-75, namely, 14.3 million tonnes (gur). There was a slight fall in the production of tea from 489 million kg in 1974 to 487 million kg in 1975.

Industrial sector

Industry: The performance of the industrial sector in the calendar year 1975 was rather mixed: while industries in the 'core sector' such as coal, electricity, steel, fertilisers, cement, non-ferrous metals witnessed a growth rate of over 10 per cent, certain sub-sectors such as cotton textiles and yarn and some consumer durables recorded actual declines in production. As a consequence, the rate of growth for the industrial sector as a whole was only 3.9 per cent, although this was significantly higher than the growth rate of 2.2 per cent achieved in 1974. The general index of industrial production during the first half of 1976 (January-June) was higher by as much as 13 per cent than in the corresponding period last year. Some of the industries contributing to such a high growth rate during the period are: cement (+26.4 per cent), saleable steel (+23.3 per cent), steel ingots (+13.9 per cent), electricity (+22.5 per cent), coal (+9.9 per cent) and vanaspati (+26.5 per cent).

Price Situation: Wholesale prices showed a welcome decline of 6.0 per cent during 1975-76 (July-June), in contrast to the rise of 16.9 per cent recorded in the preceding year. If comparison is made on a point-to-point basis, between

end-June 1975 and end-June 1976, the general prices level still showed a decline of 3.0 per cent, in contrast to the marginal rise of 0.7 per cent between end-June 1974 and end-June 1975. The decline in the price level is only in the nature of a continuation of the downtrend that had set in prices since the third week of September 1974. However, the downtrend was halted by the beginning of the fourth week of March 1976. The wholesale price index for 'all commodities' stood at 282.3 on March 20, 1976 and was lower by 9.2 per cent than the level of 311.0 at the end of June 1975. The second phase in price trends (between March 20 and end-June 1976) witnessed a reversal of the trend of the preceding phase. The 'all commodities' index recorded a rise of 6.9 per cent during the period, principally brought about by food articles and industrial raw materials.

Cost of living: The year witnessed a remarkable decline in the consumer price index (base 1960 = 100) in line with the declining trend in wholesale prices. This was the steepest decline recorded since 1961. The index for industrial workers fell by 11.3 per cent during 1975-76, in contrast to a rise of 9.0 per cent in the previous year. The drop in the consumer price index for non-manual employees during the year was relatively smaller (i.e. 4.6 per cent); it had increased by 10.5 per cent last year.

money and banking

Money supply: The expansion in money supply with the public at Rs 1,423 crores (11.7 per cent) during the year was almost twice the rate in 1974-75 (Rs 737 crores or 6.4 per cent), though this was lower than the increases in 1972-73 and 1973-74 (16.9 per cent and 14.9 per

cent, respectively). Viewed in relation to the estimated rise of 5.5 per cent in national income and improved supplies of the key agricultural and industrial commodities, this order of monetary expansion was not as much a source of concern as was the case in the previous year when national income was almost stagnant.

Bank Credit

The expansion of Rs 2,510 crores in bank credit to the commercial sector was almost twice the rise recorded last year (Rs 1,263 crores) and reflected the need for financing a larger increase in output particularly of the agricultural sector. Expansion in net bank credit to government on the other hand, was considerably lower at Rs 283 crores, against Rs 1,404 crores. Even this order of expansion was brought about primarily by an increase extended by other banks to the government, while the credit of Rs 542 crores in the credit extended by the Reserve Bank to the government declined by Rs 259 crores, in contrast to a sharp increase of Rs 945 crores in 1974-75. The expansionary impact of bank credit to commercial and government sectors and net foreign exchange assets of the banking sector was neutralised to a sizeable extent by the substantial increase in the non-monetary liabilities of the banking sector. The rise in non-monetary liabilities resulted from an increase of Rs 1,769 crores or 23.0 per cent in time deposits with banks during 1975-76, compared to an increase of Rs 1,223 crores or 18.9 per cent in 1974-75.

Banking trends: The pace of bank credit expansion during 1975-76 (July-June) was faster than that of deposit accretion,

resulting in larger indebtedness of banks to the Reserve Bank. Bank credit rose sharply by Rs 2,509 crores or 28.0 per cent compared to Rs 1,097 crores or 14.0 per cent in 1974-75. More significantly, greater part of the increase in bank credit was accounted for by food advances (1,390 crores or 55.4 per cent): as against this, the share of food advances in 1974-75 was only Rs 272 crores or 24.8 per cent. The increase in non-food advances was also higher by Rs 1,119 crores in 1975-76, compared to Rs 825 crores in 1974-75. Deposit accretion at Rs 2,512 crores (20.0 per cent) was also significantly higher than that of Rs 1,788 crores (16.6 per cent) in 1974-75.

Credit-Deposit Ratio

The incremental credit-deposit ratio at 99.9 per cent was much larger compared to the ratio of 61.4 per cent in 1974-75 owing to the phenomenal expansion in food credit. The credit-deposit ratio as at the end of June 1976 at 76.1 per cent was 4.7 percentage points higher than the ratio a year ago. Excluding food credit, the ratio was 61.6 per cent at the end of June 1976. Cash in hand and balances with the Reserve Bank registered a larger expansion of Rs 100 crores as against a decline of Rs 41 crores. Investments in government and other approved securities increased by Rs 786 crores compared to Rs 657 crores in 1974-75. The ratio of liquid assets to aggregate deposits, however, stood lower at 38.7 per cent by end-June 1976 as against 39.4 per cent a year ago.

Credit policy: The general framework of credit policy continued to remain restrictive during 1975-76, though within the overall ambit of monetary

discipline certain selective liberalisations were made to assist industrial growth and to promote exports. The main objective of credit policy was to prevent recurrence of inflationary conditions. Thus, while the general as well as selective credit controls were applied more flexibly during the year, the policy of credit restraint was continued. With a view to regulating both the cost and the availability of Reserve Bank refinance, the net liquidity ratio system which had existed for over a decade was abolished and was replaced by a system of refinance and rediscount that was essentially discretionary. Another important development was the introduction of a maximum lending rate, with the objective of bringing about an appropriate relationship between the Bank rate and the lending rates of commercial banks.

loans to agriculture

Institutional finance for agriculture: There was a further significant growth in the flow of institutional finance for agricultural development during 1975-76. Aggregate direct institutional finance provided to agriculture during 1975-76 is estimated to have amounted to Rs 1,710 crores, 18.3 per cent higher than Rs 1,445 crores in the preceding year. This improvement was noticed in short-term loans as well as term loans extended and was shared by all the institutions (i.e. cooperatives, state governments and commercial banks). Short term loans extended by them increased during the year under review by 17.8 per cent (to Rs 1,185 crores) as compared with 13.4 per cent in 1974-75. Term loans disbursed at Rs 525 crores registered a rise of 19.4 per cent, compared with 28.2

per cent in the preceding year. The share of term loans in the aggregate loans extended to agriculture during the year worked out marginally higher at 30.7 per cent, compared to 30.4 per cent in the previous year. Under the 20-point economic programme, nineteen regional rural banks were set up during the year under review. The credit extended by these banks to small and marginal farmers and rural artisans upto June 1976 amounted to Rs 1.5 crore. State governments made budget provision for loans of the order of Rs 95.5 crores during 1975-76 against Rs 77.5 crores in the preceding year. Loans issued by scheduled commercial banks are estimated at Rs 374.4 crores, representing an increase of nearly 30.9 per cent over that disbursed in the preceding year. However, by far the major share of the institutional loans extended to

agriculture continued to be provided by cooperatives. During the year, aggregate direct loans issued by co-operatives amounted to Rs 1,238 crores, an increase of nearly 14.5 per cent over those in the preceding year. A notable feature was the significant increase (17.4 per cent) in the amount of term loans. Indirect finance extended by co-operatives for procurement of foodgrains, marketing of agricultural commodities, distribution of fertilisers, etc, aggregated Rs 560 crores against Rs 512 crores during 1974-75.

budgetary policies

Budgets: The budgetary policy for 1975-76 was geared to bring about stabilisation of prices even while promoting economic growth. In the latter part of the year with the reversal of inflationary pressure and announcement of the new economic programme,

investment expenditure was stepped up. This was facilitated by additional resource mobilisation efforts by the centre and state since 1974-75, increase in industrial production in 1975-76, success of the scheme of Voluntary Disclosure of Income and Wealth, larger net market borrowings, and increases in receipts from small savings and state provident funds. The combined budgetary deficit of the centre and states was substantially lower at Rs 468 crores (revised estimates) than Rs 752 crores in 1974-75. The combined aggregate receipts recorded a rise of 23.9 per cent in 1975-76 over the level of the preceding year. Both revenue and capital receipts contributed to this rise. Tax receipts increased by 17.2 per cent and capital receipts by 33.8 per cent. Aggregate disbursements of centre and states (combined) rose by 21 per cent in 1975-76,

almost at the same rate as in 1974-75. They formed 31.8 per cent of national income, compared to 27.0 per cent in 1974-75. Non-developmental outlay increased by 26.6 per cent and developmental outlay by 19.3 per cent in 1975-76. The anticipated overall deficit of Rs 247 crores in the central budget estimates for 1975-76 turned out to be larger at Rs 490 crores, though the deficit is still substantially lower than in 1974-75 (Rs 121 crores). Aggregate receipts rose by Rs 2,849 crores to Rs 12,702 crores in 1975-76 from Rs 9,853 crores in preceding year, while aggregate expenditure moved up over the year by Rs 2,618 crores to Rs 13,192 crores. The combined budgetary position of the states reveals a deficit of Rs 38 crores during 1976-77, as against a surplus of Rs 22 crores in 1975-76. The overall plan outlay has been stepped

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up by Rs 917 crores or by 33.8 per cent to Rs 3,628 crores as compared to the original Plan outlay in the preceding year. Aggregate receipts of Rs 10,889 crores at the revised rates of taxation are budgeted higher by Rs 668 crores or 6.5 per cent over the preceding year. Aggregate disbursements at Rs 10,927 crores are budgeted higher by Rs 728 crores or 7.1 per cent compared to an increase of Rs 1,566 crores or 18.1 per cent in 1975-76.

internal liabilities

Public debt: The outstanding public debt of the government of India stood at Rs 20,451 crores at the end of March 1976, the increase during the year 1975-76 being Rs 1,661 crores (8.8 per cent), compared to Rs 1,817 crores (10.7 per cent) in the previous year. Internal debt rose by Rs 978 crores (7.9 per cent) and external debt by Rs 683 crores (10.6 per cent). As a proportion of national income at current prices, public debt is estimated to have increased from 31.3 per cent in 1974-75 to 33.0 per cent in 1975-76. The outstanding debt liabilities of state governments at the end of March 1975 increased by Rs 1,049 crores to Rs 13,615 crores, compared to an increase of Rs 975 crores during 1974-75. The increase is lower than the budget estimates which indicated that the states' debt liabilities would rise by Rs 1,125 crores to Rs 14,740 crores at the end of March 1977. In the result, the ratio (proportion) of states' debt liabilities to national income at current prices stood at 22.0 per cent.

New issues: General sluggishness, accompanied by strong undercurrents of revival, was the main feature of the capital market during

1975-76. The net funds borrowed by government and semi-government institutions through issue of securities rose to Rs 1,137 crores in 1975-76 from Rs 1,084 crores in 1974-75. The gilt-edged market in 1975-76 witnessed a moderate recovery from the downtrend noticed in 1973-74 and 1974-75. The total amount consented/acknowledged was Rs 265 crores in 1975 against Rs 199 crores in 1974. New capital issues by non-government public limited companies in 1975 at Rs 99 crores were substantially large than Rs 57 crores in 1974. The trend of revival of activity in the capital market was reflected in large new issues during the year.

rise in capital issues

Capital issued by non-government public limited companies by way of shares (other than bonus) and debentures reached a new high of Rs 98.6 crores in 1975, as compared with Rs 56.5 crores in 1974 and Rs 72.8 crores in 1973. The major portion of the capital issued came through prospectuses (from Rs 45.9 crores in 1974 to 85.5 crores in 1975) which formed about 86 per cent of the total amount of new issues as against only 81 per cent in 1974. The amount issued through rights also increased from Rs 10.6 crores in 1974 to Rs 13.1 crores in 1975.

Term finance: Both sanctions and disbursements by the term-lending institutions during the financial year 1975-76 were higher at Rs 590 crores and Rs 401 crores, as compared with Rs 499 crores and Rs 363 crores, respectively, in 1974-75. The internal resources position of the private sector appears to have improved considerably. The retained profits of 1,650 large

and medium public limited companies rose from Rs 229 crores in 1973-74 to Rs 368 crores in 1974-75. The general state of the capital market was reflected in the index of equity prices which rose by 11 per cent over the year, in contrast to a decline of 32 per cent in 1974-75.

trade and tariffs

Exports and Imports: The continuance of recessionary trends in the major industrial economies of the world and the consequent reversal of commodity boom had their impact on India's foreign trade during 1975-76 which was marked by a slackening in the growth rates of both exports and imports. The trade deficit was slightly higher at Rs 1,216 crores against Rs 1,190 crores in 1974-75 reflecting a larger increase in the value of imports. The terms of trade declined further in 1975-76 to about nine per cent, as compared with 27 per cent last year. Total exports scaled a new peak of Rs 3,942 crores, showing an increase of 18 per cent, compared to 32 per cent in 1974-75 and 28 per cent in 1973-74. The rise in exports in 1975-76 was due to the increase in both quantum and unit prices. Imports during 1975-76 amounted to Rs 5,158 crores, registering an increase of 14 per cent over the level during 1974-75. The rise in imports was largely due to foodgrains and fertilisers, imports of which were not only larger in volume but also at higher prices.

Trade policy: Trade policy during 1975-76 was devised mainly to impart dynamism to the country's efforts for expansion and diversification of exports. A significant aspect of the new export drive related to the stepping up of produc-

tion for exports. Under the import policy for 1975-76, a system of automatic licensing was introduced for meeting the immediate requirements of export industries in respect of raw materials and components. Facilities for export-linked import licences were also introduced and import entitlements under the replenishment scheme were enhanced by 10 per cent in respect of selected industries while import of spares was further liberalised.

Reserves: The main feature of external transactions during 1975-76 was the symptom of the emergence of a viable payments position. Foreign exchange reserves which reflect the net outcome of the external transactions recorded a phenomenal rise of Rs 881 crores in 1975-76 (April-March), compared with an increase of Rs 30 crores in 1975-76; in the result, the foreign exchange reserves at the end of March 1976 at Rs 1,492 crores were almost two and a half times the level at the end of March 1975. If the drawals from the IMF are excluded, the reserves would have increased by Rs 674 crores in 1975-76, whereas in 1974-75 these reserves would have fallen substantially by Rs 455 crores.

External Assistance: There was a spectacular increase in the aid inflows during 1975-76, as is reflected in both aid authorisations and aid utilisation during the year. The net receipt of aid at Rs 949 crores in 1975-76 exceeded the inflow of Rs 861 crores in 1967-68 which was the peak for the last decade. This position was largely the result of a large quantum of aid made available by the Organisation of Petroleum Exporting Countries and substantial grants authorised by the UK.

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PERHAPS WE COULD SEE EYE TO EYE WITH PRICES

An order of priorities

LAST WEEK, in these columns, the three major economic issues which the government, trade and industry and the community had to come together to cope with were pinpointed and briefly discussed. Here, somewhat more detailed consideration may usefully be given to them. The problems, let us remind ourselves, are a trend towards higher prices of essential commodities, stagnant or near-stagnant employment and investment lagging behind the needs of medium-term growth. For quite some time now the government has been pursuing monetary and fiscal policies designed to curb excesses of purchasing power or consumption, besides regulating investment outlays in the private sector and the public. This approach has had a certain measure of success in containing inflation, but lately money supply has been expanding at a rate which bids fair to revive inflationary strains. Could it be because there have been elements in public or other spending which are inconsistent with the larger strategy or policy objective? This matter needs to be closely looked into if the fiscal and monetary disciplines imposed on the economy are not to be frustrated in their purpose.

Much reliance has been placed on administrative measures for directing distribution or policing the trade at both wholesale and retail levels. Here, again, there have been substantial gains for the economy and the people, but, as against this benefit, there has been some loss in the confident functioning of normal trade channels. Government-administered distribution has proved to be less economical or efficient than expected, while bureaucratic or other intervention in the day-to-day working of private trade has adversely affected the free flow of goods or otherwise interfered with market forces. Thanks to an easy food grain situation and general improvement in the production of consumer goods or other outputs of industry, the community has so far not experienced in full the impact of these unhelpful developments, but it is obvious that, if things are not set right, the tendency of prices to increase will be encouraged by this state of affairs.

Looked at in this manner, the price situation would seem to need being administered to in certain ways. In the first place, the government—using this term in the wider sense which has become appropriate now—ought to prevent or discourage the spending of its revenues or other money (over which it, i.e., the government, again, in the wider sense has control) on unproductive consumption which does not create development assets for the community. By doing so, it would be constructively assisting in the avoidance of inflationary excesses in the growth of money supply. Secondly, the administration should resist pressures for the setting up or sponsoring of public or semi-public retailing or other merchandising agencies. The hope that such institutions could serve the consuming public more efficiently or with greater integrity than the normal trade channels has been generally falsified. Setting aside a few honourable exceptions, these agencies have been plagued by mismanagement or worse, including organized graft. It is therefore becoming increasingly evident that the public interest will be better served if private trade channels are allowed to resume their natural position as reasonably free agents in a market economy which itself should be enabled to operate with as few administrative restrictions as possible on the movement of goods across the country.

Uneasiness about price trends should not be allowed to come in the way of the basic objective of generating more employment opportunities for the nation's armies of the unemployed and the underemployed. Neither should it deter the clear-eyed pursuit of medium-term economic growth at a fast enough rate. It would be temptingly easy, but ruinously unwise to slow down investment in the employment-oriented or production-oriented expansion of the economy merely for the purpose of sparing us the strain of having to follow a realistic or otherwise sensible policy for prices. The price problem can and ought to be managed in the context of an investment policy geared to the growth of the economy, including the growth of employment. It may readily be

Century Rayon An example of social responsibility

Century Rayon sets an example to other large corporations by its policy of synthesising service to the community, fulfilment of its obligations to the employees, the customers and the shareholders. And yet, you will be surprised, it is making the highest contribution to the national exchequer by way of tax payments as well as foreign exchange savings and earnings.

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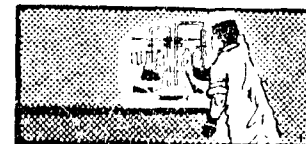
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granted, of course, that higher levels of public expenditure alone cannot assure us of a rise in the level of economic activity. The Finance minister, who had been entertaining somewhat different ideas when he presented the central budget last year, has probably grown wiser since. There are far too many grey areas in the economy to which the benefit of larger public spending has been denied or delayed. Quite clearly a more sophisticated approach is called for if the contents and directions of public investment are to succeed in revitalising the economy in all its parts.

Currently there is a highly encouraging trend towards an increase in the savings of households. In spite of pressures on family budgets, sections of urban communities enjoying higher-than-average middle class incomes, are developing a sense of thrift which is reflected in the growth of savings deposits with banks or other institutions, expansion of life

insurance business and expenditure on private housing construction. This development should be exploited much more than has been done so far so that the rate of saving in the economy could be steadily pushed up for the non-inflationary financing of result-oriented, quick-yielding investment projects. The stock exchanges, for instance, should be revived and investment in equities should be made more attractive so that the middle class may find it more and more worthwhile to save for the future. While higher government outlays must remain an important determinant of the sound management of the economy and a guarantor of its healthy growth, they will bear full fruit only if they are incurred and managed as an integral part of a strategy for ensuring productive economic activity all round. In the economic affairs of the nation, even more than in its other affairs, there is need for all sections of the people working together in an equal partnership.

A cartel shows its claws

THE WORLD economy could easily have done without the latest OPEC edict pushing up oil prices. Eleven out of the 13 oil-exporting countries, conferring at Qatar, agreed on a 15 per cent increase in prices to be effected in two stages. Starting from January 1 this year, prices have been put up by 10 per cent and from July 1 onwards the increase would be 15 per cent over the level obtaining in 1976. This vote prescribes fixed increases (not percentage increases) in the prices of all crudes (irrespective of quality differences and present prices) by \$1.19 a barrel initially and another \$0.60 subsequently. With market prices of major OPEC crudes ranging anywhere from \$11 to \$13 a barrel, this would mean larger percentage increases for the lower-priced or heavier varieties. Iran, for instance, has increased the price of its light and heavy crudes to \$12.81 and \$12.52 a barrel respectively with effect from January 1 and it proposes to push up these prices to \$13.41 and \$13.12 respectively on July 1. As a result the price of Iranian light crude has gone up by 10.2

per cent and that of Iranian heavy crude by 10.5 per cent in the first stage, while at mid-year they will be higher by 15.4 per cent and 15.8 per cent respectively.

Saudi Arabia and the United Arab Emirates, however, have refused to go the whole hog. After failing to persuade their OPEC partners to limit the price hike to five per cent until the end of 1977, they have opted to follow their own counsel. Consequently, the increase in the price of Saudi light crude will be limited to \$0.57 per barrel. Since Saudi Arabian and UAE outputs together account for about one-third of total OPEC production, the net impact of the actual and prospective increases in OPEC prices, on oil-importing countries as a whole would be less severe than was generally feared ever since certain vocal oil-exporting countries began to campaign for another round of increases in oil prices. At the same time, since Saudi oil is mostly exported to the United States and Japan, the other major oil-importing countries will have to bear most of the burden of the higher-priced supplies from sources

other than Saudi Arabia and the UAE. In this sense France and West Germany, particularly will be hit hard.

There is also another way of looking at the OPEC price decision as it affects major oil-importing countries. The economic recovery which has been taking place in the industrially advanced countries since mid-1975 presents a mixed pattern. The United States, West Germany and Japan have been in the vanguard of this advance and their economies are stronger and much more advantageously placed than those of France, Britain or Italy which are plagued by serious weaknesses. Thus, whereas inflation is currently coursing at a rate of five per cent in the United States and 3.5 per cent in West Germany, it is of the order of 10 per cent in France, 15 per cent in Britain and 20 per cent in Italy.

Britain's plight

While the seven largest OECD economies (the USA, West Germany, Japan, France, Britain, Italy and Canada) had together marked up a real GNP growth of 5.5 per cent in 1976, Britain's economy grew by one per cent and the average for the OECD economies, (excluding the USA, West Germany and Japan) was only 2.5 per cent. In the same year, the United States, West Germany and Japan contributed a combined surplus of \$6.5 billion to the balance of payments of the 24 countries, but the group as a whole still showed a deficit of \$29 billion.

Finally, these divergences in national economic performance within the OECD have been strikingly brought out by the movements in the world's currency exchanges, with the British pound and the Italian lira losing ground by 20 per cent and the French franc by 12 per cent as against the near-stability of the US dollar and an appreciation of 10 per cent in the value of the D-mark. In these circumstances, the relatively weaker economies within the OECD, notably France and Italy, will be specially adversely affected by increases in their oil import bills following the raising of crude prices by the OPEC.

An attempt has been made in some quarters to justify the latest OPEC price move by recalling US or other western domination, both physical and political,

of Gulf or South American oilfields in the past. The original sins of the Seven Sisters have also been alluded to as an added argument. Discussion of this kind is pointless in terms of current global economic realities or contemporary oil politics, particularly west Asian oil politics. The latest round of increases in oil prices have come at a time when the economic course of many western countries is still uncertain and wayward. Their fortunes, whether we like it or not, do have an important bearing on the trade or development of less industrialized countries as well as on international trade and capital movements as a whole. Any development such as dearer oil therefore cannot but be of concern for all those countries which realise that they have a stake in the stability and orderly expansion of all parts of the global economy. Right now it is essential to the smooth progress of world trade that industrial countries such as Britain, France and Italy should succeed early in mastering the graver aspects of domestic inflation and that the US, West German and Japanese economies should not be deterred from moderate growth policies. To the extent the OPEC price decision has generated uncertainties in this area it must necessarily be viewed with lively apprehension.

consumer resistance

Fortunately there is a fair chance of the major oil-importing countries putting up desirable consumer resistance. Their stockpiling of oil in the latter half of 1976 in anticipation of OPEC manoeuvres is in their favour. The more strident politicians of the OPEC are banking on an increase in oil consumption in the United States and other industrial countries. But they also know that Saudi Arabia, which had initially opposed any price increase and had only reluctantly decided subsequently on a once-for-all five per cent increase for all of 1977, is able and may be willing to step up its own oil output and thus thwart any attempt on the part of the other 11 OPEC producers to enforce a higher price structure for their crudes by curtailing supplies. The potential strength of the Saudi position in this respect has been underlined both enterprisingly and emphatically by the violent

diatribes directed against the Saudi Arabian Oil minister, Sheikh Ahmed Zaki Yamani, by certain OPEC commentators, notably the Iranian press.

France's president has promptly expressed his disquiet over the growing militancy of the oil cartel. The new administration in Washington is also likely to show similar concern. Since there are within the OPEC itself powerful forces making for moderation and enlightened international cooperation, it may be that wiser counsels will prevail between now and July, especially if the oil-importing countries show sufficient statesmanship and strengthen the hands of the

"moderates". Incidentally, the difficulties which certain OPEC producers are bound to experience in marketing their heavy crudes which the higher price structure has rendered less competitive should help in cooling the "hotheads" within the cartel. Some of them are already beginning to be apprehensive of defections from the ranks of the Eleven who voted for the higher price structure at Qatar against Saudi Arabian advice recommending restraint. It is quite possible that the internal strains caused by its own excesses may do more to undo the oil cartel eventually than all the external pressures that may be brought to bear on it.

Commerce ministry's case for export bank

THE UNION Commerce ministry is reported to have submitted a detailed memorandum to the Banking Commission to consider favourably the case for creating a foreign trade bank to provide adequate finance for exporters. The ministry is understood to have pointed out that the facilities offered by the commercial banks and the Industrial Development Bank of India (IDBI) are not adequate and that, even after setting up a high-level committee on export finance by the Reserve Bank, difficulties continue to be faced by exporters in getting timely and sufficient credit. In the absence of the full text of the memorandum, it is not possible to say to what extent the Commerce ministry has made a convincing case for establishing a foreign trade bank. It is true that, occasionally, exporters and their organisations have been voicing their grievances about the availability of credit and its high cost. But are these problems such as can be solved only by setting up a separate foreign trade bank?

The union Finance ministry and the Reserve Bank have been saying that, in enforcing restrictions on credit, care is always taken to ensure that the needs of exporters are promptly met so as to enable them to compete effectively in world markets. The latest annual report of the

directors of the Reserve Bank has observed that the export sector continued to receive "high priority" in the provision of bank credit during 1975-76 and that banks were specifically asked to take appropriate steps to remove the bottlenecks, if any, in the way of speedy decisions. The report has described in detail the several measures taken, at the instance of the Standing Committee on Export Finance, to provide special facilities for the export of medium and heavy engineering goods, for overseas construction contracts, for consultancy firms exporting consultancy services, for concessional pre-shipment credit for sugar mills, and so on. Financial facilities were also provided for industries to participate in the fairs and exhibitions in foreign countries. It will be interesting to know whether there have been specific cases where the Reserve Bank has failed to act promptly in providing export finance even after the Commerce ministry has brought the difficulties to the notice of its Standing Committee.

The Commerce ministry is reported to have represented to the Banking Commission that the attitude of the commercial banks to exports is often found to be traditional while the need of the hour is to have a non-traditional approach. But the fact that our engineering industry has

expressed confidence in its ability to reach an export target of Rs 1000 crores by 1978-9 seems to indicate that difficulties in getting export credit are not of a serious nature. In fact, Mr F.A.A. Jasdhanwalla, resident of the Association of Indian Engineering Industry, in a speech in New Delhi on December 9, 1976, admitted that several measures taken by the government had "strongly contributed to the boost in exports". He specifically mentioned the following: liberalisation of credit for exports, arrangements with the World Bank for instituting the Technical Development Fund Scheme, introduction of the IDBI soft loan scheme for modernisation of industry, and the provision of buyers' credit to certain countries.

Mr Jasdhanwalla also said that credit for the spurt in exports must go "in a very large measure" to the government for its "very pragmatic approach". Can it be said therefore that the nationalised banks and other public sector financial institutions have been indifferent to the promotion of non-traditional exports? It is, of course, not suggested that exporters of engineering goods and other products have no problems in regard to the availability of credit on competitive terms. There is indeed a strong case for further liberalising the terms of packing credit especially for capital goods and also for lowering the rates of interest. In particular, financial facilities should be provided adequately to enable exporters to form consortia which are so essential for developing project exports. But cannot these and other related issues be properly tackled without setting up a foreign trade bank?

banks' disability

The Commerce ministry is also understood to have told the Banking Commission that the commercial banks are not adequately equipped to judge the viability of proposals relating to turn-key projects, that they have been neglecting development work in the field of quality upgradation and sampling which can augment the export of items like fruits and vegetables, and that they do not give proper attention to investment in export-oriented industries. But it should be remembered that for many years after nationalisation, the banks had to grapple with numerous difficult problems, including that of maintaining

discipline among staff, and it was unrealistic to expect them to get themselves deeply involved in export promotion activities to the extent desired by the Commerce ministry. However, now that banks have overcome their handicaps arising from sudden nationalisation, it should be possible for them to give greater attention to measures for augmenting exports. The Reserve Bank should also see to it that the commercial banks promptly and sincerely implement its directives in regard to the provision of export credit. The Commerce ministry should bring to the notice of the Reserve Bank instances of individual banks not complying with its instructions to enable it to take appropriate action.

It is not known whether the union Finance ministry also has submitted a memorandum to the Banking Commission and, if so, what its stand is in regard to the formation of a foreign trade bank. The commission will have a delicate question to decide if, on an important issue like export credit, the ministries of Finance and Commerce speak with different voices. Incidentally, it is interesting to note that the Commission has asked in its questionnaire about the desirability of forming separate banks for promoting tourism, for house construction, and so on. Will the union ministries of Tourism and Housing urge the Commission to consider the case for separate banks for encouraging these activities?

Prices and Plan outlay

AT THE beginning of the new year, the outlook on the price front seems to be such as to call for abundant vigilance on the part of government, industry, trade and the community. The wiping out of the gains achieved in a period of 21 months, since anti-inflationary measures were announced in July 1974, in the nine months ended December 1976 should certainly give cause for concern. It could be proudly claimed until March last year that a negative rate of inflation had been established in India when prices were tending to rise alarmingly even in the developed countries. The World Bank too expressed appreciation of the efforts made by the government of India and Reserve Bank to control inflation successfully through appropriate monetary and credit measures. In the past nine months, however, there has been a steady rise in prices which has had a vitiating effect on the index for all products. This index stood at 314.9 (base 1961-62=100) against 295.7 on December 20, 1975 and 316.4 on December 21, 1974. Considered in the context of a higher Plan outlay and a doubling of the rate of increase in money supply in the current financial year, this development ought to cause concern.

Anxiety about price trends, however, could be exaggerated and movements in

the price index, should be read with circumspection. Even with the increase in wholesale prices by 10 per cent food articles are now cheaper than two years ago while the chemical group also has recorded a significant reduction in the same period. "Industrial raw materials", on the contrary, have touched a new high level, the index rising to 333.9 from 319.3 in 1974. Only a marginal rise has been recorded in prices of machinery and transport equipment.

It is also necessary to examine carefully the fluctuations in the indices of the main group and sub-groups over a period of twelve months. It will be then realised that the shortages in edible oil and raw cotton have been on account of shortfalls in production and increases in consumption and the secular trend in wholesale prices has no sinister significance. Indeed, some purists might raise their eyebrows if it is suggested that the increase in money supply by 11.2 per cent between April and November 1976 as compared to 6.3 per cent in the same period in 1975 may not be the villain of the piece. By the same token, expansion of bank credit also cannot be said to have induced harmful effects. It is true that there has been a pronounced increase in non-food credit extended by the scheduled commercial

banks since September last year and the calculations of the Reserve Bank about controlling credit expansion have gone wrong. However, no satisfactory explanation has been given so far why non-food credit has increased though it is justifiable to presume that an increase in stocks of steel, fertilizers and non-ferrous metals and higher prices for raw cotton and textiles have resulted in the immobilisation of fairly large funds.

The situation in this regard would have been even more uncomfortable if successful efforts had not been made to increase exports of steel, cotton textiles, aluminium and engineering goods and care had not been taken to reduce imports of food-grains, steel, copper, zinc and fertilizers. The larger advances against cotton and textiles were inevitable as raw cotton prices had risen by 65 per cent and there had to be a rise in prices of cloth and yarn though not correspondingly.

exaggerated effect

The increase in money supply as a result of massive procurement operations and surging foreign balances could be said to have inflationary effects if there had been an aggressive demand for consumer and durable goods. The injection of purchasing power of over Rs 1,000 crores due to heavy procurement purchases has not, however, been reflected in a larger demand for textiles, bicycles or other items. On the other hand cotton industry circles are worried about the lack of adequate offtake of textiles of different types while there has been no pick up in demand for bicycles or other appliances. Only in respect of edible oils, sugar and some services there has been increase in demand and shortages in particular directions have had an exaggerated effect on the price structure, as stated above.

In so far as there has been no net large increase in borrowings from the Reserve Bank as a result of the building up of buffer stocks in 1976 and bank deposits have been utilised largely for expanding food credit, the inflow of funds into rural centres cannot be said to have been responsible for a net increase in money supply though it could be expected that the distribution of incomes in the spending groups would have led to heavier outlays

on food articles and consumer goods. The lower and middle income groups, evidently, are not in a mood to fritter away their savings and only with a sustained high level of agricultural production and new opportunities for securing credit on an assured basis, will there be an enlargement of demand for consumer and durable goods.

consumption trends

If this kind of reasoning is correct, a larger demand for consumer and light durables may be expected with the maintenance of agricultural production at a fairly high level for the second season in succession. What is really relevant is the fact that the additions to buffer stock out of indigenous production are only about a net nine million tonnes and the balance of 109 million tonnes out of the 1975-76 crops has been either consumed by population or kept to a certain extent as marginal stocks. If it is remembered that the previous year's consumption of 109 million tonnes or even slightly less consisted of imported stocks of only four or five million tonnes, there has been an increase in the purchasing power of small farmers and others with additional sales of five or six million tonnes of foodgrains, out of indigenous production. This is apart from the injection of purchasing power through procurement credit. The year 1977 will, therefore, have to be carefully watched for shifts in consumption trends or the emergence of new demands from some directions.

There is, however, no danger of any unexpected rise in consumption not being matched by corresponding supplies of essential commodities. There is no dearth of cloth and yarn, sugar or light durables. Only there will have to be massive imports of edible oils and the efforts made by the government in this regard have not been as effective as expected earlier though the policy is well conceived. It will not serve the purpose if only the needs of the vanaspati manufacturers are met to the extent of half of their requirements through imports. The common man is using edible oils from crushers and refiners to a greater extent than vanaspati and unless refined and imported oils in usable forms are sold through fair price

shops, open market prices cannot be brought down from the present high levels.

The shortage of cotton too can be overcome with the use of other fibres and large imports. It is necessary, however, to have a national policy for marketing cotton as it has been loudly complained that the monopoly procurement scheme of the Maharashtra government has been mainly responsible for the skyrocketing of cotton prices. Higher prices have no doubt been advantageous to Maharashtra's cotton growers, but it has affected consumers all over the country and it has to be decided how a level of prices reasonable to growers and consumers can be established. While these questions are being examined, the government has the necessary tools at its disposal in the form of bursting buffer stocks of food-grains, bulging foreign balances and a comfortably high level of industrial production.

import arrangements

If there is a shortage in essential commodities as a result of higher consumption, imports can always be arranged. These imports too need not result in a net big increase in foreign exchange expenditure as there will be opportunity for displacing other imports and stepping up exports of many other items. Again, a higher level of Plan outlay in 1977-78 cannot also have a disturbing effect as the additional demand for steel, cement, electrical equipment, diesel engines, transport equipment and the like can be met in the required volume and the different industries will be in a position to raise their output further only if current production can be fully absorbed. Indeed, the government should relax its techniques of demand management and increase Plan expenditure in a way which will have larger spread effects. Bigge outlays on the construction of transmission lines, creation of generating capacity, energisation of pumpsets, improvement of communications and execution of irrigation projects can be easily achieved for securing the desired results. The year 1977 can then prove to be a turning point in the country's economy.

CAPITAL'S CORRIDORS

R. C. Ummat

Developing world meet • Engineering exports to south-east Asia • Foreign exchange reserves

THE DELIBERATIONS of the round table ministerial meeting on industrial and technological cooperation among the developing countries, which was organised here last week by the United Nations Industrial Development Organisation (UNIDO) in cooperation with the government of India, suggest that there is a good deal of scope for not only bilateral cooperation among various developing countries, on the one hand, and India, on the other, but also of multilateral cooperation among the developing countries in general. The meeting was attended by representatives from 18 developing countries. The delegations of 16 countries were headed by their ministers of industry.

Organised with the main objective of exploring in a concrete way avenues of co-operation among the developing nations with a view to achieving the goal set in the field of industry by the Lima declaration — by the year 2000, at least 25 per cent of the world industrial production should originate from the developing countries—the meeting identified the following specific areas of cooperation which could be pursued by the developing countries present at the meeting and also by the other developing nations:

identifying technology

(i) co-operation in the field of industrial technology with a view to improving the identification and use of technologies already available in the developing countries, including technical know-how and skills, machinery and equipment, design, consulting and construction capabilities;

(ii) establishment of a technology bank which would consider matters relating to

joint purchases of technology and examination of contracts and agreements already concluded to provide guidance to others so as to avoid the mistakes concerning the experience of particular technologies by other countries;

(iii) arranging of industrial training to augment the skills which are considered basic to industrial development programmes;

(iv) establishment and strengthening of the institutional framework at the national and regional levels to sustain industrial and technological development;

applied research

(v) the creation of programmes of co-operation concerning applied research and development activities in specific sectors, drawing upon machinery and capabilities already available in the developing countries concentrating specifically in the fields of engineering industries, electronics, fertilizers and agro-chemicals, pharmaceuticals, chemical industries and energy;

(vi) the development of concrete plans for the use of engineering and consultancy capabilities available within the developing countries; and

(vii) to promote collective action for negotiating and bargaining for more equitable economic relationships and for technology acquisition.

The need for standardisation of specifications for capital, intermediate and consumer goods to be adopted on a sub-regional or a regional basis was recognised and it was agreed that this matter should be studied in depth with a view to enlarging trade opportunities among the developing countries.

It was also recognised that there was need for improving and expanding certain

reputed technical institutions in the developing countries so as to make them centres of excellence. It was agreed to explore the possibility of cooperative funding under the auspices of the UNIDO to achieve this objective for the benefit of all the developing countries.

Concrete programmes were envisaged to be drawn up under the auspices of the UNIDO especially for setting up institutional centres for research and development in three specific fields, namely, non-conventional sources of energy, drugs and pharmaceuticals and electronics.

The UNIDO, it was felt, could also help in terms of advice and expertise on conditions which should govern procurement of technology from the developed countries.

clearing house

Noting that bilateral arrangements for cooperation among the developing countries already existed to some extent and joint commissions had been established by different countries to plan and review the progress of cooperation between them, it was emphasised that creation of clearing house arrangements could add new dimensions to these cooperative endeavours as there was information gap relating to the capacities of the developing countries which could be utilised. The information, it was felt, was required on the available technologies, training facilities, availability of qualified personnel, existence of consultancy organisations as well as facilities for research and development which could be utilised for joint endeavours. The UNIDO was requested to study this matter and initiate action so that relevant information could be collected for dissemination among the developing nations.

With regard to multilateral cooperation, three proposals were considered. These were: (i) holding of round table ministerial meetings on the lines of the New Delhi meet; (ii) triangular arrangements between the assisting and the assisted countries and the UNIDO; and (iii) organisation of consultancy meetings under UNIDO sponsorship for the purpose of developing cooperation between one particular country and another more advanced developing nation.

The need for strengthening the UNIDO

was stressed. It was suggested that some of the participating countries could pledge even on a token basis resources to the UNIDO general trust fund.

India's offer to share with the developing countries its know-how and experience in developing industries as well as in planning and operating industrial enterprises was well received by the delegates. It was generally recognised that India and some other more developed countries among the developing ones were able to meet the machinery and equipment needs as well as the requirements of consultancy services of most of the developing nations.

Although the creation of collective centres of excellence for research in drugs and pharmaceuticals was not originally suggested in the agenda papers of the New Delhi meeting, it was included in this programme in pursuance of the deliberations of Colombo meeting of the developing nations. It was generally felt that the dependence of the developing world on the developed nations in the field of drugs and pharmaceuticals needed to be reduced expeditiously.

* *

The Association of Indian Engineering Industry (AIEI) feels that despite the keen competition from Japan and other advanced countries, there is immense scope for stepping up our exports of engineering goods to the south-east Asian markets.

In spite of our prices being generally competitive, countries like Japan, the Association points out, score over us because of the very liberal payment terms which they are in a position to offer to the south-east Asian customers. In most cases, these terms are tailor-made to the requirements of the south-east Asian countries which have enabled Japan in particular to capture a lion's share in these markets.

But still the immense scope for our exports, the Association feels, is there because of three reasons. First, there is general keenness among the buyers to go in for Indian products owing to cultural affinity and geographical proximity, the latter resulting in savings in ocean freight. Secondly, the Japanese goods are often "over-sophisticated" to the needs of these countries and their capacity to

absorb advanced technology. The Indian equipment and machinery has been found to be easily adaptable to the requirements of these countries. Thirdly, in most of the south-east Asian countries, the standards and specifications used are similar to those being used in India.

The Association, however, points out that unless some steps are taken to match the very generous offers made by the developed countries, the headway which our exporters can make in the south-east Asian markets cannot be rapid. It has, therefore, called upon the Indian engineering exporters to review their payment term facilities.

The major opportunity areas for the Indian engineering exporters, according to the Association, are in the field of project exports, particularly those which are being financed by the Asian Development Bank or the other world financial institutions. The emphasis in these countries is on development of infrastructure facilities such as irrigation and power, transportation, communications, port development and ship-repairing. These countries are also embarking upon fairly ambitious industrial development programmes. India, it is felt, can offer both technical services and equipment and machinery suitable for these development programmes.

creating an image

The Association is of the view that there is an urgent need to rectify our image in the south-east Asian markets as there have been a number of instances in the past of our exporters defaulting either on quality or delivery schedules or both. Adherence to quality and delivery schedules, it is stressed, are of utmost importance if exports are to be multiplied.

It is also considered necessary that effective publicity is given to our engineering capabilities through publication of attractive literature, indicating production/processes development, contracts/orders secured, etc., together with technical specifications of the products manufactured. Arranging of visits of the important buyers and project authorities from these countries to our industrial plants and establishments, it is felt, will go a long way in interesting them in our

machinery and equipment. This way they will be enabled to see for themselves the level of technology achieved by us.

The Association believes that our "continuous presence" is also a must for making a headway in the south-east Asian markets. This, it thinks, can be done by way of establishing an industry office in the region.

The Association has suggested to the government that it may be worthwhile to post technical persons or advisers in our embassies and high commissions in the south-east Asian countries so that discussions with the project authorities and other buyers there can be made meaningful, specific and result-oriented.

* *

In spite of the off-repeated claims of the government about liberalisation of imports following the encouraging balance of payments position, our foreign exchange reserves continue to grow fairly rapidly. Including gold and SDRs, they are stated to have reached the impressive level of Rs 2,655 crores by December 31. Of these, gold coins and bullion held by the Reserve Bank accounted for Rs 182.53 crores, foreign securities in the issue department of the bank for Rs 921.74 crores and balances held abroad for Rs 1,364.05 crores. The remainder sum of nearly Rs 188 crores was accounted for by SDRs.

In correctly appreciating the foreign exchange assets of the country note, however, needs to be taken of the fact that the gold reserves continue to be valued since 1971 at Rs 84.39 per 10 grammes. If these reserves are revalued appropriately according to the realisations from the IMF gold offerings in the international market, our total foreign exchange assets should exceed Rs 3,000 crores.

With exports this year expected to reach the level of Rs 4,800 crores, imports of food and metals having gone down substantially (those of fertilizers are understood to have been resumed to meet the deficit between requirements and domestic production) and remittances by Indians abroad continuing to grow, the government apparently has considerable elbow-room for liberalising imports further in the interest of containing the prices spiral.

Industries: current assets and liabilities

Dr K. S. Mathur & D. K. Kotia

The authors, who are associated with the department of Accountancy and Business Statistics of the Rajasthan University, studied 10 major industries to find if the 'current ratio' is 2 to 1. They have come to the conclusion that this norm does not apply either individually or collectively in the industries covered by their study and that the established norm should be revised.

THE RULE of thumb for current ratio, which shows short-term financial position in industries by establishing relationship between current assets and current liabilities, is 2 to 1. This traditional norm has been so popular that current ratio is also known as 2 to 1 ratio.¹ But the present study rejects this norm in Indian industries.

In this study the hypothesis that the current ratio is 2 to 1 has been tested by applying Student's "t" test. Further, it has also been studied whether there is significant difference in current ratio (i) between industries for the same time and (ii) between time for the same industry by applying variance analysis technique. The study is based on the current ratios of large public companies² in 10 major industries for seven years shown in Table I. These companies would reflect the trend of the corporate sector as a whole.

textiles industry

Firstly, the hypothesis has been tested in cotton textile industry. The various calculations made in this respect are as follows :

- (1) Mean of current ratio ($\bar{X}$)=1.37
- (2) Standard deviation of current ratio (σ)=0.14
- (3) Number of observations (N)=7
- (4) Hypothetical Ratio (μ) = 2
- (5) Value of "t" = $\frac{|\bar{X}-\mu|}{\sigma} \sqrt{N-1}$
 $t = \frac{|1.37-2|}{0.14} \sqrt{7-1} = 11$
- (6) Degrees of freedom = N-1
= 7-1 = 6
- (7) Level of significance = 1%³
- (8) Table value of "t" = 3.7

As the calculated value of "t" is higher than the table value of "t" the hypothesis

is not true. The difference between actual ratio and hypothetical ratio is significant. Hence, current ratio is not 2 to 1 in cotton textile industry.

Secondly, the same test has been applied to test the hypothesis in selected industries as a whole. For this purpose,

POINT OF VIEW

average current ratio has been calculated for each industry on the basis of average current assets and average current liabilities for the four years (shown in Table I).

TABLE I
Current Ratios of Large Public Limited Companies

Industry	Ratio of Current Assets* to Current Liabilities**							Av. current ratio for 4 years
	1968-69	69-70	70-71	71-72	72-73	73-74	74-75	
Tobacco	2.27	2.37	2.28	2.03	1.99	2.30	1.75	2.00
Cotton textiles	1.20	1.23	1.32	1.34	1.38	1.59	1.54	1.38
Iron and steel	1.33	1.17	1.13	1.04	1.04	1.19	1.21	1.09
Aluminium	1.33	1.48	1.92	1.61	1.47	1.49	1.46	1.52
Engineering	1.23	1.23	1.23	1.29	1.32	1.37	1.31	1.29
Chemicals	1.30	1.37	1.34	1.41	1.43	1.59	1.68	1.41
Cement	1.19	1.22	1.28	1.28	1.27	1.39	1.31	1.25
Paper & paper products	0.99	1.21	1.39	1.37	1.26	1.48	1.44	1.32
Shipping	1.11	1.12	1.01	0.94	0.93	0.80	0.71	0.92
Electricity generation and supply	0.90	0.91	0.96	0.97	0.91	1.07	1.09	1.27

Notes : *Current Assets include, (1) inventories, (2) loans and advances and other debtors balance, (3) book value of quoted investments, (4) cash and bank balances, and (5) advance of income-tax in excess of tax provision.
**Current liabilities include : (1) current provisions, (2) borrowings from banks, (3) other current borrowing, and (4) trade dues and other current liabilities.

Source : Various issues of Reserve Bank of India Monthly Bulletin.

The various calculations are as follows :

1. $\bar{X} = 1.345$
2. $\sigma = 0.27$
3. $N = 10$
4. $\mu = 2$
5. Value of

$$t = \frac{|1.345-2|}{0.27} \sqrt{10-1} = 7.3$$

6. Table value of "t" at 9 d.f. and one per cent level of significance = 3.25

In this case also the calculated value of 't' is higher than the table value of 't'. This shows that the observed result significantly deviates from the hypothesis. Thus, hypothesis is incorrect and current ratio is not 2 to 1.

Though current ratio is not 2 to 1 in industries as a whole, it does not mean that the ratio does not differ from industry to industry and from time to time. This has been studied by applying "F" test in the technique of variance analysis.

After making various calculations

relating to this technique, the analysis variance is presented in Table II.

$$\begin{aligned} \text{(i) F (between columns)} \\ &= \frac{\text{Variance between columns}}{\text{Residual variance}} \\ &= \frac{0.025}{0.012} = 2.1 \end{aligned}$$

Table value of F = 3.2

Here, the calculated value of "F" is lower than the table value of "F". Therefore the difference between the current ratio of different times for the same industry is not significant.

$$\begin{aligned} \text{(ii) F (between rows)} \\ &= \frac{\text{Variance between columns}}{\text{Residual variance}} \\ &= \frac{0.8}{0.12} = 66.7 \end{aligned}$$

Table value of F = 2.2

Since the calculated value of F is greater than its table value, there is significant difference between the current ratio from industry to industry.

Thus, the following conclusions may be drawn from the study:

(1) The norm of 2 to 1 does not apply (neither individually nor collectively) in the industries covered by the study. There is need for further study in this regard and in the light of the result, the established norm for the current ratio may be revised.

(2) The difference in the ratio from time

to time in the same industry is not significant.

(3) The industry-wise difference in the ratio is significant.

References

1. J. Batty : Management Accountancy, Macdonald and Evans Ltd., London, Third Edition, p. 417
2. A large public company here means a company with paid-up capital of Rs. one crore or above.
3. One per cent level of significance means that there is one per cent chance that the conclusion derived is not correct.

TABLE II
Analysis of Variance

Sources of variance	Sum of squares	Degrees of freedom	Variance (2÷3)
1	2	3	4
1. Between columns (time-wise)	0.15	6	0.025
2. Between rows (industry-wise)	7.19	9	0.8
3. Residual	0.64	54	0.012
Total	7.98	69	

Cropping pattern in Sultanpur district

G. N. Singh, D. S. Singh & R. I. Singh

To raise the level of net income per hectare in Sultanpur, the authors who are associated with C.S. Azad University of Agriculture & Technology, Kanpur, suggest that apart from more intensive land use, the farmers should adopt modern crop rotation. They suggest that in addition to sugarcane, potato and sunflower should be grown as cash crops.

THE STUDY of economics of the cropping pattern is assuming great significance in view of the greater emphasis on the balanced development of agriculture to meet the food, fodder, fibre, oilseeds and other requirements of the population. If the country has to be self-sufficient in major agricultural products, it is to be seen by the planners, and policy makers that lopsided development of certain crops resulting from their higher prices does not take place to the detriment of other crops which are not so profitable, but essential for agricultural economy of the country. The cropping pattern differs from country to country, state to state, district to district and even in the same district from village to village depending upon such physical and economic factors

as temperature, rainfall, humidity, soils, prices, market situations etc. It calls for conducting regional studies in order to know the various cropping patterns prevalent in different regions to make adjustments in crops and crop combinations as to increase farmer's profit.

Sultanpur is one of the agriculturally backward districts of Uttar Pradesh and no study in regard to cropping pattern of the area had so far been conducted. Thus, keeping in view the important role played by cropping pattern in the agricultural economy of an area, the present study was conducted in that district with the following main objectives :

1. To study the cropping pattern on the farms of different sizes.

2. To work out the economics of different crop rotations under different size groups of farms.

3. To study the influence of intensity of cropping on the level of net return per hectare.

The study is based on an intensive enquiry of 30 farmers selected randomly under four size groups viz. 0-1, 1-2, 2-3 and 3 hectares and above from three villages of Jaisinghpur block. The study was conducted by survey method during 1974-75.

The area under each size group and the average size of holdings of the sample farms are shown in Table I.

Table I reveals that the highest percentage of holdings was found to be under 0-1 hectare size group (40 per cent) and the lowest percentage being 13.34 per cent in the size group of three hectares and above.

The average size of holding in the

study area varied from 0.87 hectare in below one hectare size group to 4.19 hectares in three hectares and above size group, with an overall average of 1.79 hectares.

The cropping pattern is an important factor influencing the level of earnings on farms.

The distribution of cropped area under different crops and its percentage, size groupwise, on the sample farms have been shown in Table II.

Table II shows that, on an average, wheat occupied the largest percentage area being 19.03 per cent to the total cropped area followed by paddy (18.38 per cent), barley (11.60 per cent), gram (11.23 per cent) and sugarcane (7.89 per cent.)

The intersize group comparison reveals that the percentage area under wheat was the lowest being (16.69 per cent) in three and above hectares size group and the highest (21.27 per cent) in below one hectare farms. In case of paddy the percentage area was the highest in one-two hectares size group and the lowest in three hectare and above size group. In case of sugarcane, the percentage area was the highest (9.34 per cent) in two-three hectares size group of farms and the lowest (6.58 per cent) in below one hectare size group.

pattern of farming

The traditional pattern of farming is followed in the locality with the dominance of cereals and pulses over other crops. Table III shows the percentage of food and cash crops in the sample farms. The main cereals grown on the sample farms were wheat, paddy and barley while gram and pea were the main pulse crops. Sugarcane was the only cash crop grown by the sample farmers in the study area.

Table III clearly indicates that the area under cash crops in general increases with the increase in the size of farms. It increased from 5.48 per cent in below one hectare size group to 8.54 per cent in two-three hectares and 8.18 per cent in three hectares and above size groups of farms. As against this, the percentage area under food crops decreased from 87.31 per cent in below one hectare size group

to 83.10 per cent in three hectares and above size group of farms. These trends were due to the fact that large sized farmers could offer to have more area under cash crops for higher returns while the small farmers with their small land base put more area under food crops to meet their family requirements.

Table IV shows the percentage area

under improved and high yielding varieties in different size group of farms.

Table IV indicates that on an average, the percentage area under high yielding and improved varieties came to 27.63. It in general increased as the size of holding increased from 20.14 per cent on below one hectare size group to 35.80 per cent in three hectares and

TABLE I
Number of Cultivators and the Average Size of Holdings

Size group in hectare	No. of cultivators	% age	Net cultivated area	%age	Average size of holding
0—1	12	40.00	10.39	19.92	0.86
1—2	9	30.00	12.03	22.83	1.34
2—3	5	16.66	13.50	25.51	2.70
3 hectare & above size	4	13.34	16.76	31.84	4.19
Total	30	100	52.70	100	.79

TABLE II
Crop-wise Area and Their Percentages Under Different Size Groups

Crops	Area under different size groups								Overall	
	0—1 hect.		1—2 hect.		2—3 hect.		3 hect. & above size		total area	%age
	Area	%	Area	%	Area	%	Area	%		
Paddy	3.33	17.98	4.37	21.50	4.06	18.82	3.92	16.00	15.68	18.38
Chari	1.33	7.28	1.44	5.00	1.51	7.01	2.16	8.81	6.44	7.55
Jwar + Arhar	1.43	7.82	1.62	8.98	1.63	7.55	2.32	9.65	7.00	8.10
Sugarcane	1.22	6.58	1.52	7.39	2.01	9.34	1.98	8.08	6.73	7.89
Wheat	3.94	21.27	4.11	20.25	4.18	19.37	4.09	16.69	16.32	19.03
Barley	2.35	12.98	2.46	13.98	2.57	11.91	2.52	10.28	9.90	11.60
Pea	1.15	6.30	0.84	4.05	1.28	5.93	2.18	8.89	5.45	6.64
Gram	2.19	11.76	2.46	12.85	2.50	11.59	2.43	9.77	9.58	11.23
Smaller millets & others	1.58	8.63	1.87	6.00	1.83	8.48	2.90	11.83	8.18	9.58
Total	18.52	100	20.69	100	21.57	100	24.50	100	85.28	100

TABLE III
Size Group Wise Area Under Food and Cash Crops

Size group in hectare	Total cropped area in hectare	Area in hectare under			Percentage		
		Food crops	Cash crops	Others	Food crops	Cash crops	Others
0—1	18.52	15.87	1.22	1.43	87.31	5.48	7.21
1—2	20.69	17.63	1.52	1.54	85.69	5.68	8.63
2—3	21.57	18.95	2.01	1.61	83.68	8.54	7.78
3 hectares & above size	24.50	20.26	1.98	2.26	83.10	8.18	8.72
Average	85.28	72.71	6.73	6.84	84.66	6.97	8.47

above size group. The reason being that the large sized farmers with their better economic status and command over resources could afford higher investment required in the production of high-yielding varieties.

The intensity of cropping on the sample farms under different size groups is given in Table V.

Table V indicates that intensity of cropping decreases with the increase in the size of holdings. On an average, the intensity of cropping of the sample holdings came to 164.04 per cent. The highest cropping intensity being 178.24 per cent obtained in below one hectare farms and the lowest being 145.0 per cent in the highest size group of farms. The small farmers with abundance of available family labour on the one hand and low

land base on the other, had made more intensive use of land to produce enough to meet their family requirements.

The important crop rotations followed in the locality are : 1. Paddy-gram, 2. Paddy-wheat, 3. Paddy-barley and 4. Fallow-wheat. An economic analysis of different crop rotations has been made in Table VI.

Table VI portrays that paddy-wheat rotations gave the highest net return being Rs 2303.35 per hectare followed by fallow-wheat (Rs 1766.42), paddy-barley (Rs 1656.96) and paddy-gram (Rs 1644.60). The highest input-output ratio was observed in fallow-wheat rotation being 1:2.05 followed by paddy-gram rotations (1:1.99).

The intensity of cropping influences the level of net income per hectare to a large

TABLE IV
Percentage Area Under High Yielding and Improved Varieties on Farms of Different Sizes

Size group in hectare	Total area in hectare	Area under H.Y.V. & improved varieties	Percentage area under high yielding and improved varieties to total cropped area
0—1	18.52	3.73	20.14
1—2	20.69	5.28	25.41
2—3	21.57	6.99	29.19
3 hectares & above size	24.50	9.82	35.80
Average	85.28	6.28	27.63

TABLE V
Intensity of Cropping on Sample Farms

Size group in hectare	Total cultivated area	Total cropped area	Cropping intensity in percentage
0—1	10.39	18.52	178.24
1—2	12.03	20.69	171.94
2—3	13.50	21.57	159.99
3 hectares & above size	16.78	24.50	146.00
Average	13.17	21.32	164.04

TABLE VI
Economics of Crop Rotations

(In rupees per hectare)				
Crop rotations	Input	Output	Net income	Input-output ratio
Paddy-gram	1648	3293.07	1644.60	1:1.99
Paddy-wheat	2526.42	4829.77	2303.35	1:1.98
Paddy-barley	2101.42	3756.38	1656.96	1:1.79
Fallow-wheat	1740.14	3506.56	1766.42	1:2.05

extent. The intensity of cropping and level of net income per hectare on farms of different sizes have been worked out in Table VII.

TABLE VII
Intensity of Cropping and Net Income per Hectare

Size group	Intensity of cropping (%)	Net income per hectare (rupees)
0—1	178.24	1256.31
1—2	171.94	1211.54
2—3	159.99	1190.05
3 hectare & above	146.00	1176.56

Table VII clearly reveals that intensity of cropping directly influences the level of net income per hectare. The farms of the lowest size group with the highest intensity of cropping (178.24 per cent) had the highest net income of Rs 1256.31 per hectare, while the farms of the highest size group with the lowest intensity of cropping (146.00 per cent) had the lowest net return of Rs 1176.56 per hectare. It indicates that higher the intensity of cropping higher would be the net return per hectare.

From the above discussions it may be concluded that paddy, wheat and barley were the main cereal crops of the study area and dominated over all other crops in the crop plan of the sample holdings. Sugarcane had been the only cash crop of the area. During Zaid practically no crops were taken by any of the sample farmers. Thus, to raise the level of net income per hectare, the extension agencies should guide and train the farmers for making more intensive use of land and adopting the modern crop rotations. The less remunerative crops like smaller millets, barley and local varieties of paddy and wheat should be replaced by more remunerative crops like high-yielding varieties of paddy, wheat and maize. In addition to sugarcane, the farmers should grow potato and sunflower as cash crops. The cultivation of Zaid vegetables should be introduced where assured irrigation facilities are available for raising the intensity of cropping on one hand and the level of earnings on the other.

What will be new in the new year?

E. B. Brook

The year 1977 is likely to have more realistic exchange rates agreed to between Europe's national central banks. This might give the world a breathing space which must be used constructively. The most potent method of achieving this purpose would be a realistic outcome of the 'North-South dialogue' in Paris next spring, says the author.

THE WORST thing about a new year is that it gives a false impression of newness. It is not the fault of the season for, in Europe, anything less fresh than mid-winter weather is difficult to imagine. The falsity comes, especially this year, from a number of new things happening at just about this time—the Common Market has a new president and a new commission; in a few days, the United States gets a new President and new administration and, in the east, the old has passed away with chairman Mao and the new come in with chairman Hua. The Chinese, in fact, regularly increase the sense of something new by giving each

from its less fortunate partners. France is back to its usual pessimism, with a fall in industrial investment expected for this year. While the Italians, using sharper economic and monetary controls, may be turning the corner from their uncommonly low economic level, they will certainly remain the poorest in the Market this year once more. The British, reinforced with an IMF loan and prospects of other aid, may be in a less desperate position than in mid-1976 but need urgently a stronger realisation of the need to work and produce than they appear to possess.

In the United States it remains to be seen how far a majority Democrat Con-

communist world largely depends for setting a brighter tone in world economies. It is of no small consequence what measures President Carter will put forward and how far and how soon he will be allowed to put them into effect. He is, in any case, stuck with the arch-conservative chairman of the independent Federal Reserve Bank, Mr Arthur Burns, until 1978. To get his way in financial matters Mr Carter will need to exercise all his presidential authority in ways that may make him unpopular.

a shot in the arm

President Carter will face, at the beginning of his term of office, an inflated international importance—inflated because the world needs a shot in the arm which only the USA can give and because Mr Carter has been waited for so long. The last half of 1976 was stagnant largely because, Micawberlike, it was waiting for something to turn up in the shape of the new West German government which appeared only in October and, even more, for the new American President who emerged only in November. It will be late February at the earliest before the world knows what the new US Administration has decided to do.

Not until then can such important conferences as the Paris meeting on International Economic Cooperation—the 'North-South dialogue'—begin to move again; not till then will OPEC know if its unwilling moderation in keeping oil-price increases to five per cent and 10 per cent has met with any response; not till then will the Soviet Union know if it faces an opponent or a cooperative partner in such delicate areas as the SALT nuclear arms discussions and the middle-east. Not, also, till then will America's European partners in NATO have indications whether the United States is going to give an expansionist lead to prosperous Germany and Japan to open markets more

WINDOW ON THE WORLD

year a name—this year of 1977 is, a trifle forbiddingly, the Year of the Snake.

What is not new are the people and their problems. The people generally, are to put it bluntly, a trifle worn out. Thirty two years after Europe started to rebuild itself after the Second World-War the continent remains inflexibly divided between the capitalist and communist systems. The western, capitalist, half is split between the Common Market and the non-market countries. Of the Market countries, only West Germany can claim residual prosperity, to which it clings, nervously conserving its wealth and declining to open up sufficiently to imports

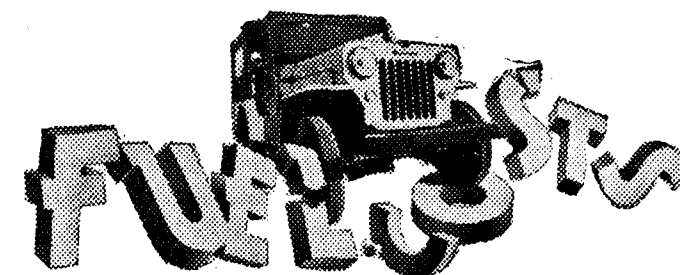
gress will support a Democrat Administration with a policy of risking higher taxes to help reflate the economy. What is never sufficiently understood outside the US themselves is that resentment against authority and preference for weak government is just as powerful among Democrats as among Republicans. What they call 'big government' is equated with creeping socialism and is highly unpopular with Republican businessmen, Democrat politicians and even among US trade union leaders who consider themselves as being 'above politics'.

Since it is on the policy and actions of the US Administration that the non-

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generously to the striving exports of Britain, Italy and France. On this attitude depends, in part, everyone's chances of economic recovery.

This latter consideration is not merely a matter for governments. It is acutely a matter for individuals also as is seen in the following OECD figures of income buying power between 1974 and 1976. Of nationals of five countries in North America and west Europe:

The Americans did best with an increase in the buying-power of their dollar from -1.5 to +3.2; the French remained fairly steady with a slight increase in the buying power of their franc from +2.6 to +3.2; the German mark improved sharply from +1.2 in 1974 to 3.6 in 1975 only to fall back 50 per cent to +1.8 in 1976. The British suffered a steady decline in their £'s buying value from +2.0 in 1974 to nil in 1975 and to -1.1 in 1976 while the poor Italians had it rough all the time with their lira from -2.3 in 1974 to a more promising -1.1 in 1975 only to collapse to -4.0 in 1976.

It is not surprising that several countries have tried to seek relief from domestic recession by excessive exchange manipulation—by engineering excessive devaluations to keep their currencies on relatively competitive purchasing power in face of others. But this device has, of course, dissuaded the more prosperous from buying at excessive exchange rates from their less fortunate contemporaries, so that the remedy was scarcely better than the disease and encouraged tendencies to harmful protective restrictions. The most constructive result was an increasing awareness of the need for collective action to prevent the global recession from becoming more rigidly established. There is now greater convergence of views on economic judgment and on conception of remedies. If 1977 has nothing else to its credit at the year's end, it is likely to have seen more realistic exchange rates agreed between Europe's national central banks.

While this action, if it comes to pass,

may check recession it would certainly do no more. But this check, combined with (at present) relatively moderate increases in crude oil prices, gives the world in 1977 a breathing space that must, if recession is not to deepen, be used constructively to improve all countries' trading opportunities at a reasonable margin of profit. The most potent method of achieving this essential purpose would be a realistic outcome to the 'North-South dialogue' in Paris next spring. It should ease the way through debt-relief and easier terms of trading for industrially-developing countries to increase the world-flow of commerce. Mutual assistance of this type would help reduce unemployment, enable Europe to concentrate on refinements to industrial production of which it is capable, and help persuade oil-producers that cooperation can be a multiple and not merely a dual process, a movement in which they have a very essential part. If this change in outlook and cooperation occurs, 1977 will prove to have been truly a lucky year.

European integration in the GATT perspective : I

Rameshwar Tandon

Though the formation of the OEEC was an outright breach of Article XIII of GATT which provided the rules on non-discriminatory use of Quantitative Restrictions, the author, who is Research Associate in the Institute of Social & Economic Change, Bangalore, believes that the world trading powers acquiesced to it because both the sterling and French-franc zones were included in the organisation and most of the non-European countries also benefited from the measure. Part II of the article will appear next week.

THE DRIVE for regional cooperation in western Europe sparked off some serious problems. While some sort of a 'preference' system was suggested between Britain and the west European countries, this idea later concretised in the form of the OEEC.

The success of the code showed that the European countries were prepared to give up at least part of their sovereignty in trade. This encouraged discrimination within the OEEC, "as there is no record of any serious effort to spell out the rules or otherwise to enforce or give practical

application to non-discrimination for restricted commodities".¹

No doubt this was an outright breach of Article XIII of GATT which provided the rules on non-discriminatory use of Quantitative Restrictions. Since the OEEC was a sort of gentlemen's agreement, there were no rigid rules and the members could pursue mutual consultations with a view to liberalising trade. The aim of the GATT was to keep discrimination in check and not to help in its growth. Moreover various reasons could

be cited for the attitude of world trading powers:

1. Both the sterling and the French-franc zone were included in the multilateral settlement arrangement of the European Payment Union and most of the non-European countries also benefited from the measures of trade liberalisation enacted within the OEEC.

2. The group of countries being discriminated against were those in the dollar area but the US itself had urged Europe to help itself and was instrumental in bringing about many of the measures which had built-in dollar discrimination.²

These discriminatory arrangements were accepted as part of the post-war transitional arrangements which were not required to conform to the accepted long-run commitments. It was hoped rather intuitively that a world-wide non-discriminatory system of trade would emerge latter and those regional arrangements

should facilitate a return to general convertibility of currencies.³

The US attitude was affected by the non-aggressive nature of discrimination; it was this type of 'passive' discrimination which was brought about by the OEEC liberalisation. The programme was designed to favour the OEEC members by promoting a more rapid removal of quotas among the group and this feature also conditioned the acceptability of the programme to the US and others.

When the external convertibility was restored in 1954, the OEEC sought cooperation of the GATT with a view to achieving total freeing of the OEEC members' imports on a global basis. It was also suggested that there was little benefit in the further continuation of a code which endorsed discrimination and that the GATT should take over where the OEEC had left. Hence, "at least for the countries which would not claim balance of payment difficulties, provisions of GATT go further than those of the OEEC code. The GATT banned import restriction altogether for these countries, but the OEEC authorises them to maintain controls on 10 per cent of their trade. The continued application of this code by the European countries and its possible extension to the US and Canada would seem to weaken, rather than strengthen, protection now afforded by the GATT to countries which would not become members of the new regional organisation."⁴

quantitative restriction

As compared to the GATT the OEEC code on discrimination, was quite flexible, along with some 'escape' clauses for members to abstain from applying the declared 'percentage' rules and there were formidable differences in the attitude of two bodies towards quantitative restrictions. In the OEEC, negotiations started without the members feeling bound by earlier agree-on 'fixed' rules and under the prevailing circumstances, this seemed to have been a prerequisite for success and without a greater flexibility than that in the GATT, there would have been no code of liberalisation.⁵

The GATT system of tariff reductions, whereby every one had to move at the

same rate, made it necessary for the speed of tariff reductions to be like that of a convoy, that of the slowest member. In practice, the country whose contribution to world trade was minimal, would get away with slower or no trade-liberalisation and the important trading countries weighed up carefully the contribution made by each one of them.

Since the US was limited in its tariff-reducing power by the Reciprocal Trade Agreement Act, which permitted at least five per cent reduction, but which, due to the escape clauses, peril-point techniques, permitted reductions which were very much less, some of the other important trading countries felt no reason for dismantling their tariff faster.⁶

important question

More important is the question whether such regional arrangements tend to perpetuate and possibly increase discrimination, or as claimed, they facilitate a movement to full multilateral trade; or under what conditions, can regional discrimination be a step to non-discrimination rather than to the creation of a more or less permanent protected soft currency area.⁷

In the GATT, customs unions and free-trade areas were endorsed, subject to the condition that they should comprise substantially all trade between the members and do not make duties, etc, on third-country exports more restrictive on the whole, than general incidence before the union.

The Treaty of Rome was submitted in the spring of 1957 and the special GATT committee was set up to assess its compatibility. But it was not possible to come to some definite conclusions, as the transitory measures stipulated, were not applied. While the GATT rule limited the review to 'trade policy' aspects only, the core of the new regional arrangement was that the members would extend to their partners, favours and privileges, not available to the outsiders. Due to their most-favoured-nation obligations, they did not ask for a waiver of their non-discriminatory obligations.

At the GATT committee meeting of 1957, it was held that the Article 24 laid down the basic rule a custom union should

apply to be consistent with the objectives of GATT and it would be more fruitful if attention was directed to specific and practical problems, leaving aside questions of law.⁸

The purpose of a customs union or free-trade-area should be to facilitate trade between the constituent territories and not to raise barriers to trade of others. With this high aim, Article 24 laid down that duties and other regulations of commerce, instituted by a customs union, should not, on the whole, be higher or more restrictive than the general incidence of duties applicable in the constituent territories, prior to formation of the union.

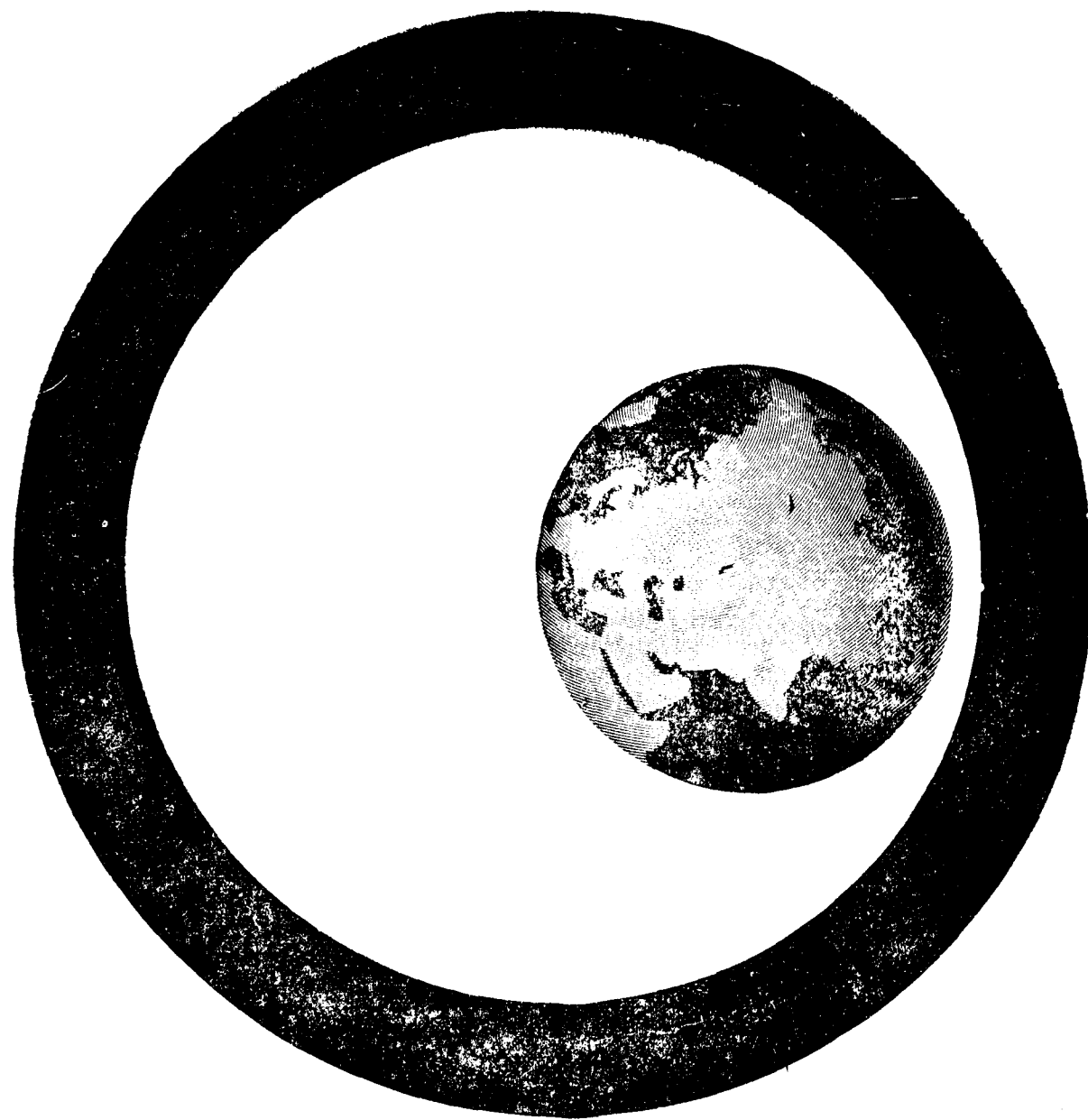
In the GATT inter-sessional committee, many countries voiced their concern, e.g, the US, Japan, India, Australia under the following heads:

1. The level of external tariff against third-countries;
2. The effects on third-countries' trade due to substitution of national quotas for global quotas for the members;
3. Common agricultural policy and world agricultural trade; and
4. New preferences due to overseas territories.

a painful experience

The Article 24 was sufficiently ambiguous and when, over the years, "regional arrangements that came before the GATT, did not conform to the tests of Article 24, the GATT and not the regional grouping yielded.⁹ It was rather tragic that the supposedly self-evident differences between the customs-union and the preferences proved to be completely misconceived. It was a painful experience that with one exception (the UK-Ireland Free-Trade Area), no customs-union or free-trade-area, presented for review, has complied with Article 24 and yet none of the agreement has been disapproved.¹⁰

While Article 5:A laid that the duties on imports from the non-members should not, on the whole, be higher or more restrictive than the general incidence of duties applicable in the constituent territories, prior to formation of such union, the intention here was simply to prevent



The world had nothing before it got zero

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external trade barriers from being raised in the process of creating a union.

The Treaty of Rome laid down that the common external tariff should be calculated as unweighted arithmetic average of individual tariffs, except on a few groups of commodities. On this basis, there would be some loss of exports by the third-countries to members whose tariffs were raised and this would be offset by any gain from increased exports to other members whose tariffs were lowered.

As the rates of duty for a larger part of the CET were not yet known, it could not be determined whether they were acceptable and 'a priori', the GATT committee rejected the idea of 'automatic' application of a formula. The Six rejected the legal obligations to adjust the external tariff, in view of its impact on the individual countries. The Treaty of Rome provided for successive elimination between the members of all import-duties according to a fixed schedule; the duties on all the non-agricultural goods were, with some exceptions, to be eliminated, on a linear scale, i.e., by applying a fixed percentage reduction.¹¹

height index

The problem is whether the the height of a tariff should be calculated first and the restrictiveness of each national tariff observed and then strike some sort of an average between these national levels (i.e., by calculating a 'height' index for each country, taking the average of these indices in order to determine an index for the CET and working backwards to calculate a schedule of the external duties that will not, in the aggregate, exceed the height of the average), or some union-wide average may be taken for each tariff-classification and then determine the aggregate height of the union-wide average.¹²

It is true that one can not determine from the nominal percentage rates, the restrictive impact a duty may have; a relatively high duty may provide excess protection in the sense that it may be more than necessary to eliminate trade in the commodity in question. The third countries may be compensated in theory, by simultaneous reductions of high tariffs, but really the structure of

trade does not correspond to this ideal as such. To obtain compensation by opening up new markets in countries where duties on same products have been reduced, is a very uncertain possibility.¹³

It was conceded that some rates were bound against increase in the earlier negotiations; the aim of negotiations on the 'bound-rates' items was to maintain a general level of reciprocal and mutually advantageous concessions, not less favourable to trade than that existing in absence of the proposed modifications.¹⁴

Article 24:6 laid down that in providing for compensatory adjustment in a union, due account should be taken of compensation already provided by the reductions brought about in the corresponding duty of other constituents of the union. The overall height of the CET should be judged by the criterion of Article 25:5A 'that the duties and other regulations of commerce imposed at the institution of such union... In respect of trade with the contracting parties, not parties to such union... shall not, on the whole be higher or more restrictive than general incidence of duties applicable in the constituent territories prior to formation of such union'.

On the problem of linking the limitation on restrictiveness at the time of initial establishment of union, it was pointed out that—from a strictly legal view—there was no bar in para 5A to the raising of common tariff to any level, provided it was done sometime after institution of customs union.¹⁵

inadequate basis

Third countries have argued that individual commodities must be seen to assess the volume of trade affected by the adoption of particular rates and no automatic formula would help. Thus the 'overall' height of a tariff is not adequate basis to judge its 'incidence'. The following difficulties were pointed out:

1. How does one average a tariff and nominal tariff and how to average the protective and revenue tariff?
2. How does one average tariffs on items with greatly different volumes of imports, on basis of simple or weighted averages?
3. How does one average tariffs among countries and how to apply weights by the

level of actual imports, by the level of potential imports assuming nil tariffs, or by some measure of the size of national markets as GNP?¹⁶

In theory it is difficult and in practice it is hardly possible to calculate the average tariff level of a country and more so for a group of countries with different tariffs.

Spaak report

The problem is what type of calculation is most likely to provide an objective means of meeting tests of Article 24:5A. The Spaak report held that the overall total of duties payable under a CET should not represent a higher percentage of value of imports into the union than to total of duties formerly imposed by the members as compared with their total imports.¹⁷

The prevailing view was that the weighting process met the requirements as the volume of trade should be taken into account. Loveday guessed that the reason was that the GATT committee took to this method in calculating the sector incidence for ten countries in the French plan.¹⁸ The problem was whether the GATT rule required the CET to be weighted by the amount of each commodity imported; this was upheld due to their belief that the weighted average would be lower (a tariff weighted by the value of imports, gives smaller weights to tariffs so high that they keep out most imports and creates a presumption that the weighted average would produce lower figure than the simple average).¹⁹

Hence the weighted average should have been used in order to reflect the volume of trade to which each rate applied; but this measure is also deficient, since the duties which are most restrictive of imports, are given the least weight and duties, so high as to prevent any imports, would not enter into calculations at all.

There was no guarantee that the losses and gains would be offsetting, as the effects of tariff changes on trade-flows depend on the price-elasticities of demand and effect of new tariff would depend on the relationship between tariff and cheapest source of supply within the community.²⁰

It is necessary that provision for adequate compensation should be made and the provisions of Article 24 should be

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amended. Loveday held that most valid basis to establish rates of duty in a union is to weigh the national rate for each goods by country's import-potential, as measured by its consumption of goods. He used it in calculating the overall average tariff for the Community, by weighting unweighted national tariffs by national income (taken as a measure of total consumption).²¹

Long back Jacob Viner suggested that the best measure is the percentage of total imports to total national consumption; but this is of little use, as trade-effects will not be known, until some time after the CET is fully in effect and a common market will affect the volume and pattern of trade in a variety of ways, not directly related to the level of tariff-protection against the outsiders.²²

complex problem

The GATT Article XI laid down that no prohibitions or restrictions, other than duties or other charges, whether made effective through quotas, import licences shall be instituted by any contracting party on the importation of any product from the territory of a party. The problem of 'fixed time limits' was very complex indeed and the principle accepted was that all restrictions were to be a subject of periodic consultations. Those taking resort to exceptions under Article XII had to justify them and this was no minor achievement.²³

The agreement provided for an all-embracing 'escape' clause by permitting them to waive an obligation due to GATT; the conditions to be fulfilled with a view to benefit from the waiver were that the restrictions maintained had been continuously in use for a specified time and there was reasonable prospect of eliminating restrictions over a short period of time.

Third 'hard-core' waiver turned out to be rather an affirmation of integrity of GATT than a further 'escape' clause, as it held that final elimination of all restrictions on trade must be carried out.²⁴ Hence there would be little difficulty in enforcing a rule which excluded the Quantitative Restrictions, say on 90 per cent of trade of the contracting parties, with a relatively free hand on the rest. A formula of this kind would enable most of

the countries to retain restrictions on most of the agreements.²⁵

Article 13 laid down that the Quantitative Restrictions should be applied non-discriminatorily, except in situations specified in the Article 14. The Treaty of Rome laid a fixed schedule for elimination of remaining restrictions. Since the OEEC liberalisation covered more than 85 per cent of internal trade of the Six, conclusion that could be drawn that in the first instance, members had followed the line of least resistance and that the remaining 15 per cent represented hard core of restrictions of real importance.²⁶

The Treaty of Rome did not provide for harmonisation of restrictions and here the GATT was also not of much guidance. The Six held that it was in the nature of a customs union that the quotas should be treated in the same way as tariffs and members could remove Quantitative Restrictions on their intra-trade, without extending this liberalisation to third-countries.

The issue was left wide open in the committee meeting of 1957 and "the difficulty here lies in the conflict between obvious purpose of GATT to foreclose future 'preferential' arrangements and the pressure of groups of contracting parties to qualify these arrangements under free-trade-area rubric".²⁷

vested interest

Hence Quantitative Restrictions are more difficult to remove in the last few per cent of one's non-liberalised trade. The vested interests and non-competitiveness will insist on absolute protection by the most forceful suppression of imports.²⁸

Prof Huillier pointed that "in order to fulfil their obligations, without causing too serious a breach in their systems of protection, the countries taking part, have, in the first place, been tempted to liberalise these products for which the national demand was inelastic and whose domestic production was far from supplying in sufficient quantities to meet demand. By abolishing quotas on such goods, countries killed two birds with one stone. For, as the protection afforded by old restrictions was very limited, liberalisation increased imports little, but substantially affected

the percentage of liberalisation due to substantial volume of these complementary purchases. On the other, it was possible for most restrictive quotas in effect to be those whose abolition least increased the percentage of liberalisation."²⁹

No doubt the uncompromising prohibition of Quantitative Restrictions allowed the GATT to have an influence on the all important "hard-core" restrictions. The total prohibition of QRs has established an international moral climate where such restrictions, though still resorted to, need defending. While in practice the sanctions that can be taken, are limited and can only further restrict international trade.

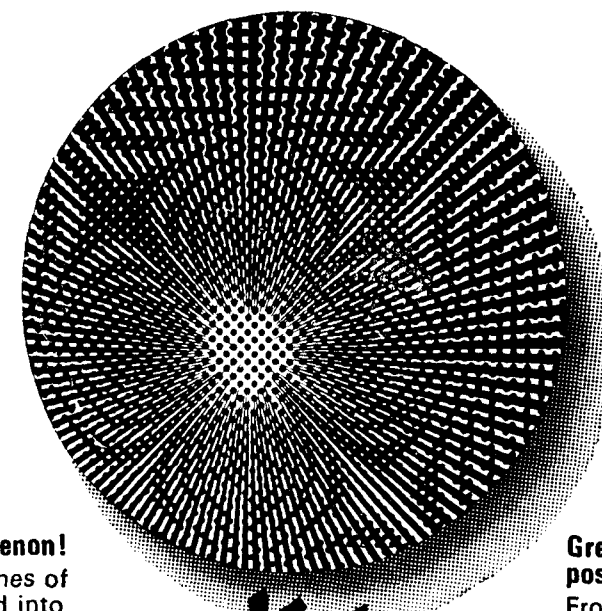
While the German case showed GATT's strength, the persistence of the negative lists proved that a lot of work remains to be done. It could also be argued that the intention of Article 24 was to accommodate the EEC and the US moral support was very crucial here.

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TRADE WINDS

Managerial Cadre in Companies

THE CENTRAL government has revised the application forms for appointment of managing directors, wholtime directors and managers in Public Limited Companies or their subsidiaries. These require information *inter alia*, relating to the involvement of the person proposed to be so appointed, under the eleven Central Acts broadly categorised as economic legislation. These would enable the central government to decide the "fit and proper" aspect of an individual for appointment to such offices. On the basis of representations received from the Chambers of Commerce, etc, the central government has in a circular addressed to all Chambers of Commerce clarified that the Company Affairs Department would consider it sufficient compliance if information is given about—(a) any penalty imposed on the person or any conviction that the person had to undergo under any of these Acts during eight years prior to the date of application; and (b) any proceedings pending in respect of violation of any of the Acts which attract the penal provisions of the relevant Act.

IDBI Loans

The Industrial Development Bank of India (IDBI) has decided to offer direct rupee loans to deserving industrial units for the import of machinery, technical know-how, consultancy services, drawings

and designs etc., under the Technical Development Fund scheme (TDF). To be eligible for the assistance under the scheme, the applicant should be in possession of an import licence granted by the government under the TDF and will have to satisfy the IDBI that the import would have a favourable impact on its productivity or exports.

Exchange Loans

The assistance under the scheme will normally be restricted to the rupee equivalent of the foreign currencies mentioned in the import licences. However, in deserving cases, IDBI will also be prepared to consider financing a portion of import duty. The loans would run for a maximum period of five years and would carry interest at the rate applicable to foreign exchange loans of IFCI and ICICI. The prevailing effective rate is 11 per cent per year. The loans will normally be required to be secured by a first charge on the fixed assets of the industrial concern or a bank guarantee acceptable to IDBI.

The union ministry of Industry created in March last Technical Development Fund to meet the requirements of foreign exchange of six selected IDA industries for the import of small machinery, technical know-how etc. While extending the scope of the TDF recently to all the 37 groups of select industries specified in Appendix-1 of the import

trade control policy, the government expressed the apprehension that some of the deserving industrial units might not be able to take advantage of the facilities provided under the TDF because of the paucity of rupee resources. Hence the IDBI decision to offer rupee assistance to such industrial units.

International Fairs

India proposes to participate in 21 trade fairs to be held in various countries during 1977-78. The programme of participation finalised by the ministry of Commerce includes fairs to be held in all the continents. In Asia, Indian merchandise will be displayed in Teheran and Baghdad international fairs, buyers-sellers meet at Dubai, exclusive Indian exhibitions at Jeddah in Saudi Arabia, Hong Kong and Seoul. In Africa, India will participate in Saba-Saba International fair at Dar-es-Salaam and Mozambique, Khartoum and Cairo world fairs.

India will also participate in a big way in trade exhibitions to be held, both in east and west Europe. Among the EEC countries, the participation will be in Milan international fair as well as Brussels furniture fair. In east Europe, India will participate in Poznan international fair in Poland, Zagreb autumn international fair in Yugoslavia, Brno autumn international fair in Czechoslovakia and Leipzig spring international fair in German Democratic Republic.

In the North American Continent, India pavilions will be erected in the production show at Toronto, Canada. Exclusive Indian exhibitions will also be arranged at Mexico and another textile show in Canada. In South America,

the participation will be in the Lima international fair in Peru. In Australia, India will participate in the second Asian trade fair at Melbourne.

Cotton Imports

The government contradicted the reports to the effect that there would not be any more imports of cotton this year. A spokesman of the Commerce ministry stated that more imports of cotton would be arranged as the situation warranted. For this purpose, necessary foreign exchange had been sanctioned. The cotton, thus imported, would be used partly to augment the current supplies and partly to build up a reserve stock.

It was pointed out that keeping in view the requirements of the cotton textile industry and the availability of raw cotton within the country, purchase of raw cotton to the tune of 500,000 bales had already been contracted. More than half this quantity had arrived and the balance would be reaching shortly. The government was keeping a watch on the availability of cotton and additional imports would be arranged as the situation demanded.

Basic Policy

A press note issued recently stated that ensuring the supply of raw material, particularly raw cotton, is one of the basic cornerstones of government policy regarding cotton textiles. Apart from regulatory measures such as adjustment of credit limit and physical control and dehoarding of stocks, availability was improved by stopping exports on the one hand and importing cotton as well as other fibres on the other. The policy of the government in this regard has been to ensure remunerative

return to the growers as well as reasonable price to the consumers. The requirement of cotton in the country is estimated at 8.2 million bales in 1978-79 and although the targeted annual production is yet at 8 million bales during that year, the present production level is around 6.5 to 7 million bales. In order to meet this shortage, the government is making available non-cotton fibre also to the textile mills.

Steel Scrap Import

An expert committee appointed by the Metal Scrap Trading Corporation has recommended that steel scrap should be imported to meet immediate shortage and that on a long-term basis, substitutes like sponge iron should be developed. The experts are of the view that shortages of steel scrap would develop in near future and that this shortage would seriously affect the electric arc furnace industry. According to the committee, in 1978-79 there would be a serious gap of 165,000 tonnes between demand and supply and this would rise to 594,000 in 1983-84. It has been pointed out that the shortages would develop further as the production of arc furnace industry picked up.

The future of electric furnace industry is linked closely with the role of steel scrap arisings. The non-availability of scrap, increase in its price and deterioration in its quality have posed a serious deterrent to the growth of mini-steel plants. A high level committee in the Steel ministry is currently considering the problems of mini-steel plants and a decision by the government on some of the import recommendations of a group of consultants is expected shortly. Import of steel scrap to meet the

shortage faced by the arc furnaces is being considered as one of the solutions to the problem and because of the high price of scrap available in world markets, the import by this country may have to be duty free.

Iron Ore for Iraq

The supply of 18 million tonnes of iron ore pellets to Iraq on a long-term basis was discussed recently between the Steel and Mines minister, Mr Chandrajit Yadav, and Iraq's minister, Mr Flayeh Hassan Aljassim. The pellets will be supplied from Donimalai. On a query from Mr Aljassim, Mr Yadav gave the assurance that India was in a position to meet Iraq's requirements during the interim period. Iraq's requirements are indicated to be 150,000 tonnes in 1978 and 500,000 tonnes in subsequent years. The Iraqi minister stated that his government would soon take a decision on India's offer.

Export-Import Bank Rate

The Export-Import Bank of the United States is reducing the interest rates it will charge on new direct loans it grants to finance US exports.

The new rates—in the range from eight to nine per cent per year—will be one-fourth to one-half of one per cent lower than the rates the bank has charged since September 1975, and will go into effect immediately, Mr Stephen M. Dubuhl, Jr, the bank's president and chairman, told a press conference recently. "Since early October 1976, interest rates have moved rapidly downward, reflecting the pause in the economy and increased market liquidity," Mr Dubuhl said, "and the bank's borrowing costs have

declined, as have market rates generally."

UK Bank Rate

The Bank of England has lowered its minimum lending rate by one quarter of a point to 14 per cent following a further drop in treasury bond interest rates. The floating bank rate was adjusted downward by 0.25 per cent three times last month and is now one full point below the record level of 15 per cent at which it remained pegged from October 7 to November 19.

Cement Exports

Export earnings from cement are heading for a record level this year. According to present indications, cement may fetch foreign exchange of the order of Rs 35 to 40 crore compared with about Rs 15 crores in 1975-76. Exports in the first nine months (April to December) have registered an impressive growth. The earnings during this period have amounted to nearly Rs 20 crore against only Rs 5.5 crores in the corresponding months last year. The quantity so far exported is about 500,000 tonnes and another 300,000 tonnes is expected to be shipped during the remaining three months, January to March. Thus, cement exports may be of the order of 800,000 tonnes this year against about 400,000 tonnes in 1975-76. The export orders on hand are said to be of the value of nearly Rs 40 crores.

The record level of export earnings from cement will be mainly on account of larger volume, although unit-value realisation is also better than last year, according to informed sources. These sources point out that if cement exports are to be sustained on a long-term basis, handling faci-

lities at ports would have to be considerably augmented. There is vast opportunity for India to export cement to Gulf countries where developmental work is being undertaken on a large scale. Meanwhile, the State Trading Corporation, the canalising agency, is awaiting reports from foreign buyers about the suitability of bags developed indigenously in which cement was shipped for the first time. The special bags, developed by the Cement Research Institute, are made of jute with bitumen coating. If the performance of these bags is found satisfactory, a major handicap which has been hitherto hindering cement exports will be overcome.

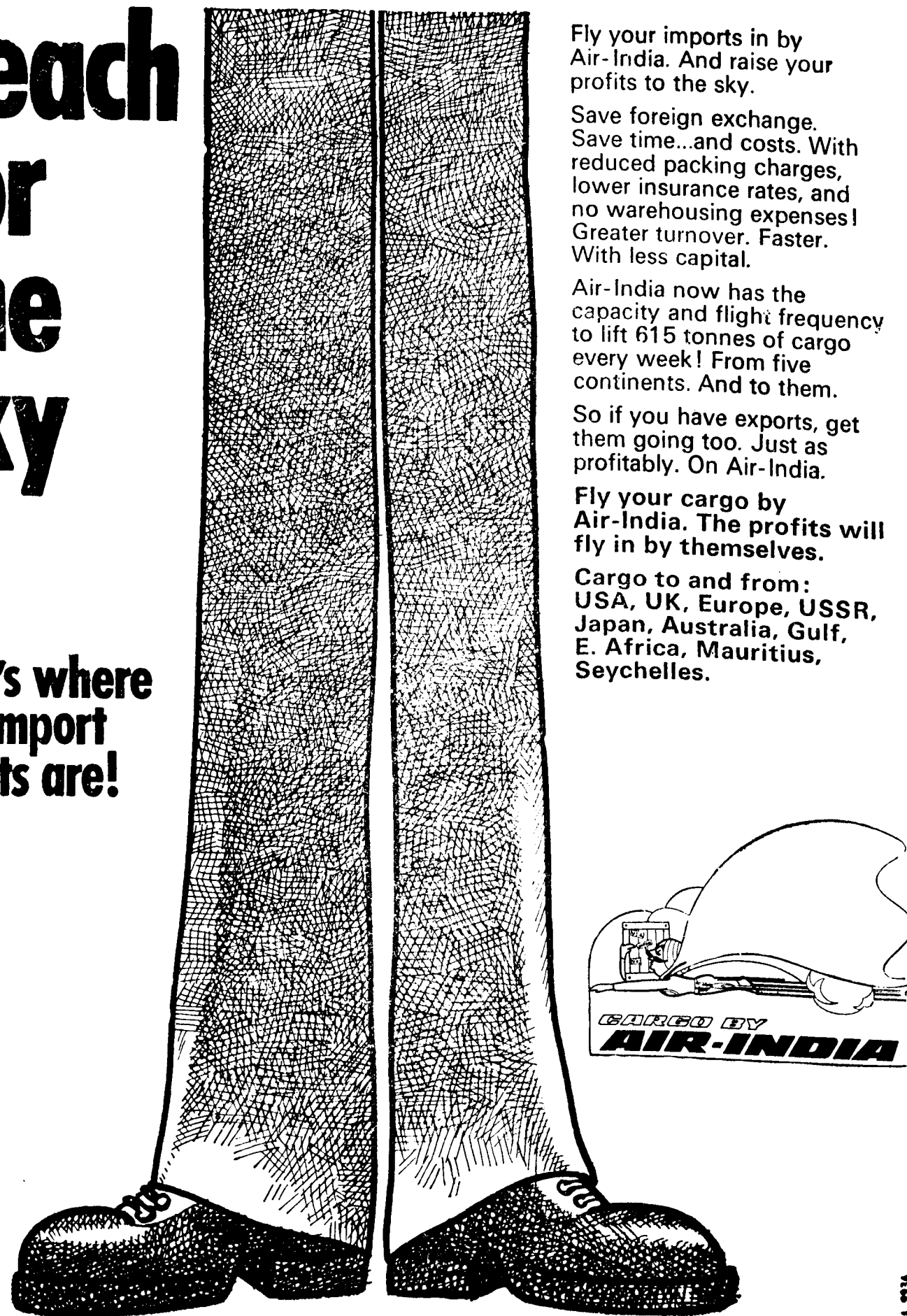
Engineering Exports to South East Asia

Indian engineering exports to south east Asia account for a major share of the overall exports of engineering items from this country (next only to exports to west Asia). However, India's share in the world export to south east Asian countries continues to be very marginal; but the opportunities and potential for increasing engineering exports from India are immense. This was revealed by the Association of India Engineering Industry (AIEI) which is in fairly advance stage of planning of a specific strategy for south east Asian markets following recommendations and observations of its trade mission which visited these countries last year. The mission was led by the AIEI president Mr F.A.A. Jasdanwalla.

It was disclosed by AIEI that although Indian prices are generally competitive, countries such as Japan score over us because of the softer payment terms being offered by them to south east Asian

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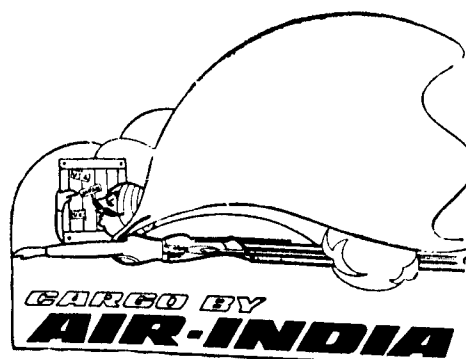
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customers. Japan's financial terms are, in fact, tailor-made to their requirements. Despite the fact that Japan has got a lion's share in the south east Asian market, AIEI believes that there is a general keenness amongst the buyers to opt for Indian goods. These countries would prefer to buy from India because of the cultural affinity and geographical proximity. Furthermore, Japanese goods are often "over-sophisticated" for south east Asian needs. According to the Association of Indian Engineering Industry, the major opportunity area for Indian engineering exporters is in the field of project exports, particularly those being financed by the Asian Development Bank or World Bank.

Sugar Output

According to the Indian Sugar Mills Association, the sugar production in the month of November 1976, the second month of the season 1976-77 was about 427,000 tonnes as against 223,000 tonnes during the corresponding period last season. This brings the total production during the first two months of the 1976-77 season to about 504,000 tonnes as against 258,000 tonnes during the corresponding period last year. The off-take of sugar from factories during the month of November 1976 was about 321,000 tonnes for internal consumption and 4,000 tonnes for exports as against about 287,000 tonnes for internal consumption and 84,000 tonnes for exports in the corresponding period last season. The total despatches in the first two months in 1976-77 was 630,000 tonnes for internal consumption and 9,000 tonnes for export as against 650,000 tonnes for internal consumption and 134,000

tonnes for exports during the corresponding period last season. The total closing stock of sugar with the factories as on November 30, 1976 was about 702,000 tonnes as against 680,000 tonnes on the same date last season.

Financial Institutions Chiefs Meet

An 'emergency' meeting of heads of public financial institutions was convened on January 10 in New Delhi to discuss ways to assist sick units in the country. Industry minister, Mr T.A. Pai, called the meeting to chalk out a programme of action to nip sickness in industry, wherever possible, in the bud. The meeting reflecting the government's anxiety to take prompt measures before the problem gets out of hand, was attended by chairmen of the Life Insurance Corporation, Industrial Development Bank of India, Reserve Bank of India, (governor), Industrial Refinance Corporation, Industrial Finance Corporation of India and several chairmen of the state finance corporations. Representatives of the Federation of Indian Chamber of Commerce and Industry and Associated Chamber of Com-

merce were also invited to attend the meeting.

A high level committee had suggested definition of sickness as one which had sustained cash losses for two consecutive years. On the basis of this definition, a rough estimate had shown that as many as 30 textile mills alone were in financial trouble and would have to be immediately helped out. The situation was believed to have been heightened by the receipt of a report by a study team headed by the Additional Textile Commissioner. The study mainly related to spinning mills in south India but the situation was stated to be no different elsewhere.

Workers' Participation

The government announced on January 5, extension of the scheme of workers' participation in all commercial and service organisations in the public sector. These include hospitals, P and T offices, railway stations and booking offices, road transport organisations, state electricity boards, banks, insurance, Food Corporation and similar institutions. This follow-up to the new constitutional directive is embodied in a government resolution. The Labour minis-

ter, Mr Raghunatha Reddy, told newsmen recently that the participation scheme in industry had brought about definite improvement in productivity. He explained that the basic objective of the new scheme was to "devise a system whereby mutual trust and confidence is created between workers and managements which would help promote active involvement of the workers in the work process." At the same time he said that the sources of the scheme would primarily depend on the extent of realisation on the part of the management that the workers could also contribute significantly for effecting improvement in the work process.

The new scheme is flexible enough to allow variations to suit local conditions as various forms of worker participation are already in vogue in the public sector. He thought the matter should be left to the initiative of the managements to evolve a suitable pattern of participation depending on the nature of each unit.

Names in the News

Mr A.J.A. Tauro, Finance Director, Indian Petrochemicals Corporation Ltd, has been appointed a Director of the Indian Oil Corporation (IOC).

Eastern Economist 30 Years Ago

JAN. 17, 1947

Once again the Central Government has exposed itself to the charge of mishandling jute matters. This time the trouble concerns the Indo-Argentine Food Agreement which was concluded in September last. Under the terms of the Agreement, it will be recalled, the Government of India undertook to arrange for the supply of 60,000 tons of jute goods in exchange for the 300,000 tons of maize from Argentina. To fulfil the terms of this Agreement, the Government of India requisitioned some 18,000 tons of hessian on the last day of the D.I. Rules in great haste. It has been said that the Government of India had to resort to this because it experienced diffi-

culty and delay in the supply of the requisite quantity of hessian. But even so, Government's action cannot be justified. These stocks lying in the mills actually belonged to the shippers who were holding goods against their sales to the U.S. and some other countries. On October 1, the internal price control was lifted and the price of hessian rose sharply. Thus, it came about that the shippers were placed in a position where they were being forced to part with their goods bought at cheaper rates at a time when control was still in force to replace it at a higher price to fulfil their delivery contracts which, they rightly pointed out to Government, they could not break.

COMPANY AFFAIRS

CAFI

THE IMPRESSIVE recovery recorded by Chemical and Fibres of India during the year ended September 30, 1976 was mainly brought about by the increase in demand for polyester fibre from the textile industry. As a result the company was able to operate at a higher level of capacity utilisation than in the previous year and prices too improved over the uneconomic levels which prevailed in the previous year. The directors feel that reduction in excise duty, establishment of additional raw material capacity and expansion of the existing units for polyester staple fibre manufacture are needed urgently to enable the textile industry to increase production of blended fabrics at moderate prices and thus help improving the clothing standards of the country.

Export Earnings

Foreign exchange earnings from the export of blended yarn and fabric were Rs 39 lakhs during 1975-76. Efforts are being made to increase foreign exchange earnings and the aim is to earn a minimum of one crore of rupees.

The company has joined hands with Alkali and Chemicals Corporation and Indian Explosives in sponsoring a new company under the name HAlchemie Research Centre Pvt Ltd which will undertake Q basic research in the field of chemical industry. The government's approval to this company as a scientific research

laboratory as defined under section 35 of the Income Tax Act has been sought.

Vazir Sultan

The Vazir Sultan Tobacco Company has reported substantial improvements in its working results during the year ended September 30, 1976. Production, sales, profits and margins all being appreciably higher than in the previous year. The company has already declared a final dividend of 15 per cent, making a total of 25 per cent for 1975-76, the same as was paid for the preceding year, besides a three-for-five bonus issue. The directors have declared their intention to recommend a dividend of not less than 16 per cent on the enlarged capital resulting from the proposed bonus issue in the year immediately after the issue and allotment of bonus shares.

The company produced during 1975-76, 13,726 million cigarettes against 12,109 million cigarettes in the preceding year and sold 16,212 million cigarettes as against 15,004 million cigarettes in 1974-75. Sales of unmanufactured tobacco during the year was of the order of 1331 tonnes as compared to 1074 tonnes in the earlier year.

The earnings from sales during the year went up to Rs 95.83 crores from Rs 89.98 crores while gross profit before depreciation and taxation was significantly higher at Rs 5.39 crores as against Rs 4.18 crores in 1974-75.

After providing Rs 52.16

lakhs to depreciation reserve and Rs 3.29 crores for taxation, the disposable surplus amounted to Rs 157.48 lakhs. The final dividend together with the interim dividend will absorb Rs 94.25 lakhs.

Siemens India

The directors of Siemens India Ltd have proposed to issue 24,00,000 bonus shares of Rs 10 each in the ratio of one equity bonus share for every two equity shares held. This is subject to the approval of the shareholders and the authorities concerned. The proposed bonus issue will raise the paid-up capital of the company from Rs 4.80 crores to Rs 7.20 crores.

Delhi Cloth

Although sales of Delhi Cloth and General Mills Co Ltd have gone up to Rs 179.79 crores during the year ended June 30, 1976 from Rs 156.84 crores in 1974-75, gross profits declined to Rs 9.83 crores from Rs 12.42 crores in the preceding year. The directors have recommended an equity dividend of 7.2 per cent. The proposed dividends—equity and preference—will absorb Rs 142.96 lakhs. It is noteworthy that 5.5 per cent of the amount of dividends will be exempt in the hands of the shareholders under section 80 K of the Income-tax Act 1961.

The textile industry during the year under review passed through a very critical period. The market conditions of textiles continued to be adverse and there was considerable slackness of demand. The inventory of finished goods continued to pile up and the sales were generally poor. Whereas the prices of raw material continue to rise, the prices of finished goods had not increased and in fact there was a decrease in the rates of cloth

and yarn. The liability of controlled cloth remained high and the company had to incur heavy losses in meeting this obligation.

The rayon tyre cord unit at Kota suffered a serious setback in its working during the year. On the export front the efforts made last year, after the ban on export of rayon tyre cord had been lifted, has started yielding positive results. However in the absence of cash assistance on exports, the realisation continued to be very low and uneconomic.

The DCM Chemical Works achieved increased levels of production in all plants excepting sulphuric acid and superphosphate. It is heartening to note that the company has received the second outstanding award from the export promotion council for its export performance during the year.

The fertilizer plant achieved substantial increase in production during 1975-76 and what more the production level is running at still higher rates in the current year.

The working of sugar factories was quite encouraging and the crushing improved during the year. The output in distillery was satisfactory.

Data Products progressed well despite tough competition and has put many new products on the market.

Detergents India

Detergents India is setting up a plant at Kodur in Cuddappa district a notified backward area in Andhra Pradesh, for manufacturing synthetic detergents in the form of cakes and powder. Promoted jointly by Mr G. Harish Chandra Reddy and his associates and the Andhra Pradesh Industrial Development Corporation, the company will have a licensed

capacity of 10,000 tonnes of detergents per annum. Land has already been acquired and construction of the plant has commenced. To raise part of the resources required for the implementation of the project the company is expected to be in the capital market shortly with a public issue.

Usha Martin Black

The directors of Usha Martin Black (Wire Ropes) have recommended the issue of 11,84,166 bonus shares in the proportion of one share for every share held by capitalising a sum of Rs 1,18,41,660 from general reserve, share premium account and capital redemption reserve.

The company has received a letter of intent for manufacturing 50,000 tonnes per annum of wire rods in coils at Adityapur near Jamshedpur. The project is estimated to cost Rs 4.60 crores. A part of the project cost would be met by rights issue of 5,92,083 equity shares of Rs 10 each at a premium of Rs 2 in the proportion of one share for every four shares held after the proposed bonus issue and 40,000 preference shares (11 per cent) of Rs 100 each at par to the existing preference shareholders in the ratio of one share for every share held. Besides 89,585 equity shares of Rs 10 each at a premium of Rs 2 per share to the employees of the company. The balance will be raised by way of loans from institutions or by issue of convertible bonds and internal sources.

The project would improve the company's profitability as it will not have to depend on external sources for supply of raw materials for its Ranchi plant. Further there will be considerable saving in transport cost as the company has now to bring its raw materials

from Bombay. The Jamshedpur will also add dynamism to the company's export efforts and make its products more competitive. Moreover, this will be the first unit in the eastern region to produce 400 kg coils of 5×5 diameter wire rods from 100×100 mm square billets.

The company's turnover during the year ended December 31, 1976 is expected to be Rs 22 crores as compared with Rs 16.50 crores in 1975.

Voltas

The directors of Voltas look forward with restrained confidence to the results of the current year ending August 1977 and sustained improvement in the future. Sales and gross margin during the first quarter of the current year have been better than in the same period of the previous year. The development efforts made overseas, particularly in providing technical services, are beginning to yield good returns.

Despite the unsatisfactory order book of some of its divisions, the overall position is satisfactory. Greater availability of own-manufactured products and the anticipated increased output at the Thana works is expected to contribute to improved profitability. The associated companies in which the company had made substantial investments and whose products it distributes have shown encouraging improvement in operations and the company should begin to benefit from several years of efforts it has made in nurturing and assisting these organisations.

In the current year, the company expects to begin marketing large centrifugal compressors which offer the advantage

of substantially lower operating costs, particularly reduced power consumption. Plate freezers essential for export of marine products will also be available in the current year. Its own manufacturing activities in the mining field are being progressively diversified and a manufacturing-cum-assembly operation for ventilation fans and underground boring equipment has come into operation in Calcutta. The projects engineering division in collaboration with Ames Crosts Ltd, a division of Babcock Wilcox, is now entering into the allied field of water pollution control, which is expected to contribute to turnover and profitability.

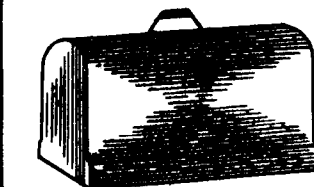
The company will use its diversified marketing expertise to promote the exports of its

own products and to market in middle east products of other countries and for this purpose a wholly owned subsidiary Metrovol Ltd is being registered in Sharjah in UAE.

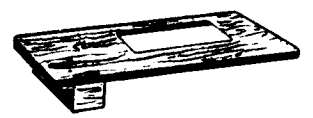
Eddy Current Controls

Eddy Current Controls (India) is making steady progress. This joint sector project set up for manufacturing variable speed eddy current couplings with thyristor controls in technical collaboration with Saskawa Electric Manufacturing Co Ltd, Japan, has been meeting the demand of the cement, coal, paper, chemical and textile industry for variable speed drives. The company has also developed other products such as eddy current brakes, dynamometers and techogenerators. With the

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addition of new products, the company expects substantial increase in the turnover in the coming years. For the year ended June 1970, the company has paid a maiden equity dividend of 10 per cent.

News and Notes

IDL Chemicals Limited, Hyderabad is the first Indian company to develop the technique of metal clading. It will commercially introduce the process at its factory at Hyderabad soon. It will be able to clad metal up to 100 kg at Hyderabad.

Metal clading is an explosive welding process. Any two or more metals, similar or dissimilar are welded using the high energy released by an explosive charge. The technique has been successfully developed for producing combinations such as aluminium-steel, stainless-steel, copper-steel, and silver-copper.

New Issues

ION Exchange (India) proposes to issue shortly 1,94,600 equity shares of Rs 10 each at a premium of Rs 8 per share. The issue is being made to raise a part of the finance required for its expansion programme, reduce the foreign equity shareholding from 60 per cent to less than 40 per cent, and to obtain listing of the shares on the Bombay Stock Exchange.

The company's present licensed capacity is 20,000 cubic ft for ION exchange resins and Rs 1.20 crores for water treatment plants. It has obtained a letter of intent for raising the capacity to 50,000 cubic ft on ION exchange resins on the basis of maximum utilisation of plant and machinery and Rs 2.40 crores worth of water treatment plants. The letter of intent has stipulated that the com-

pany should exports five per cent of the products arising out of the expanded capacity. The company does not envisage any difficulty in meeting this export obligation. The financial collaborators are the Permutit Co Ltd of the UK.

Kabini Papers will issue shortly 2,08,697 equity shares of Rs 10 each at par. The proceeds of the issue will be utilised for financing partly the company's Rs 111.25 lakh kraft paper project being set up at Nanungad in Karnataka state. The plant and machinery for the project, orders for which have been placed with indigenous suppliers, are expected to start arriving at the site by the end of this month. The plant is based on the technology suited to use agro-wastes. Commercial production is expected to commence by the end of this year. The capital outlay will be met by share capital of Rs 37.50 lakhs, term loans of Rs 61.50 lakhs and central government's subsidy of Rs 12.25 lakhs.

Capital and Bonus Issues

Consent has been accorded to eight companies to raise capital of nearly Rs 67 million. The details are:

The Gramophone Company of India Ltd, Calcutta, has been granted consent, valid for a period of 18 months, to issue 607,100 equity shares of Rs 10 each at a premium of Rs 8 per share. The proceeds of the issue are to be utilised for the manufacture of pre-recorded cassettes and cartridges.

Hindustan Lever Ltd, Bombay, having a paid up equity capital of Rs 168,529,550, has been granted consent for issue of 5,020,000 equity shares of Rs 10 each at a premium of Rs 6 per share. The proceeds of the issue are to be utilised

to meet a part of the projects mentioned in the company's application.

Vulcan-Laval Ltd, a public company having a paid-up capital of Rs 14,430,080, has been accorded consent for issue of further share capital of Rs 423,080 in equity shares of Rs 10 each as right shares to its existing Indian shareholders at a premium of Rs 3 per share. The proceeds will be utilised for financing the manufacture of sophisticated plant, machinery and equipment for leather tanning and finishing. The consent order is valid for three months only.

Acrow India Ltd, Bombay, having a paid-up equity capital of Rs 1,363,000 has been granted consent, valid for a period of three months, to issue 237 equity shares of Rs 1,000 each, for cash at a premium of Rs 400 per equity share, as rights to Indian resident shareholders only.

Precision Fasteners Ltd, Bombay, has been accorded consent, valid for six months, to capitalise Rs 3 million out of its general reserve and issue

fully paid 'A' and 'B' equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for each 'A' and 'B' equity share held.

Madhya Pradesh Vidyut Yantra Ltd, Jabalpur, has communicated to the government of its proposal to issue capital of Rs 5 million, in equity shares of Rs 10 each, to meet a part of finance for setting up a plant at Jabalpur.

McGaw - Ravindra Laboratories, Ahmedabad, has been accorded consent, valid for six months, to capitalise Rs 1,920,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for each equity share held.

Mehta Parikh & Company Private Ltd, Bombay, has been accorded consent, valid for six months, to capitalise Rs 125,000 out of its general reserve and issue fully paid equity shares of Rs 1000 each as bonus share in the ratio of one bonus share for four equity shares held.

Dividend

Name of the company	Year ended	(Per cent)	
		Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Eddy Current Controls	June 30, 1976	10.0*	Nil
Investment Trust of India	Sept. 30, 1976	10.0	7.5
Rollatainers	Sept. 30, 1976	12.0†	10.0**
Same Dividend			
Vazir Sultan	Sept. 30, 1976	25.0	25.0
Khodiyar Pottery	July 31, 1976	10.0	10.0
Ogilvy Benson & Mather	May 31, 1976	22.0	22.0
Sree Valliappa Textiles	June 30, 1976	9.0	9.0
Parshuram Pottery	July 31, 1976	9.0	9.0
Suri and Nayar	July 31, 1976	9.5	9.5
Reduced Dividend			
Kirloskar Brothers	July 31, 1976	8.0††	10.0
*Maiden dividend. ††On the enlarged capital. †For 15 month ended September 30, 1976 **Relates to 12 months.			

COMPANY MEETING

CONSOLIDATED COFFEE LIMITED

Speech of Mr M.A. Sreenivasan, Chairman, at the 33rd Annual General Meeting of the Company, held on Wednesday, 29th December, 1976 at Pollibetta.

The progress of your Company and the results of the year have graphically been presented in detail in the Annual Report.

The income of over Rs 4.5 crores is a record for the Company. Although some of it is adventitious, as I shall presently explain, a record is a record; and I am sure you will join me in thanking the Managing Director Mr K. B. Somana and his team of officers and staff and the workers of the Company on this record. I feel sure you will also be as pleased as my colleagues and I are that Mr K. B. Somana has been elected President of the United Planters' Association of Southern India for the year 1976-77.

When I spoke to you some years ago I told you how the plantation industry lives and moves and has its being under, not one, but two climates—Nature's climate, made in the skies above and the man-made or rather ministry-made climate here below.

The sky-made climate is one under which we are born and to which we have got acclimatised over generations. If it is inhospitable in one region, it is propitious in another. If it is unfavourable in one year, it is bountiful in the next, or the one thereafter.

Not so the man-made climate. It knows no seasons. It is continuous, unpredictable,

unrelenting. While, with centuries of experience, and the advance of technology people may claim a measure of success in foreseeing and coping with Nature's climate, they have felt helpless against the vagaries and vicissitudes of the man-made one. The effects of the man-made climate are limited to the boundaries of a State, or nation. But the sky-made climate scorns frontiers, and is global.

It is true that even non-agricultural industries, have become vulnerable—increasingly of late—to the sky-made climate as evidenced by crippling powercuts. But the injury caused to them is by no means so direct or so damaging as the injury a plantation industry has to suffer and endure.

Little did I imagine, when I spoke about this seven years ago, that we in the world of coffee would witness so striking a demonstration of this as happened in Brazil, the world's biggest coffee producer, where a frost, 'a killing frost' did such great damage to the coffee crop as to cause a world shortage and sent the international market price soaring sky high.

While sympathizing with their brothers in Brazil, coffee planters in our country, both large and small, dreamt for a while that increased receipts from their crop would not only serve as a much-needed

cushion and an insurance against rainless days and vicissitudes of weather but would also provide funds to improve and expand production and give more employment and amenities to workers. But their dreams were quickly dispelled. Climate makers in Delhi lost no time in raising the export duty on coffee from Rs 500/- to Rs 3000/- a tonne in the early part of this year; and within a matter of months came another a bolt from the blue. The duty was steeply escalated to Rs 13,000/- a tonne, and with retro-active effect on the coffee awaiting shipment.

While we should appreciate our Government's desire to share the windfall here resulting from the frost fall elsewhere it is our earnest hope that the representations made to the Government by the planters' associations to allow the industry to retain a larger share of the benefit while it lasts, will bear fruit. I say, while it lasts, for this bonanza cannot but be short-lived. When the Brazilian giant recovers and rises, the old prices and receipts per point may be back again with margins diminishing and labour costs increasing meanwhile. We can ill afford to forget that on the record crop of 6089 tonnes in 1970-71 we received half a crore of rupees less, for nearly double the crop.

Your management is fully

aware that increased receipts, though considerably whittled down and of short duration, could induce a certain complacency and tend to mask lower productivity; and has taken steps to see that no room is allowed for such complacency, and that every effort is made to maintain and improve production from the Company's estates.

May I now refer to another adverse vicissitude of climate made this time, in Bangalore? At a time when the industry had been assured and reassured and lived in hope of relief from the burden of taxation at 60 per cent with no allowance for depreciation; at a time when all the signs and omens looked propitious, down came an act of inclemency that, far from giving relief, stepped up the tax from 60 to 65 per cent.

Taxation of plantation companies like yours, engaged in agriculture, labour intensive, earning foreign exchange—taxing such an enterprise at 65 per cent is not only inordinate and excessive. It may be pointed out, with respect, that in its incidence, it also has effects that are anomalous and inconsistent with declared objectives.

You would have read in the papers lately of the concern and sympathy expressed by the Government both Central and State to assist, encourage and grant incentives to small growers. This is a most welcome gesture for which the industry should indeed be grateful.

Now, I doubt if it is realised

that over 75 per cent of the 2500 shareholders of your Company own less than 500 shares each. A large proportion of them own not more than 100 shares. Even 500 shares represent ownership of nine-tenths of a hectare of coffee. Is that small enough?

At current prices, 500 shares represent an investment of about Rs 12,000.

A small grower having ten hectares of coffee holds today an investment of about three lakhs of rupees.

The former, namely the shareholder, participating in one hectare contributes to the production of coffee through the agency of the Company and its workers. Assuming that the latter with ten hectares, lives on his land, he would still need to employ workers to assist him.

Now comes the point to which I wish to draw attention:

On the income from one hectare of coffee the former is subjected to a tax of 65 per cent—apart from liability to Central taxation of the dividend. On his income from ten hectares the latter is taxed at below 8 per cent. In other words the owner of 500 shares—which to all intents and purposes amount to the ownership of less than one hectare is subjected to a rate of taxation that is eight times the rate paid by the owner of ten hectares.

Our leaders have often pointed out that it is the people behind a party, however large, or a Government, however stable, who sustain it by their support and their contribution; and that one must look to the people and devote attention to their interests and prosperity. Likewise one should view a Company like yours—which is not a family concern, or owned by a small group,—in its true

perspective and look at the hundreds and hundreds of people who have created it by contributions from their savings and by giving it their confidence, helping it to improve and expand production and provide more and more remunerative employment.

As I said earlier the industry should be grateful to the Hon'ble Chief Minister and other Hon'ble Minister of Karnataka and to the Chairman of the Coffee Board for the decision to protect and assist and give small growers incentives to improve and extend coffee production.

My purpose in drawing attention to the case of the small shareholders is to plead for a substantial scaling down of the rate of taxation of plantation companies like yours, the shares of which as I have explained are widely held.

I am afraid what I have said is, in part, a repetition of

what I have said in earlier years. But prayers not granted have to be repeated till the day comes when they are. And I earnestly hope that day is not far off.

Progress is being made with the planting of cocoa in the areas being released to the Company. Tree lovers as we all are, we applaud and welcome the new status and priority accorded to the preservation and planting of trees as a national policy. We may recall with pride that your Company has for over a decade followed the policy of planting two rosewood, teakwood, and other valuable timber trees in place of one that grew before.

I am grateful to my colleagues on the Board for their continued co-operation and valued guidance.

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

FAO assesses 1977 farm prospects

THE SHORT-terms outlook to 1977 is for another increase in world agricultural production and supplies. This should be accompanied by a further recovery in demand and with some exceptions, in prices, as well as by some rebuilding of stocks. The volume of international trade in agricultural commodities may therefore show little change despite the decline anticipated in world grain imports, and its value could rise to new records.

Assuming normal weather conditions during the remainder of the growing season, the FAO preliminary forecast for cereals at the end of June 1976 put the increase in world crops of wheat and coarse grains at about eight per cent, which would bring output back into line with longer-term rates of growth and allow some further rebuilding of depleted stocks.*

Reduced Imports

The recovery anticipated in wheat and coarse grain production in western and eastern Europe and the USSR is, however, expected to reduce import requirements. Rice production, on the other hand, may not exceed the record level achieved in 1975, since the probability of a repetition of the exceptionally favourable

*At the opening of the 1976-77 season, total grain stocks outside the centrally planned countries may not exceed 117 million tonnes, or 13 per cent of consumption requirements. This compares with the minimum level of 17-18 per cent of requirements considered necessary by the FAO Secretariat to maintain world food security.

growing conditions of 1975 is rather low. Forecasts for 1976 indicate recovery in output of fats and oils and oilmeal proteins to record levels, so that supplies may exceed current consumption requirements. Further small increases in output of fats and oils are also in prospect for 1977, though production of oilmeal proteins could decline.

Meat Production

Although cattle slaughterings in western Europe and north America are expected to decline in 1976 and 1977, heavier carcasses may well mitigate the falls in beef production in western Europe and slightly raise output in north America. In the exporting countries of the southern hemisphere, on the other hand, substantial increases in beef production are in prospect for 1976, with some further growth in 1977. Tentative trade forecasts for 1976 indicate substantial increases in net imports into the developed countries of the northern hemisphere but imports into the USSR would depend on the internal supply situation and prices in world markets. Pigment production in western Europe and north America is moving toward cyclical peaks in 1977, while output in the USSR and eastern Europe is falling. World supplies of mutton, lamb and poultry meat, however, are expected to increase substantially in both 1976 and 1977, leading to some expansion in world trade. Milk production

is also likely to continue upward, but there are no indications of recovery in imports of dairy products, due chiefly to continuing depressed demand.

Potential output of sugar beet in 1976-77 is considerably larger than the crops harvested in previous years, and favourable production prospects in major exporting countries also point to significant increases in the world crop of sugarcane. Supplies of citrus fruit and bananas are likely to increase further, and supplies of fishery products may improve slightly with greater

output in developing countries which control the major unexploited fish stocks.

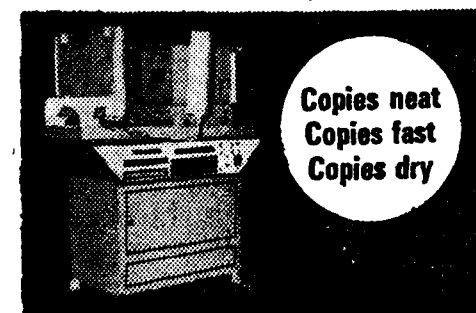
As regards supplies of non-food commodities, production of coffee will be sharply reduced in 1976-77 by the effects of the 1975 frost in Brazil, which will also depress output in the following two crop years, so that world stocks will have to be drawn down. Cocoa production will again depend on the Brazilian Temporo crop, since the main 1976 crops in western Africa proved disappointing, as did the tea crops in Sri Lanka and south India, and

RECORDS AND STATISTICS

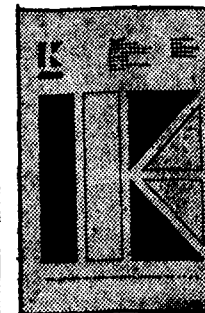
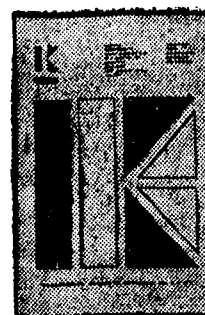
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output of tobacco may be reduced. Finally, production of agricultural raw materials, with the sole exception of hard fibres, is likely to recover with rising demand, the greatest increases taking place in output of rubber and cotton.

Increased Demand

In the light of developments during the second half of 1975 and the first half of 1976, it can be anticipated that recovery in industrial activity consumer incomes, and demand for agricultural products will continue throughout 1976 and into 1977, and that prices of many agricultural commodities may well rise further if the relatively high rates of economic growth forecast for OECD countries materialise.

For the year 1976, recent indications point to increases of up to 10 per cent in industrial production, about five per cent in GDP, and some 3.5 to 4 per cent in consumer expenditure over the depressed levels of 1975, but to only slow reduction in unemployment, particularly in western Europe. Little or no acceleration is foreseen in rates of inflation, the average for the whole of 1976 being estimated at eight per cent, which compares with about seven per cent in the first quarter of the year, but with nearly 12 per cent in 1975.

The revival in demand for most agricultural commodities can be expected to gain momentum, utilization of agricultural raw materials such as rubber, cotton and hides and skins, and consumption of income-elastic foods such as meat, dairy products, bananas, and sugar, recovering more rapidly. Demand for food-grains, oilcakes and meats is

also likely to improve with a return to more intensive livestock feeding.

Recovery in demand will probably bring about further increases in world prices of many agricultural commodities, especially non-food products and raw materials. If normal growing conditions continue, the upward movement in food prices could well be limited by a better supply situation of cereals, fats and oils, oilmeal proteins, dairy products, bananas and possibly sugar. Prices of beef are, however, likely to rise with the cyclical decline in northern hemisphere slaughterings, and prices of coffee and cocoa may strengthen further. Finally, increases are anticipated in prices of agricultural raw materials in view of the expected recovery in industrial activity. Average export unit values of many agricultural commodities are thus likely to be higher in 1976 than they were in 1975, and the total value of world agricultural trade will probably recover from the previous year's setback, possibly reaching a new peak in 1976.

Decline in Unemployment

Looking further ahead to 1977, economic activity in the industrialized countries is generally expected to continue at high levels and unemployment may well decline. While some slowdown in growth is anticipated in north America, France and the Federal Republic of Germany, acceleration is foreseen in other developed countries. Demand and market prospects for most agricultural commodities therefore seem favourable, although some commodities such as fats and oils may remain in excess supply until stocks are disposed of, and markets for some plantation crops such as coffee or

cocoa may be affected by the expectation of larger supplies in the medium term. The outlook for world prices and international trade will thus depend not only on demand conditions, but also to a con-

siderable extent on developments in the supply situation for these commodities.

Source: FAO Commodity Review and Outlook, 1975-1976.

Department of Atomic Energy

On behalf of the President of India, the Director, Directorate of Purchase and Stores, Department of Atomic Energy, Bombay, invites tenders as detailed below:

1. DPS: PPED: FAB: 287 due on: 2.2.1977: Manufacture, fabrication, stress relieving, machining, assembly, inspection, packing and supply of Fuelling Machine Maintenance Carts as per purchaser's specification and drawings.....2 Nos.

2. DPS/BRC/MTL/244 Due on 10.2.77: Supply, sampling, loading in transportation tanks, transportation by road and delivery at Purchase's site of Commercial/technical Grade Sodium Metal as per specification of tender document: Quantity 90 M.T.

3. DPS: PPED: FAB: 286 due on: 31.1.1977: Manufacture, inspection, supply, packaging, delivery and guarantee of Reactor Maintenance, roofing as per Purchaser's specification and drawings. Qty.: as per drgs.

4. DPS: BARC: R-5: FAB: 30 due on: 1.2.77 Manufacture, inspection, testing and supply of Pipe Header Assembly as per Purchaser's tender document and drawing.

5. DPS: BARC: R-5: FAB: 31 due on: 2.2.1977: Design, manufacture, assembly, inspection, shop testing, delivery to R-5 Projects Site, Bhabha Atomic Research Centre, Trombay, installation, site testing and commissioning of Shell and Tube Type Heat Exchanger (Ion Exchange Cooler) as per Purchaser's Tender Document.....Qty.: 1 No.

6. DPS/NAPP/(PPED)/EEQ/33 due on 10.2.77: Supply of 22 KV, 10000 Amps isolated phase bus dust with S.P. and V.T. cubicle. N.G. cubicle and tapoffs to unit transformer, S.P. and V.T. cubicle and excitation cubicle as per specification.

7. DPS: BARC R-5 CAP: 51 due on 31-3-1977: Design, manufacture, assembly, inspection, shop testing, delivery to site, installation, site testing and commissioning of heaving water level control pump-motor units with spares, capacity 700/740 litres per minute, as per purchaser's tender document.....3 Units.

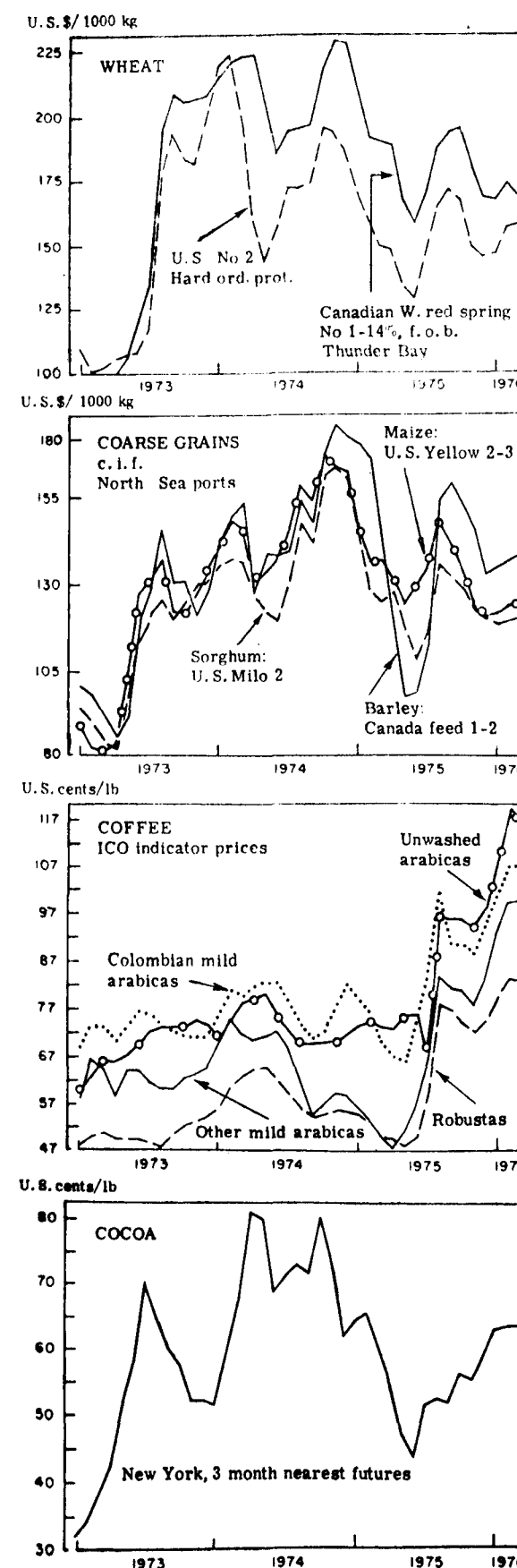
8. DPS: PPED: FAB: 285 due on: 31.1.1977: Preparation of fabrication drawings, supply, manufacture, inspection, testing, sand blasting, painting and delivery at Madras Atomic Power Project Site, Kalpakkam, Tamil Nadu of Sheet Metal insulation filled doors as per purchaser's tender document & drawings. Qty.: 50 Nos.

9. DPS: NAPP (PPED): CAP: 23 due on 17.3.1977: Design, manufacture, assembly, inspection, testing and delivery at site, properly packed of 50% capacity main boiler feed pump, design capacity 675 tonnes/hr. 6 Nos. or 100% capacity main boiler feed pump, design capacity 1350 tonnes/hr.-4 Nos. with all accessories and auxiliaries, as per purchaser's tender document.

Tender documents priced Rs. 50/- each for items at S.No. 1 & 2 Rs. 100/- each for items at S.No. 3 to 7, Rs. 200/- for items at S.No. 8 & Rs. 250/- for items at S.No. 9 and General conditions of contracts priced Rs. 0.50 each except for items at S.No. 1, 3, 4, 5 & 8 can be had from the Finance and Accounts Officer, Department of Atomic Energy, Directorate of Purchase and Stores, 3rd Floor, Mohatta Building, Palton Road, Bombay-400021 between 10 a.m. to 1 p.m. on all working days except on Saturdays. Tender documents & general conditions of contracts will however be issued upto 25-3-77 and 11.3.77 for items at S.No. 7 & 9 respectively. Import licence will be provided except for items at S.No. 1, 3, 4, 5, 6 & 8 only if the items are not available indigenously. Tenders will be received upto 3 p.m. on the due date shown above and will be opened at 4 p.m. on the same day. The right is reserved to accept or reject lowest or any tenders in part or full without assigning any reasons.

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INTERNATIONAL COMMODITY PRICES



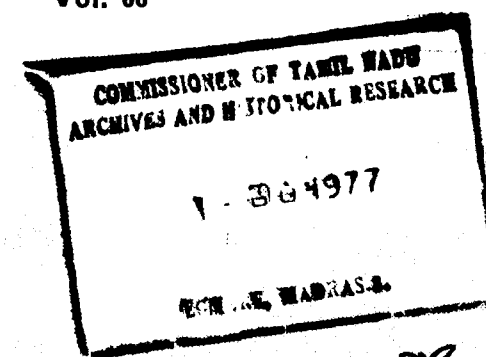
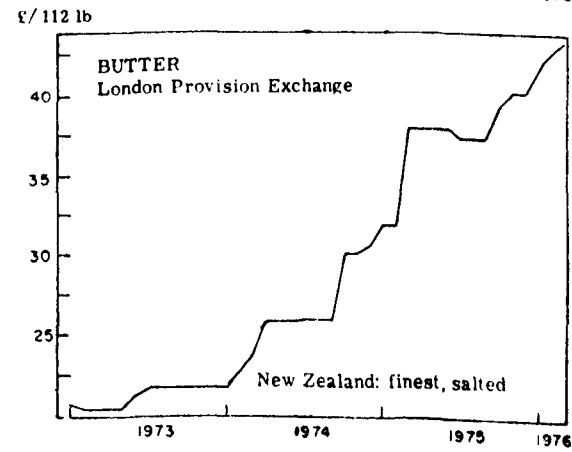
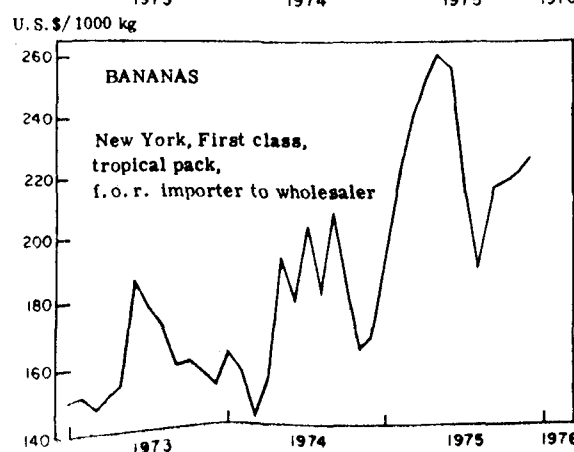
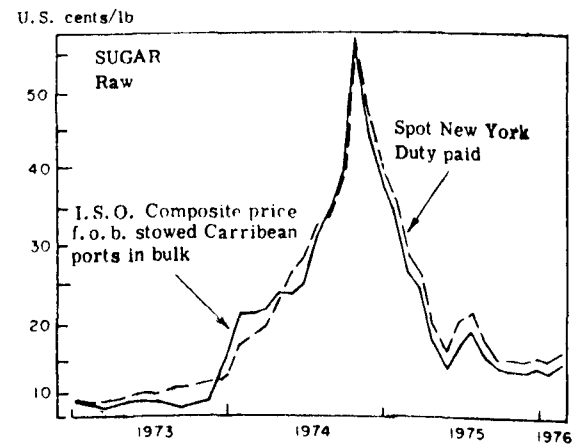
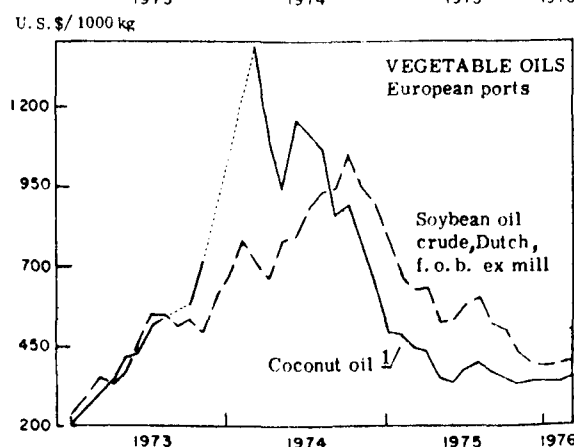
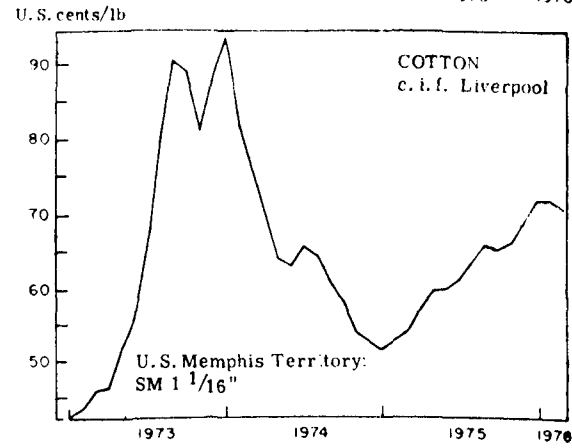
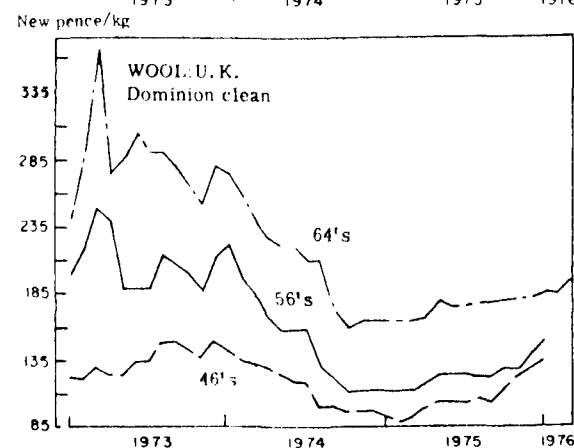
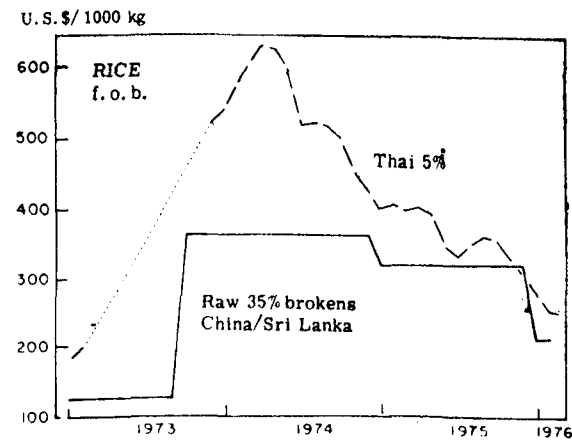
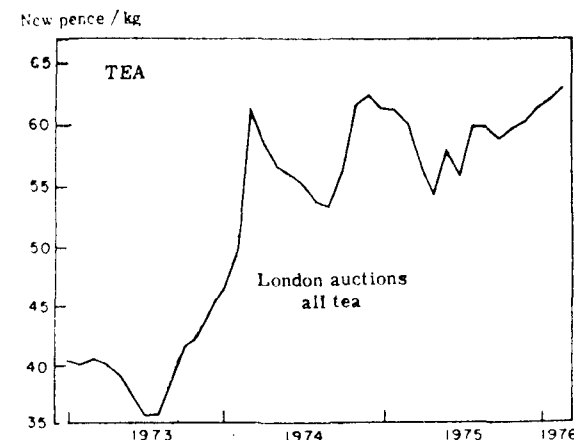
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Sugar Could Go Places
West Bengal : Outlook for Industry
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Capital's Corridors

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Credit with care

THAT THERE is a real threat to relative price stability in the economy cannot be denied. That this threat should be dealt with without further delay is a matter which must interest us all deeply. In fact informed public opinion has for some time now been awaiting with impatience corrective action on the part of the government. The Reserve Bank's latest exercise in credit squeeze consequently deserves to be treated with respect and understanding. Over the calendar year 1976, the wholesale price index has gone up by 8.5 per cent. For the 10 months since the end of March last, the rate of increase has been sharper at 11.6 per cent. Inflation, in other words, has not been defeated. On the contrary, it is tending to return in its double digit version. The president of the Federation of Indian Chambers of Commerce and Industry, vigorously and adversely reacting to the Reserve Bank's move, has argued that the increases in prices have been mainly sectoral. The implication, obviously, is that there is presently no general pressure on prices. Here, he may not be on safe ground. Flood waters, to start with, effect breaches where the banks are at their weakest. It is quite natural therefore that the prices of commodities which are in short supply should be reacting early. Mr Arunachalam is quite justified in recommending to the government that these particular price increases should be moderated by the stepping up of imports for satisfying essential consumption. The government, in fact, has started taking action along these lines; imports of edible oils and oilseeds have been liberalised. But the FICCI president is not justified in his contention that more general demand management is not called for or that monetary measures may be dispensed with for the further disciplining of the price level.

It could of course be endlessly debated whether or to what extent an expansion of money supply or, more particularly, bank lending, has caused or contributed to the ferment on the price front. Mr Arunachalam has been rather casual in absolving money supply of all blame. The governor of the Reserve Bank, addressing commercial banks on the latest credit restriction measures, has been more circumspect in his assessment. He has acknowledged that the larger expansion in bank credit has been associated, among other things, with increased industrial output, higher accumulation of finished goods in key industries, a rise in receivables of the corporate sector, increases in the prices of some industrial raw materials, larger financing of exports and a greater flow of credit to the priority sectors such as agriculture, small industry and other small borrowers. Mr Puri's list may not be exhaustive and there is certainly one major omission, viz., the absence of any specific reference to the growth of consumption expenditure at government and political levels. Nevertheless he has shown awareness of the fact that some part of the expansion in money supply has been not only necessary but also desirable. The question is whether given the disturbing inflation potential, bank credit ought not to be better regulated in the anxious months ahead so that the risks of the economy getting overheated may be reduced to that extent. Mr Puri has pointed out that, during the first nine months of the financial year 1976-77 (April-December), money supply with the public has expanded by Rs 1,764 crores (13.9 per cent) as compared with an increase of Rs 753 crores (6.5 per cent) in the corresponding period of 1975-76, the expansion in non-food credit being Rs 1,429 crores as compared to Rs 993 crores previously. The restrictions now announced are intended to slow down this rate of expansion of money supply first by restraining the growth in the lendable resources of the banking system and secondly by imposing further restraints on advances. Details of the credit squeeze are published elsewhere in this issue and some of them such as, for instance, the impounding of 10 per cent of the incremental bank deposits do sound frightening and they are no doubt intended to bite. All the same, their bark may be worse than their bite. With bank deposits expected to go up by about Rs 600 crores between now and April, even the impounding of a part of the incremental deposits may not be excessively restrictive

of the capacity of the banking system to respond reasonably well to demands for credit for productive purposes within the limits set by the need for monetary discipline.

Critics of the Reserve Bank's action should also note that the central banking authority's move is not merely negative in character. It has important positive features as well. The ensuing three or four months will witness demand for credit from several seasonal industries such as sugar, oil and oilseeds and tea. The Reserve Bank has made it clear that it expects the banking system to meet such additional demands adequately and in an orderly manner. This could be done best by banks replenishing their resources through a return flow of credit already extended in certain directions. One of the positive purposes of the present credit squeeze is to encourage banks to adopt precisely this kind of resources management strategy. Quite possibly, it is because banks generally have failed to build up an efficient system of credit planning and monitoring of credit deployment that the Reserve Bank is forced to act from time to time in a more draconian manner in initiating credit squeezes than might otherwise be necessary. There is not much sense in the country having to bear with (or without) a grin habitual failure of central banking policies at the level of implementation by the banking system.

Pavlovian reaction

At this point, a word must be said about the almost Pavlovian reaction of business interests to measures of monetary discipline. Protesting noises are raised almost automatically. This practice must cease. None of us can pretend that dear money or scarce bank credit could make for optimum economic growth and most of us would grant that there is a real danger of credit restrictions, in their actual application, imposing unacceptable burdens on productive economic activity. At the same time, there is no way of the government managing inflation without vigilant monitoring of the growth of money supply or the uses to which bank credit is being put. It follows that things will become easier all round if the business community would give up waging a

guerrilla war against the Reserve Bank's measures of monetary regulation. As it is, there is too much collaboration and collusion between business borrowers and the lending banks in the game of getting round the directives of the central banking authority. This activity is necessarily counterproductive. Quite clearly constructive cooperation between the business community and those who are responsible for monetary management would make it less difficult for the latter to avoid turning the credit screw too frequently or too tightly. With finance for industry or trade having become precious in terms of availability as well as cost, it is in the enlightened interest of the business community to associate itself with necessary and reasonable measures for making the most of this resource. There could certainly be a dialogue on this subject, but there is no room at all for debate.

Finally, with only weeks to go for the central budget, it should not be too

difficult for the business community to appreciate the fact that its present and greater concern must be with the fiscal policies or proposals, both micro-economic and macro-economic, which the government ought to take for promoting production, investment, employment and growth. These policies or proposals must by definition be expansive. There has to be, for instance, wide-ranging reductions in central excise duties to stimulate production or sales in particular sectors of industry. At the same time, investment outlays will have to be pushed up for generating employment and raising the rate of growth of the economy. The government's ability or readiness to act along these lines will be all the greater if, simultaneously, sufficiently strict control could be exercised on as many of those forces or elements in the economy which have an inflationary potential as could possibly be dealt with reasonably effectively.

Textiles : some patching up

A NUMBER of measures aimed at assisting the cotton textile industry, was announced last week by the ministry of Commerce. The most important element in this package is the raising of the prices of controlled varieties of mill cloth by 35 per cent with effect from January 1. This is the second time that an upward revision in these prices has been effected since 1968 when the scheme of controlling the prices of a part of output of the mill sector, which meets the requirements of the vulnerable sections of society, was introduced. The first such increase to the extent of 30 per cent was allowed in April, 1974, on an *ad hoc* basis. This time, however, the increase has been allowed after taking into consideration the average cost of production during the four quarters ending September 1976, but without any provision for depreciation or return on investment. This approach has caused some disappointment to the industry which considers the relief given to it inadequate in the light of its claim that at the present level of raw material costs, it is incurring a loss of at least one

rupee per sq. metre in the production of controlled cloth. The price increase allowed comes to no more than 60 to 70 paise per sq. metre.

Admittedly, the sharp rise in the cost of production, following a spurt in the prices of raw cotton in recent months, would not have been a proper base for compensating the industry for the increased costs. But, equally emphatically, extending the base to cover the four quarters to September 30, 1976, was not justified either for the simple reason that raw cotton prices after the 1975 crop had fallen to unremunerative levels not only owing to the crop being larger than normal but also due to the other steps taken by the government to bring down prices in general. They continued to be depressed for the first half of 1976. The average cost relating to the base period has therefore worked to the disadvantage of the industry.

Presumably, this has been done to contain the subsidy which the ministry of Finance has agreed to provide for main-

taining the prices of controlled cloth for the consumer. This subsidy is currently estimated to cost the central exchequer Rs 24 crores per annum. Ultimately, in terms of another decision of the government which seeks to transfer the production of about 100 million sq. metres of dhotis and sarees from the mill sector to the handloom sector and reduce the obligation of the mill sector to produce about 300 million sq. metres of controlled cloth, the subsidy to the mill as well as the handloom sectors is estimated to go up to Rs 31 crores per annum. In addition, subsidy to the tune of about Rs 26 crores is to be provided on the sale of imported raw cotton to the mill sector by the Cotton Corporation of India owing to the decision to provide this cotton at prices currently prevailing for the corresponding varieties of domestic cotton.

In all, therefore, the burden of subsidies will come to Rs 50 crores this year and Rs 57 crores eventually and that too when the overall output of controlled cloth has been progressively brought down, especially after the decision taken last year to exempt wholly or partly the National Textile Corporation and other financially weak units from the obligation of producing this cloth.

short-term measure

The subsidy prop provided to the textile industry may be warranted in the present context as a short term measure. But the health of the industry in the ultimate analysis can be restored only if it is allowed to generate sufficient funds for ploughing back into rehabilitation and modernisation programmes. Not that a specific scheme has not been drawn up for this purpose. Soft loans are being provided by the Industrial Development Bank of India (IDBI) for modernisation. Yet what is not fully appreciated is that modernisation has to be a continuing and self-financing process. The travails of not only the textile industry but also of several others, including cement and sugar, have largely been the outcome of the attempts at controlling the prices of their products and fixing the controlled prices for long spells without adequately providing for the generation of internal

resources for rehabilitation and modernisation.

The progressive reduction in the output of controlled cloth by the mill sector in the recent past, it needs to be appreciated, has not resulted only from the full or partial exemption granted to the National Textile Corporation mills and the other financially weak units. The changing preferences of consumers, not excluding those belonging to the lower stratas of society, have also been responsible. Clear evidence of this was available in the accumulation of stocks of controlled cloth not long ago. Being easier to care and more durable, blended fabrics as well as those made wholly of man-made fibres are increasingly in demand even though their prices are much higher than those of cotton cloth. In the circumstances, persistence with the controlled cloth scheme, which in terms of the last week's package of measures will entail sizeable subsidy from the central exchequer, does not make much sense. The subsidy ultimately has to be borne by the general consumer in some form or the other. Another fact which needs to be stressed is that the handloom sector is being provided subsidy in the interest of its large employment potential and the disadvan-

tages it suffers in competition with the mill sector. If the mill sector too is to be subsidised to contain the prices of controlled cloth, this will go at least some way in negating the subsidy being provided to the handloom sector.

It is time that we should progressively reduce the dependence of the textile industry on raw cotton if the clothing requirements of the growing population have to be met adequately. There are limitations on the increase in the acreage under cotton. The unit-area yields too cannot be expected to go on increasing substantially. The raw materials for the industry will therefore have to be diversified in a concerted manner in the interest of its future growth. A start has indeed been made in this direction. The industry has been asked to use at least 10 per cent non-cotton fibres this year. It is hoped that, as the modernisation of the industry progresses with the assistance being provided by the IDBI on soft terms, this percentage will be increased steadily.

The taxation policy of the government in regard to the textile industry too will have to undergo a material change if the raw material diversification programme has to be fostered. Currently, blended and most non-cotton fabrics are subjected to

Eastern Economist 30 Years Ago

JAN. 24, 1947

A series of conferences dealing with food production and agricultural prices have been in session in New Delhi since January 15, and while this is being written, the current wheat situation and the long-term plan are still under discussion. Obviously the most important outcome of these conferences is the announcement by the Food Member of a short-term (five-year) plan to increase food production by 11½ p.c. We have called it the new food plan. It is new in the sense that it is the latest; otherwise it is just the war-time Grow-More-Food campaign to be revived and re-invigorated under the auspices of the Interim Government. The methods by which production is to be increased are just the same—increased facilities of irrigation, better seeds, more manures and improved methods of cultivation. The agency for execution is also the same—the Provincial Departments of Agriculture and Irriga-

tion to be helped and advised as far as possible by the Central Government in all its Departments—Food, Agriculture, Finance, Industries and Supplies, Commerce, etc. The latest food plan is, however, characterized by two new features: its moderation and precision in contrast with the previous plans; and what is more important, the top executive, the Food Member, is by his personal integrity and ability, a sufficient guarantee of its achievement. We have had food plans galore—both short-term and long-term—since the terrible Bengal Famine of 1943. The Foodgrains Policy Committee thought that with the stoppage of exports and the building up of a small central reserve from imports, the country could tide over the short term crisis. The Bengal Famine Commission, too, was of the opinion that the short-term problem could easily be met by the intensification of the Grow-More-Food campaign.

high taxation in the belief that they are consumed only by the more affluent sections of society. This restricts the scale of production. Lowering the incidence of taxes can have a very salutary

effect of making the prices of these fabric attractive enough for the common man which will help in the expansion of production and the realisation of economies of scale.

Sugar could go places

A TICKLISH situation is likely to develop in the sugar industry in a season when it will be establishing an all-time record in respect of production. An output of even five million tonnes will be only slightly in excess of the previous record of 4.79 million tonnes in 1974-75. But this level will be achieved in spite of the contribution of the southern region being less than in 1974-75 on account of a lower output of cane with a shrinkage in acreage following drought conditions and other factors. There will no doubt be a recovery in production in Tamil Nadu but the anticipated share of 330,000 tonnes of sugar will still be more than one lakh tonnes short of the performance of 1973-74 and more than 150,000 tonnes short of the potential of 500,000 tonnes. Even though there has been an increase in acreage under cane with better rainfall and a drop in open market prices for rice, the yield has not improved and the earlier area also has not been completely regained.

adequate supplies

It will be possible to ensure adequate supplies of cane for feeding the expanded capacity of the existing sugar mills and new units coming on the scene only if sugarcane cultivation is made more attractive. Sugar mills in Tamil Nadu can actually handle 6.5 million tonnes of cane and produce up to 600,000 tonnes of sugar under optimum conditions. There may be a further improvement in production in 1977-78 season to around 450,000 tonnes, but the capacity will remain utilised in the absence of positive policy of encouraging sugar producers with a fixation of higher prices for levy sugar and rebates in sales and purchase tax collected by the state government, when the sugar industry in the region is passing through a difficult period.

These problems may not appear relevant

to the present context when other regions will be producing larger quantities of sugar in spite of drought affecting also the operation of sugar mills in Karnataka. However, there is a danger of history repeating itself. In 1969-70 a record of 4.26 million tonnes, in the then prevailing conditions, was achieved. But, with no large off-take in the domestic market, and no scope for increasing exports in a big way, the government hurriedly decontrolled sugar and heavy stocks had to be carried over to the next season.

set-back to production

The failure to pay reasonable prices to cane growers and the losses suffered by the industry resulted in a sharp set-back to production in the next two seasons and it took the industry five years to surpass the previous record. In the season 1975-76, there was again a decline in production due to a drop in the output of Tamil Nadu and unhelpful policy in respect of levy sugar prices which had adversely affected the operations of the units in Karnataka, Andhra Pradesh and Tamil Nadu.

The refixation of levy sugar prices on a more realistic basis and an increase in cane cultivation in Maharashtra, Uttar Pradesh and Andhra Pradesh will be helpful in recovering the ground lost in 1975-76. But a continuing rise in production can be ensured only if there are no uncertainties about levy sugar prices and established and new units can be helped to function on a reasonably profitable basis. It must of course be admitted that the new units have been offered special concessions which can enable them to overcome the adverse effects of higher capital costs. The advantage out of these concessions will be tangible only when the basic policies are designed to permit the industry to earn reasonable profits after paying

attractive prices to cane growers and charging reasonable prices to the consumers.

The Marathe committee is reported to be seized of the realities of the situation and efforts are being made to remove the anomalies in the existing price structure. But what really stands in the way of the assured growth of sugar production is the anxiety of the government to peg levy prices at levels fixed several years ago when inflation has resulted in sharp rise in prices in other directions and the eagerness to collect large revenues through excise duties from free sale sugar.

The duties on the latter quota of sugar have not only resulted in higher prices for consumers but also encouraged diversion of cane for being converted into khand-sari and gur, thus jeopardising the interest of the government over a period and also causing the nation a grievous loss in respect of production due to inefficient use of cane by units in unorganised sector. These problems are not unfamiliar to the government and an attempt may be made in the coming months to remove anomalies in the existing price structure and evolve also a new formula for bringing about automatic adjustments in prices at the beginning of seasons on a defined basis. These arrangements are very important in a changing situation to which a reference has been made in the beginning.

no serious problem

As stated already, the disposal of an output of five million tonnes should not cause any serious problems. However, the marketing of 4.79 million tonnes in 1974-75 was rendered easy as there was an export of 941,000 tonnes though internal offtake amounted to only 3.47 million tonnes. Even with unprecedented sugar shipments, the carry over at the end of 1974-75 was higher at 1.21 million tonnes against 837,000 tonnes brought in from 1974-75. The larger carry over was helpful in maintaining exports at fairly high levels in 1975-76 with shipments of 967,000 tonnes even with a staggering of despatches towards the closing months. As internal offtake too increased to 3.66 million tonnes, stocks at the end of September 1976 declined to 837,000 tonnes.

In the light of the experience of

1975-76 it can be easily presumed that despatches for internal consumption can be much higher at 3.8 million tonnes or even more in 1976-77. But an accumulation of stocks can be avoided only if sugar exports can again be of the order of one million tonnes. Can this target be achieved in the light of conditions prevailing now in world markets and if it cannot be reached what should be the policy adopted by the government? It has become necessary for the State Trading Corporation and the central government to evolve a strategy for meeting any contingency.

There can be no doubt that internal consumption will go up to 3.9 million tonnes with regular releases and easier availability, particularly in the rural areas. But the task of the STC in maintaining exports at the rate of 75,000 tonnes every month will be difficult as the main consumers are trying to beat down prices and strike a hard bargain. With Cuba eager to maximise its exports and the restrictions imposed by the USA on imports, world prices have come down to £140 per tonne. Raw sugar is quoting much lower at £115 per tonne due to the difficulties of the refineries in western Europe to handle in large quantities.

ensuring better prices

While it is recognised that the cost of beet sugar has gone up and cane sugar too cannot be expected to be available on the same basis as in the mid sixties, some arrangement will have to be evolved for securing better prices for producers as is being done in respect of iron ore, tea or other exports from developing countries. If only Cuba, India, Brazil and the Philippines can get together it will not be difficult to secure a minimum price of £150/160 per tonne of sugar and eventually £200 per tonne. Pending the conclusion of an arrangement on these lines the STC should effect immediate exports in the next four difficult months out of levy sugar though every effort should be made to avoid sales at heavy discounts demanded for March/May delivery. A satisfactory feature is the emergence of a premium for subsequent deliveries up to March 1978 with the quotation at £147 per tonne. Even around £135 per tonne the price realised will not be unsatisfac-

tory from the point of view of levy sugar exports though it has to be decided what proportion of total exports should be the share of free sale sugar. On the basis of total production of five million tonnes, the quota of levy sugar will be 3.25 million tonnes. Even for sustaining a consumption of four million tonnes, levy sugar requirements will be only 2.6 million tonnes.

It will, therefore, be seen that over 600,000 tonnes of levy sugar can be easily exported and the balance of 400,000 tonnes to achieve a target of one million tonnes for exports can be effected out of free sale sugar. Even if an average price of £135 can be realised, which is not difficult, the government will not be losing on exports while the industry will be relieved of the burden of

carrying large stocks. Even if at particular stages unremunerative prices are realised there should not be any undue worry as the long term outlook is satisfactory. The failure to ship large quantities of sugar may result in a setback in production in 1977-78 when world prices will get stabilised and internal offtake also is likely to improve. If need be, the STC should consult the organisations representing the industry whenever difficult decisions have to be taken apart from making arrangements for maintaining a buffer stock of 500,000 tonnes for export purposes. The new situation has to be carefully watched for taking quick decision and it should not happen that new problems are allowed to arise on account of our inability to anticipate them.

West Bengal : outlook for industry

THE RECENT cabinet changes in West Bengal will help to ensure political stability in this strategic state for the time being but it remains to be seen to what extent it will contribute to the rapid revival of the economy. Though the Ray ministry has achieved much success in restoring law and order, but, because of circumstances not always being within its control, it has not been able to impart vigour and speed to the state's industrial growth. The government has taken some commendable initiative in introducing a scheme of incentives for starting new industries and for expanding the existing ones. It has also identified a few growth centres and is trying to provide them with infrastructure facilities. However, in view of the prolonged and persistent stagnation in the state's economy which had prevailed for several years until the present ministry came into power, the government might have shown far greater seriousness and urgency in accelerating the growth of industry. Mr Ray has now taken over the portfolios of Commerce, Industry and Tourism. But will he be able to devote adequate attention to these subjects? Will he get the

whole-hearted cooperation of his cabinet colleagues some of whom had publicly expressed their lack of confidence in his leadership? Moreover, will he secure prompt and effective cooperation from New Delhi in his efforts to promote the state's commerce and industry?

West Bengal's industrial potential is indeed substantial but no systematic efforts have been made to find out the type of new industries that can be set up, the areas which are ideally suitable for them, the facilities that will be required for this purpose, and the amount of investment that is needed. The West Bengal Industrial Development Corporation (WBIDC) has recently commissioned a well-known firm of consultants from Bombay to undertake a comprehensive survey of the state's industrial potential and prospects. Cannot this task be performed by the state government itself in cooperation with the chambers of commerce, industrial associations, banks and other financial institutions? Even if the Bombay consultants expedite their report, its implementation may be delayed unless Mr Ray sees to it that the infrastructure

facilities are vigorously developed especially the availability of power, the shortage of which continues to be a serious constraint on industrial expansion.

The WBIDC has taken up several industrial projects involving large investment. These are for the manufacture of cement, automobile tyres and tubes, alloy steels, scooters, watches, newsprint, filaments and lamps, television sets and several electronic goods. While a few of these schemes have been progressing smoothly some of them have been abandoned due to faulty planning. Other schemes are being delayed due to financial and technical difficulties. The WBIDC's latest annual report says that the newsprint project, estimated to cost Rs 70 crores, is under examination by the state government and the central government. For the alloy steel project which costs Rs 45 crores in its first phase, technical collaboration with a German firm is yet to be finalised. The final shape of the cement project, estimated to cost Rs 20 crores, is to be decided on the basis of the prospective work for limestone that is now being carried out. Mr Ray should look into the progress of all these projects and ensure their speedy implementation. He should also ascertain why a large number of industrial licences issued to West Bengal has lapsed and what are the difficulties faced by entrepreneurs in utilising them.

centre's role

New Delhi should also play a more positive role in helping West Bengal's economy to revive rapidly. The establishment of a shipyard in Haldia will greatly contribute to strengthen the engineering industries which are of crucial importance to the state's economy. The setting up of a petro-chemical complex will stimulate the development of a large number of industries with growth potential. Even if these projects are delayed because of financial or other difficulties there is no reason why the government of India cannot at least sanction the free trade zone at Salt Lake for which the state government had already spent nearly Rs 2 crores. Prof Chattopadhyaya, the union Commerce minister, said some time ago that the government of India

had given up the idea of setting up free trade zones not only in West Bengal but in the whole country. Subsequently, Mr Bose-Mullick, the Commerce secretary, disclosed that the government had not abandoned but only postponed this proposal. Now that Prof Chattopadhyaya has been promoted as cabinet minister at the centre, it may be easier for him to persuade his colleagues to reconsider the free trade zone scheme which will considerably help West Bengal to increase its exports and create more employment.

Meanwhile, Mr Ray should give attention to the problems of the existing industries and help them to operate profitably. At the conference of businessmen of eastern region held recently in Calcutta in connection with the golden jubilee of the Federation of Indian Chambers of Commerce and Industry, several suggestions were made for the rapid development of the economy of West Bengal and other states. Mr B.M. Birla

who inaugurated the conference highlighted the scope in these words: "The eastern region of India has remained poor despite its tremendously rich resources. We have to think in a big way for investment in this region, not only in terms of a few hundred crores but several thousand crores per year to process its rich minerals and set up now sophisticated industries such as steel, shipbuilding, aircraft, coal, petrochemicals, engineering and non-ferrous metals, for which the region is ideally suitable. Unless massive investment is made in the next ten years to develop the steel-based and chemical industries in the region, there will hardly be any impact on the life of the people. Once the process of development starts, it will be carried forward by its own momentum." Both the government of India and the state governments of the eastern region have to work together in close cooperation in order to accelerate the industrial development of this part of the country.

Relief for the rural poor

MARGINAL FARMERS' and Agricultural Labourers' Development Agencies (MFALDA) were established during the fourth Plan period as a strategy for the economic betterment of the weaker sections of rural society. The programme held out promise of making a favourable impact on the economy of the rural poor in the selected 41 districts of the country by providing them with minor irrigation, inputs for intensive cultivation, credit support and subsidiary occupations. The record of this programme has been assessed by the Reserve Bank of India's study team which surveyed 140 villages in 13 districts selected from 13 states. This study was conducted in 1973, when the programme had worked only for two years.

One of the most significant conclusions that can be drawn from this study is that for any effective implementation of a development programme for the rural poor, infrastructural facilities such as transport and communication facilities to the near-

est urban centre, rural electrification, scope for processing of primary products and availability of institutional credit are of the utmost relevance. A network of rural roads connecting villages with the markets and neighbouring town integrate rural area with urban centres and provide outlets for the villages' produce. Most of the villages in the districts of Cannanore (Kerala), Purulia (West Bengal), Bijapur (Karnataka) and North Arcot (Tamil Nadu) were served by roads and therefore responded actively to the programme, while other districts in the survey suffered because of a comparative lack of transport facilities.

The marginal farmers initiated by the Agencies were provided a subsidy at the rate of 33½ per cent of the cost of chemical fertilizers, high-yielding seeds and pesticides as an incentive to take to modern cultivation. This subsidy was intended to cover the risks associated with the introduction of new technology and was limited to Rs 100 per year per individual for two consecutive crop sea-

sons. The identified farmers who adopted modern technology were issued authorisations to purchase these inputs from the co-operatives and the local dealers at subsidised rates. The study reveals that while most of the farmers utilised the subsidised inputs, there was an inherent risk of resale for profit by those farmers who purchased fertilizers but had no irrigation facilities, as was observed in some cases.

It emerged from the study that the amount of expenditure on improved inputs incurred by the farmers motivated by the Agencies was higher than that of other farmers in most of the surveyed villages. Expenditure on improved inputs as a proportion of total variable costs was significant in five districts—Bhilwara (Rajasthan), Cannanore, Hoshiarpur (Punjab), Parbhani (Maharashtra) and Ranchi (Bihar). In absolute terms, however, the expenditure incurred was low. In seven districts—Bhilwara, Durg (Madhya Pradesh), Parbhani, Keonjhar (Orissa), Ranchi, Nalgonda (Andhra Pradesh) and Purulia—it was less than Rs 100 and in the remaining six districts—Baroda (Gujarat), Hoshiarpur, Bijapur, Mathura (Uttar Pradesh), North Arcot and Cannanore—it ranged from Rs 117 in Mathura to Rs 402 in Hoshiarpur.

inter-district variations

There were sharp inter-district variations in the outlay on modern inputs. The response of marginal farmers to technological opportunities was encouraging in certain districts such as Hoshiarpur and Cannanore where high-priced crops and garden crops were cultivated. Farmers, however, were generally reluctant to add to their occupational risks when seasonal conditions were unfavourable.

The lack of extension support in some places was also the reason for low expenditure on inputs. For instance in Keonjhar, the poor quality of the seeds supplied and the low membership of marginal farmers in co-operative societies impeded progress. The quality of the response also depended on the extent to

which farmers were exposed to modern methods of increasing yields.

In the context of credit obtained by the persons initiated by the Agencies, it was obvious that the institutionalisation of such operations led to production-oriented credit. On the other hand, those who were not initiated by the Agencies tended to rely on private sources of credit and often it was for consumption purposes. Dairying accounted for borrowings of a large number of credit seekers among the initiated persons, followed by poultry farming and sheep breeding. Borrowings purely for consumption purposes were reported in some places. One of the visible failings of the programme was that agricultural labour even when initiated by the Agencies tried to secure consumption credit from institutions, mostly commercial banks. Nevertheless, it saved them from the village money lenders who usually charged high rate of interest.

subsidiary occupations

Marginal farmers pursued more than one subsidiary occupation simultaneously, although their primary occupation was crop cultivation. The study reveals that the usual subsidiary occupations were dairying, poultry farming, bee-keeping, collection and sale of firewood and farmyard manure, cottage industries and shop-keeping. Dairying was an important subsidiary occupation in most of the districts: 98 per cent of selected identified farmers in Hoshiarpur, 65 per cent in Baroda, 63 per cent in Mathura, 59 per cent in Bhilwara and 55 per cent in Durg.

About one-fourth of the marginal farmers were maintaining poultry in Cannanore and Purulia. Next in importance was collection and sale of fodder and firewood. Agricultural labour on other farms was pursued by as many as 86 per cent of the marginal farmers in Bijapur, 84 per cent in Parbhani, 79 per cent in Nalgonda and 75 per cent in Cannanore.

The agricultural labourers also pursued diverse occupations, each working member of a household following a different

occupation. However, all of them shared certain common occupations such as wage labour on nearby farms during peak periods of agricultural operations, which was a predominant occupation in all the selected districts.

non-agricultural work

Next in importance was collection and sale of firewood followed by non-agricultural work such as artisanship, petty shop-keeping and cottage industries. Dairying was important in Baroda (75 per cent), Hoshiarpur (88 per cent), Mathura (71 per cent) and poultry farming in Parbhani (56 per cent). The agricultural labourers, however, did not derive sufficient benefit from the programme because the lag in the adoption of subsidiary occupations was longer in their case than in that of other sections of the rural population.

The problems faced by the Agencies in initiating subsidiary occupations are bound to be an important framework of reference for all future programmes for the betterment of the rural poor. Dairy farming made good progress in some districts, but in other places it was hampered by organisational hurdles and lack of infrastructural facilities.

Moreover, no effort was made to integrate dairying and cattle development programmes. The poor response in the field of poultry farming was largely due to inadequate veterinary conditions and lack of transportation facilities. Potential for the development of piggery and sheep breeding were not explored even in places where conditions were favourable.

It may, however, be concluded that the programme did have many positive points. The survey revealed that nine out of the 13 districts improved their average annual income per household. Net farm income increased in the case of twelve districts out of thirteen. This improvement, however, was not reflected in the case of agricultural labour, which made comparatively modest progress.

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Steel Balls

and

Axleboxes for Railway Rolling Stock

CAPITAL'S CORRIDORS

R. C. Ummat

Financial assistance to industries • HEC's export effort • New wholesale prices index

THE UNION ministry of Industry has decided to undertake immediately a review of all the industrial licences in general and those relating to important industries in particular which have been issued so far so that the unimplemented licences can be weeded out. The step is understood to be being taken with a view not only to assessing the likely gap which may be there between the existing capacities and those required to be set up in anticipation of the likely growth in demand but also to see that the licences are quickly implemented and arrangements can be made for extending financial support for this purpose on a realistic basis.

This was disclosed here last week by the minister of Industry, Mr T.A. Pai, at a high-level meeting which he held with the chief executives of the all-India financial institutions, the secretaries of the concerned departments of the government of India and the presidents of the Federation of Indian Chambers of Commerce and Industry and the Associated Chambers of Commerce and Industries to consider ways and means of expediting financial assistance to the approved industrial projects.

estimate of resources

It was agreed after the discussion at the meeting that the ministry of Industry would prepare an estimate of the resources required for the key industrial units which have already been licensed. A joint exercise would be carried out with the department of Banking and the Planning Commission to ensure that adequate resources are provided in time for speedy implementation of these projects.

Three other important decisions were also taken at this meeting. One related to the procedures regarding financial

approvals. The second concerned matters relating to industrial plots and the third concerned the monitoring of the progress of implementation.

The ministry of Industry, it was decided, would take up expeditiously with the department of Company Affairs, the department of Banking and the department of Economic Affairs the question how far

Lok Sabha poll in March

The Prime Minister, Mrs Indira Gandhi, announced in a broadcast to the nation on the night of January 18 that she had advised the President to dissolve the Lok Sabha and order fresh elections. The President has accepted this advice.

The country will go to the polls to elect the new Lok Sabha in the middle of March. The necessary proclamations are expected to be issued shortly.

the procedures for granting financial approvals which are required after the stage of clearance of industrial licences by the Secretariat of Industrial Approvals (SIA) can be streamlined further and coordinated better.

Regarding industrial plots, it was agreed that the ministry of Industry would address a communication to all the state chief ministers urging them to issue expeditiously the necessary permissions under the Urban Land Ceilings Act, of course, according to the guidelines already laid down in this respect by the central government. The state chief ministers would also be requested to assist the financing institutions if there were any problems

holding up the disbursement of assistance to the approved industrial projects.

Special steps, it was finally decided, would be taken by ministry of Industry, in close consultation with the state governments, the Director-General of Technical Development and the administrative ministries concerned, to monitor the progress of implementation of industrial ventures for which approvals have been given by the SIA. Projects costing up to one crore of rupees could be left to the state governments for monitoring. Those involving investment more than one crore of rupees would be monitored by the concerned administrative ministries with the assistance of the DGTD and the SIA. Suitable instructions would be issued by the ministry of Industry to the administrative ministries in this regard. The SIA, with assistance from the DGTD, will concentrate particularly on projects costing more than Rs 5 crores.

In line with the general upward trend in the exports of engineering products and as a result of a considerable build up of its production potential, the Heavy Engineering Corporation (HEC) is making a concerted effort at entering the export field. Already a substantial headway has been made by this one of the premier public sector undertakings in selling its products abroad. Orders aggregating to Rs 42 crores have been received. Another contract worth Rs 35 crores is expected to be concluded shortly.

The Rs 42 crores worth orders secured so far include a Rs 34 crores contract with the Soviet Union for the supply of metallurgical equipment for steel plants being built by the Soviet Union in Bulgaria, Turkey, and Sri Lanka and also special cranes for use in Hungary and Bulgaria. The remaining Rs 8 crores worth orders pertain to the supply of electrolyser pots for an aluminium smelter in Yugoslavia, coke-oven equipment for steel plants in Bulgaria and Egypt and a number of ore handling goliath cranes for Cuba. The Rs 35 crores contract expected to be secured soon will be for the supply of metallurgical equipment to the Soviet-aided steel plants in the third countries.

Besides securing the above orders, the HEC has tendered for the supply of equip-

ment not only to the neighbouring developing nations of west Asia, Africa and south-east Asia but also to such developed countries as the United Kingdom, the United States, France and Canada. The equipment envisaged to be supplied includes heavy duty machine tools such as central lathes, horizontal boring and milling machines, double column planing machines, radial drilling machines and vertical boring machines; sophisticated castings for rotor body, rotor bush, rolls and machine tools; forgings for crankshafts, pinion shafts, propellers, rings, roller shafts and rolls; and also such complete equipments as jaw crusher, apron feeders' etc.

The HEC authorities feel confident that apart from meeting their commitments for the supply of equipment and machinery for the expansion programmes of the Bhilai and Bokaro steelworks to their four million tonnes stages and also the commitments to the other domestic customers covering a wide range of industries, they will be able to support a sizeable export effort. This confidence has arisen thanks to such factors as the mastering of technology by the corporation's work-force, the easier supply position of raw materials, particularly steel and non-ferrous metals, and also the abatement of unrest among labour.

designs organisation

The designs organisation of the HEC, the largest such organisation in the country at present, has also been strengthened a great deal to back up production programmes both for the domestic market and exports. The HEC designers have already developed about 230 machines. These include 750m water well drilling rigs, 2,500-tonne lead extrusion press, cable armouring machines, lime and dolomite kilns, rolling mill equipment, door extracting machines, sintering machines (75 sq m and 250 sq m), welding manipulators, coke quenching cars, 110-tonne rotating trolley of 34m span tongs cranes, 130-tonne convertor drive gear boxes, single roll sinter crushers, etc. The other notable achievements of HEC have been the designing of 130-tonne oxygen converters and 1,300-tonne mixers for steel plants.

HEC designers have also designed the

degassing ladles with capacities ranging between 40 and 130 tonnes.

Designs are being developed for a number of new machines. These machines are soon expected to be taken up for manufacture on the shop floor. Equipment being designed includes 40-tonne soaking pit cranes and 8.3m stroke slab pushers.

Some other projects that are engaging the attention of HEC designers are 2,700 cu. m. blast furnaces, 6.5 metre coke-oven equipment, 300-tonne oxygen converters, radial type continuous casting machines, etc.

The new series of the official wholesale prices index—base 1970-71 = 100—which has been introduced from the current calendar year (see details in the Records and Statistics section of this issue) is likely to prove much more insensitive to the changes in the price level in the country than the previous series which had as its base the year 1961-62. This is because of two factors. First, the new index is computed on the basis of 360 commodities and 1275 price quotations, as against only 218 commodities and 774 quotations in the previous index. Secondly, the weightage provided to the various groups in the new index has undergone a substantial change as a result of the increase in the number of commodities covered. The coverage of manufactured products, particularly in the fields of chemicals and chemical products, basic metal and metal products and machinery and transport equipment, has been greatly enlarged, reflecting the diversification of the economy. The result has been that the weightage of primary products, especially food articles, has gone down significantly. The weights diagram in the

revised index has been worked out on the basis of the value of transactions of commodities during the three years to 1969-70. All commodities in which the value of transactions aggregates to Rs one crore per annum are included in the new index.

To some extent, the reclassification of the various groups in the new index according to standard industrial classification, as against the standard international trade classification as was the case with the 1961-62 series, is also likely to contain the variations in the price level.

significant feature

Another significant fact that emerges from a perusal of the new index and the restructured previous index on the basis of compiling the new series is that the new index shows that since 1971-72 the increase in the price level has been slightly of a higher order than reflected by the previous series. This, of course, could have been expected because of the increased coverage of the commodities. Whereas the restructured 1961-62 series index has shown an increase from 104 for the financial year 1971-72 to 167.2 in 1975-76, the new index has gone up from 105.6 to 173 during this period.

The union government is also thinking of publishing an official index for retail prices. Although a consumer prices index has been issued regularly for more than three decades, yet no attempt has been made for far to compute a retail prices index. This issue has been considered recently in detail at a meeting held in the ministry of Industry. The views of the concerned organisations are being decided. It may, however, take some time to reach a decision on the matter as sources have to be organised for maintaining a steady flow of dependable information on retail prices.

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Manager

The glory of Vizag outer harbour

The Japanese refusal to pay the revised port charges at the Vizag outer harbour could be arm-twisting. It is in the interest of all concerned to see that the stalemate is not prolonged and early opportunity is availed of for holding discussions to resolve differences.

THE HIGH expectations of fruitful commerce and other economic activity raised by the inauguration of the outer harbour at the Visakhapatnam port on December 8, 1976, have turned into gloom within a fortnight.

Dedicating the project to the nation, the minister of Shipping and Transport, Dr Gurdial Singh Dhillon, had hoped for "deeper and stronger" relations with Japan, the main importer of iron ore from the port. With the provision of better handling and other facilities the charges at the port were rationalised to reflect the cost of services rendered. The revised charges were to come into force from December 20. Japan has refused to pay the revised rates and since that date all ships scheduled to touch the outer harbour were being diverted to other ports.

sullen and silent

It is difficult to say whether this development should be treated as a normal and legitimate business tactic or as an arm-twisting approach. Iron ore constituting more than 50 per cent of the traffic handled at the port, the outer harbour is now lying sullen and silent. It is hoped the deadlock will be resolved early through mutual negotiations and goodwill. Meanwhile, the port has suffered a loss of about Rs one crore during the first fortnight.

The outer harbour now provides loading facilities which are four times speedier than the earlier ones. That will reduce the berthing time by one-fourth affecting enormous savings. At the same time, four times bigger ships can now berth at the port yielding all the economies of large scale operations. Earlier, the ore-loading rate was about 2,000 tonnes per hour; now it is 8,000 tonnes in the outer harbour. The inner harbour could handle vessels only upto 36,000 DWT. The new harbour can take in vessels of about 100,000 DWT initially and of 200,000 DWT later.

The port owns a fleet of 32 electric cranes of three to 10 tonnes capacity, two floating cranes—one of 150-tonne capacity—and a variety of other up-to-date equipment for cargo handling. A hydraulic excavator mounted on pneumatic tyres was commissioned in March last year. A new system has been introduced to unload bulk cargoes by means of grabs and portable flat belt conveyors.

For the first time in many years, service charges at all Indian ports were revised in July 1975 and related to the services rendered. In August while inaugurating a conference on productivity at Indian ports,

POINT OF VIEW

prime minister Indira Gandhi emphasised the need for increasing productivity at each port. Revision of charges at Visakhapatnam port was in line with this general policy. At the Rs 100-crore outer harbour the pilotage per NRT (nearly a metric tonne) was increased from Rs 1.80 to Rs 5.20. A new quay levy of Rs 17 per tonne was introduced and the berthing rate per ship per day was raised from Rs 1,000 in the inner harbour to Rs 30,000 in the outer harbour.

The temporary setback that the port has received does not, however, minimise the marvellous work done by Indian planners and engineers to construct one of the biggest and the deepest harbours west of Rotterdam and east of Tokyo. The outer harbour has been carved out of the open sea by taming the turbulent Bay of Bengal. This has been achieved by piling up about 2.4 million cubic metres of stones and 16,000 concrete blocks each weighing 30 to 50

Baldeo Sahai

tonnes, in raising three walls inside the sea. These three breakwaters, one each in the south, east and north, have a total length of about 3,000 metres.

These barriers across the mighty breakers of Bay of Bengal formed a vast 200-hectare water basin. The harbour has a depth of about 16.5 metres, by dredging about eight million cubic metres of sand. This mountain of sand has been spread out alongside the Dolphin's Nose hill to create one of the most beautiful man-made beaches. The hill itself is quite picturesque and the beach has the potentialities of being turned into a tourist attraction.

unique berth

Inside the basin has been constructed a 263-metre long ore berth. The uniqueness of this berth lies in the concrete-crib-construction method adopted for the first time at an Indian port. The berth stands upon eight 23-metre high concrete structures called cribs—hollow, cellular concrete structures. Each unit weighs about 15,000 tonnes or equivalent to the size of an average naval ship. It was first constructed on land to a height of five metres. On a day of ideal tide it was towed to the site and launched into the sea. The remaining 18 metres were constructed over that, within a week's time.

The conveyor belt which will carry iron ore from the stockyard to the ship is another important feature of the outer harbour. The ore from the Bailadila and Kiriburu mines is brought by train and stacked at the port. From there it is transported to the vessels berthed in the basin through the longest conveyor belt in Asia and the second largest in the world. Of the total length of 8.5 kms, the ore-coloured belt stabbing the skyline of Visakhapatnam city runs overhead for about 4.8 kms. In the portion spanning the city, it is covered from all sides to eliminate noise and dust pollution. Dr Dhillon called it as "the crown of the city".

The conveyor belt runs into a huge mechanical monster of a shiploader. The loader moves on rails and can negotiate

a 210-degree-turn. It can dig deep into the hatch of a ship to discharge iron at a rate of 8000 tonnes per hour.

But where are the ships? Here is the rub. Besides the port authorities, a number of other Indian government

departments will be affected by the Japanese decision. The MMTC will have to alter its mining programme. The railway wagons earmarked for transporting ore will have to be diverted to other goods. The Japanese themselves may have to alter

their production schedules. It is therefore in the interest of all concerned that the stalemate is not prolonged. An early opportunity should be availed of for holding discussions with the Japanese to resolve differences.

Costlier oil : its impact on inflation

H. Mazumdar

When the rate of inflation in 1973-74 in India was 20.7 per cent, the author says, the oil induced inflationary impact was only 0.41 per cent. The rate of increase in inflation after the current upward revision of crude price can be calculated only after one year.

THE OPEC, at its session held at Quartar towards the end of the old year has once again raised the price of crude. This upward revision, according to US economists, will have an inflationary effect on the economies of all oil-importing nations, which have been subjected to inflation from 1950-51 in varying degrees. In this country, the rate of inflation which had touched 0.8 per cent in 1960-61, suddenly jumped from 7.7 per cent in 1972-73 to 20.7 per cent in 1973-74 as shown in Table I

TABLE I
Inflation in India
(1969-74)

Year	Cost of living index weekly average (1949-100)	Rate of inflation
1969-70	215	1.4
1970-71	227	5.1
1971-72	233	3.1
1972-73	251	7.7
1973-74	303	20.7

Source : Reserve Bank of India Bulletin.

To what extent have higher oil prices contributed to the aggravation of inflationary pressures? Among the various methods for measuring open inflation, the Horsefield method has not yet become popular because of conceptual problem

as well as non-availability of complex data required for processing. The wholesale price index method, although popular, suffers from limitations because the index numbers are based on prices quoted by government departments which occasionally fails to take into account the higher prices prevailing in the open market in some commodities. Moreover, expenditures on education, transport, etc., have very little scope for inclusion in this method. The consumer price index method is very popular, but it is confronted with the basic problem of selecting the most relevant or reliable index from the three types of price indices viz consumer price index for urban non-manual employees, the consumer price index numbers for agricultural labourers and the all-India consumer price index for industrial workers. Therefore, we may avoid these three bases and calculate the inflationary impact, in isolation, of the rising price of

crude with the help of the GNP deflator, a method which is being currently used in other countries. The approach to calculation in terms of the GNP deflator is called the "market basket" approach which represents the total goods and services produced by a country in a year.

The GNP deflator reflects the weighted average increase in prices of the Gross National Product which consists of all goods and services produced by a nation during a particular year viz. capital goods, consumer goods, export and import goods, various services etc. In order to calculate under this procedure one should bear in mind the analysis of the following question. If a GNP in the base year (using an index basis) cost Rs 100 what would be the cost of same GNP in the year in question considering the change in the price of one item (say for oil) and nothing else¹

While attempting to isolate the inflationary impact of certain price changes, it is fundamental and important to remember that all other items of GNP are assumed to be constant, although the

TABLE II
(Example)

Break up of GNP		Base year		Next year	
Goods	Qty.	Price (Rs)	Exp. (Rs)	Price (Rs)	Exp. (Rs)
Item A.	5	1	5	2	10
Item B (all items except A)	95	1	95	1	95
Total			100		105

real GNP might have changed during the year under consideration. The example is illustrative in Table II (page 92).

hypothetical case

Suppose a country produces/imports five per cent (item A) of the GNP. For a given size of the GNP if the price of the item A is doubled and prices of all other item of the GNP remain unchanged on a weighted average basis the doubling of price of item A will be equal to 5 per cent increase in all goods. In this hypothetical case the GNP cost Rs 105 in the next year as compared to Rs 100 of the base year. Thus doubling of price of item A can be said to have had an inflationary effect of 5 per cent. Here price index is equal to $(105/100) \times 100 = 105$. Thus the rate of inflation is 5 per cent. This can be expressed in mathematical formula as follows:

$$I = \frac{V1}{V2} \times 100$$

where I = Inflation

V1 = Value (in the year of computation)

V2 = Value (in the base year).

Using the above procedure, the rate of inflation induced by rise in prices of crude oil in India during 1973-74 can be computed. The reason for the selection of this particular year is that during this period oil prices increased abnormally. The calculations are as given in Table III.

Thus, when the rate of inflation in 1973-74 was 20.7 per cent, the oil induced inflationary impact was only 0.41 per cent. How this compares with the oil related inflation in other oil importing countries of the world is shown in Table IV.

What would be the rate of increase in inflation after the current upward revision of crude price can be calculated only after transactions for one year.

References

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2. Indian Petroleum and Chemicals Statistics, Pt. I, 1973. Min. of P & C.
3. India-1975. Government of India publication.

TABLE III

Particulars of products	Quantity (Mill tonnes)	1972-73		1973-74	
		Price Rs/tonnes	Value Rs crores	Price Rs/tonnes	Value Rs crores
1. Oil and products ²	22.94	129.08	296.11	198.04	454.30
2. All other products	—	—	37776.89	—	37776.89
Gross National Products		38073.00 ³			38231.19

$$I = \frac{V1}{V2} \times 100 \text{ or } \frac{38231.19}{38073.00} \times 100 = 100.41 = 0.41 \text{ per cent}$$

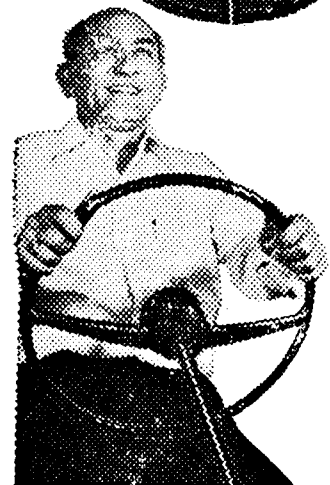
(N.B. : Unit price of oil has been worked out by dividing the total value of imported oil and oil products by total quantity of imports.)

TABLE IV
Inflation Rate and Oil-Related Price Level Increases
1973-74

Country	Annual increase; consumer price index (per cent)	Oil-related price level impact (per cent)	Inflation due to price increase in other industries (per cent)
USA	12.3	2.4	9.9
UK	23.2	5.2	18.0
Austria	12.1	3.0	9.1
Denmark	14.2	5.6	8.6
France	17.2	4.3	12.9
W. Germany	7.4	3.4	4.0
Italy	21.3	5.9	15.4
Netherlands	12.2	5.9	7.3
Norway	10.5	3.3	7.2
Sweden	7.6	4.7	2.9
Switzerland	4.0	3.3	0.7
Japan	10.5	5.8	4.7
Australia	12.2	1.1	11.1

Source : (1) World Oil, September and October, 1974.
(2) International Petroleum Encyclopedia-1975

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South Korea's achievements in agriculture

Dr G. Rangaswami

The author, who is the Vice-Chancellor of Tamil Nadu Agricultural University, Coimbatore, believes that South Korea has, within a short period of less than a decade, made as much progress as Japan has within three decades and Taiwan in two decades. This is reflected in the TV antennae on the buildings of the remotest village. On this count alone, the author believes, South Korea could be excluded from the list of the underdeveloped countries.

I SPENT 12 DAYS in south Korea from October 6 to 17, 1976. The main purpose of my visit was to attend the Second Biennial Conference of the Association of Asian Agricultural Colleges and Universities. As president of the Indian Agricultural Universities Association I represented the country at the Biennial Conference. Also, at the request of the Central Silk Board of government of India, of which I am the chairman of the Research Coordination Committee, I spent five days from October 6 to 10 prior to the starting of the conference on October 11. This gave me

ments, except what I have learnt in the past—a superficial knowledge—through meeting with some Korean friends at international meetings. Being my first visit, I was looking forward to learning as much as I could during the 12-day period. My earlier visits to Taiwan, Japan, Thailand and Philippines had given a broad picture of what is being done and what is possible under the conditions existing in these east Asian countries. However, the remarkable progress made by south Korea within a short period of less than ten years can be believed only when seen in

were intensive developmental programmes such as construction of roads and highways and industrial and residential buildings. People were always found most active and busy working in the fields, factories or markets. The richness of the average man was reflected in the TV antennae, almost one on the top of each residence, even in the remotest corner of a small village. In my opinion, on this single count alone, this country could be excluded from the list of developing countries of the world.

increase in GNP

The GNP had increased from \$95 in 1960 to about \$690 in 1976. Present population is estimated around 35 million people, of which about one-fifth is in Seoul. Since 1960s the annual rate of population growth has been brought down from about 5.0 per cent to 1.56 per cent, which is a remarkable achievement. There is no unemployment and there are no beggars in the country. All these became possible through a strong agricultural base and through hard and sincere efforts on the part of the government and its people. Korean people are hard-working, honest and sincere and the government administration is efficient, solving the problems and bringing benefits to the people, from the grassroot level.

In my opinion, besides the hard work by the farmers, the major contributory factors for the rapid progress in agriculture are: (a) an effective rural development programme launched with presidential decree under the banner of Saemaul Undong, (b) the strong cooperative movement under the authority of NACF (National Agricultural Cooperative Federation) directly helping the farmers to receive the maximum returns for their harvests, and (c) special incentive programmes for export-oriented agricultural produce. I shall attempt to briefly bring out the important contributions being

WINDOW ON THE WORLD

an opportunity to study the latest activities in agricultural productivity and rural development. Recollecting my thoughts about what I saw while in that country, and heard and read about south Korea and its agriculture, it became clear to me that unless I had visited the country and the rural areas as I did, I would have never believed anyone if he had told me that so much had been done within so short a time by this war-trodden country which continues to be on its toes to defend a possible physical threat from the north and economic threat from the east, west and south.

I had not known much about south Korea and its political or industrial achieve-

person. What has been accomplished by Japan over a period of three decades and by Taiwan in two decades has been accomplished by south Korea in less than one decade.

The main achievements can be listed as (1) an annual economic growth of 8.6 per cent over the past two decades, (2) more than doubling of agricultural productivity during the past five years, and (3) a ten-fold increase of its export earnings since 1960s. These are in no small measure easy to accomplish.

Wherever I went, around the capital city of Seoul, the towns of Suwon, Chungpyong, Osan, Cheonan or Onyang, there

made by each of the above three factors, as understood by me during my visit.

'Saemaul Undong' is a 'New Village Movement' meant to develop rural areas, initiated in November 1971 and got nation's constitutional support on October 17, 1972. The movement became a part of the Yushin Constitution adopted by the Parliament for revitalising reforms in the country, including strengthening its defence efforts, expanding its industrial undertakings and bringing better life to the rural community. The Saemaul Undong has as its three important tenets, (1) diligence, (2) self-help and (3) cooperation. This movement has brought in miraculous change over the past four years by which the chronically lethargic rural people have been transformed into a productive, vital force. On the day I was leaving Seoul, October 17, there were jubilant celebrations to mark the fourth anniversary of adoption of the Yushin Constitution.

self-help in villages

I visited the Saemaul villages of Chungpyong in Gyong Gi Province, and Dong Mag village in Gyong Gi Province, the former about 60 km north-east and the latter about 85 km south of Seoul. In Chungpyong the villages were improving the drainage and the road, the cement and steel for the improvements having been supplied free of charge by the government and the labour put in by the villagers. Earlier the villagers had constructed a common silkworm rearing centre through a similar effort. In Dong Mag the village leader showed round the new facilities created for the common benefit of the villagers under the programme. These include a modern W.C., a community hall, lining of irrigation channel, erosion control works, improvements to the road, and replacing all the thatched roofs with asbestos roofs in all of the dwellings of the village. There are 43 farmhouses in the village and 3 non-farm houses. Of the latter three, one member works in a government office and two work in the factories in a nearby town, but their annual incomes are much less than the average of the farmers of the village. The average income of the villagers has increased from \$1,284 in 1971 to \$2,958 in 1976. Besides, the village has spent \$121,722 for general improvement of the

environment and has a village fund of \$91,200 in savings bank. Crop yields have increased by about 150 per cent, with all the farmers adopting the latest technology in crop production, livestock fattening, biogas production and use. This has become one of the best model Saemaul village of the province and the village leader was proud of mentioning that there were far too many visitors to the village, distracting the villagers from their normal works. It is said nearly 16,000 of the 34,665 villages in the country have already come under the Saemaul movement, and all of them will be covered by 1980. This being a continuous process, several new items will be added to the improvements of the villages in the coming years. Creation of better living conditions and the additional modern amenities helps in preventing the migration of rural people to the urban areas, in search of jobs and comforts. One of the most astonishing achievements of the movement is that the average income of the rural worker in the farm has increased to surpass that of the industrial labour; the farmer gets about \$2,000 per year, whereas an industrial worker is paid about \$1,000 and has to put in over-time to earn \$2,000. This also helps to keep the villager on farmland.

important development

The second important development in the country is the strong organisational set up of cooperative movement. The National Agricultural Cooperative Federation (NACF) has about 2,000 branches with about 40,000 employees, spread all over the country. It has an annual budget of about \$4 billion, almost competing with the national government budget. It has monopoly purchase and distribution authority in several commodities, including fertilizers and seeds. It avoids exploitation of the farmers by the middlemen and in securing fully what is due to the farmer by way of best price for his produce, timely supply of quality inputs, and technical advice in matters concerning farm planning, budgeting, marketing and storage. This development had taken place only during the past five or six years.

The third contributory factor towards rapid development of agriculture in south Korea is the special attention paid by the government to certain areas of rural

activity to fully utilize the labour force. There is a Special Projects Bureau with a Director-General heading the Bureau in the ministry of Agriculture and Fisheries. The bureau takes care of export-oriented agricultural commodities, for which special extension programmes are organised, and price and input incentives are given. Two important items covered are mushroom cultivation and silkworm rearing. Most modern technology is adopted in these two areas, so that the cost of production is low and high quality is maintained. South Korea has been able to export last year about \$20 million worth of mushrooms and about \$120 million worth of raw silk. Because of relatively lower cost of labour and high production efficiency through adoption of modern technology south Korea has been able to compete with Japan, Taiwan and Mainland China in the international market in these commodities.

contributory factors

There are two more important contributory factors which have helped in making rapid progress in agriculture and they are: (a) the general educational programme of the country and (b) the strong extension network. The education programme in the high schools is divided into (i) academic, and (ii) vocational. Of the vocational schools, a large number of them offer agriculture as the main subject. Thus there is general interest created in the young minds about the importance of agriculture for the nation. I visited the Chung Mo Teachers In-service Training Centre, where annually 8,000 teachers from all parts of the country are given in-service training. This includes agricultural subjects, covering theory and practicals. At the time of my visit about 400 women teachers were being given six-day in-service training. Students from vocational high schools are selected for training as Future Farmers of Korea (FFK) under special programmes organized by the government. There are about 120 schools offering vocational courses in agriculture, about 25 colleges offering higher level training and 18 colleges offering degree programmes in agriculture. In all, over 1,000 agricultural graduates are produced annually and all of them are gainfully employed in a country whose 40 per cent population are engaged in agriculture and whose overall

population is much less than that of Tamil Nadu state.

The extension network and the linkage between research and extension have been so well organised that there is 100 per cent coverage of all villages, each extension worker being responsible for seven or eight villages and a total of about 300 to 400 farmers. It is claimed that there is also cent per cent transmission of technology from the Office of the Rural Development (ORD) to the farm houses. The ORD has an excellent set up to produce the required extension material in the form of literature, radio and TV programmes and other audio-visual aids. In a day about four hours on radio and 90 minutes in TV are provided for agricultural programmes. With a countrywide coverage through radio and TV rapid spread of any new finding is assured.

most important crop

The total land spread of south Korea is 98,447 sq km of which about 23 per cent or 2.24 million hectares is under cultivation, while the rest are covered by mountainous terrain, several of them rocky but covered in parts by forests. The annual precipitation is about 1,200 mm, which includes about 200 to 300 mm of snowfall. The most important crop is rice, occupying approximately 57 per cent of the arable land, followed by barley, wheat, maize and sorghum as cereals. Soyabean, rapeseeds, peanuts, castor, chillis or red pepper and various vegetables are being commonly grown all over the country. The most important fruit crop is apple which is one of the important export-earners. The farmers adopt mixed farming practices including piggery or beef cattle rearing, poultry husbandry, sericulture, rope making, or as a unit in a farm holding.

Rice being the staple food of the people, the required quantity of 4.9 million tonnes could not be produced until recently. In order to fill in the gap some restrictions in the use of rice have been imposed and some quantity of wheat is imported annually from USA to meet with the needs. However since 1972 a new *indica x japonica* rice variety Tongil was developed with the cooperation of the International Rice Research Institute, Los Banos, Philippines

and this has revolutionised rice crop production in the country. Within four years the area under this variety increased from three ha to 530,000 ha, increasing the country's average yield in 1.2 million ha to about 3.8 tonnes of polished rice per ha. Tongil's average yield is five tonnes per hectare, which has helped to bring self-sufficiency in rice in 1975. This rice variety is said to be one of the main factors for bringing economic prosperity in rural areas all over the country. The average income from farm household in 1975 touched 873,000 won or \$1,800 as against 859,000 won or \$1,710 from average urban household, an increase of about four per cent over the later, which is perhaps very rare in any other country of the world.

One more feature which helps the farmers to earn more is integration of cottage industry with agriculture, which helps in engaging themselves all the year round. More recently vinyl cultivation under polythene covers, of vegetables and fruits during winter months has been taken up on an extensive scale. Though there is not much of mechanization in agriculture, very rarely cattle or horse is used for field work. The most commonly used machine in the village is a power tiller. A combine for harvesting and threshing of rice crop is becoming increasingly popular.

Every effort is being taken by the govern-

ment to maintain the favourable balance of wages and earnings in the rural sector as compared to the urban areas, all the time providing extra incentives for improved environment and living conditions in the villages so as to avoid the unhealthy trend of urban crowding and reverse migration to avoid pollution problems. Advance action to tackle future problems seems to be one of the important characteristics of the administration in south Korea.

The rapid progress made in the agricultural front in south Korea is apparent to any visitor. The strong leadership, supported by technical guidance and scientific research has led the farmers to adopt most modern technology resulting in a remarkable increase in average yields of crops within the past five years. The special incentives to the farmers have helped the country to boost its export earning through agricultural produce and by-products. The new national programme to improve the rural living conditions and the environment has paid rich dividends, helping in a balanced development of rural and urban areas; one cannot but think that the farmers are fortunate in being members of such a progressive country, contributing their mite in the cause of their nation's rapid march towards prosperity.

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European integration in the GATT perspective : II

Rameshwar Tandon

Over the years the degree of agricultural protection has increased, particularly in the EEC. In many cases the only way to achieve agreement on common prices and common system of market organisation, says the author, was to agree to align all national policies to those of the most protectionist of the member nations. This is the second and concluding part of the article on European integration in the GATT perspective concerning the Common Agricultural Policy. Part I of the article had appeared here last week.

WHILE THE GATT makes no distinction between trade in agricultural and industrial goods, this is as suppressing a phenomenon as complete prohibition of Quantitative Restrictions. The GATT's record in temperate agricultural goods is other than one of failure. Not only is the effective protection, in all likelihood, higher, on the average, than in other sectors of world economy, but also the indications are there that the rate of effective protection is increasing and the domestic prices exceed the import prices by as much as 104 per cent in some cases.¹

undue optimism

The Problem is whether it was shortsightedness or undue optimism which made contracting parties decide on equal treatment for all goods entering visible trade, except those regulated in the commodity agreements. The UK and US represented the exporters' interests and Britain could hardly have taken a position that was unfavourable to the Commonwealth countries. They managed to have a safeguard written in the Article XI: 2 which excepts import restrictions on agricultural goods from general prohibition. But the exemption applied only where the agricultural restrictions are necessary for enforcement of government measures that impose limit on the domestic production.

Hence the restrictions justified here must be so stringent as to reduce the total of imports, relative to total domestic production, as compared to the pro-

portion which might be expected to rule between the two in absence of restrictions, taking account of historical patterns and special factors as change in relative productive efficiency. But the fact is that only the US has tried with any consistency to restrain domestic production.

suggested measures

The ministerial meeting of October 1957 stressed some disturbing trends in agricultural protectionism.² The report suggested some measures with a view to protecting domestic agriculture as follows:

1. Direct discouragement of imports by import duties, restrictions on imports, multiple exchange, state trading agencies.
2. Measures to encourage exports, e.g., state trading, export-subsidies.
3. The elements which directly encouraged home production, e.g., measures as outright subsidy or indirect subsidies to farmers through tax privileges.

The panel was not to pass any judgement on the individual policies but they tried to measure the degree of agricultural protectionism for some goods. They found that the price of wheat in 17 out of 21 countries studied was above the world import price during 1954-56 and the Swiss production-price was double the average price. Thus the Harberler report's recognition of 'deficiency-payments' as the least protective method of

subsidization endorsed the British way of dealing with its farming problems.

The Six were happy with the report's para 253 and suggested that a moderation of agricultural protectionism should be combined with other measures but a moderation of agricultural protection remains a necessary ingredient in total operations. The GATT Committee II was required to collect data on non-tariff measures for protection of agriculture. It was shocked at widespread use of protection and found, for each of the six commodities, "there had been extensive resort to non-tariff barriers involving protection".³

The Committee came to the conclusion that the non-tariff devices seriously affected trade in goods considered. The extensive use of Quantitative Restrictions and widespread impairment or nullification of tariff bindings frustrated the benefits a country expected to receive as a result of the GATT obligations.

long-term solution

The Committee II suggested that an important long-term solution must come through an improvement in the efficiency of resource allocation and that a moderation of agricultural protection in both the importing and exporting countries is desirable. It suggested two ways to deal with this problem: to limit production in those countries where it was unnaturally stimulated by high domestic prices and to draw up a price-agreement on the basis of traditional commodity agreements.

Thus, over the years, since the Committee II, the degree of agricultural protection has further increased and particularly so in case of the EEC. In many cases, the only way to achieve agreement on common prices and common system of market organization has been to agree to align all national policies to those of

the most protectionism of the Six for goods in question.⁴

Mr Baumgartner suggested the setting up of a study group on cereals and if the Six base their agricultural policies on normal prices, as the US has already done, it is hardly conceivable that other countries exporting agricultural goods will continue to sell at lower prices. Here the levy technique should have a salutary effect by encouraging the exporting countries to raise their prices and the Common Agricultural Policy should result in a trend towards standard world prices and a policy of food aid.⁵

While the stark realities of trade in agricultural goods were far removed from these pious hopes, it was assumed that once the exception in favour of Quantitative Restrictions disappeared, the reasons that led them to maintain widespread restrictions on agriculture would also disappear, but this did not prove to be the case.⁶

The Six pointed out that Common Agricultural Policy was not inconsistent with the GATT and it was subject of discussion when there was question of concrete action which could be contrary to obligations under GATT.

probable approach

It was suggested that to find solutions involving reasonable equilibrium between agricultural interests of third-countries and agreed objectives of Common Agricultural Policy, the probable approach should begin with the idea that any policy can only be achieved as part of a world-wide agreement. Here the following elements were pointed which will constitute a minimum basis to control world markets:

1. The world-wide agreement should aim at balancing supply and demand as between major exporting and importing country;

2. To achieve this, importing countries should guarantee maintenance of some global import-requirements;

3. The international changes would take place at an agreed minimum price and the entire arrangement was to be policed by some organisation.

In the Community system of agricul-

ture, the kingpin is the 'indicative' price; for cereals, this is at present, the highest in each member. For this, intra-country levy during the transition period and the levy on third-countries' imports are derived, after taking account of transport costs from the centre, for which basic indicative price is determined to the point of entry at the frontier. The 'frontier' price or threshold-price is increased by a preferential addition (montant foreiture) which, in case of intra-community trade, is deducted to encourage such internal trade; the levy is set as difference between the threshold price and most advantageous world price.⁷

In these rules on agricultural policy, the Community has tried to reconcile the needs of integration with the need to guarantee their workers an income compatible with other sectors of the economy and also with the third-country interests.⁸

higher protection

Hence the EEC agricultural system gave higher protection than was provided earlier; the French threshold price for wheat in August 1962 was 60 per cent above the C.I.F. price for imports and in Germany, it was 106 per cent higher than the landed price. The GATT working party held that the system might bring into world trade, new elements hitherto not existing which might have adverse effects on the prices and on access to markets".

The EEC levy, used for many, but not all the agricultural goods within the community, imposes a duty that varies as often as is necessary to span the difference between internal-target price and world market prices. Thus the effect is to make third-country suppliers into 'residual' suppliers; so long as the target price is not reached within the Community, levy will be sufficient to keep out imports and any fall in world market prices, even as a result of increased efficiency, will be automatically offset by increase in the variable levy.⁹

While June 1970 marked the end of twelve-year transition period, two crucial events underlined the significance: The Hague summit of December 1969 and the recent agreement of financing of Common Agricultural Policy.

While the principle of Community

solidarity was accepted as early as 1962, the financial regulations embodying it were provisional and the final decision was taken only at the end of the transition period. The French fear here was that the British entry may go against them, as the Germans would have a natural ally in Britain as both favour cheap food imports.

source of funds

The CAP will now be financed by the EEC as a whole and the funds will come from three sources: levies on agricultural imports, custom duties on industrial imports and a percentage of value-added tax which the EEC was to adopt by 1972. The system will encourage the Six to keep agricultural levies and custom duties as high as possible, or to cut down their imports. It was hoped that the revenue from the levies and custom-duties will stabilise at current levels and greater part of the EEC funds will come from the value added tax.

Some studies revealed that as at present, the agricultural support prices are well above world-prices and the Common Agricultural Fund is spending astronomical funds in paying to the EEC farmers and in subsidizing exports and the cut in support prices might result in the decline in production and expenditure as well.

In October 1966, a new regulation was reached which put the variable tax on imports for members and non-members to be applied in lieu of custom-duties. The variable tax is to consist of two elements: a variable element destined to compensate the given differences in the price of raw materials and a fixed element to provide protection for processing industry.

The agricultural policies in the US and western Europe have been dominated by two rival considerations: the farmers plead for support and the politicians defend policies on farm earnings. The EEC view in the Kennedy-round was that a 'consolidation' rather than a reduction of such 'margins' of support would be a very ambitious goal and it is more worthwhile to try to reach some sort of agricultural commodity-regulations to stabilise world market prices at a reasonable level.¹⁰

It must be admitted that the solution

adopted in the early post-war years, when the collaboration in a world-wide organisation to include both agricultural and industrial exporters was made possible by giving equal rights to both groups of goods, has proved quite unrealistic. Two errors could be pointed here as follows:

1. The belief that legitimate use of Quantitative Restrictions for balance of payment reasons was also the genuine reason for trade-restrictions in foods. If this had been so, elimination of deficits and abolition of exchange controls would have led to freer trade in agricultural goods and in fact, only the end of exchange-controls at the end of the fifties brought out the real nature of agricultural protectionism.

2. Nor do they seem to have appreciated that protectionism, which remained, once exchange controls were removed, was of a dual nature: there was a desire in a number of countries, e.g., Germany, Switzerland, Belgium and Scandinavia to maintain an economic class for 'meta economic' reasons; and there was another side of agricultural protectionism also that there has been some protection of interests often remotely connected with peasantry, e.g., processing plants and milling industry in the EEC having 100 per cent protection.¹¹

optimum structure

Hence W. Ropke suggested that there is such a thing as that 'optimum' structure which gives to "the agriculture of industrial countries its natural place in national scheme of localisation of world agriculture. This place is now determined by the fact that in industrial countries, preference should be given to production of agricultural high-grade goods in contrast to staple goods, natural localisation of which is to be found, more in the peripheral zones of the world economy".¹²

The suggestions of the Haberler report could be understood here well: a moderation of agricultural protection in the US and western Europe, shift in methods of agricultural protection, away from price-supports to deficiency payments and bufferstock provisions.

But the Committee II was more ruthless in suggesting moderation of agricultural protection in both the exporting

and importing countries, improvement in efficiency of resource allocation, imposing some restraint on the protected production where national resources tied in agriculture can be more effectively reallocated.¹³

In the Treaty of Rome the Association arrangements were most controversial; Part IV of the Treaty provided that all the EEC members would make available trade facilities to their Overseas Territories, as in their intra-trade, but they were allowed to retain duties for infant-industry or revenue purposes. This did not mean that all trade restrictions would be dismantled, it only meant that any existing preferences granted to one member would be generalised to other members also.

failure of system

In the GATT debates, the developing countries pointed out that the Association system failed to meet the free-trade area criteria and that this was only an extension of the French preferences to other European members. So it constituted establishment of a 'new' preferential system in violation of GATT. The Treaty of Rome did not touch on the EEC relations with the developing countries as a whole, as the policy was yet to be evolved. The Association arrangement was put as the first step towards common commercial policy for the developing countries and these were to be the model of the EEC relations with the Ldcs.

In the GATT meetings, Article 24 and the Most-Favoured-Nation clause was severely criticised in view of serious imbalance in the initial concessions between two sides as provided in the Treaty of Rome. The Ldcs' case was also supported by Britain due to her Commonwealth interests. The GATT working party gave a majority and minority view;¹⁴ since there was no agreement, it was decided that the compatibility of these arrangements with Article 24 should be set aside. Here the EEC did not request for a waiver and the Association Agreement was accepted without any more fuss due to the US moral support and the GATT survived with its MFN clause somewhat tarnished.

The Ldcs' fears were widely shared that over a long run, their export interests

might suffer and something should be done to minimise these adverse repercussions. The GATT Working Party confirmed that the duty-free admission of Association goods into the EEC in view of an external tariff barrier against goods of all other countries could only be regarded as creation of a 'new' preferential system.

obvious outcome

As the overseas countries' exports of many agricultural goods were, on the point of exceeding the total requirements of their metropolitan preferential markets, but were substantially less than the needs of the EEC, trade diversion would be the obvious outcome. The preferential margins of the Associate goods of nine per cent for cocoa, 16 per cent for coffee, 20 per cent for bananas, 35 per cent for tea, 30 per cent for tobacco and 80 per cent for sugar were found to be very substantial.

But more alarming was the proposed 35 per cent duty on tea which was not even produced in the Associate countries and it was meant to divert consumption in favour of coffee. Moreover, attempts were also made to divert trade away from the Arabica coffee to robusta coffee and from flue-cured to air-cooled tobacco and about \$1000 mn of trade was involved. The third countries would be reduced to the position of residual suppliers and would bear the brunt of falling demand as such.

The Six did not consider themselves bound in any way by the conclusions drawn in these studies; moreover such trade-diversion effects are inherent in such forms of integration and were not peculiar to this case only.¹⁵ The GATT also, in authorising a straight-forward exception from the Most-Favoured-Nation clause for customs unions, had implicitly accepted the consequences.

The Six attacked the working party for ignoring traditional factors in trade-direction; the probable increase in consumption in the Community and increase in consumption in rest of the world and they dubbed the pessimistic outlook as unrealistic. The majority view was that the methods of analysis adopted have been appropriate and the overall picture

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of the effects on trade that emerged, will not be altered by further analysis.

The Six were not prepared to harm any part of the Treaty of Rome in consideration of third-country interests. The union was GATT-conform and any harm could be studied, when it actually happened. There was nothing in GATT which obliged one to act in anticipation of a hypothetical situation. The Ldcs' aim was not so much to get the Agreement of Association declared illegal as per GATT rules, but rather to force the EEC to create some preferential possibilities for them as they had done for the Association. Another way out was to ask for the Association on similar conditions as the old dependencies of the EEC and this possibility was also increased by the Yaounde Convention.

sympathetic consideration

Mr G. Oldin of Chile said, with reference to Article XXII of the agreement that "each contracting party shall accord sympathetic consideration and shall afford adequate opportunity for consultations with respect to any matter affecting operation of the agreement. "The Article XXII should be invoked in cases where some injury to outside countries was threatened.¹⁶

Initially both the EEC and the Associated countries regarded the convention as a model for others. The Associates, under the existing convention, enjoy duty-free entry for their exports of tropical goods and semi-manufactures and the margin of preference on the processed goods is small. They also suggested that their exports of processed goods (sugar, tobacco, rice) should be treated in the same way as exports between the EEC countries.

The EEC was ready to grant duty-free entry to tropical goods but rejected the demand on 'internal taxes' as non-negotiable. The Germans and Dutch held that the EEC should reduce its tariff on at least three items: coffee, cocoa and palm oil so that the exports of Brazil, Ghana, Malaysia and Indonesia could benefit. But France argued that the rise in exports to the EEC has been slowest in case of exports from the Associates. Moreover Germany also supported the move to

abolish the reverse preferences, since the main threat to Association is due to American decision to discriminate against the Ldcs' granting reverse preferences.

Various studies focussed on the economic of discriminatory tariff reductions but avoided the impact of alignment of external tariff on two or more countries. The commonsense notion under Article 24 was that so long as the CET is no higher than the members' tariffs collectively, it could be said that the CET is not restrictive. But once we adopt as our chief measure of lawfulness, whether the creation of a union is a move towards or away from free trade, a union involving rise in all the external duties may not be a move towards free trade. The direction of movement depends on the combined effects of eliminating internal barriers and changing external barriers. Just as we cannot be sure that the elimination of trade-barriers between member-countries improves allocation of world resources, so also we cannot be certain of the effects that increasing or decreasing individual duty will have on allocative efficiency.

divergences in prices

Hence given a world economy filled with tariffs, restrictions, subsidies causing divergences between prices to consumers and costs to producers, it is not necessarily true that reduction of any individual tariffs (reduction of these divergences) will actually improve allocation of world resources.¹⁷ When we deal not with one duty but with a range of duties of a group of countries, it is just possible that some reduction of external tariffs as a whole may lead to improvement in resource-allocation. The Article 24 test of 'higher or more restrictive' may contain a large element of wisdom.

It was also suggested that in Article 24, the compensation arrangements, based on the notion of tariff-bindings, have a definite bias, as they require a union to grant compensations for injuries to third countries due to CET, but not for economically similar injuries arising from any discriminatory elimination of internal tariffs.

The flat prohibition of preferential arrangements under Article 24 becomes

sufficiently suspect as "a tariff-reduction inherent in the preferential arrangement might be as that produced by the customs union. Moreover, since a preferential arrangement, by definition, results in less discrimination against non-members than a customs union, the justification for prescribing such arrangements absolutely is not clear."¹⁸

It is rather strange to say, as Article 24 does, that discrimination is forbidden, unless it is 100 per cent effective. The favourable production effects of any 'additional' units of trade created between members of a free-trade area are likely to be great when tariffs are high, as during the first percentage reductions, than when tariffs are low, but a good portion of benefits to the world as a whole from a given free-trade-area could be achieved by preferential arrangement among some members as well

vast difference

Hence, there is a vast difference between an arrangement in which, say all tariffs on inter-member trade are reduced by 80 per cent and one in which tariffs on 80 per cent of inter-member trade are totally eliminated—the resource allocative effects will be greater in the former case, as the early reductions tend to be more helpful. The members of preferential arrangement are most likely to exclude from its scope the industries where the elimination of inter-member tariffs might have most favourable production effects.

Various studies also pointed out that the GATT treatment may have had some adverse effects on the allocation of resources, as it requires complete elimination of tariffs on "substantially all" commodities, but prescribes the agreements to reduce all tariffs say by 80 per cent; Article 24 may encourage precisely these deviations from perfect free-trade-area model that minimises favourable allocation effects.

Hence Article 24 has been effective in channelling the post-war regional grouping in the GATT-conforming mould. It should also be said that GATT's record is not very comforting and only one out of a dozen regional agreements that came before GATT complied with Article 24—the recent UK-Ireland free-trade-area.

While the European Coal and Steel Community could not qualify even for special waiver and got general waiver under Article 25:5, the New Zealand-Australia free-trade-area provided for liberalisation of even a smaller percentage of inter-member trade.

The hope of the drafters was that a detailed set of rules could be evolved to supervise all sorts of regional arrangements but they mistook the concept of a legal institution as largely a set of substantive prohibitions. The customs union in western Europe comprises industrially very developed countries and later experience showed these schemes were more powerful than the GATT. Even if an attempt had been made to block the drive towards regionalism in Europe, the GATT itself probably would have been destroyed.¹⁹

Some new procedures were introduced in the GATT later: a product-by-product review of the EEC Association arrangement and annual review of the interim agreement for South African-Rhodesian union. The available evidence over the years also underlined some serious difficulties in assessing these regional schemes.

trade creation

While it is rather difficult to amend Article 24 for the benefit of the developing countries, with a view to making para 4 of Article 24 more useful, it is necessary to initiate some serious studies of 'trade-creation' and 'trade-diversion' in these regional arrangements. It is true that the formation of economic blocs in the form of customs unions and free-trade-areas, in which the GATT members are partners, has led to a serious limitation of the application of the Most-Favoured-Nation principle. The countries combined in such associations are still expected to apply the principle of equal treatment in their dealings with non-members.

Theoretically we can imagine a world trading system, built up by a number of customs unions, granting each other Most-Favoured-Nation treatment in the same way as the individual countries are doing at present. There would be no discrimination between different groupings but as long as the present inequali-

ties exist, this could not solve the Ldc's problems.²⁰

The most important thing to be stressed here is the change which has taken place in the world economy during the two decades of GATT's existence. While the GATT recognised the desirability of increasing freedom of trade by development, through voluntary agreements, of close integration between economies of members, the GATT does not make such integration its aim. GATT prefers explicitly "substantial reduction of tariffs and elimination of discriminatory treatment in international commerce."

universalist approach

Moreover even if GATT preferred the universalist approach of partial tariff-reductions on world-wide basis, to preference areas or unions, it was not silent on the latter. Its complete freeze of 'preference' areas was based on the case that they, unlike customs union or free-trade-area, can pick and choose between trade-creating and diverting effects and this was a significant limitation on the development of regionalism. The fact that the preference areas in existence at the time of creation of the Agreement are withering away, shows that the freeze has been operative.²¹

In the present context, Prof Meade's formulation is most relevant that "the best principle for reduction of trade barriers is an all-embracing agreement, covering all the countries and all products, to reduce duties on a non-discriminatory basis, below some given ceiling-level. In any such arrangement, it would be the highest duties, which would be reduced (thereby ensuring the largest possible gains from each unit of primary trade creation) and they would be reduced on a non-discriminatory basis (thereby ensuring that the minimum amount of trade diversion resulted from them).²²

Hence customs-unions and free-trade areas had to be accepted simply for traditional reasons. As some countries had always reserved for themselves this exception to the Most-Favoured-Nation clause and saw no reason to change this practice in 1947, "they only confined themselves to reasonably defined form

of regional integration and to fairly strict rules on its formation. Thus the contracting parties envisaged reducing any damaging effects economic regionalism might have to a minimum".²³

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TRADE WINDS

Joint Ventures Abroad

THE UNION government has decided to effect an important change in the present policy governing establishment of joint ventures abroad. It will permit Indian promoters to contribute part of their share capital in cash, it is learnt. Hitherto, the promotion companies had to contribute their share of capital in such projects only in the form of machinery and equipment. This relaxation, which is expected to go a long way in improving the viability of joint ventures, will, however, be applied in a selective manner. Each case will be treated on its merits before the government gives a green signal to the Indian party to invest part of its shareholding in cash. The selective approach is being adopted because the government is keen to ensure that the original purpose of encouraging the export of Indian machinery and equipment is not unduly impaired. At the same time, it is anxious to see that such projects operate on an appropriate capital base.

Rupee-Rouble Rate

The USSR State Bank has raised the value of the rouble in relation to the Indian rupee after more than a year of stable rate of exchange. As against 8.50 roubles to Rs 100, in force since November 1975, the new rate effective from January is 8.22 roubles. According to the Soviet sources the change follows trends in world monetary market and conforms to

the decision announced in India in December to depreciate the value of the rupee in relation to the British pound sterling by 3.3 per cent. To avoid sharp fluctuations in exchange rates from harming their growing economic ties, the two countries had initiated talks for a stable bilateral arrangement.

Consultancy Services for Small Units

With a view to keeping small industrialists abreast of the latest advances in industrial technology, the Small Industries Development Organisation in the ministry of Industry had announced a scheme for providing subsidised consultancy services. This scheme has since been revised and liberalised to make it more effective. The Small Industries Service Institutes have drawn up panels of experts and consultants from every branch of technology, consisting of reputed engineers, technologists, scientists, management specialists, etc., with the approval of the Development Commissioner of Small-Scale Industries. Experts from technical institutions, professional bodies and specialised agencies, such as the National Productivity Council and the Indian Institute of Management, can be included in the panels of consultants.

The services of the experts and consultancy firms included in the panel can be used for consultancy by small-scale industrialists in technical, economic and managerial fields.

The Small Industries Service Institutes will also be able to use their services for their own programmes like promotion of ancillary industries in selected public undertakings, in-plant studies and workshops for modernisation, product design and process development, etc. Small-scale industrialists should contact their respective SISI to avail of the services of the consultants. A private consultant will, when engaged, be paid a fee ranging from Rs 50 to Rs 100 per day in addition to T.A. and D.A. In the backward areas, the entire amount of consultancy fee, T.A. and D.A. etc., payable to the private consultants will be borne by the Small Industries Service Institute concerned. The consultancy fee payable to the consultants by the units located in the other areas will be subsidised to the extent of 25 per cent. The remaining 75 per cent will be borne by the units themselves. However, in these areas, 75 per cent of the T.A. and D.A. payable to the consultants will be subsidised by the SISI.

Meghalaya Outlay

The outlay for the annual plan 1977-78 of Meghalaya will be of the order of Rs 24.46 crores. This was finalised recently at a meeting between the deputy chairman, Planning Commission, Mr P.N. Haksar and the state chief minister, Capt. W.A. Sangma. The minister of state for Planning, Mr Sankar Ghose, Mr B. Sivaraman, member, Planning Commission and the Revenue minister of Meghalaya, Mr Moham Singh also participated in the discussions. The fifth Plan outlay for Meghalaya is Rs 89.53 crores. The actual expenditure during 1974-75 is Rs 11.65 crores, and during 1975-76 Rs 17.27 crores.

The approved outlay for 1976-77 is Rs 20.22 crores, and that for the two terminal years of the fifth Plan 1977-79 is Rs 40.22 crores. The salient feature of the state Plan is that the Kyrdemkulai (2 x 30 MW) power project has been fully funded for an accelerated completion during the fifth Plan itself. The outlay also adequately covers the total needs of projects in priority sectors as well as important special sectors such as communications, water supply, education and development of minerals.

Evaluation of Technology

The union government has set up a high-level committee to evaluate imported and indigenous technologies with accent on the cost-benefit factor and their suitability in local conditions. This was stated recently by Brigadier B.J. Shahaney, director general of technical development and secretary in the union Industry ministry while inaugurating a seminar on 'self-reliance in technology in chemical industry' organised by the Indian Chemical Manufacturers Association.

The committee of which Brigadier Shahaney is the chairman is trying to draw up a checklist of technology package in association with R and D establishments and industry organisations. The package would comprise five elements of know-how in respect of process, design, engineering, manufacturing and application. There could be a sixth element, namely, management in respect of specific technologies.

Brigadier Shahaney felt that the acceptance of the package would facilitate smooth transfer of technology

and their application in the production. In the long run, reduction in gestation period and costs would be possible. An exercise to identify technological needs and gaps on a 10 to 15 year perspective basis vis-a-vis the chemical industry has been initiated and DGTD, on its part, was trying to organise an information and data bank.

Andhra Pradesh Plan

The outlay for the annual Plan of Andhra Pradesh for 1977-78 will be of the order of Rs 365.75 crores. This will be Rs 97.90 crores more than the current year's Plan outlay of Rs 267.85 crores. This constitutes an increase of 36.5 per cent over the current year's Plan outlay. The 1977-78 Plan outlay was finalised recently at a meeting between the Planning Commission and the Andhra Pradesh chief minister, Mr J. Vengal Rao. Besides the deputy chairman of the Planning Commission, Mr P.N. Haksar, Mr Sankar Ghose, minister of state for Planning, Mr B. Sivaraman, member, Planning Commission, and the Finance minister of Andhra Pradesh, Mr P. Ranga Reddy also participated in the discussions.

The fifth Plan outlay for Andhra Pradesh is of the order of Rs 1333.58 crores. The actual expenditure during 1974-75 was Rs 148.86 crores and during 1975-76 Rs 211.64 crores. The approved outlay for the two terminal years of the fifth Plan 1977-79 is of the order of Rs 674.12 crores.

Export Duty on Cardamom

Having regard to the prices of cardamom in the international markets, the central government have decided to levy an export duty of Rs 50

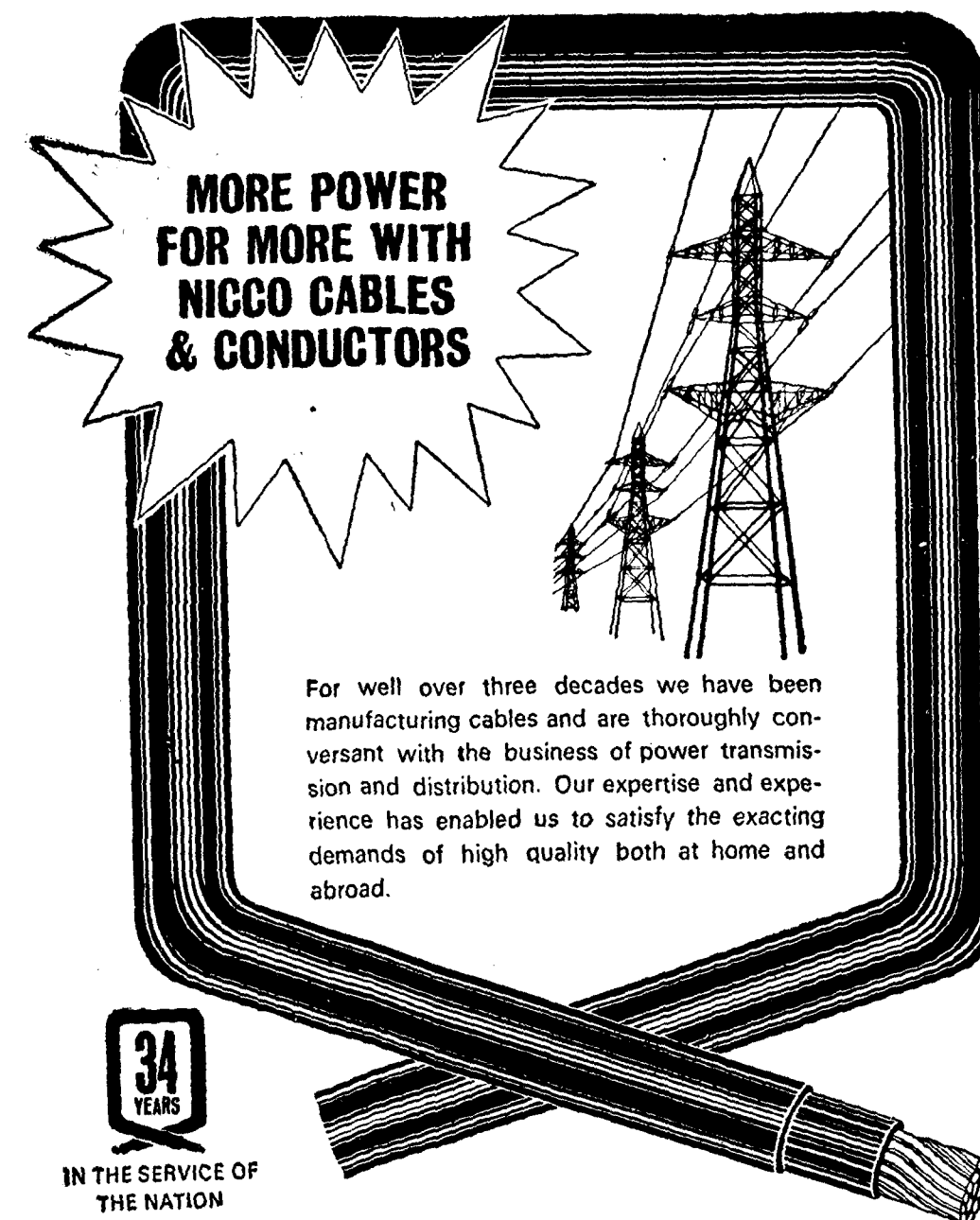
per kilogram on cardamom with effect from January 12, 1977. However, the variety of cardamom known by the botanical name 'Amomum Subulatum', which is generally grown in Sikkim and Darjeeling areas and which is relatively low-priced has been

exempted from the whole of the export duty.

Silk Exports

The Silk Association of India has drawn the attention of the Commerce ministry to the near total failure of the tasar crop in the producing states of

Madhya Pradesh, Bihar and Orissa which will have a disastrous effect on tasar exports and has asked for immediate short-term and long-term reliefs to combat the situation. In a memorandum submitted to Commerce minister, Prof D.P. Chattopadhyaya, by its



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president, Mr Mihir Sen, the association has pleaded for the immediate enhancement of the cash assistance from the present 10 per cent to 35 per cent, making it retroactive from October 1, 1976. As a long-term measure, the association has asked for the creation of a sericulture wing either in the Commerce ministry or in the Central Silk Board to develop sericulture which, the association pointed out, was an important employer in the country.

Hindustan Copper

Hindustan Copper produced 2,408 tonnes of copper wire bar in December 1976 as compared with 1,659 tonnes produced in December of the previous year, a 45 per cent increase. Cumulative production during April to December 1976 of 14,289 tonnes of copper wire bar also registered a similar 45 per cent increase in comparison with 9,848 tonnes produced in April to December 1975. During December 1976, again, 1,903 tonnes of copper cathodes were produced as against 1,700 tonnes of cathodes in December 1975. The Indian Copper Complex at Ghatsila produced 4.19 kg of gold during the month. Following are some of the production figures for the two main units of HCL.

Indian Copper Complex, Ghatsila (metric tonnes)

Product	April/ Dec. 1976-77	April/ Dec. 1975-76
Ore milled	900,975	796,943
Blister copper		
per	11,300	9,044
Cathodes	8,372	8,127
Wire bar	7,537	7,382
Kyanite	20,130	22,948

(ICC produced 56 kg of sil-

ver during December 1976 taking the cumulative production during the year to 530 kg)

Khetri Copper Complex Rajasthan (metric tonnes)

Product	April/ Dec. 1976-77	April/ Dec. 1975-76
Ore milled	789,598	618,669
Blister copper		
per	4,288	5,736
Cathodes	7,327	5,108
Wire bar	6,752	2,466

(Ore production at the Khetri Copper Complex was a record 111,046 tonnes. The previous highest was 89,626 tonnes of ore produced in July, 1976.)

Export of Steel Tubes and Pipes

India's total export trade of iron or steel tubes and pipes was as much as Rs 27.67 crores in 1975-76. Cast iron tubes and pipes alone fetched Rs 3.52 crores. Of these, the sale of rainwater pipes which netted Rs 73.7 lakhs was divided mainly between Saudi Arabia and Dubai and soil pipes secured Rs 2.38 crores million, principally from Singapore (Rs 91.2 lakhs), USA (Rs 24 lakhs), Kenya (Rs 18.4 lakhs), Kuwait (Rs 13 lakhs), Dubai (Rs 11.2 lakhs), Saudi Arabia (Rs 12 lakhs) and Hongkong (Rs 10 lakhs). Other varieties of cast iron pipes and tubes brought in Rs 4 million. In addition to CI pipes and tubes, galvanised and non-galvanised varieties secured an export value of Rs 15.8 crores and Rs 2.69 crores respectively. Saudi Arabia, Iraq and Iran were the leading customers for the galvanised (non-CI) tubes and pipes, while Iraq, Saudi Arabia, Dubai and Australia

were the best buyers of non-CI and non-galvanised pipes and tubes. Recently a Calcutta-based firm has secured a substantial order for cast iron spun pipes from the Public Works Department of Malaysia against stiff international competition. The order comprises different sizes, the value totalling Rs 1.87 million approximately. The goods are scheduled to be delivered by the end of 1977. The pipes are to be used mostly for water supply but also sewerage purposes.

Regional Rural Banks

The government has decided to increase the number of regional rural banks from 50 to 60. Of the 50 regional rural banks which were to be set up by the end of the current financial year, 40 have already been established all over the country. Ten more banks for which sites have already been selected are being set up in the next two months.

The government has decided to increase the number of regional rural banks to ensure availability of credit to the weaker sections of the community comprising small and marginal farmers, rural artisans and craftsmen and others with small means in rural areas which were not adequately being served by the commercial banking system and the cooperatives.

The data available for 33 regional rural banks shows that upto the end of November 1976 these banks had opened 372 branches, mobilised deposits amounting to Rs 4.65 crores involving 131,238 deposit accounts. They had advanced Rs 6.11 crores involving 77,400 borrowal accounts. The borrowal accounts of small and marginal farmers and agricultural labourers

number 54,062 involving credit disbursement of Rs 3.70 crores.

The number of borrowal accounts for rural artisans and others was 23,338 involving credit disbursement of Rs 1.56 crores. The balance amount was disbursed to farmers through cooperative societies and for setting up of Agro-Service Centres.

IMF to Return Gold Reserves

The International Monetary Fund (IMF) has started returning 6.25 million ounces of gold to its members, but still has to work out who gets the Chinese share. The gold is part of the original subscriptions to the IMF when it was formed in 1945 before the Communists came to power in China. Taiwan has held the China seat on the IMF board for years and is regarded as a member in good standing. Peking has made no claim to replace Taiwan on the board and informed sources said that the board might send a letter to Peking asking it to clarify its IMF position.

Gold is being sold back to members at about \$42.22 an ounce which is still the official price of gold although the free market price is now about \$133 an ounce.

MICO Exports

Exports of Motor Industries Co Ltd (MICO) reached a record level of 11.66 crores in 1976, an increase of more than 30 per cent over the 1975 figures. A major part of MICO's exports went to West Germany, and also to France, Italy, Spain, Brazil, Argentina and the USSR. There has been a steady improvement in MICO's exports to Sri Lanka, Thailand, Philippines, Singapore, Malaysia and Bangladesh. There has been a major breakthrough in the export of spark

plugs to the USSR. Starting with an export of 570,000 spark plugs in 1974, MICO exported more than 3.5 million spark plugs to the USSR in 1976. In recognition of its outstanding export achievement, the company has been honoured by the All-India Automobile and Ancillary Industries Association, the Engineering Export Promotion Council, the union Ministry of Commerce, the Indo-German Chamber of Commerce, and the Karnataka State Export Promotion Advisory Board.

Progress in Power

Three new records were established in the country in the power sector during December 1976. With the commissioning of 130 MW third unit of the Idikki hydro-electric project in Kerala, the total generating capacity added so far in the fifth Plan reached the figure of 4,300 MW, as against 4,200 MW capacity installed during the entire period of the fourth Plan. The highest daily power generation of 265.12 million units was achieved on December 30.

The thermal power plants in the country established a new daily generation record of 165.58 million units on December 31. The total power generated during December was 7766 million units. Of this thermal power accounted for 4747 million units, hydel for 2743 million units and nuclear for 276 million units. The total power generation last month was higher by 453 million units compared to the same period a year earlier.

Himachal Pradesh, Haryana, Rajasthan, Delhi, Chandigarh, Gujarat, Andhra Pradesh, Kerala and Bihar were free from any power restrictions during the last month. In Uttar Pradesh, Jammu and Kashmir

and Punjab, there were some peak-load hours restrictions. During the month under review, Gujarat exported 48 million units of power to Maharashtra, Kerala 86 million units to Tamil Nadu and Tamil Nadu supplied 47 million units to Karnataka.

Award for Gujarat Steel Tubes

Gujarat Steel Tubes Limited, Ahmedabad, reputed and well-known manufacturers of steel pipes and tubes are the recipients of the Gold Mercury International Award which included a trophy and a certificate. This was received in person by Mr Apoorva Shah, managing director of the firm at the award giving ceremony in Tehran. It is for the first time this unique honour has come to India and to a steel pipes and tubes manufacturing firm. The company's working performance for the period April to December 1976 has been very satisfactory export figures have reached a new high and 70 per cent of the value of sales in the current year accounts for export of the company's products.

Mineral Production

The total value of mineral production in India increased to Rs 92 crores in October, 1976 from Rs 91 crores in September 1976, according to the Indian Bureau of Mines. This excludes the value of atomic minerals and 'minor-minerals'. During the month of October, 1976, mineral fuels accounted for Rs 71.6 crores or 78 per cent of the total value of mineral production. Metallic minerals at Rs 12.4 crores formed 13 per cent followed by non-metallic minerals with Rs 8.1 crores or nine per cent. Iron ore accounting for Rs 6.3 crores continued

to be the most important constituent of the metallic group. Copper ore and gold accounted for Rs 1.6 crores and 95 lakhs respectively. Among the non-metallic minerals limestone contributed Rs 3.29 crores and phosphorite Rs 2.68 crores during the month. Among the mineral fuels, the output of crude petroleum increased to 728,000 tonnes during the month from 634,000 tonnes in September of the same year. The production of coal, however, declined slightly to 7.3 million tonnes in October, 1976 from 7.6 million tonnes in the previous month.

Import of Edible Oils

The government has decided to allow under free licensing import of edible oils and oilseeds for the production of these oils to relieve domestic shortages. These imports are meant only for direct human consumption. They cannot be used by the vanaspati industry or for any other purpose such as soap manufacture. The allotment of imported edible oil to the vanaspati industry is being increased to maximise production of vanaspati and reduce the utilisation of indigenous oil. Compulsory use of indigenous edible oils by the vanaspati units will be reduced to 10 per cent. Thirty per cent of their consumption has to be cottonseed oil. The free imports will cover groundnut oil and groundnuts, sunflower seeds and oil, soyabeans and oil, coconut oil and copra, rapeseeds and oil and palm oil. The state governments have also been advised not to impose any restriction, formal or informal, on inter-state movement of edible oils and oilseeds. They have been asked to take stringent measures against hoarders and

those who indulge in unethical practice.

Separate arrangements have been made for import of sufficient quantities of edible oils for issue to the vanaspati units. The vanaspati units are also being encouraged to use more of oils such as maize oil, sunflower oil, within the 10 per cent stipulation. To meet the full anticipated requirements of the vanaspati industry, the State Trading Corporation has already made arrangements for importing and storing edible oils. The railways have taken special steps to move imported oils from the ports to the factories in the northern region on a priority basis. Stocks of imported rapeseed oil and sayabean oil with the STC are

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being issued for direct consumption to the consumers through state government agencies. Till the middle of December, STC had contracted for the import of 191,000 tonnes of soyabean oil, 26,000 tonnes of rapeseed oil and 26,000 tonnes of palm oil. Another 10,000 tonnes of groundnut oil is to be imported from Sudan. It is proposed to import three to four lakh tonnes of edible oils this year. There is a plan to import a further quantity of 288,000 tonnes next year.

Indian Banking

A monthly journal on banking, Indian Banking Today and Tomorrow, was released recently by Mr K.R. Puri, Governor, Reserve Bank of India. The journal covers various aspects of this important industry which has assumed increased importance in recent years. The traditional concept of banks and financial institutions as a

mere source of credit has changed and has become an instrument of social economic change. In this context increased discussion in such journals is likely to prove useful to those dealing with banking.

Bonus Rules Liberalised

The government has liberalised the provision in the Bonus Act regarding liability for payment of minimum bonus. Companies which make a net profit as per their profit and loss account but do not have an allocable surplus would have to pay bonus at a flat of Rs 100 per employee for the accounting year commencing in 1976. The union minister, Mr K.V. Raghunatha Reddy, who made this announcement recently stated that the liberalisation of the provision would benefit a few lakh workers. He said that in the case of bonus dis-

putes pending adjudication, the government had decided to empower tribunals to go not only into the accuracy of the accounts furnished by employers, but also into the propriety of the various items in the balance sheet and profit and loss account. Mr Reddy said the government "is of the view that increasing emphasis should be given to agreements for payment of bonus based on production and productivity."

Names in the News

Mr D.C. Gami, till recently Technical Director of Gujarat State Fertilizers Company, has been appointed by the government of Gujarat as the company's new Managing Director with effect from January 8, 1977. Mr Gami has a wide experience in the field of chemical engineering and possesses intimate knowledge about the management of the company.

He has been associated with GSFC since 1964.

Mr M. Sivagnanam, I.A.S. till recently Secretary, Gujarat State's Home Department, has been appointed by the state government as Managing Director of Gujarat Narmada Valley Fertilizers Company Limited. The Rs 225 crores fertilizer project to be set up near Broach has been jointly sponsored by the Gujarat government and Gujarat State Fertilizers Company Ltd. It will have the largest urea plant in the world, which would produce 1800 tons of urea per day. Mr Sivagnanam was associated with Industrial Management of the State as Chairman of Gujarat Mineral Development Corporation, Gujarat State Construction Corporation, Vice-Chairman of Gujarat Industrial Development Corporation and Vice-Chairman, Small Industries Corporation.

COMPANY AFFAIRS

TOMCO

THE TURNOVER of Tata Oil Mills Company during the first half of the current year was lower at Rs 34.33 crores as compared to Rs 38.48 crores in the same period of the last year. The lower turnover is attributed to reduced prices of its products during 1976. The turnover in the second half of the current year is expected to be higher than in the first half.

The gross profit in the first six months of the current year amounted to Rs 1.39 crores as compared to Rs 1.32 crores in the similar period of last year. Out of the gross profit a sum of Rs 50 lakhs was appropriated to depreciation reserve as against Rs 53 lakhs while the allotment for taxation was larger by Rs 3 lakhs to Rs 52 lakhs. The net profit after these allocations was still higher by Rs 7 lakhs to Rs 37 lakhs.

Jain Tube

Jain Tube has suffered a severe setback in its working during the year ended July 31, 1976, sales, production and profit all being significantly lower than in 1974-75. Sales dropped from Rs 20.13 crores to Rs 15.36 crores while production fell from 44,483 tonnes to 38,764 tonnes. The profit declined from Rs 149.98 lakhs to Rs 38.79 lakhs. The equity dividend has been reduced from 18 per cent to 10 per cent.

The poor working results attributed to the demand recession in the industry, withdrawal of cash incentive sche-

me for exports for a part of the year, high raw material costs and low realisations. However, with a pickup in the construction activity, reintroduction of cash subsidy for export and an increase in the floor prices, the company is expected to farewell during the current year.

The company has a plan for the installation of another fast tube mill for the manufacture of 1/2"-3/4" pipe. A scheme for modernising the existing plant has also been prepared. Besides, the company is entering the mineral field.

Perfect Circle Victor

Perfect Circle Victor has reported highly encouraging working results during the year ended August 31, 1976. The board of directors have decided to maintain the equity dividend at 15 per cent on the enlarged capital. Sales during the year recorded a smart rise to Rs 2.76 crores from Rs 2.53 crores while gross profit too advanced briskly to Rs 47.26 lakhs from Rs 39.27 lakhs in 1974-75. Out of the gross profit, the directors have allocated a sum of Rs 10.82 lakhs to depreciation reserve as against Rs 1.71 lakhs in the earlier year while interest charges claimed Rs 19.71 lakhs as against Rs 8.29 lakhs in 1974-75. No allocation had been made for taxation as against Rs 19 lakhs provided previously. The proposed dividend will absorb Rs 8.20 lakhs, Rs 4.65 lakhs more than in 1974-75.

The company commenced

production of piston rings in January 1976. Its piston rings facility is geared to manufacture 18 million rings per annum and after adding balancing equipments, it could be raised to 30 million rings a year.

Meanwhile the company has achieved a higher turnover by about six per cent in the first five months of the current year as compared with the same period of last year.

Consolidated Coffee

While addressing the annual general meeting of Consolidated Coffee Ltd the chairman Mr M.A. Sreenivasan referred to the frost in Brazil—the world's largest coffee producer—and said that the damage was so vast so as to cause a world shortage and sent the international market price soaring sky high. The central government was quick enough to raise the export duty on coffee from Rs 500 to Rs 3000 per tonne in the early part of last year and within a matter of months the duty was stepped up steeply to Rs 13,000 per tonne and with retroactive effect on the coffee awaiting shipment. Representations have been made to the government by the planters' associations to allow the industry to retain a larger share of the benefit while it lasts and it is hoped that the efforts will yield positive results.

Meanwhile the Karnataka government has enhanced the tax on plantations from 60 per cent to 65 per cent. The industry was all along living in the hope of a relief from the burden of taxation but instead it had been saddled, the chairman said, with an excessive and inordinate rate of tax of 65 per cent. The chairman also referred to the plight of a shareholder having 500

shares in the company, which to all intents and purposes amount to ownership of nine-tenths of a hectare or say about a hectare of coffee, in sharp contrast to a small grower having ten hectares of coffee. On the income from one hectare of coffee, the shareholder, the chairman said, is subjected to a tax of 65 per cent, apart from liability to central taxation of the dividend while the small grower is taxed at below eight per cent on his income from ten hectares. In other words the owner of 500 shares, representing ownership of less than one hectare, the chairman emphasised, is subjected to a rate of taxation that is eight times the rate paid by the owner of ten hectares.

Gammon India

Gammon India is actively engaged in expanding and diversifying its business and developing an optimum business mix. A fully established fertiliser plant situated at Belagula in Karnataka equipped to manufacture sulphuric acid, superphosphate and ammonia acquired by the company in August 1975 has been reactivated. Capital expenditure of Rs 16.55 lakhs has been incurred on this plant, which is scheduled to start commercial production in the first quarter of 1977. A scheme for the development of the unit for the manufacture of certain types of chemical intermediates for industry is under study.

The project for the manufacture of methanol and nitric acid has been dropped as critical investigations revealed that the production capacity licenced would not be economically viable particularly with coal as feed stock. The letter of intent has been surrendered.

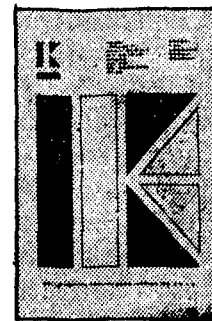
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A joint venture company has been proposed in association with Gammon Eastern Union Ltd of Hong Kong to undertake constructions and service contracts in west Asian countries and elsewhere. The subsidiary companies have also reported satisfactory results.

Deepak Nitrite

The Directors of Deepak Nitrite Ltd, subject to the usual government approval, have recommended a higher issue of bonus shares in the proportion of four shares for every five shares held. A sum of Rs 36 lakhs is proposed to be capitalised for the purpose. It should be recalled that the company had earlier announced a bonus issue of three shares for five shares. Then the board reviewed the matter on ruling by the Controller of Capital Issues that the said proposal did not satisfy the bonus guidelines.

The company proposes to manufacture hexamethylene-tetramine and dinitrosopentamethylene-tetramine shortly. It also expects to complete the expansion of the present nitric acid plants during the current year and achieve full licensed capacity.

Gujarat Steel Tubes Working

There has been substantial improvement in the working and overall performance of Gujarat Steel Tubes Ltd in the first nine months of the current year as compared with the same period of the previous year. The output in terms of both tonnage and sales has nearly doubled. The increase is accounted for entirely by the increase in export. While only 22 per cent of the value of sales in the previous year was accounted for by export, as much as 70 per cent of the

value of sales in the current year is that of export.

The FOB export earnings of the company over the period under review have averaged over a crore of rupees per month, registering an increase of nearly 5.7 times over those of the corresponding period of the previous year.

As is known already, the government's attitude towards export has undergone a radical change in the course of the period under review, leading to the introduction of a series of measures to promote exports on a war footing. This will enable the steel tube industry to increase its export earnings by over 2-1/2 times in the current year as compared with those of the previous year.

The company proposes to continue to lay emphasis on export-oriented products. It is fully geared to meet the challenge of diversification of its products which may be

necessary to achieve this goal in the coming years. Expansion plans are afoot to produce as early as possible mechanical and precision tubes, API line pipes and ASTM pipes.

The progress of the company's wholly-owned subsidiary Necka Tubes Limited is steady and as per schedule. Its machinery division is being worked all the three shifts and its order books are full. The stainless steel tubes division is expected to start production early in the next financial year.

Phoenix Mills

Phoenix Mills has decided to sell its Ujjain unit. The company had purchased this unit known as Deepchand Mills belonging to the Binod Mills Co Ltd in 1974. This was profitable for some time as the textile trade was favourable during 1974. In last two years the unit has been incurring losses. It produces only coarse and medium

varieties of grey fabrics and its present installed machinery does not permit diversification to meet the present day highly competitive needs of the market.

National Instruments

National Instruments Limited, Calcutta, a public sector undertaking under the ministry of Industry, has emerged as a profit making enterprise, mainly through participative management and excellent management-labour relations. During the current year, the company successfully concluded foreign collaboration agreements for three new products, namely 35 mm cameras, scale reading devices for the machine tool industry and domestic gas meters. As a premier optical instruments manufacturing organisation in the country, the company envisages to invest over one crore rupees in the three new schemes of

which Rs 27 lakhs is for the gas meters.

Under the agreement signed on December 17, 1976, between the company and M/s Metro-nex, Poland, 20,000 domestic gas meters are to be manufactured per annum. It is expected that the project will go a long way to improve the domestic gas supply in Calcutta. The ready availability of gas meters is not only likely to considerably improve the working of the Oriental Gas Company at Calcutta, but also will be a major step towards arresting atmospheric pollution in Calcutta as well as in other parts of the country.

News and Notes

The Monopolies and Restrictive Trade Practices Commission has initiated proceedings in respect of M/s International General Electric Company (India) Pvt Ltd of Bombay and M/s Elpro International Limited of Bombay. The respondents are engaged in the manufacture and sale of permanent/ferrite magnets. The notice alleges that the respondents have been indulging in price manipulation by varying prices of different types of permanent magnets in different proportions. Such a price policy appears to distort competition. The commission has, therefore, served notice on the respondents to appear before them regarding the trade practice alleged in the notice of enquiry.

The commission has also started suo motu proceedings in respect of M/s. Voltas Ltd of Bombay. The respondent is understood to have appointed a number of stockists for marketing its pharmaceutical and consumer products on the terms and conditions contained in a standard form of agreement. The said agreement is

alleged to contain restrictive trade practices such as area allocation, full-line forcing, requirement as to deposit and other restrictions on stockists. The practices appear to relate to restriction of competition regarding which proceedings have been initiated.

Jg Glass has almost doubled the sales turnover during the year ended June 30, 1976 as compared to the performance in the previous year. The installation of the third IS machine was delayed and the third machine was commissioned only in March 1976. Now all the three machines are in operation and with the generating set under installation, the power problem will cease to be critical factor soon.

The demand for vials and bottles in the country is growing by leaps and bounds and hence the company looks forward to better and brighter prospects in the years ahead.

A unique type of international industrial cooperation

was ushered when the chairman of the Industrial Development Bank of India, Mr Raghu Raj, signed a Rs 2 crore credit agreement recently with the representatives of Tanzanian small-scale industries. With this line of credit, Tanzania will be able to buy machinery and equipment for its small industries. The bulk of this will come from the small units in our country. The line of credit which is available to finance 90 per cent of the shipments is repayable in six years with an initial moratorium of two years.

Bank of Baroda has been awarded a prize for its stall at the NAYE exhibition in Delhi displaying the various schemes for small borrowers/technicians and the products manufactured by them.

New Issues

Trackparts of India Ltd will be shortly entering the capital market to raise Rs 42.82 lakhs, all in equity shares of Rs 10 each. A sum of Rs 5 per share

will be payable on application and the balance in call or calls. The issue has been fully underwritten by banks and financial institutions.

The company has taken over the running concern of Trackparts of India, Kanpur, which is manufacturing crawler tractor under-carriage parts. This concern has earned a net profit of Rs 31 lakhs and paid a dividend of 10 per cent for the year ended June 30, 1976.

The company proposed to set up a closed die steel forgings plant at Panki, Kanpur. Construction of the factory building is in progress and the whole of imported machinery and the bulk of indigenous machines have been ordered and partly delivered at the site. The plant is expected to commence production by June 1978. Besides good export potential, a significant part of the production of steel forgings will be utilised for the manufacture of crawler tractor under-carriage parts.

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Incentives for textile industry

THE GOVERNMENT has taken a number of major decisions to revitalise cotton textile industry. These decisions relate to the following aspects: (a) Controlled cloth, (b) Working capital, (c) Raw materials.

As far as controlled cloth is concerned, the following decisions have been taken:

(i) The total or partial exemption granted to National Textile Corporation mills and other financially weak mills from production of controlled cloth will be continued for a further period of one year.

Scheme Initiated

(ii) A scheme for production of dhoties and sarees in the handloom sector has already been initiated. This scheme will be accelerated so that, as quickly as possible, about 100 million sq meters of production stands transferred to the handloom sector. The balance of about 300 million sq metres of controlled cloth will continue to be the obligation of the mill sector.

(iii) For various varieties of controlled cloth, ex-mill prices were determined as far back as 1968. Subsequently no price revision was allowed except ad hoc increase of 30 per cent in April 1974. The result has been that the obligation to produce controlled cloth has been causing cash losses to the concerned mills. It has now been decided that, with effect from the quarter beginning January 1, 1977, the ex-mill prices of controlled cloth will be increased by 35 per cent. This increase

is being allowed taking into account the bare average cost of production (without any provision for depreciation or return on investment) during the four quarters ending September 30, 1976.

(iv) The retail prices of controlled cloth to the consumers will be kept unchanged at the present level. The effect of higher ex-mill prices of controlled cloth will be neutralised by government subsidy to the National Co-operative Consumers Federation and its affiliated public distribution system.

As regards working capital, it has been decided that the commercial banks would be advised while sanctioning working capital loans to textile mills, that the following conditions should be kept in view:

(i) If the applicant mill has any unencumbered block assets, their value may be taken into account;

Non-Cotton Fibre

(ii) The mills are being asked to use non-cotton fibres such as viscose staple fibre and polyester fibre. Unlike cotton, the prices of such fibres do not significantly fluctuate. This may be taken into account while determining the margin.

(iii) The unit prices of polyester fibre is much higher than that of cotton. This may be taken into account while sanctioning quantum of credit limit.

As regards raw materials, the government is taking the following measures:

(i) The import of viscousic/

polynosic staple fibre is being permitted on a free licensing basis. Licences of the value of nearly Rs 940 million have already been issued to the industry. This represents licences covering 94,000 tonnes or above 500,000 bales equivalent of viscose staple fibre. This facility of duty free import of viscousic/polynosic staple fibre has been extended for the present upto October 31, 1977.

Import of Fibre

(ii) The import of polyester fibre has been decanalised and is being freely licensed. This facility has been for the present, extended upto October 31, 1977.

(iii) A decision has been taken to make it mandatory on the cotton textile industry to use at least 10 per cent non-cotton fibre. This compulsory use will apply to all cotton textile mills except in relation to their production which is meant for exports or production in very low coarse counts. The order has been brought into force with effect from January 1, 1977.

(iv) The Cotton Corporation of India has already contracted for import of nearly 520,000 bales of cotton. Out of this quantity, 330,000 bales have already been received in the country. In addition, further funds have been sanctioned to the Cotton Corporation of India to enable them to organise additional imports of cotton. These imported stocks of cotton are proposed to be used for partly augmenting the

supply in the current season and partly for building a reserve stock.

(v) The cotton imported by the Cotton Corporation is being sold to mills at prices currently prevailing for corresponding varieties of domestic cotton even though such sale price entails cash losses to government. The ceiling of such cash loss has been kept at 20 per cent.

Taking into account imports of non-cotton and cotton fibres and the domestic cotton crop, government is satisfied that the quantitative demand for fibres by the cotton textile industry during the current year would be fully met. In fact there should be, at the end of the season, a larger balance than was the position at the beginning of the current season.

Unwarranted Rise

In this context, the government considers that the present level of high cotton prices is not warranted. It is substantially arising out of a psychosis of shortage being deliberately fostered by cotton trade. Certain regulatory measures such as limits on stock holding of trade have already been introduced. If cotton prices do not get disciplined, the government will not hesitate to take more stringent measures.

With regard to controlled cloth, the government is anxious to ensure a steady availability of such cloth to the common people at the prevailing prices. It is in this context that the central exchequer has

Merchantile Credit Corporation proposes to issue shortly 4,85,000 equity shares of Rs 10 each and 200,000 (11 per cent) cumulative redeemable preference shares of Rs 100 each at par. Of this, 48,500 equity shares have been reserved for the company's employees. Promoted in November 1957 by Mr M.A. Chidambaram, the company is engaged in providing finance for the purchase of automobiles on hire purchase basis. The proceeds of the issue will be utilised for meeting the financial requirements for expanding its business activities.

Considering the wider scope for its operations consistent with the growth of road transport industry, the directors feel that the profits will be adequate to declare a reasonable dividend on the enlarged capital.

New Registrations

One hundred and eighty-one companies were registered in the country under the Companies Act, 1956, during October 1976 as compared to 218 in the previous month. Of these 181 companies, 180 were limited by shares and one was guarantee company. The total authorised capital of the 180 companies limited by shares amounted to Rs 925.26 crores.

Of the companies limited by shares, five were government companies, comprising four private limited and one public limited with an authorised capital of Rs 900.4 crores and Rs 1.0 crore respectively. The other 175 were non-government companies. Of the non-government companies, 13 were public limited and 162 were private limited with an authorised capital of Rs 17.34 crores and Rs 6.52 crores respectively.

Among the government companies, there were three giant-sized steel companies. They

were: Bhilai Ispat Ltd registered in the state of Madhya Pradesh, Rourkela Ispat Ltd registered in the state of Orissa and Durgapur Mishra Ispat Ltd registered in the state of West Bengal.

Among the non-government companies six companies were large-sized ones. They were: Mangalam Cement Ltd, Kanoria Wisconsin Centrifugal Ltd, Cosmo Films Ltd, Union Carbon Black Ltd, Paharpur Corporation Ltd and Kumaon Agro Chemical Industries Ltd.

The largest number of companies registered during the month viz. 16 fell under the broad industrial group of "processing and manufacture". The highest number of new registrations viz., 53 were reported from the state of Maharashtra followed by West Bengal and Delhi with 38 and 29 respectively.

Eight companies comprising three public limited and five private limited with a total paid-up capital of Rs 35.81 lakhs were reported during October 1976 to have ceased functioning either by going into liquidation or by being struck off under section 560(5) of the Companies Act, 1956.

Two companies each were liquidated/struck off in Maharashtra, Delhi and Kerala and one each in Gujarat and West Bengal. Among industrial groups the largest number of companies liquidated or struck off viz., four belonged to "Commerce (Trade and Finance)".

Capital and Bonus Issues

Consent has been accorded to eight companies to raise capital. The details were as follows.

Sundaram Industries Limited has been accorded consent, valid for six months, to capitalise Rs 72,00,000 of Rs 100

each as bonus shares in the ratio of 4 bonus shares for 10 equity shares held.

The Dinakusi Tea Company Ltd, Calcutta has been accorded consent, valid for 6 months, to capitalise Rs 9,46,800 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for each equity share held.

The Indian Cardboard Industries Limited, Calcutta, has been accorded consent, valid for six months, to capitalise Rs 201,000 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for each equity share held.

Mercantile Credit and Corporation Limited, Madras, has been accorded consent, valid for 18 months, to the issue of further capital of Rs 82.50 lakhs, comprising of 625,000 equity shares of Rs 10 each and 200,000 preference shares of Rs 10 each to be issued for cash at par.

Francis Klein & Company Limited, Calcutta, has been accorded consent, valid for

six months, to capitalise Rs 2,25,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of three bonus shares for 10 equity shares held.

Banswara Syntex Limited, Jaipur (Rajasthan), has communicated to government of its proposal to issue capital under clause (5) of the Capital Issues (Exemption) Order, 1969, for Rs 122 lakhs, equity shares of Rs 10 each, to be utilised to meet a part of the project to be set up at Banswara, Rajasthan.

Messrs Kabiini Papers Limited, Bangalore, has communicated to the government of its proposal to issue capital under Clause (5) of the Capital Issues (Exemption) Order, 1969 for Rs 2,086,970, equity shares of Rs 10 each, to meet part finance for their kraft paper project being set up at Nanjangud (Mysore).

Messrs Jyoti Limited, Baroda, has been accorded consent, valid for six months, to capitalise Rs 5 million 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 two equity shares held.

Dividend

Name of the company	Year ended	(Per cent)	
		Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Simpson & Co	May 31, 1976	14.0	Nil
Same Dividend			
Perfect Circle Victor	Aug 31, 1976	15.0*	15.0
Suri and Nayar	July 31, 1976	9.5	9.5
Parshuram Pottery	July 31, 1976	9.0	9.0
Madura Sugars	Sept 30, 1976	Nil	Nil
Reduced Dividend			
Jain Tube	July 31, 1976	10.0	18.0

*On the enlarged capital.

agreed to provide cash subsidy to neutralise the enhancement in the ex-mill prices. The government proposes to ensure that the concerned mills which have obligation to produce controlled cloth observe this obligation scrupulously.

These decisions represent a package of short-term measures for revitalisation of cotton textile industry. In addition the industry has certain long-term problems connected with obsolescence of machinery and uneconomic size of several

units. The government has already announced its decisions to enable cotton textile mills to avail of soft loans from Industrial Development Bank of India for modernisation. The government hopes that the cotton textile industry will take

full advantage of the short-term and long-term measures announced by the government, so that the premier industry is able to make effective contribution to the industrial health of the country.

Further curbs on bank credit

WITH A VIEW to restraining credit expansion within acceptable limits, the Reserve Bank has decided to impound 10 per cent of the incremental deposits between January 14, 1977 and April 1, 1977. This was indicated by the governor Mr K.R. Puri, at a meeting he had with the chief executives of major banks in Bombay on January 13. The Reserve Bank has also advised banks to step up the margins on all types of advances against inventories (raw materials, goods in process and finished goods) and book debts by 10 percentage points with immediate effect in respect of existing accounts.

Enhanced Norms

In regard to new accounts the banks are advised to fix margins taking into account the enhanced norms that have been suggested. The step up of margins by 10 per cent wherever applicable may, however, be implemented in such a manner that the overall margin does not exceed 60 per cent. The enhanced margin will not be applicable (1) to advances against commodities covered by selective credit control directives where the margins are already high and commodities specifically exempted from the minimum margin requirements, (2) advances to small scale industries, (3) all categories of advances exempted from the application of the minimum lending rate of 12.5 per cent,

(4) export credit, and (5) sick units as per the accepted definition.

In respect of existing accounts which are overdrawn in terms of new norms indicated, the banks are advised to work out a phased programme for implementation of the new higher margins to avoid undue hardship to borrowers.

Big Accounts

The governor asked the banks immediately to undertake a scrutiny (at the head office) of all big borrowal accounts with limits exceeding Rs 50 lakhs and where the actual drawals at present have already reached 60 per cent or more of the sanctioned limits. Sufficient care, he emphasised, will have to be taken to ensure that the drawals which have already taken place as well as the intended drawals in the immediate future are related to a concrete production programme.

Mr Puri pointed out that the management strategy on the part of banks should be to bring about an adequate turn-round of funds. He said:

"The Reserve Bank is aware that during the period between January and March the banking system is usually called upon to meet several seasonal demands for credit specially from sugar, cotton textiles, oils and oilseeds, tea, etc. In the context of the large credit expansion which has already

taken place, it would be easy to apply an inflexible yardstick for curtailing the flow of credit for meeting such seasonal demands. If this were to be done, it would be tantamount to a "management failure", for there can be no substitute to a judgment of such issues on merit. What the banking system should really do is to ensure that there is a return flow of credit already extended in certain directions and which could be recycled for meeting the new seasonal demands".

Referring to the poor progress made by banks in adopt-

ing the new style of lending involving splitting the cash credit accommodation into loan component and demand cash credit, the governor underlined the importance of introducing meaningful system of credit planning and credit discipline and said: "It is imperative that the banks should adhere to this approach in the strictest possible manner. There should be a faster movement towards realising this objective". The governor stressed that banks should evolve a better planning and control system to align credit expansion with output increases.

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Revised index of wholesale prices

THE OFFICIAL index of wholesale prices released by the Office of the Economic Adviser to the government of India, has been revised with 1970-71 as the base year in order to take into account the structural changes in the Indian economy during 1961-71. The current index had 1961-62 as its base. The revised series replaces the existing series compiled by the office of the economic adviser, and published in the monthly bulletin 'Index Numbers of Wholesale Prices in India'.

Periodic Revision

The Index Numbers of Wholesale Prices were first issued in 1942. Since then, there have been three revisions of the base year to take into account the changing structure of the economy. The last revision was undertaken in 1969, when the base year was updated from 1952-53 to 1961-62. The 1952-53 series had been in existence from 1955 to 1969. Prior to that, for the period 1942-55, the base year of the index numbers was August 1939.

The latest revision in the base year (from 1961-62 to 1970-71) has been undertaken pursuant to the report of the Working Group on Revision of the Index Numbers of Wholesale Prices in India submitted to the Technical Advisory Committee on Statistics of Prices and Cost of Living in the Department of Statistics, government of India in August 1976. The working group was chaired by Mr V.V. Divatia, Statistical Adviser to the Reserve Bank of India and included representative of central government, state governments and industry.

Improvements incorporated

in the latest revision of the index (with base 1970-71) relate to the wider coverage, changes in the weighting pattern in the light of developments during the sixties, and the new system of classification based on Standard Industrial Classification. The salient features of the revised index are given below.

The revised index includes 360 commodities (consisting of 80 primary articles, 270 manufactured products, and 10 other articles in the Group 'fuel, power, light & lubricants'. On a comparable commodity definition, the existing index, with 1961-62 as the base, had only 218 commodities. The number of quotations in the revised index are 1275 as against 774 in the existing index. In the revised index, the coverage of manufactured products, particularly in the fields of 'chemicals and chemical products', 'basic metals and metal products' and 'machinery and transport equipment' has been greatly enlarged. As far as possible, all commodities with a value of transaction of more than Rs one crore, for which wholesale prices are available on a regular basis, have been represented in the index.

Value of Transactions

The weights for the revised index have been worked out on the basis of the value of transactions of commodities during the triennium ending 1969-70. The revised weights are shown in Table I. In order to reflect price trends in the economy as a whole value of transactions of non-selected commodities has been assigned or imputed to those selected commodities within the sub-group whose nature and price trends are

likely to be similar to the former. In all, there are three major groups and fourteen groups in the index. As far as possible, all identifiable items which were treated as quotations in the existing index (without a separate weight) have been treated as separate commodities in the revised index, and weights have been allocated to each of them.

It may also be mentioned that the grouping of commodities in the revised series is according to the Standard Industrial Classification and not according to the Standard International Trade Classification as was the case in the 1961-62 series. This change has been made in order to bring about greater uniformity in the classification system among wholesale price index, the agricultural production index and the industrial production index. Following the Standard Industrial Classification in the revised series commodities have

been classified into three major groups: (i) primary articles; (ii) fuel, power, light and lubricants; and (iii) manufactured products. The most important change resulting from the revised classification is that sub-groups such as edible oils, sugar, gur and allied products, and processed foods (which involves some manufacturing process) would be shown under 'Manufactured Products' in the revised series. In the 1961-62 series, these were being shown under "food articles".

Table II shows revised (1970-71=100) monthly index numbers of wholesale prices from April 1971 to November 1976. The corresponding existing index numbers shifted to the new base 1970-71 by arithmetic conversion method are also shown side by side for purposes of comparison. At all commodities level, the arithmetic conversion factor between the revised and the existing series is 1.811.

TABLE I
Index Numbers of Wholesale Prices—Distribution of Weights of Major Groups and Groups (Base 1970-71=100)

	Weights
ALL COMMODITIES	1000.00
Primary Articles	416.67
Food articles	297.99
Non-food articles	106.21
Minerals	12.47
Fuel, Power, Light and Lubricants	84.59
Manufactured Products	498.74
Food products	133.22
Beverages, tobacco and tobacco products	27.08
Textiles	110.26
Paper and paper products	8.51
Rubber and rubber products	12.07
Leather and leather products	3.85
Chemicals and chemical products	55.48
Non-metallic products	14.15
Basic metals and metal products	59.74
Machinery and transport equipment	67.18
Miscs. products	7.20

TABLE II
Monthly Index Numbers of Wholesale Prices
Revised (1970-71=100) and Existing Series (1961-62=100 shifted to 1970-71=100)

Years/ Months	1971		1972		1973		1974		1975		1976	
	Revised	Existing	Revised	Existing	Revised	Existing	Revised	Existing	Revised	Existing	Revised	Existing
January	—	—	107.0	105.6	118.5	117.9	149.3	149.9	176.9	174.5	166.4	160.4
February	—	—	107.0	105.6	120.6	120.2	151.8	152.0	176.0	173.1	164.8	159.2
March	—	—	108.1	105.1	121.9	121.5	157.5	156.2	174.6	170.7	162.6	156.3
April	101.7	100.6	108.7	106.2	123.8	123.0	161.8	159.6	175.4	170.7	166.2	159.3
May	102.3	100.4	109.7	106.7	128.3	127.8	166.4	164.6	178.2	173.2	169.3	161.4
June	104.7	102.3	112.1	109.3	131.3	131.7	170.9	168.6	177.8	172.6	171.5	163.6
July	106.0	103.8	114.6	111.8	135.5	137.3	176.6	173.7	176.0	170.6	177.6	170.4
August	107.2	105.7	117.4	114.6	137.0	138.6	179.7	178.1	177.6	172.0	178.5	171.2
September	107.5	106.2	117.1	114.9	136.5	138.3	182.0	180.9	177.5	171.0	179.5	173.1
October	106.6	105.5	118.3	116.2	139.2	140.9	180.2	178.8	177.2	170.3	177.7	172.6
November	105.1	103.8	118.0	116.3	143.5	143.6	177.6	176.2	173.5	167.4	176.8	172.2
December	103.9	102.7	118.4	116.7	143.0	144.6	176.5	174.9	169.1	162.6	—	—
Calendar year average	105.0*	103.4*	113.0	110.8	131.6	132.1	169.2	167.8	175.8	170.7	171.9**	165.4**
	1971-72				1973-74				1975-76			
Financial year average	105.6	104.0	116.2	114.4	139.7	140.4	174.9	172.8	173.0	167.2		

*Annual average of nine months **Annual average of eleven months

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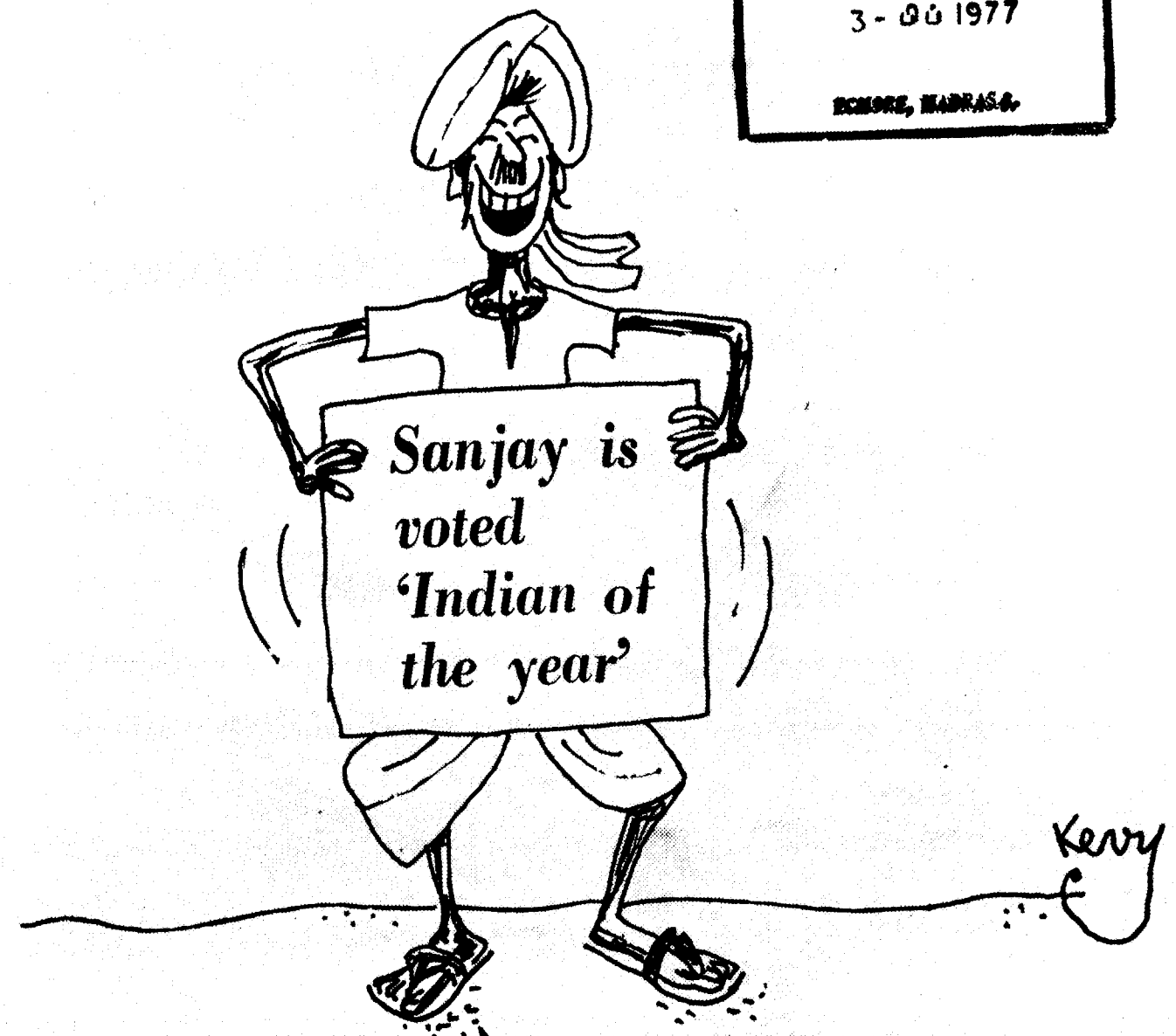
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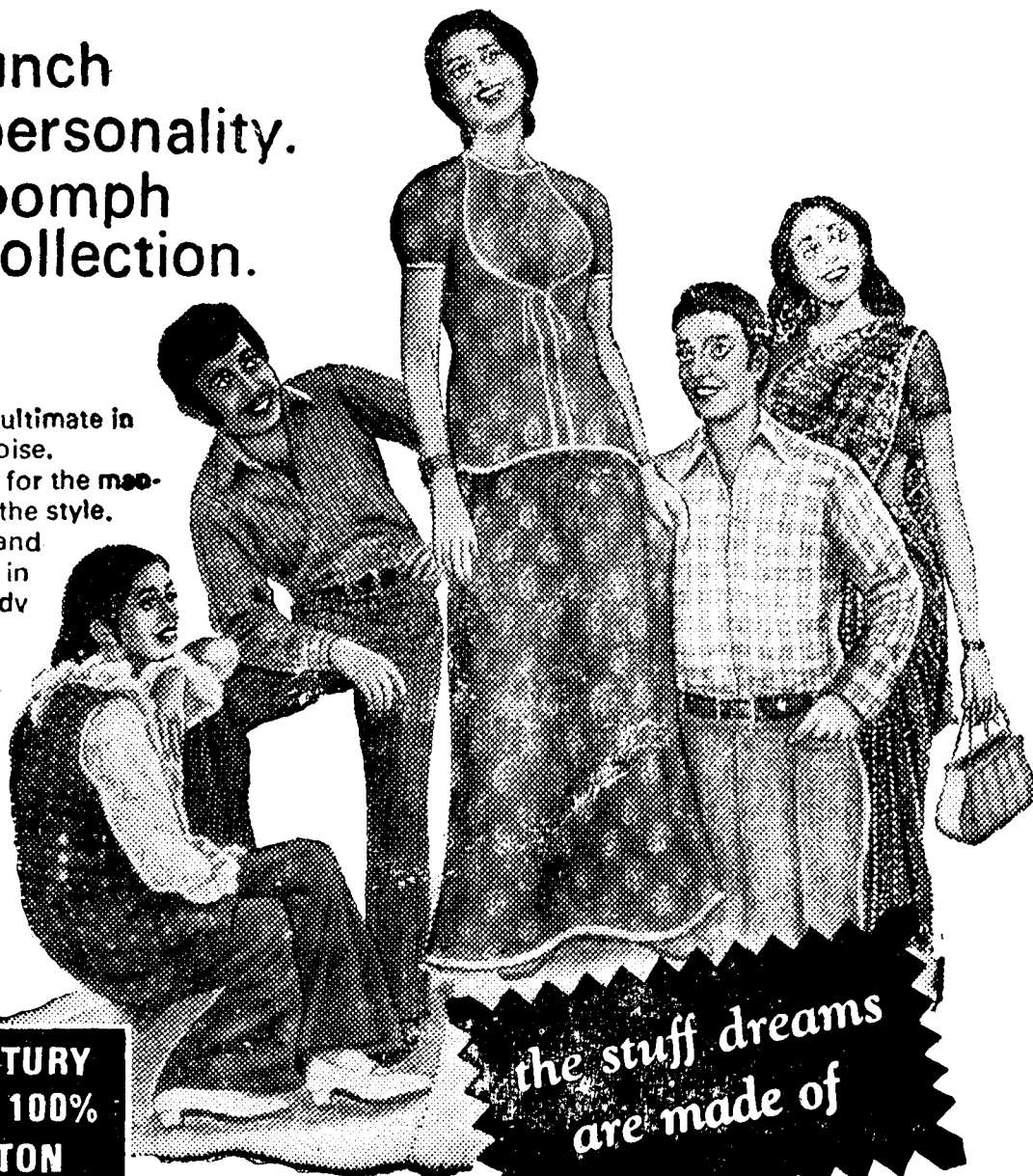
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Win she will

THE LATEST political developments have written a new scenario for the immediate course of economic policy-making by the government. Had the Lok Sabha not been dissolved and a general election decreed for March, the central budget for 1977-78 would be presented to Parliament on February 28, initiating fiscal or other measures of economic management for the next financial year or beyond. Now, however, this government, in a manner of speaking, has been placed in the position of a care-taker. It is only after a new Lok Sabha has been elected and a new government installed in office that the government of the day will cease to be on this care-taker basis. This would take us to the fourth week of March. Even then it will not be until May that the new government would be able to go to Parliament with its budget proposals for the full year. It could therefore be argued perhaps that the country may not expect major economic policy decisions from the government for another three or four months. A different point of view, however, is not only possible but would probably be far more relevant to the needs of the nation.

In the first place, although Lok Sabha has been dissolved and a general election ordered, there has been no breach in the continuity of the government in power since it is not a case of the prime minister resigning along with her cabinet colleagues and then being asked to "carry on" by the president. Mrs Gandhi's administration, therefore, is fully entitled to continue to function with full authority and is indeed under an obligation to discharge effectively its responsibilities to the people as the government in office. Secondly, the economy is admittedly under pressure on various fronts and it needs to be ministered to continuously if its stability is not to be disrupted or its forward movement arrested. There is therefore a clear need for a steady flow of governmental policy decisions at the micro and macro levels. For Mrs Gandhi's administration to lock itself out of the business of economic policy-making for three or four months at the present stage would be to default on its service to the country at a time when its services are greatly needed.

It may be asked whether what is for the good of the country would also be for the good of the prime minister and her party in their electioneering. The answer is emphatically in the affirmative. While it is proper to think and reasonable to expect that the electorate should return to Lok Sabha in sufficient strength a coherent and constructive opposition, the ruling party is certain to be returned to power with a comfortable majority. The responsibility for managing the economy of this country on sound lines would consequently remain with Mrs Gandhi and her party in the period ahead. Their task would be easier if they would act all along in the full knowledge of these prospects and in accordance with the logic of this situation. If some of the decisions they will anyhow be taking after March could be taken now to the greater advantage of the economy, there is no reason for their not acting promptly. Incidentally, the spectacle of the prime minister and her colleagues functioning confidently as the leaders of a party which is certain to be voted into power again will be a tremendous electoral asset for them.

The prime minister, moreover, has made it clear enough that her party will be campaigning not only on its record in stabilising the economy and improving its performance in the past 18 months but also on the strength of its declared intentions of enabling the country to achieve rapid economic growth for the welfare of the people. It would therefore be to her advantage and the advantage of her party if the government were to promote the credibility of these intentions by taking bold and imaginative decisions for speeding up economic expansion, without letting the election time-table interrupt the process. The importance of such a forward thrust should be all the more easy to appreciate since the economy has lately been tending to falter and founder.

Assuming that the Finance ministry has done its home work well, the central

budget for 1977-78 should provide general relief to the economy from the burden of indirect taxation as well as substantial specific reliefs to a number of industries the production or sales of which have been affected by restrictive central excise duties. If the government were to wait for the presentation of the budget in May, this much-needed relief to industry and the public will be delayed for several weeks beyond the end of February. There is no justification for this withholding or postponement. On the contrary, the fact that the central budget is being deferred from February 28 to some date in May should be taken advantage of by the government for extending immediately central excise duty reliefs to the more hard-pressed industries by gazette notification. Early action is indicated here as this remedial action would greatly assist in relieving the production process or the investment outlook of much of the gloom that surrounds it. Reduction in excises duties would also be relevant to the anti-inflationary purpose of regulating the price level and effecting a decline in the requirements of industry for bank credit.

dismantling controls

The speedy dismantling of controls is another legitimate claimant for immediate consideration by the government. In a recent publication, "Shortages and High Prices—The Way Out"*, Mr L.K. Jha has discussed with insight and an insider's information the shortcomings of discretionary controls and has specifically questioned the wisdom of industrial licensing being continued in any form or to any degree. He has convincingly argued that there is no recognized or worthwhile social purpose which is alleged to justify industrial licensing that cannot be better served by other forms of government intervention including those provided for in other existing legislation or administrative regulations. Mr Jha places on industrial licensing or the way it works or has been worked a large responsibility for delays in production, high manufacturing costs, underutilization of capacity and general distortion or frustration of investment intentions or decisions.

*Published by Indian Book Co., 36-C, Connaught Place, New Delhi-110001; Pp 173; Price Rs 27.00.

Hitherto the government has been relying on liberalization of policy or relaxation of procedures for reconciling the philosophy or machinery of industrial licensing with the need for making the economy more open and introducing more competition and dynamism into it. While this trend marks a welcome departure from the rigid positions of an earlier period, the process of change has been neither bold enough nor fast enough. As a result, there are heavy arrears of progress waiting to be cleared and this could best be done by the government doing away with industrial licensing lock, stock and barrel. It is not too early to tell ourselves that it is the continuance of any kind of restriction on production that needs to be specifically justified at the present time, not its removal.

primary objective

The prime minister has indicated that the government intends making imaginative use of the substantial accretions to the foodgrain and foreign exchange reserves. The government has decided to import raw cotton for the needs of the cotton textile industry and it is also allowing imports of edible oils and oilseeds. Its primary and immediate objective is the maintenance of industrial production in the affected areas and the arresting of increases in the prices of the essential commodities concerned. But, surely, there is much more to be attempted than this through intelligent and vigorous utilization of our foreign exchange reserves, while a forward-looking policy for the management of the foodgrain reserves is yet to be formulated. Here, again, Mr Jha offers useful suggestions. He advocates more liberal allocation of foreign exchange for imports of plant and machinery for all those sectors of production where early expansion of capacity is in the national interest. Power generation equipment, for instance, would qualify. In the case of foodgrain reserves, Mr Jha would like to see some part of the current accumulation diverted from storage to the raising of the consumption levels of the under-fed sections of the population, the process being linked to production-oriented or socially desirable schemes for giving employment to these people.

Mr Jha's other suggestion that the

government could draw on grain reserves with greater confidence if it would make forward purchases in world markets sounds attractive, but it has to be carefully considered whether the trading expertise is available. Mr Jha believes that trends in world grain markets make it reasonably certain that there are no great risks in this trading and that, over a period, losses will be made good by gains or that the losses will not be more than what the nation may be losing in storage costs of large internally held physical reserves or by having to rush frantically to world markets in years of domestic crop failures. He would evidently look to an official agency such as the Food Corporation of India for handling the forward purchases. Trading risks, however, may be reduced if sufficiently competent private trade is also allowed to participate. Incidentally, the concept of forward purchases, with normal trade channels participating in these transactions, is one which is capable of being extended from foodgrains to other commodities such as, for instance, edible oils and oilseeds and a number of agricultural or mineral raw materials for industry where the most economic management of fluctuations in domestic production or total availability is called for.

break with past

Such thinking, of course, means a break with the past. At some unfortunate point in our economic history since Independence, we seem to have become prisoners of the belief that this country's chastity needs to be protected by ensuring that its nationals do as little business as possible with foreigners or that foreigners do as little business as possible with our nationals, when the government is not there to act as a chaperon. Some dent has been made in this faith by a growing need of the economy to export which could not be indefinitely denied. But the fences we have put up around the nation's cloistered virtue remain intact for the most part. This might conceivably prevent concepts such as forward purchases abroad, especially with private trade participating, being taken up for consideration without much twittering of timid minds. All the same, at this stage in the fortunes of our economy,

these and other such venturesome ideas need to be pressed on the attention of the government.

This truth, fortunately, has not gone entirely unrecognized. Hence the boldness or even the rashness of men (very few in all conscience) such as Mr B.M. Birla who attempt to shock us into jumping out of the rut of what has become our conventional wisdom. Speaking recently in Bangalore, he declared that the country stood to benefit by permitting foreign aircraft manufacturers to set up plants in this country for producing the aircraft required by it for military or civilian purposes. He was making out a general case for the country unhesitatingly drawing upon foreign investments in order to supplement its own resources for its colossal production, consumption, employment and investment needs.

objective circumstances

The specific example of the aircraft industry which Mr Birla gave was apparently meant to bring out this point spectacularly, but it is quite valid in its own right. The objective circumstances are that this country does not have and is not planning to have native facilities for all the aircraft it needs for its defence or transport. It is therefore spending large sums of money on their import and this expenditure is bound to increase manifold in the years to come. Is there not sense then in inviting aircraft manufacturers who are exporting to us to come and set up production facilities in our own country, thereby mobilising and making use of its human and material resources and contributing to its possession and development of sophisticated technology? The next question is: are there not many other industries of varying degrees of sophistication in which foreign investments could play a similarly fertilizing role?

Mr Birla's advocacy of an "open mind" on foreign investments is of course a part of his larger thesis of building a truly prosperous India in less time than is generally thought possible. There is need for furious impatience with the notion that, because Indian poverty is age-old, it must take at least several decades to remove or even reduce it

measurably. This "go-slow" mentality blindly ignores the tremendous advances made in technology and the organization of human resources which have made possible rapid generation of large investible resources in economies allowed to exploit their full potential. The prime minister claims to have dedicated herself to a broad, frontal assault on poverty. This assault can proceed point by point only up to a limit. Beyond that there must be a break-through in our thinking and a take-off in our action. For Mrs

Gandhi, the winning of this general election is no doubt important business. Win it she will, but that alone cannot satisfy her. It will not satisfy the nation. There is an immediate need for the restrictions on and the obstructions to the growth processes of the economy being removed. Every day counts for the fulfilment of this imperative—including every one of the 40 days between now and the general election or the 75 days or so that will elapse before the central budget for the next financial year.

Blowing hot and cold

DURING THE last several years, the government of India has failed to make up its mind about the exact meaning and nature of bonus, and also under what circumstances it should become payable to the worker. The latest decision to enforce the payment of a minimum bonus of Rs 100 per employee for the accounting year commencing in 1976 in the case of a unit making a net profit—irrespective of the fact whether the company has an allocable surplus or not—makes nonsense of the ordinance on bonus law issued on September 25, 1975, whose central thesis was that no bonus would be payable if there was no surplus available for distribution. It seems that on bonus, the government has been shifting ground from time to time keeping in view the political and economic climate in the country. The latest revision in bonus law is an obvious concession to organised labour on the eve of the nation-wide election. Unfortunately, the new move of the government is likely to open a Pandora's box of disputes between workers and the employers threatening industrial peace which has been instrumental, to a large extent, in pushing up the level of industrial production in the country.

The bone of contention is likely to be the profit and loss account because invariably the workers would question its accuracy as well as its propriety. Whereas in the case of central or other taxes, its audited accounts are accepted by the government for fixing the liability of a

company, the liberty now given in regard to the questioning of the income and expenditure account of a unit in the fixation of the bonus is likely to bring up an unending number of cases before the tribunals leading to increased bitterness in industrial relations. The tribunal looking into the case of a unit has been authorised to appoint another auditor for a fresh assessment of the balance sheet and the profit and loss account and this in itself is likely to prolong the procedure of disposing of the cases. Bonus, after all, is a small part of the total wages of a worker and to allow it to become a sore point by the latest relaxations may serve neither the worker nor the industrialist.

If the government believes that by its new decision in regard to the payment of bonus, it could put an end to bonus disputes between the employer and the employee, it is sadly mistaken. Let it be recalled that the real mischief was done when the government started the practice of a minimum bonus of four per cent irrespective of the fact if the company made a profit or loss. The size of this mischief was enlarged when by an amendment of bonus law in 1972, the minimum payment was raised from four per cent to 8½ per cent in all establishments. It was in 1975 that the "illogicality" of this step dawned upon the government and the bonus law was amended, as stated earlier, to make the availability of "allocable surplus" a must for the distribu-

tion of bonus. The latest move which marks a right-about-turn in policy is without doubt a political expediency without any economic justification. It takes this country back to the sixties when bonus was erroneously being described as a "deferred wage" and not as a share of the worker in the above-normal profit of a company.

measurement of productivity

According to Mr K.V. Raghunatha Reddy, union minister for Labour, the government is of the view that increasing emphasis should be put on agreements for payment of bonus based on production or productivity. He also believes that such agreements should be for periods ranging from four to five years. Similar views have been expressed by Mr Reddy's predecessors for more than two decades and it seems that no effort has been made by the government to find out as to why both the employers and the workers have not been very enthusiastic about it. It is usually forgotten that the rise in productivity is not a function of increased human input alone. It also depends, to a large extent, on the level of technology and the plant and machinery in use. Unless quality in these areas is improved and workers are trained to operate sophisticated machinery, any significant improvement in productivity is hardly feasible. Also, in many units the measurement of productivity from shop to shop is not an easy task. This is one of the important reasons why the concept of productivity-linked bonus has not become popular in this country.

Mr Naval Tata, President of the Employers' Federation of India, stated recently at a conference in Calcutta that there was virtually no easy method of measuring productivity which could be uniformly applied to different industries, and also it was difficult to achieve agreement between the employers and the trade unions on the variable factors involved. At the conclusion of this conference, there was almost a consensus on the evolution of a bonus formula which covered not only productivity but also such factors as good attendance, good behaviour and discipline. Till a satisfactory model in this regard is evolved, it will be necessary

to undo the mischief of the illogical step taken by the government last week. Instead of creating unnecessary tension over the question of payment of bonus between employers and employees the government had better devote more attention to the maintenance of stability in prices.

The steadily shrinking purchasing power of the rupee, especially since March 1976, has not a little to do with the current discontent among working classes. The continued neglect of the consumer goods industries has also brought about a situation of in-built

inflation in the economy with the result that the controversial moves made by the government from time to time on peripheral matters such as the frequent revision in bonus law tend to divert the attention of the people from the real and basic issues. It has also been recognised by the government that the central point at issue is the incomes and wages policy which should be appropriately linked with production and prices. But no worthwhile effort has been made in this regard during the past three decades. Frequent tinkering with bonus law seems to be no more than a diversionary tactic.

Towards a national wage policy

THE FOURTH industrial relations conference, held in Calcutta on January 14 and 15 under the joint auspices of the Employers' Federation of India, the All-India Organisation of Employers and the Standing Conference of Public Enterprises, recommended that the government of India should evolve and implement a national wage policy. Mr A.L. Dias, the governor of West Bengal, Mr Naval Tata, president of the Employers' Federation, and several other participants stressed the necessity for a national wage policy. But its implications and the difficulties in working it did not receive proper consideration at the conference. Mr Dias referred, in his inaugural address, to the gross disparities in income among workers in the organised, unorganised and agricultural sectors and to the "miserable existence at the subsistence level" of a vast majority of the rural poor; and he suggested that while formulating a national wage policy the needs of this section should be kept in view and that the gains in productivity in the agricultural and industrial sectors should be equitably shared.

Mr Naval Tata stressed the need for a clear-cut and rational wage policy particularly for the industrial sector. He said that it should tackle same problems like "vast regional dispari-

ties, imbalances within and between industries, wide differentials between unscientific, occupational wages, automatic escalation of dearness allowance, unrelated link between effort and reward" and the disparities between the organised and unorganised sectors and the rural and urban incomes". But neither Mr Tata nor the other participants in the conference clarified how exactly were these problems to be tackled.

vague generalisations

Many commissions and committees have examined in recent years the feasibility of evolving a national wage policy but most of them have merely stated their views in the form of vague generalisations which are hardly of any use to policy-makers as well as to those who are actively engaged in day-to-day labour problems. For instance, the National Commission on Labour had suggested that "the wage policy has to be framed taking into account such factors as the price level which can be sustained, the employment level to be aimed at, requirement of social justice and capital formation for future growth". The commission had observed that the policy should aim at a progressive increase in real wages and it emphasised that "any sustained improvement in real wages cannot be

brought about without increasing productivity" and that keeping living costs under check should form "an integral part of wage policy".

A paper presented to the Calcutta conference on behalf of Coal India Ltd stated that the broad objectives of a national wage policy should be avoidance of inflation, raising of output, a fair distribution of the national income, and improving the standard of living of the working class. There are also other aspects to be considered such as the linking of wages to productivity especially in commercial establishments, banks and insurance companies, merger of dearness allowance with basic wages, and the future of fringe benefits.

practical difficulties

Another paper presented to the conference made the important point that though in the last few years many industries were suffering from recession and the list of sick industries was lengthening, additions to the wage bills had been made through the Labour Welfare Fund Act, increase in provident fund contribution and coverage of workmen, employees deposit linked insurance scheme, house rent allowance and increase in the stipends to apprentices under the Apprentices Act. It seems clear, therefore, that a wage policy at the national level is not feasible at present because of the various practical difficulties. Even so, effort should be made to improve the lot of workers by ensuring them the timely and adequate supply of essential commodities at fair prices, by providing houses and developing infrastructural facilities such as water, roads, electricity and hospitals and by offering opportunities for education and recreation.

But it is necessary to emphasise that the prosperity of workers is closely connected with that of industry and the economy. Labour legislation sometimes tends to ignore this fundamental aspect and imposes obligations on industry without any regard to its capacity to pay. For instance, a virtual ban has been introduced on lay-offs and retrenchment without prior approval of the government but has it really helped the workers to

secure job security? Compared to two million mandays lost in the second half of 1975 due to lock-outs, the figure for the first half of 1976 was 4.30 million. It is estimated that about 80 per cent of the mandays lost in 1976 till September was on account of lockouts.

How did this situation develop? As Mr Naval Tata said, "In dealing with cases of layoffs or closures, government should appreciate that managements would never in their wisdom like to commit industrial suicide in taking such action which would be more harmful to them. They are motivated by the desire at any cost to maintain the viability of operations, which are assailed by high prices of raw materials, credit shortages, and other economic factors. It is my view that laws of demand and supply cannot be defied and it is impossible to seek legislative remedy for job security in defiance of economic forces. It may

strangulate genuine industrial effort if bona fide causes, hurting the industry, are ignored out of respect for legislation. Legislation may suppress the symptoms but will not provide the cure. If labour law evolution and implementation is intended to be a fore-runner for eventual participation of labour in management, it has to be meaningful and not self-defeating".

Though the economic situation in the country has improved in many respects, several industries continue to be severely handicapped due to the lack of demand for their products. A large number of industrial units remains closed or sick and attempts to reopen and revive them have not met with much success. The fact that the overall industrial production has maintained an upward trend should not create complacency. Harmony in industrial relations cannot be achieved in isolation.

Eastern Economist Annual Number 1977

The *Eastern Economist* Annual Number 1977, dated December 31, 1976, analyses the gains made by industry since June 1975 and points out the impediments which have tended to slow down its onward march. Divided into four sections, it discusses the general problems common to all industries such as investment, production, productivity, policies and procedures followed by detailed studies of basic, capital, intermediate and consumer industries. Research analysts and experts in various fields have thrown light on the problems faced by each one of the major industries with emphasis on the prospects of growth in the light of the changes initiated by the government in the past one year in particular.

Priced at Rs. 20 per copy, it carries a series of charts and colour graphs.

Regular subscribers are entitled to receive their copy without extra charge.

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CAPITAL'S CORRIDORS

R. C. Ummat

Commodity exports • Industrial licensing • Banking targets

THE THREE-DAY commodity outlook seminar, which was held here last week under the joint sponsorship of the Indian Institute of Foreign Trade, the union ministries of Agriculture and Commerce and the Food and Agriculture Organisation (FAO), has expressed optimism about the export prospects of sugar, technical oils (castor and linseed oils) and oilcakes and tobacco. The seminar was the first to be organised in a developing country under the new FAO facility—assisting of the formulation of commodity policies at the country levels.

Although the seminar viewed with concern the wide fluctuations in the international prices of sugar, particularly the fall registered during the last 12 months from approximately 40 US cents per pound to just eight cents, it considered the medium and long-term prospects about world trade in this commodity not as bleak as they appeared to be.

suitable understanding

The seminar called for a suitable understanding on international prices of sugar so that the producing countries like India were not put to undue strain and disadvantage. It was revealed at the seminar that the FAO had estimated the world demand for sugar to grow to around 91 million tonnes in 1980 and 105 million tonnes in 1985. The suitable understanding on sugar prices, the seminar felt, could be attained through creation of a buffer stock. The need for a systematic approach to allocation of export quotas under the international sugar agreements was emphasised.

The seminar stressed the need for utilising modern research for improving sugarcane yield and lowering cost of production. The sugar development scheme presently

being implemented by the government of India, it was thought, could improve the situation considerably in the coming years. The medium and long-term outlook for sugar exports from India, it was felt, would largely depend on the country's ability to reduce its cost of production so as to make prices competitive in the world market.

surplus production

The FAO sugar specialist, Dr A. Viton, disclosed at a press conference after the conclusion of the seminar, that the new international sugar agreement was likely to be reached at Geneva in April. He attributed the sharp setback to the prices of sugar during the last 12 months to surplus world production—to the order of three to four million tonnes. The prices, he added, had improved slightly during the last few days as a result of large-scale purchases of the Philippines sugar by the Soviet Union and China. How far this trend would continue, however, yet remained to be seen?

It may be mentioned here that as a result of the sharp fall in the international prices, exports of sugar from this country, which touched the level of Rs 408 crores in 1975-76, have come down to just about Rs 90 crores so far this year. Despite the output during the current crushing season till lately being better than during the corresponding period last year, no allocations have been made for export. The government is expected to make up its mind shortly when the international price situation prospects become clearer and also some firm estimate is available of the likely production this year. The latter has assumed significance in view of the fact that the drought in various sugarcane growing areas is understood to have

affected the sucrose content of sugarcane and the earlier expectation of producing around five million tonnes of sugar may have to be revised downwards.

Concerning castor oil, the seminar noted that with the production of this technical oil in India expected to go up from about 1.5 lakh tonnes at present to a level of nearly four lakh tonnes within a decade, India could aim at exporting at least 40,000 tonnes of castor oil per annum. This year's exports, however, are expected to be higher around 60,000 tonnes in view of above-average output.

market study

The seminar recommended a market study of the end-uses of castor oil with a view to bridging the information gap. It also laid a good deal of stress on the economies of scale and exploration of new markets.

In respect of linseed oil, the seminar felt that although the world market had been shrinking over the last decade, the recent recovery in the demand for this oil was heartening. India, it was pointed out, could take advantage of the slow vacating of the area under linseeds by the United States as the other two main producers, namely, Argentina and Canada, appeared to be hesitant in extending the acreage under this crop.

The seminar urged special treatment to be accorded to the increasing of the unit-area yields in the case of castorseeds and linseeds. It was pointed out that the opportunities for exporting castor oil derivatives, such as sebacic acid, were quite promising. It was emphasised that the problems associated with export development of derivatives such as economies of scale of production, wide fluctuations in prices, high ocean freight and lack of marketing arrangements needed attention. A case for evolving a package incentive programme for promoting exports of technical oils, it was felt, deserved consideration.

The seminar also stressed that in view of the high unit-value of sal seeds, this industry should be encouraged. Sal seed fat, it was pointed out, was a good substitute for cocoa-butter and, thus, there was good export potential in this line. The export potential of mango kernels too was considered to be not insignificant. It was, therefore, suggested that attention should

be paid to the problem of organising collection of these kernels for processing.

The seminar was of the view that India might not lay any great emphasis on encouraging the production of soyabeans, for relative economics, specially in terms of vegetable oil yield, did not favour this production. Rice bran, it was felt, could be better utilised for augmenting the internal vegetable oil resources.

In regard to exports of oilcakes, the seminar suggested a clear-cut enunciation of the policy by the government for a rational coordination among the various sectors of the industry.

In regard to tobacco, the seminar stressed the need for a close study of the developments in the demand structure and pattern abroad. The health hazards associated with cigarette smoking and vigorous search for alternative materials, it was pointed out, were likely to alter the demand pattern in none-too-distant a future. The current trend, it was emphasised, was clearly for mild and low nicotine tobaccos. India, therefore, could not depend wholly on black soil tobacco. Emphasis should be on fast development of light soil production ensuring high level of quality. The development of flue-cured virginia tobacco in the light soils of Andhra Pradesh and the transition zone of Karnataka should be vigorously pursued.

* *

With the Secretariat of Industrial Approvals (SIA) having practically cleared the backlog of applications for letters of intent and industrial licences, the minister for Industry, Mr T.A. Pai, has expressed confidence that it will be able to continue its useful work more vigorously in the future.

In an informal talk with the members of the consultative committee of Parliament attached to his ministry (the talk had to be informal following the dissolution of all consultative committees of Parliament as a result of the president dissolving the Lok Sabha on the night of January 18), Mr Pai disclosed last week that the number of letters of intent issued during 1976 was 545 and that of industrial licences 662. He hoped that in view of the improvement in the economy in the recent past, about 1,000 letters of intent would be converted into industrial licences during the current calendar year. This

might involve capital resources to the tune of Rs 10,000 crores. He assured that following his discussions with the representatives of financial institutions, the necessary resources would be found for all genuine entrepreneurs who were keen on going ahead with their projects.

Mr Pai stated that the government was particularly interested in the expansion of the existing undertakings as this would involve relatively lower investment than going in for new projects. Another major thrust of industrial policy, he stressed, was encouraging of modernisation and standardisation of the existing plants so that production costs could be contained.

Mr Pai also emphasised that the government was very keen on developing the backward areas. Out of the letters of intent and industrial licences issued in 1976, 176 letters of intent and 160 industrial licences, he revealed, pertained to the backward areas. With a view to providing further thrust to the development of these areas, the government, he indicated, had quite a few new incentive schemes under consideration.

Mr Pai also dwelt upon the need for mobilising the available resources into desired directions. The aim, he observed, was directing of resources into areas in which scarcities were being felt so that shortages could be eliminated in the next couple of years.

* *

Several important decisions were taken at the meeting of the chief executives of public sector banks held here last week. These included:

(i) While maintaining restraint on overall credit in the interest of containing the prices spiral, bank advances should be so redeployed that the neglected sectors of the economy did not suffer. This will involve a certain measure of monetary and credit discipline on the part of industry and trade, especially in respect of credit for building up inventories. Banks were, however, asked in this connection to see that genuine productive endeavours and seasonal requirements of the units producing mass consumption goods did not suffer from inadequacy of credit facilities.

(ii) No less than 60 per cent of the deposits from the rural and semi-urban areas should be allocated for advances to

productive projects in these areas itself by the end of the current Plan period. Currently, this credit-deposit ratio is around 52 per cent. At the time of the nationalisation of the leading banks in the country, it was 37 per cent.

(iii) Credit deployment to the neglected sectors should be fostered so as to achieve the objective of 33.34 per cent of the aggregate advances being made available to these sectors (including advances against foodgrains) by the end of March 1979. At present this percentage is around 25.5.

(iv) District credit plan for all the districts in the country should be formulated by the end of March 1978. Such plans have been drawn up so far for 123 districts. The banks were asked to report their progress in this regard to the department of Banking.

(v) In regard to branch expansion, banks were directed to open at least one branch by the end of June 1978, in each of the community development blocks in the country. At present, about 900 of these blocks do not have banking facilities.

(vi) The implementation of the differential interest rate scheme, which has made a tardy progress hitherto, should be expedited in terms of the target of providing 0.5 per cent of the overall bank advances under this scheme. Currently, this percentage works out to about 0.38. Banks were told that the overall target did not apply to the aggregate banking advances; it was equally applicable to individual banks. They were, therefore, asked to achieve this target individually.

(vii) The guidelines laid down for the processing of and grant of bank credit to small borrowers should be strictly adhered to. The applications of small borrowers for loans upto Rs 10,000 should be disposed of within a month. In the case of applicants desiring loans above Rs 10,000 the requests should be disposed of in no more than three months.

(viii) The banking industry should make concerted efforts to improve further service to customers and implement the recommendations of the committee which went into this issue and made a large number of recommendations in its interim report submitted about a year ago.

(ix) The banks should also expedite the recruitment of candidates from schedule castes and scheduled tribes against the reserved quotas.

Kudremukh : a dream comes true

In a talk broadcast over the Bangalore station of All India Radio, which is reproduced here, the chairman-cum-managing director of the Kudremukh Iron Ore Company Limited, gives an informative account of a major mining and export project to which the country is committed. This scheme occupies a big place in Indo-Iranian economic cooperation and could also mark a great technological advance in mining, processing and transportation of iron ore, one of our principal mineral assets.

FOR MORE than ten years, the Kudremukh Iron Ore Project has been in the public view. The iron ore deposits in Kudremukh, part of the Kudremukh-Aroli-Gangamula range, were discovered in 1913 by the late P. Sampath Iyengar, a renowned geologist of the then Mysore state. But the country began to take serious notice of it only in 1966. Then, the National Mineral Development Corporation started its pioneering investigations.

India abounds in high grade hematite ore. There are enough deposits to feed our own steel plants and export to other countries. The ore in the Kudremukh region with comparatively low iron content would have remained unexploited but for the recent technological advances and certain favourable factors.

What are these technological advances and what are the favourable factors?

The process of purifying the iron ore, which we call beneficiation, was revolutionised by the development of techniques suited for low grade magnetite ores. There was also a great leap in the mechanism of transport of solids in slurry form. The development of Mangalore port, not far away from the ore body, was yet another important and decisive factor.

promotion of trade

Under the able leadership of the Shahanshah of Iran, the Imperial government of Iran has shown keen interest in promoting trade relations and technical cooperation with India. On November 4 last year, the government of Iran entered into an agreement with the government of India, offering a credit of 630 million US dollars for the development of the iron ore resources of Kudremukh. Simultaneously, the National

Iranian Steel Industries Company entered into a contract for the purchase of 150 million tonnes of concentrate over a period of 20 years, beginning from September 1980. This would earn for the country foreign exchange equivalent to about Rs 2900 crores.

This contract is both a challenge and opportunity. Challenge because this leaves us with hardly four years to mine the iron ore, beneficiate it, transport to the new Mangalore port and ship the concentrate to Iran, particularly when the technology to be used is entirely new to this country. There are constraints imposed by nature. This hilly and hazardous terrain receives about 7000

millimetres or 280 inches of annual rainfall, the third wettest spot in the world and lashed by winds of 100 km per hour velocity.

It is a great opportunity because this project will open the gates of the country to vast strides of development in ore preparation and open up other mines in the region. Our engineers and technologists will have tremendous scope to work with new techniques and will be exposed to new technology practised in advanced countries.

The undeveloped area of Malnad where Kudremukh is situated would soon hum with activities with the formation of roads, communications and infrastructural facilities. The deepening and modernisa-

K. C. Khanna

tion of Mangalore port will stimulate the export trade.

Well. Now you may ask: 'What is so special about the Kudremukh ore that it should wait for the latest technology to unearth it?'

The known deposits of iron ore in north India which feed the steel plants of Bhilai, Bokaro, Burnpur, Durgapur, Rourkela and Jamshedpur are of hematite variety. Certain parts of south India are rich in magnetite iron ore. Kudremukh ore, though a predominantly magnetite ore also has hematite.

There are two main ore zones:

- (1) The weathered ore which forms the upper weathered crust of the ranges.
- (2) The primary ore which constitutes the inner core of the ore body.

zone of transition

In between the two, there is a zone of transition which represents the intermediate stage of weathering. The inner core of primary ore is very hard (only the soft weathered, transitional hard weathered ore and hard weathered ore estimated to be 610 million tonnes will be exploited presently.)

The iron content of the ore is 39 per cent compared to the richer deposits of hematite ore elsewhere of plus 60 per cent. Kudremukh ore has, therefore, to be enriched to 66.5 per cent to make it a viable commodity for sale.

How do we mine this difficult ore and enrich it?

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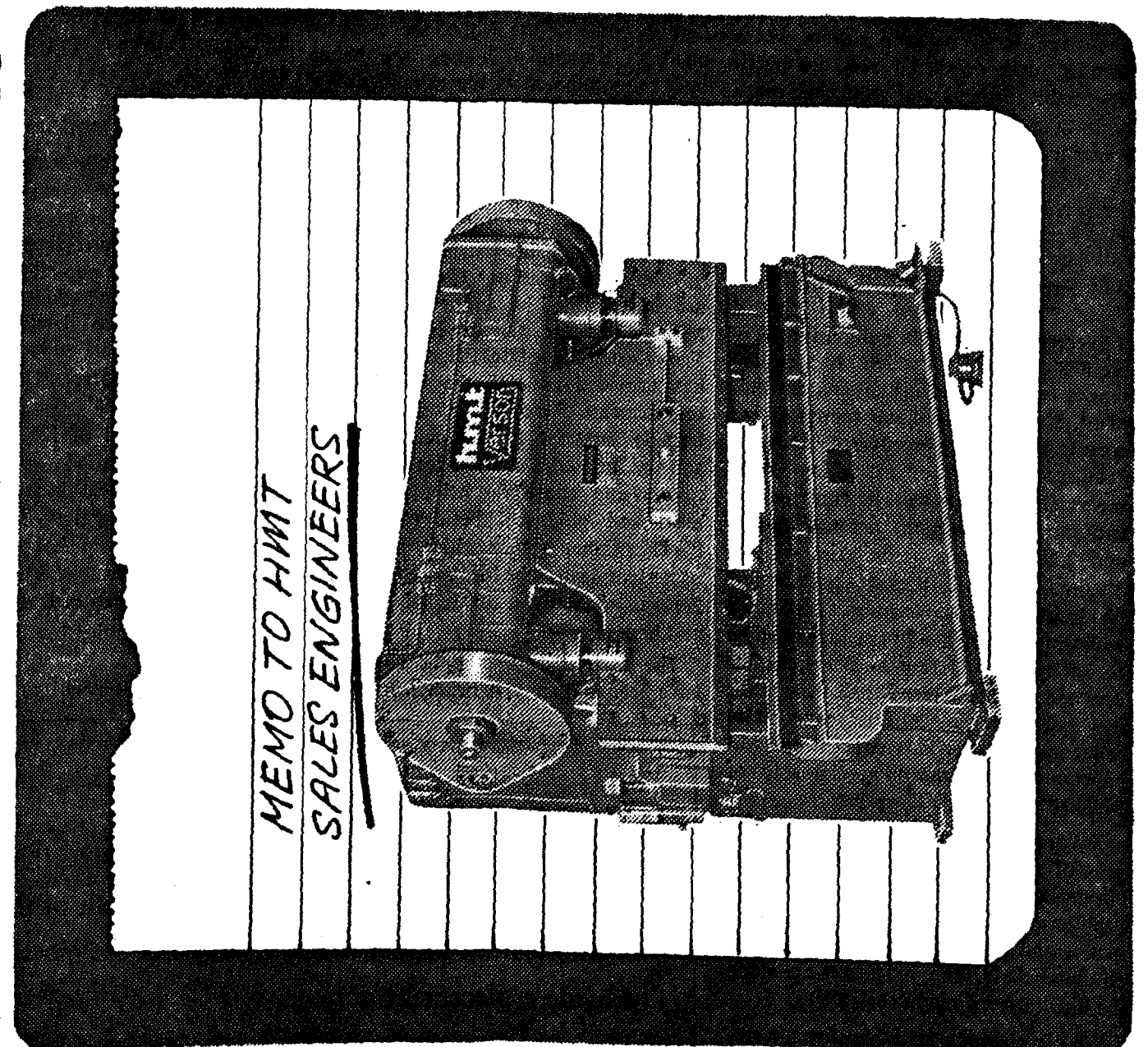
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The ore will be drilled, blasted and crushed to small lumps. The crushed product will go to the concentrator plant. Here it will be fed with water to autogenous grinding mills which are being used for the first time in the country. These are large rotating drums where hard ore and weathered soft ore particles tumble around and grind each other down to small particles. The material is concentrated by magnetic separator first and then by gravity spirals. The process is repeated to achieve a product of about 66 per cent iron content.

prevention of pollution

Every year, nearly 20 million tonnes of ore will be mined of which 18.5 million tonnes will be fed in the concentrator plant. Nearly 7.5 million tonnes of ore concentrate will be recovered and the balance disposed of as tailings with water. The tailings will be conveyed to two earthen dams built across Singsara and Lakya rivers, tributaries of the Bhadra. This will prevent pollution of Bhadra river. The concentrate is pumped with water through a 70-km long pipeline to Mangalore. Here the slurry, as the ore and water mixture is called, will be dewatered and made into concentrate cakes and stored. This concentrate will be exported to Iran in special ships of 30,000 to 60,000 DWT capacity.

We are taking every precaution to prevent ecological disturbance and environmental pollution. The ore body itself, stretching to a length of six kilometres and laterally about 800 metres, is absolutely bald. The only trees are along the Bhadra river and in the valleys.

We are planning an exhaustive afforestation programme on the grassy slopes

of the mining area, under the expert advice of a Forestry and Ecology Adviser. Suitable species of trees will be planted adopting the latest soil and moisture conservation techniques. Due to the heavy moisture of the area atmospheric pollution will be minimal. The township planned along the natural contours of the hills will have all the modern facilities. The Bhagawathi forest and the adjoining areas are proposed to be declared as reserve area and will be protected from unauthorised cutting of trees.

resettlement problem

Fortunately we are not faced with any big problem of resettlement of displaced persons. There are hardly 66 displaced families and with the help of the government of Karnataka, houses are being built to accommodate these families. We also hope to provide job at least for one member of each of these families.

It is not merely in the field of construction of houses the Karnataka government is helping us. The entire government machinery has extended to us its unstinted cooperation. The state PWD are constructing the approach road and also houses for the displaced families. The Karnataka State Electricity Board has provided us with the initial power requirements for construction. I am extremely grateful to the chief minister and the Industries minister for their continuous and consistent help, encouragement and guidance. Besides the state PWD, another agency which has helped us a great deal is the Military Engineering Service, who assist us in building bridges and houses.

The Post and Telegraphs authorities have been and are very prompt in offering

their services. Communication facilities from Bangalore to Kudremukh, Mangalore, Delhi and Montreal have been established and are functioning smoothly. We are getting equally good cooperation from all central government departments and agencies. I am indeed grateful to them.

Though the overall construction responsibility for the project rests with Met-Chem, Indian experience and skills are fully utilised. Hindustan Steelworks Construction Company, a public sector organisation, is entrusted with major civil engineering and structural work. MECON, a public sector consultancy, is closely associated with the detailed engineering of the project. More Indian public and private sector organisations will find opportunities as we go along in our swift stride.

earnest endeavour

We are constantly reminded of our obligations to the country which has entrusted us with this project on a "War-footing". I am borrowing a cliché. But then if you look at our adherence to time schedule, system and adoption of modern methods and the devotion of every engineer, every man and woman in our team, you will appreciate our earnestness in achieving the goal.

The select band of Kudremukh team with proven expertise in special fields has taken to this project in the spirit of the crusaders. Their goal is September 1980 when the first shipment of Kudremukh iron ore concentrate will leave the Indian shores for the ports of Iran.

When it does, the first act of the saga would be over.

The exciting saga will go on.

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Manager

Afforestation in drought prone areas

POINT OF VIEW

K. R. Pichholiya

The author has made a study of the drought-prone districts of Panchmahals and come to the conclusion that as the area under forest declines the incidence of drought increases. He recommends various species suitable for planting in different soils in the area.

It is common knowledge that there has been denudation of forests and indiscriminate felling of trees during the last few years. The result is that the country is affected by climatic changes and recurrent drought and floods. For the drought prone areas of the country, the implementation of scientific afforestation policy therefore assumes great importance. An attempt has been made in this article to study the role of afforestation in a drought prone district of Panchmahals, Gujarat state. Though it is a case study, the inferences arrived at may fairly be generalised.

Drought Prone Areas Programmes covers eight Talukas out of 11 Talukas of the district. It essentially aims at the development of agriculture and subsidiary sources of income so as to mitigate the severity of the effects of drought. The soil in the project area is generally shallow and its fertility is reduced due to poor and sparse covering and scattered tree growth. There are large blank patches and there is an absence of natural regeneration in the forests. Hence artificial regeneration by afforestation is necessary. Ecological balance can only be restored by having adequate tree cover over a soil protected against erosion.

declining area

The area under forests in the Panchmahals is quite high (29 per cent of total area) as compared to state area (9 per cent of the total area). But year after year the area under forest is declining and leading to frequent occurrence of scarcity and drought conditions in the region. Table I provides the data about the area under forest and incidence of drought in the recent past.

Table I reveals that as area under forest decreases the incidence of drought increases. In other words, there is a positive relationship between area under forests and incidence of drought. Between 1966-67 and 1972-73 the net decline in area under forest was 36,200 hectares in the

Panchmahals district. It was observed that while villagers, farmers, cattle grazers and children do cut a few twigs and small trees to meet their domestic needs, the timber contractors and their clients are mainly responsible for vast denudation of forests in the region without employing scientific methods.

A proper afforestation programme will serve the dual purpose of giving Adivasis suitable employment and increasing the soil fertility by raising subsoil water table. It will prevent erosion and limit the frequent occurrence of scarcity and drought conditions. In any scheme of afforestation in the drought prone area it is essential to study in detail the types of soil, availability of water etc. before recommending suitable trees and other forest plants.

TABLE I
Area under Forest and Incidence of Drought

Year	1966-67	1968-69	1972-73
Area under forests ('000 hectares)	257.6	239.2	221.0
Incidence of drought			
1. No. of talukas affected	11	11	11
2. No. of villages affected by scarcity (Total villages=1903)	1,503	1,650	1,757
3. Population affected	NA	10,44,373	11,00,000
4. Area affected in sq kms (Total area =8,866 sq kms)	6,273.00	7,051.00	8,031.45

TABLE II
Recommended Species

Type of soils	Trees
Alluvial and sandy soils	Bamboo, Eucalyptus, Mulberry, Ber, Jackfruit, Accacia etc.
Red and loam soils	Casuarina, Bamboo, Ber, Eucalyptus, Neem, Teak, Tamarind etc.
Black and brown soils	Mango, Babul, Mulberry etc.

afforestation programme in the drought prone district.

It will be appropriate to know the land use pattern of the district before planning afforestation programme to be carried out. The present land use pattern of Panchmahals for which data are available is as follows:

	Hectares
Total geographical area of the district	8,94,000
Forest	2,21,000
Barren uncultivable land	59,000
Land put to non-agricultural uses	17,000
Cultivable waste	31,000
Permanent pastures and other grazing lands	38,000
Land under miscellaneous tree crops and groves	—
Current fallows	37,000
Other fallow land	6,000
Total cropped area	5,55,000

The above land use pattern reveals that there is vast scope in the Panchmahals district for afforestation. It is interesting to note that there is no land in the district under miscellaneous tree crop and groves. There is in addition vast barren and cultivable waste land in the district. Such areas should be brought under trees and other forest plants.

A comprehensive Panchmahals district afforestation plan based on the available type and texture of soil survey is necessary for scientific afforestation.

Afforestation scheme should have the following objectives:

(a) More production of fuel wood for replacing cowdung. The bulk of rural population virtually depends upon the trees on farm and community land as well as from reserved and protected forests to meet their growing requirements of fuel wood and small timber for agricultural implements and rural housing.

(b) Fodder supply.

(c) Protection of agricultural land/ fields against wind; and

(d) Recreational needs.

Indiscriminate felling of trees should be prevented by enacting necessary legislation. Intensive propaganda is necessary to prepare the villagers to accept the idea of afforestation. In this direction NSS, Planning Forum, Social Service League and NCC volunteers may be drafted.

Farmers should be motivated for farm forestry or social forestry to meet the demands of the fuel wood, fodder, etc. Institutions such as agricultural colleges, agricultural research station and forest department may be engaged in this work.

Afforestation association/tree lovers' club may be formed in each village involving the rural youth and farmers in the village, with the sarpanch as its chairman.

Village forestry on the village common land, banks, bunds of tanks, roads etc. may be established with needed assistance in cash and kind.

New courses: differing directions

E. B. Brook

The contrasting methods of Britain and the USA getting their economies right serves to point to the extreme complexity of modern state planning and to the almost equal influence of outside criticism and local requirements, says the author.

TWO MAJOR states in what is generally known as the 'West' are off on a new economic course. Britain, recipient of both an IMF loan of \$ 3.9 billion over three years and of a medium-term credit facility of a further \$3 billion from Basle's Bank of International Settlements has like a sinner partly forgiven, started on a course of spending cuts that is already producing squeals from local authorities and the public as education plans have to be abandoned, new houses threaten to become scarcer by the spring and food prices to rise as subsidies are withdrawn. While the British are out to save \$1 billion this year from their spending programmes

mounting unemployment at the risk of adding up to \$16 billion, more to the fiscal deficit of about \$ 75 billion, the British, watched by the IMF and their Market partners, will be undergoing an uncommon exercise in almost painful economy combined, in all probability, with some increase in worklessness.

The two contrasted methods of getting two democratic economies right serves to point to the extreme complexity of modern state planning and to the almost equal influence of outside criticism and local requirements. They highlight, also, the differing, almost opposite, problems of statesmen trying to right the economic

there is a feeling in the air that Britain is past the trough in its affairs and moving slowly back uphill, although still uncomfortably near its lowest-ever point. The experiences of the last few years, and especially of 1976, may have done the British no little good in impressing on them that real effort is still necessary for success and that Market partners are partners and not subjects. It is to be hoped that as their prosperity slowly revives none of their previous illusions return.

next evil day

No one seriously wants recovery in Britain to be too sudden or to develop too quickly. A too-quickly recovering £ could remove from Britain its present benefit of sending out cheap exports that sell readily. Such a development could smother the great overseas selling campaign. The Bank of England is likely to drop its sales of foreign currency reserves and, instead, buy pounds to prevent falls in the slightly improved rate. Pounds will be spent no longer to slow a slide in its value but to stockpile once again stocks of US dollars and other hard currencies to build reserves afresh against the next evil day.

One result of the feverish falls and rises in values of currencies almost everywhere has been a marked increase in smuggling. The West Germans have just decided to tighten up their already fairly draconian regulations and penalties; the British Customs and Excise collected 25 per cent more duty last year—approaching £ 10,000 million—partly in fines from unsuccessful smugglers. Far more was smuggled than was detected. Currency smuggling from Britain was probably about £ 10 million, three parts of which is suspected to have been successful. Nearly two million cigars evaded the customs. Of total world movement of various forms of tobacco manufactures it is estimated by comparing

WINDOW ON THE WORLD

and a further \$1.5 billion next year, the new American president, Mr Carter, has outlined an almost opposite type of programme. For the next two years, if he can get his ideas past Congress, the US public will enjoy extensive tax cuts while embarking on a public-works programme which will cost something like \$30 billion. President Carter's economy-recovery package spreads this heavy spending almost equally over the same two years in which the British will be cutting back their expenditure to meet the requirements of the International Monetary Fund's loan terms.

While the basic American aim is to create jobs and fight back seriously-

situation of a country depending heavily on foreign trade for its well being and those of another whose basic economy is so strong that foreign trade concerns less than 10 per cent of its economic consideration.

Contrasting, also, are the current reactions of the two peoples. While the Americans watch with some concern new experimentation with their fiscal and economic position, the British, despite complaints, are feeling definitely more reassured than they were only one month ago. Government stocks have been the most popular 'buy' with the money-minded for some weeks; the international value of the £ has improved moderately and

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manufactured totals and export figures that more than a quarter of all such manufactures reach the consumer clandestinely. Often popular cigarettes are illegally exported and then reimported to become the most serious competitor in sales of those cigarettes offered in normal trading.

Only when national economies and currency values have recaptured their relatively normal levels is it probable that more rational trading methods will be resumed. Not only is smuggling widespread at great profit to the operators in high trading areas such as Europe and North America; figures and other forms of statistics suggest that up to at least a quarter and sometimes considerably more of the trade in all forms of more expensive commodities or popular luxuries pass illegally also in Asia, Africa and Latin America.

The slow progress of world trade talks through GATT in Geneva in the form of the almost forgotten so-called 'Tokyo Round' is not deterring governments from taking or, at least, seriously discussing,

sizeable efforts in protective legislation. One such is the International Trade Commission's recommendation to the US Administration to restrict imports of footwear. A quota of 265 million pairs of shoes has been suggested as the maximum that should enter the USA at current duty rates. All imports in excess should be subject to much higher duties. This would mean a modification of the 1974 US trade law. Restrictions would hit non-communist and communist states and a sizeable number of industrially developing countries. These would include Taiwan, South Korea and Brazil and, to a lesser extent, India, Hong Kong, Mexico and Spain. Shoes imports have also been a source of complaint in Britain where some shoe factories have closed. In the USA 274 shoe factories have closed in the last six years and 65,000 workers have lost their jobs.

The USA is worried also because such social movements as the British Trade Union Congress's commitment to hold pay increases to a 4.5 per cent ceiling as part of its 'social contract' and similar

relatively low wage increase agreements in such large-output states as Italy and Japan has made the USA a high-rate wage increase area once again by comparison. Its wage-increase rate last year was 8.1 per cent compared with one of only five per cent in Japan and of seven per cent even in West Germany. Higher wage rate increases elsewhere have since moderated and the shift towards parity between the United States and European basic wages, exclusive of fringe benefits, is being halted. With a president coming in with an employment-intensive programme, unemployment as his first target for improvement and a fast-spending plan for industrial and social development any unfavourable contrast with either west Europe or Japan is most unwelcome. The new man in White House will be in too much of a spot-light position in his first twelve months to have time for such marginal matters but, if the trend continues, the wages question may become strong enough to cause him political discomfort as time goes on and moves towards the next presidential election.

and Shortages is an executive agency created by Congress to address growing public concerns over resources availability, dependence on imported materials, and the ability to deal effectively with shortages.

In its report, the commission indicates its opposition to several aspects of the Ford administration's announced plans for restructuring the national strategic stockpile. These new requirements are based on estimates of US defence and civilian needs over a three-year full war-time mobilisation period. Targets established imply a stockpile that will be worth about \$10,700 million at 1975 prices, as compared with \$6,900 million worth of inventory in December 1975 and \$1,100 million worth in 1973.

Under the new targets the US government will become a major buyer of alumina, copper, cobalt, cadmium, platinum, zinc, lead and nickel. Large existing inventories of chromium and manganese will be retained; existing stocks of bauxite will be refined into alumina, and sizeable quantities of silver, tin, bismuth, mercury and antimony will

be sold. The restructuring is to be carried out over 10 to 15 years and will require Congressional approval.

If the stockpile is enlarged as proposed by the Ford administration, the commission recommends that authorising legislation be amended to permit use of the strategic stockpile for "economic" progress in the event of a "severe disruption" in the supply of critical material.

The commission supports the creation of a separate economic stockpile if Congress does not permit the strategic stockpile to be built up to the levels presently contemplated or if economic use of its materials is denied.

In the food area, the commission favours creation of a national grain stockpile to be used for both humanitarian and price stabilising purposes. It recommends that the United States take the lead in negotiation of a series of multilateral grain stockpiles to be held in other producer nations around the world.

The commission was skeptical about the possibilities of commodity agreements. It did favour policies to reduce non-

commercial risks for foreign investments in raw materials production and an increase in the capital of the International Finance Corporation.

Regarding the widespread concern over supply availability and the dependability of imports, the commission said:

"Our review of the evidence convinces us that resource exhaustion is not a serious possibility within the foreseeable future. Though estimates of world resources of most commodities seem to indicate that only a few years supply is on hand those figures should be viewed in their proper context. To the vanishing industry reserves are like food in the pantry. They no more represent the ultimate stock of raw materials available than does the stock of food in a pantry represent the ultimate quantity available to a family.

"However, we should not be unconcerned about the world-resource picture. If population growth is not checked and if our energy supplies are not made more adequate and more secure, serious problems will eventually result. Issues such as these, not worries about the current

US Commission on stockpiling

Sam Burks

Limited economic stockpiling of critical imported materials—whether incorporated in existing strategic stockpiles or in a separate public reserve—can be "an appropriate tool" to help protect the nation's economy from abrupt and severe supply disruptions. This is the conclusion arrived at by a special US study on shortages.

IN A REPORT to Congress made public on January 10, the National Commission on Supplies and Shortages noted that all available "geologic, economic and demographic evidence" indicates that no physical lack of resources or cartel action is likely to "seriously strain our economic growth for the next quarter century and probably for generations thereafter."

The report warns, however, that longer lead times, larger capital requirements for plant construction and product development—together with possible short-term cartel pricing actions and embargoes—require a stronger US government role in interpreting and supplementing market activity.

The commission said that no stockpile should be used to stabilise domestic prices for raw materials. But it found that "a public stockpile of certain imported critical materials is a worthwhile insurance against sudden and severe supply disruptions and that domestic economic stockpiles held in cooperation with major consuming nations could deter cartels of foreign producers."

Even this limited recommendation was opposed by three Ford administration officials on the commission, chairman Alan Greenspan of the President's Council of Economic Advisers, Secretary of the Treasury William Simon, and James Lynn, Director of the Office of Management and Budget. In a dissent filed as

part of the report, they suggested that stockpiling by private business would be sufficient to cushion the impact of any sudden supply disruption. They said that "private firms tend to stockpile on the basis of the perceive-do risk of supply interruptions," and questioned whether the government could do a better job of estimating such risks.

The rest of the commission, made up largely of members of Congress, private economists, and representatives of business and labour, argued that "if stockpiling is considered desirable as protection against future supply disruptions or short-term market imbalances, public stockpiling will have to be undertaken."

The commission said that an economic stockpile aimed at stabilising world prices would have to be much larger and more expensive than the type they recommended.

The National Commission on Supplies

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quantity of raw materials in our 'pantry' should occupy our attention.

"With regard to import dependence, the omission believes that the growth in petroleum imports has helped to foster a misconception. Except for petroleum, our dependence has increased only modestly. Unless we decide for environmental reasons to limit the growth of minerals

production in this country or to increase our self-sufficiency through major government support programmes (a policy this commission does not favour), the outlook is for a continued gradual growth in our imports. It should be pointed out, however, that this country's level of dependence presently is substantially below that of most other industrialised countries.

"Rather than become overly worried about dependence, we should consider the issues recently raised by the Third World countries concerning the production and sale of raw materials and work with them toward viable solutions. And we must also be prepared to protect ourselves against the effects of actual or threatened supply disruption." —USIS

Investments in Dutch industry and research

In 1974 private enterprises in the Netherlands spent over f 2090 million on research work, which represents a rise of almost 17 per cent over 1973.

THE CENTRAL Bureau of Statistics in Voorburg, The Hague, has published figures relating to investments in Dutch industry in 1975, 1976 and 1977. The data for 1975 have been obtained from a comprehensive survey of 14,000 concerns with 10 or more employees. The figures for 1976 and 1977 relate to expected investments and are based on a random survey conducted in May 1976. All amounts are in actual prices.

Investments in the chemical industry rose by eight per cent in 1975, and further increases of 53 and 18 per cent respectively are expected for the two subsequent years. The metal industry will record the following changes for the three years in question: 1975: + 2 per cent 1976: — 2 per cent and 1977: — 13 per cent.

In 1974 private enterprise in the Netherlands spent over f 2,090 million on research work (by its own employees); this represents a rise of almost 17 per cent over 1973. As in previous years the metal and chemical industries together accounted for more than 80 per cent of this expenditure. These data have been derived from the results of an annual survey conducted by the Netherlands Central Bureau of Statistics. Personnel costs totalled f 1,247 million in 1974, 60 per cent of total expenditure. The number of employees involved in research (expressed in man-years) had dropped from 29,989, in 1971 to 27,775 in 1974.

There has been little change in the quantitative relationship between the

various sectors in recent years. Expenditure on research and development work

by private enterprise in the Netherlands (in the "B" disciplines—mathematics, natural science, technical and medical disciplines and agricultural science) during the period 1970-74 was as given in Table II below.

TABLE I
Investments in Dutch Industry (in millions of guilders)

	1975	1976	1977 (estimated)
Extraction of minerals*	1,350	970	—
Manufacturing industry	6,177	6,108	6,231
of which:			
Food, drink and tobacco industry	1,441	1,067	1,207
Textile industry	165	139	144
Petroleum industry	227	184	176
Chemical industry	1,359	2,082	2,452
Metal industry	1,992	1,753	1,521
Other industry	993	882	731
Building industry	626	—	—
Public utilities	2,826	2,931	2,979
of which:			
Electricity undertakings	1,961	2,024	2,038
Gas undertakings	359	404	430
Water supply undertakings	506	504	512
Total industry	10,979	—	—

*Including investments in the Dutch sector of the Continental shelf.

TABLE II
Research and Development Expenditure by Private Enterprises in Netherlands

	1970	1971	1972	1973	1974
Metal industry	621	750	924	943	1,094
Chemical industry	483	525	537	553	668
Food, drink and tobacco industry	92	99	99	113	127
Other industries	34	35	38	43	41
Non-industrial sectors	105	116	123	138	160
All enterprises	1,335	1,525	1,721	1,790	2,090

The latest political developments have come as a breath of fresh air. We must all see to it that the air remains fresh and not turn stale, giving out a stench. It is really very important that the election should be free and fair. This is a common responsibility and its due discharge must be a shared function of all political parties, the mass media and each and every official, semi-official or non-official agency having anything at all to do with the election. The ruling party and the administration, however, have certain special and specific obligations. Among them is the scrupulous avoidance of the use of government resources or the abuse of public resources for the promotion of the party's fortunes at the polls. A sincere effort should be made to impart a non-partisan character to the coverage of news or presentation of views by SAMACHAR and ALL INDIA RADIO (and TV). The feasibility of panels of non-party public personalities being attached to these institutions for the duration, so that an eye may be kept on their functioning, is worth being looked into. In any case, no interlopers—whatever may be their public role or official designation—should be allowed to interest themselves in or influence the day-to-day functioning of SAMACHAR or ALL INDIA RADIO or TV in partisan directions when it is dealing with election news or activity in the country.

Press censorship has been lifted by the central government. The word has gone to state capitals to give effect to this decision immediately. This directive should be honoured in letter and spirit. Journalists and their organizations should interest themselves in ensuring that local administrations do not drag their feet. Apart from censorship various methods have been used to pressurise the press. We should be able to assume that these coercive exercises will also stop. There is no reason to believe that the cause or

the case of the ruling party will not receive adequate coverage or fair treatment in the pages of newspapers or periodicals in the normal course; and it should certainly be no part of the aim of the party in power to put up obstacles in the way of the opposition being similarly served.

Doubts have been expressed about the election being held in a clean and impartial manner. Opposition politicians are under a professional obligation to express such doubts. At the same time, it cannot be denied that large numbers of citizens are genuinely apprehensive. This is because of the political history of the past 18 months. They may however allow themselves to be reassured by the fact that there is no great need for the party in power to go out of its way to secure a verdict in its favour. It has been suggested in some quarters that the prime minister's election decision is a gamble. This could be true only in the sense that she is gambling on a certainty. It is as certain as anything in politics or life could be that her party would be returned to Lok Sabha with a comfortable majority. Its leadership, therefore, has a clear interest in not courting charges of election-rigging. The credibility of a vote returning it to power will be in direct proportion to the demonstrable cleanliness of the polling process. In this sense, Mrs Gandhi is bound to be more concerned with the quality of this vote than its quantity. There are definite prospects then of the election being conducted, by and large, in a manner consistent with the proprieties normal to this event or process.

The short notice at which the election will be held, it is generally believed, ought to restrict the role of money in the wooing of voters by candidates or their parties. The argument is somewhat as follows. Since opposition parties do not have enough time to build up their

war chests, they may have to operate on shoe-string budgets and this would mean that there would be less temptation for or pressure on the ruling party to loose its own purse-strings much. Incidentally it is also being said in this connection that even if opposition politicians are given a free time in the world, they would still not be able to attract really big money to their party coffers for obvious reasons. For the party in power, of course, money has never been a problem and it must be even less of a problem in the present circumstances.

Since it is clear enough that the ruling party will get back to Lok Sabha with a good enough majority, the practical aim of the main opposition complex should be to put up as impressive a show as possible so that the concept of a plausible constitutional alternative to the Congress party of Mrs Gandhi becomes less nebulous and the possibilities of a viable two-party parliamentary system can be taken more seriously by the citizens of this country.

It is of course too early for either side to count its chickens. A reasonably clear picture will emerge only after the ruling party has been able to nominate its candidates with a minimum of internal dissensions or factional infighting or the opposition complex has been able to coordinate policy, strategy and above all the personality factor at individual and group levels with a minimum of mental reservations on the part of its top leaders.

We must be grateful for whatever tickles our sense of humour these days. Addressing the sadhus at the Kumbh Mela, Mrs Gandhi advised the to work among the people to remove superstitions. This is rather like exhorting Casanova to preach against the violation by women of their marriage vows. I must confess, however, that I am amused by her government's action in incarnating its chief censor into its chief press adviser. What is its principal information officer meant to be? A QMS pillar? If the idea merely was to reward Mr D'Penha for services rendered, a Republic Day award should have sufficed. His "advice" ought to be vigilantly watched.



MOVING FINGER

EASTERN ECONOMIST

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Central Ordnance Depot, Delhi Cantt-110010

The Commandant invites sealed tenders addressed to Commandant COD, Delhi Cantt for supply of the following stores from approved contractors on the list of DGS&D and those registered with the other Govt. Departments including Ordnance Supply will be made according to the drawings and specifications obtainable from the Chief Inspectorate of Vehicles, Ahmednagar/Jabalpur for MT items, Chief Inspectorate (Engrs. stores) DIGI PUNE-15 for machinery items on payment of Rs 6 per rawing or at the price as specified by them by remitting the amount in advance. Samples of the items can be seen in this depot on any working day between 0900 to 1300 hrs. Inspection: Inspection of pilot sample/bulk applies will be carried out by the following inspectors:

ITEM SERIAL NUMBER	INSPECTING AUTHORITY
10, 16, 18 to 22 & 25	CIV AHMEDNAGAR
1 to 5, 9, 11 to 15, 23 & 28	IV JABALPUR
6, 7, 8, 17, 24, 26 & 27	CIE DIGI PUNE-15
29	CIM KANPUR

GENERAL INSTRUCTIONS : Tender forms and conditions governing the supply can be had from the Local Purchase Office, COD, Delhi Cantt on payment of Rs 2 for each item payable by MRO for local firms and by crossed postal order for outside firms addressed to Commandant OD Delhi Cantt in advance which is not refundable. Money Order will not be accepted. Issue of MRO's/Tender forms will be stopped three days prior to the opening of quotation. While applying for tender form, firms are required to give their registration number and date if registered with Govt. agency for supply of stores. Request for tender forms should be made separately for each item through a separate letter.

While applying for tender form, firms are requested to enclose self-addressed envelope consisting of Rs. 2.35 for one tender form and 0.25 for each additional tender forms.

OPENING DATE OF QUOTATION

ITEM SERIAL NUMBER	DATE AND TIME OF OPENING
to 15	8 March, 1977
6 to 29	11 March, 1977

Sl. No.	Case/File No.	Section/Part No.	Designation/Description/Spn.
(1)	(2)	(3)	(4)
16961-LV7-TMB-60-PROV-76-DP	LV7/TMB	000 589 0703	Special wrench for fuel line 17x19mm opening. Qty 480 Nos. For all TMB Models. Sample is available.
16961-LV7-NSN-58 PROV-76-DP	LV7/NSN	2510,000180	Spring leaf No 3 rear spring For Truck 1 Ton 4x4 NISSAN, Car Patrol 60. Qts 465 Nos. Sample is available.
		55023-45700	Assy spring rear LH. Applicability as above. Qty 200 Nos. Sample is available.
		55020-44720	
16961-01-LV7-NSN-PROV-77-DP	LV7/NSN	LU 414-12V	Bulb TVs (Lucas) 12 Volts 48/50 For NSN TRUCK 1 Ton and Car Patrol 605 CWT. Qty 89000 Nos. Sample is available.
16961-LV7-MAN-68 PROV-76-DP	LV7/MAN	VF3/13/0503	0.8 ATM Radiator Cap For Ly 3 Ton 4x4 GS Shaktiman 415KIAR Qty. 2000 Nos. Sample is available.
16961 48-NSN-76-PROV/76-DP	LV7/NSN	2530-030670	Shoelined leading "For NISSAN" One Ton D4W73N. Qty 500 Nos. Sample is available.
17003-W3 82-76-PROV-75-DP	W3-NIV-1	2980	Industrial furnace box type horizontal rectangular electric. Qty 1 No. Specification will be provided at the time of issue of tender form. Accessories/Literature required.
17003-W3-126 PROV-73-DP	W4 0444		Press straightening screw hand operated 60 Ton 1220mm (48") Highx1070mm (42") Spn No IND/ENG/PROV/C415. Accessories/Literature required as per specification.
17003-W4-64-76-DP	W4/WX-6239		Wheel wire scratch brush steel crimped steel shed 300mm (12") diax50mm (2") widthx31" 8mm (14) borex0.254mm (33 medium WG) Dg No 1332-C (Canning) Qty 390 Nos. Sample is available.

9. 16961-4-LV7-NSN-DP LV7/NSN	V/86350-44700	Assy cushion asset seat. For Truck 1 Ton D4W73N Qty 370 Nos. Sample is available.
10. 16704-219-MT7-76-DP	LV6/MT7 3110-000816	Brg ball single thrust 5202 90.488x20 498mm. In HOFT 1042, SKF/400196. Lorry 4 Ton 4x4 GS DODGE. Qty 370 Nos.
11. 16961-47-NSN-DP-76	LV7/NSN XOWF3-00149	Wire £" Truck 1 Ton 4x4 NISSAN D4W73N. Qty 338 Nos. Sample is available.
12. 16901-LV7-NSN-82/PROV-77-DP	LV7/NSN 2570-000832 2520-000333	Lining friction. For Truck 1 Ton 4x4 NISSAN D4W73N. Qty 150 Nos. Sample is available.
13. 16961-LV7-NSN-82-PROV-76-DP	LV7-NSN 54010-45700	Facing friction. Applicability as above. Qty 3660 Nos. Sample is available.
14. 16961-LV7-NSN-5-77-PROV-DP	LV7/NSN 2920-000048	Assy spring front. For Car Patrol 60 Qty 400 Nos. Sample is available.
15. 16961-03-LV7-NSN PROV-76-PD	LV7-NSN 2840-000095 2540-000097	Distributor Ignition system. For Truck 1 Ton 4x4 NISSAN D4W73N Qty 135 Nos. Sample is available.
16. 16704-332-MT7-DP-75	LV6/MT7 3110-000384	Shock Absorber Front. For Truck 1 Ton 4x4 D4W73N. Qty 400 Nos. Sample is available.
17. 17003-W3-56-76-DP WX-0239		Shock Absorber Rear. Applicability as above. Qty 430 Nos. Sample is available.
18. 16704-152-MT13-DP 76	LV6/MT13 IA-130294	Brg Ball JNL S/ROW 85mmx150mm x25mm 00 Fit. Inf HOFF/185, R & M-LJ 85, SKF-6217 FBC-6217 and poll 185. Qty 455 Nos. Sample is available.
19. 16704-201-MT2-76-DP	LV6/MT2 5120-000743	Machine Grinding plain Cylindrical Hydraulic precision 250mm dia swing over table 900mm between centres 415 VAC. Spn No IND/ENG/PROV/0532 Qty 1 Nos.
20. 16704-197-LV6-MT2-76-DP	LV6/MT2 5120-99-803.0256	Bonnet cover and Radiator Muff. For Truck 1 Ton 4x4 DODGE Power Wagon Qty 110 Nos. Sample is available.
21. 16704-256-LV6-MT4-DP	LV6-MT4 2920-000422	Extractor pulley rivet Motor Cycle chain. Common user item. Qty 3120 Nos. Sample is available.
22. 16704-LV6-MT3-206-76-PROV-DP	LV6-MT3 6240-99-995-1248	Socket spanner 820 in As Drg No. CHEME(V) 1092/2. Qty 1620 Nos. Sample is available.
23. 16961-LV7-NSN-9-PROV-DP	LV7-NSN 21020-55101	Commutator Assy for Lorry 3 Ton 4x4 SHAKTIMAN Lorry 3 Ton 4x4 TMB Qty 450 Nos.
24. 17003-W3-68-75-DP	W3-L/NIV-2979	Lamp filament 12 Volts 3.6 Watt MCC Clear. Qty 69000 Nos. Sample is available.
25. 16961-LV7-TR-100-PROV-76-DP	CIM(B) 1101-37	Assy vane shaft. For Truck 1 Ton 4x4 NISSAN D4W73N. Qty 1100 Nos. Sample is available.
26. 17003-W3-55-74-DP	WX-0358	Hydraulic Test set consisting of one Double acting Air. Hydro pump Radio 1-256 mounted on a framework complete with reservoir and connection pipe work single pressure stop valve and hydraulic gauge (10") dia 3-40000 Psi. Qty 1 Nos. Specification will be provided with Tender Form.
27. 17003-W3-97-76-DP	WX-0181	Cover canvas 2438 mmx1701. 8mm Trailer 1 Ton Whld GS Qty 400 Nos. Sample is available.
28. 16961-57-LV7-NSN-76-DP	LU-414-12V	Detector crack magnet with 760mm. longx43.755 C42 maximum sectional area 240 HAC Accessories/Literature Required as per Spn No IND/ENG/PROV 0102. Qty 1 Nos. Sample is available.
29. 17003-L3-15-76-DP	NIV	Drill electric portable light duty 6.35mm dia MS 240 VAC. Qty 40 Nos. Sample is available. Spn No IND/ENG/PROV G603.

TRADE WINDS

State Plans

THE PLANNING Commission has finalised annual Plan outlays of Punjab, Karnataka, Haryana, Nagaland, Tripura and North-Western Council for 1977-78 in discussions with state leaders. The outlays will be: Punjab Rs 257.50 crore, Karnataka Rs 230 crore, Haryana Rs 148.40 crore, Nagaland, Rs 19.27 crore, Tripura Rs 15.78 crore and North-Eastern Council Rs 26.78 crore.

Punjab

Punjab's outlay finalised at a meeting with chief minister Mr Zail Singh, has been fixed at Rs 257.50 crore—Rs 35.50 crore more than the current year's annual Plan. The state's fifth Plan outlay is Rs 1,013.49 crore. Actual expenditure during 1974-75 was Rs 137.05 crore and in 1975-76 Rs 167.25 crore. The approved outlay for the two terminal years of the fifth Plan (1977-79) is Rs 500 crore.

Punjab will provide adequately for the steeply increased outlay on Beas power and irrigation project. It will also meet the needs of the accelerated growth for the rural electrification, elementary education and communications.

Nagaland

Nagaland governor Mr L.P. Singh attended the meeting to finalise the states annual Plan at Rs 15.78 crore. Mr S. Sengupta, chief minister of Tripura attended the meeting on behalf of Tripura. The

fifth Plan outlay for Nagaland is of the order of Rs 83.63 crore. The actual expenditure was Rs 14.67 in 1974-75 and Rs 15.82 crore in 1975-76. The approved outlay for 1976-77 is Rs 17.70 crore, and for the two terminal years of the fifth Plan Rs 36.09 crore.

Tripura

For Tripura, the actual expenditure was Rs 10.18 crore for 1974-75. Approved outlay for 1977-79 is Rs 32.65 crore. Greater attention would have to be paid to the development of rubber and possibly coffee and tea. Its immense potentialities for growing these items were stressed.

North-Eastern Council

The outlay for the annual Plan 1977-78 for North-Eastern Council is Rs 26.78 crore including Rs 4.80 crore for agriculture and allied programmes. A provision of Rs 83 lakh has been made for foundation of seed potato farms in Manipur, Nagaland, Arunachal Pradesh, Meghalaya and Mizoram and for regional ginger station, Mizoram.

Karnataka

The outlay of Rs 230 crore for Karnataka is Rs 14.07 crore more than provided in the current year's Plan. Chief minister Mr Devraj Urs and state Finance minister Mr M.Y. Ghorpade attended the meeting. The annual Plan takes care of the priority sectors ensuring that the high invest-

ment on Kalanadi and Cauvery project is maintained without affecting the progress in the social services sector. Karnataka's fifth Plan is of the order of Rs 997.67 crore. The actual expenditure was Rs 121.52 crore in 1974-75 and Rs 176.13 crore in 1975-76. The approved outlay for the two terminal years of the fifth Plan is Rs 495 crores.

Haryana

The Planning Commission has sanctioned Rs 148.40 crore for Haryana's annual Plan 1977-78. The outlay was finalised at a meeting between deputy chairman of the Planning Commission Mr P.N. Haksar, and state chief minister Mr B.D. Gupta. The meeting was also attended by minister of state for Planning, Mr Sankar Ghose. The sectoral allocation is: agriculture and allied services Rs 10.83 crore; cooperation Rs 22.75 crore; water and power development Rs 104.61 crore; industry and minerals Rs 2.56 crore; transport and communication Rs 10.63 crore; and social and community services Rs 15.87 crore.

Haryana has allocated nearly 70 per cent of its current and next year's planned allocation to irrigation and power. In absolute terms, out of the total of Rs 137 crore and Rs 148.40 crore in 1976-77 and 1977-78, Rs 93.58 crore and

Rs 104.6 crore will be under this head.

LIC Business

The Life Insurance Corporation of India has recorded an increase of 7.3 per cent in its individual business during the nine months, from April to December last calendar year over the corresponding period of 1975. Its business went up from Rs 1253 crores to Rs 1380 crores, including foreign business of Rs 10.28 crores. The number of policies also increased from 1,273,230 to 1,335,925 during this period.

The southern zone with completed business of Rs 388 crores and 423,764 policies emerged on the top followed by the western zone with a business of Rs 335 crores and 35,207 policies. The eastern, the central and the northern zones recorded business of Rs 225 crores; Rs 224 crores and Rs 193 crores, respectively. The number of policies booked by these zones stood at 247,379; 208,032 and 159,147. The number of foreign policies was 2,396.

Economic Sea Zone

This country has notified a 200-mile exclusive economic zone into the seas from the coastline. India will have exclusive jurisdiction to exploit fishery resources, petroleum and natural gas, minerals, chemicals and plants and set

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davp 685 (268) 76

up offshore terminals and make other economic uses of the zone.

The government has issued two notifications—first, under the Maritime Zones Act 1976 (the territorial waters, maritime continental shelf, exclusive economic and other Maritime Zones Act 1976) and the second, a notification specifying the limits of historic waters of India in the Palk Strait, Palk Bay and the Gulf of Manaar. No person, including a foreign government will explore or exploit the resources of the economic zone without obtaining a licence or letter of authority from the government of India according to the notification.

Awards for Chemical Manufacturers

The Indian Chemical Manufacturers Association has announced the names of six winners of P.C. Award for 1976. The awards will be handed over to the winners at the annual meeting of ICMA in March next.

Gujarat State Fertilizer Company Ltd (GSFC) has won two awards; one for the development of forward technology and the other for social progress in the chemical industry. GSFC has the distinction of being the first in adopting steam-naphtha reforming process for the production of ammonia and also double contact—double absorption system in the sulphuric acid plant. The company is also a pioneer in the development of a process for the removal of phosphate and fluorine from effluent waters and evolving special techniques for combatting air pollution. The second award has been given to the company for its massive effort to educate farmers and spread the gospel of scientific cultivation through

a network of farm information centres-cum-depots and through organisation of demonstration meetings, seminars and conferences in the rural areas.

Hindustan Lever Ltd has won the award for develop-

ment of indigenous technology in processing and harnessing of non-traditional oils such as castor oil and rice-bran oil as also other minor oils like neem, karanja and kusum sal. The company has succeeded in upgrading these non-edible

oils to laundry soap grade raw materials and in some cases even to toilet soap grade materials, without recourse to capital-intensive process such as fatty acid distillation.

An award for the export of technology has been conferred

upon Gwalior Rayon Silk Mfg (Wvg) Co Ltd. The company has exported to the Republic of Korea technology for the manufacture of viscose staple fibre. It has also supplied the entire plant for the Korean project.

The award for process designing and process engineering of chemical plants goes to two companies namely, Larsen & Toubro Ltd. and Engineers India Ltd. Larsen gets this award for the manufacture of highly sophisticated equipment in India for nuclear and thermal power plant projects, petrochemical and fertiliser projects and other allied industries. It has also carried out the process designing and process engineering of a number of important chemical plants. Engineers India Ltd—another winner of this award—has contributed to the indigenous growth of petrochemicals, fertilisers and allied industries.

Relaxations in Emergency

In a broadcast to the nation on January 18, 1977, the prime minister while announcing the holding of elections in March 1977, had stated that "the rules of emergency are being further relaxed to permit all legitimate activities necessary for the recognised parties to put forth their points of view". Accordingly the state governments were advised to: (a) expedite the release of political detenus held under Maintenance of Internal Security Act and also review the cases being proceeded against under the Defence and Internal Security of India Rules; (b) that public meetings for normal political activity and electioneering purposes should be allowed freely; (c) Section 16A of MISA may

not be invoked except against members of the banned organisations. If any exception is at all required to be made the same may be done with the prior approval of the central government. The central government has further decided to withdraw powers enjoyed by the state governments under the Defence and Internal Security of India Rules regarding restrictions and control of movement of persons and vehicles, punishment for prejudicial acts, control of meetings etc.

Press Censorship Withdrawn

In keeping with the assurance given by the prime minister in her broadcast on January 18, 1977 and the statement made by the minister of Information and Broadcasting, Mr Vidya Charan Shukla, on January 20, 1977 not to enforce censorship on the press, the government has issued orders, according to which, the organisation of the chief censor will cease to function with effect from January 21. Instructions were being issued to revoke pre-censorship orders wherever they had been imposed. Instructions were also issued to withdraw all orders for forfeiture of printing presses and deposit of security for violation of censorship orders.

Bright Bars and Wire Drawing Industries

The ministry of Industry has decided to permit manufacturers of bright bars and mild steel products to diversify their production up to 25 per cent of their licenced capacity. The units producing bright bars will now be able to diversify into the production of mild steel wires, while wire drawing units producing mild steel wire products can diversify into the production of bright bars. This facility will be

available to all undertakings coming under the above categories. The above decision was taken by the ministry of Industry in pursuance of the government's policy to permit fuller utilisation of existing installed capacity and to allow flexibility in production for improving the economic viability of industrial units engaged in the manufacture of industrial machinery, machine-tools, electrical equipment and steel castings, etc.

Bright bar and mild steel wire products units wishing to diversify may submit their application in Form IL along with a photostat copy of their industrial licence. Details of installed capacity with actual production during the previous 12 months and the production achieved by them

during the previous three financial years should be mentioned. The estimated production of bright bars and mild steel wires after diversification may also be stated.

IDBI Operations

The main highlight of the operations of the Industrial Development Bank of India IDBI during the first half (July-December 1976) of the current accounting year was a substantial step-up of 30 per cent in both sanctions and utilisation of assistance as compared with the corresponding period of the previous year. The total assistance sanctioned aggregated Rs 245.9 crores as compared to Rs 176.3 crores during July-December 1975, the number of applications sanctioned having

SAFE MANNERS AND ELECTRIC TRAINS



The section from Mughalsarai to New Delhi/Delhi of the Northern Railway has been electrified.

All passengers travelling over the section are requested in the interest of their personal safety, to observe the following precautions:

- * Do not stand near the edge of a platform when an electric train is coming in.
- * Do not cross the tracks when an electric train is approaching.
- * Do not travel on the roof! You run the danger of being struck by overhead wires.
- * Do not cross before a moving electric train. It is difficult to guess the speed.
- * Do not come within a range of 2 metres of traction wire and do not carry anything which might infringe the safety radius.
- * Do not lean out of the carriage doors or windows lest you strike against electric installations.
- * Do not touch bare-handed any person who is in contact with live wire. A wooden stick, rubber or paper or paper or any other non-conductor of electricity should be used, if need be.

The railway will not be responsible for the loss to person or property caused by negligence on their part to abide by the general electricity rules.

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gone up impressively from 4,569 to 5,950. The assistance utilised was higher at Rs 160.1 crores as against Rs 115.2 crores in July-December 1975.

Direct industrial assistance sanctioned rose from Rs 38.4 crores in respect of 40 projects during July-December 1975 to Rs 66.2 crores covering 78 projects in July-December 1976—an increase of about 82 per cent in the number of projects assisted and 72 per cent in value of sanctions. Of 73 projects, 44 were located/will be located in the specified backward districts, concessional assisted sanction to such projects being Rs 31.9 crores. Around 44 per cent of direct assistance was claimed by 28 projects belonging to five high

priority industries viz., fertilizer, paper, sugar, textiles and cement. The balance sanctions were in respect of other core sector industries such as basic and miscellaneous chemicals, iron and steel, industrial machinery etc.

Sanctions under the machinery bills rediscounting scheme increased by 57 per cent from Rs 40.8 crores during July-December 1975 to Rs 64 crore during July-December, 1976. Around 33 per cent of the assistance during July-December 1976 was availed of by public sector utility undertakings such as state electricity board and state road transport corporations as compared to only 14 per cent during the corresponding period of the previous year.

Sanctions under refinance of industrial loans at Rs 103.9 crores were higher by 36 per cent compared to Rs 76.3 crores in July-December 1975. The number of sanctions also went up from 3,937 to 5,269. About 61 per cent of the refinance in terms of value and 91 per cent in terms of number of applications was in respect of small-scale industries and small road transport operators. In the field of export finance, sanctions under refinance of export credits increased from Rs 0.5 crore on five applications to Rs 2.6 crores on seven applications; the sanctions under direct participation credit were Rs 5.9 crores on four applications as compared to Rs 12.2 crores on seven applications in July-December 1975.

The sanctions were mainly in respect of export of railway wagons and coaches, sugar mill machinery and bus chassis to Uganda, Kenya and Sri Lanka.

The total effective sanctions since inception of IDBI till the end of December 1976 amounted to Rs 1978.4 crores (excluding guarantees for Rs 34.3 crores). The total utilisation of assistance aggregated Rs 1389.8 crores. The table below : (i) compares the assistance sanctioned/ utilised under different schemes of lending during the half year July-December 1976 with that in the corresponding period of 1975; and (ii) gives the total assistance sanctioned/ utilised since the IDBI com-

menced its operations in July 1976.

Ruppee-Dollar Rate

The floor/ceiling rates for purchase and sale of US dollar currency notes by authorised dealers and money-changers from/to the public have been revised, with effect from January 19, the Reserve Bank announced recently. The new rates for buying and selling one US dollar are: Rs 8.60 and Rs 9.00, respectively. The previous rates were: buying Rs 8.50 and selling Rs 8.90.

Marketing Awards

The Institute of Marketing and Management-Toshiba Anand Batteries Limited "Marketing Man of the Year" gold award for 1977 has been won by Dr A. Das Gupta, General Manager, International Division, Engineering Project India Ltd (EPI) a public sector undertaking, headed by Mr Mohd Fazal. The company bagged several contracts overseas including building of cities from scratch. Dr A. Das Gupta also delivered the annual lecture on Marketing Horizons on January 25, 1977 under the chairmanship of Syed Mir Qasim, union minister of Civil Supplies and Cooperation.

The two silver awards were won by Mr B.R. Bhandari, group executive, State Trading Corporation of India Ltd. and Dr M.D. Shukla, manager (marketing), Bharat Heavy Electrical Ltd. These awards are also a recognition of top class performance in marketing by these companies. The

Directorate of Purchase and Stores
Department of Atomic Energy
Palton Road, Bombay-400001
Tender No: DPS/NAPP/ (PPED)/EEQ/33 to be opened on 10-2-77 for KV, 10000 Amps, insulated phase bus duct, has been extended upto 10-3-77 (3 p.m.). davn 645(379)76

awards were handed over at a special ceremony by the President of India on January 24, 1977. A panel of judges headed by Brig. B.J. Shahaney, Secretary, Technical Development, ministry of Industry, considered nearly 40 entries.

Capacity Utilisation in Engineering Industry

The Engineering Export Promotion Council (EEPC) has identified 11 industries in which substantial unutilised capacity exists. With some support from the government that vast capacity could be fully utilised resulting in raising the export earnings from engineering goods by another Rs 100 crores over the next two years. The 11 industries are : steel tubes and pipes, wire ropes, commercial vehicles, castings and forgings, textile machinery, batteries, bicycles, power-driven pumps, electric motors, wagons and coaches, as well as wires and cables.

The EEPC has identified these industries having, on an

average, 50 per cent unutilised capacity after discussing the subject with individual companies both in Bombay and New Delhi. This micro-level approach will continue and EEPC may identify more sectors where unutilised capacity could be used for raising exports. The Industry minister, Mr T.A. Pai, is keen that the engineering industry should make full use of the present unutilised capacity to raise both production and exports. The EEPC's efforts in locating areas where substantial unutilised capacity exists and which can be exploited for stepping up exports with minimum of government support and import of equipment, are a follow up of official interest shown in the subject.

Engineering Exports to West Asia

The government has decided to adopt a multipronged strategy to bridge the information gap in west Asian and north African countries in regard to India's engineering

capabilities. The Secretary, department of Heavy Industry, Mr Mantosh Sondhi, disclosed recently that an intensive publicity campaign would be launched in this region and foreign exchange would be made available for this purpose. Films on specific industries were already being made and the commentaries would be dubbed in a number of foreign languages initially English, French and Arabic. He was speaking at a seminar on engineering exports to these countries organised by the Association of India Engineering Industry (AIEI) to coincide with the visit of Indian envoys to this region. About 20 ambassadors from Saudi Arabia, Iran Iraq, Morocco, Kuwait and Libya among other countries participated in discussions, along with representatives from both private and public sector undertakings. In this context AIEI president, Mr. F.A.A. Jasdanwalla announced that the association had decided to set up an office in Saudi Arabia.

IDBI Assistance—Sanctioned and Utilised

(In crores of rupees)

Type of assistance	Assistance sanctioned (effective)			Assistance utilised		
	July-December 1975	July-December 1976	July 1964-December 1976	July-December 1975	July-December 1976	July 1964-December 1976
1. Direct loans to industrial concerns (other than for exports)	36.65	55.69	491.73	14.74	35.70	296.01
2. Underwriting of and direct subscriptions to shares and debentures of industrial concerns	1.72	10.46	87.33	3.18	2.69	42.86
3. Refinance of industrial loans	76.26	103.88	580.89	42.76	58.64	408.37
4. Rediscounting of bills	40.78	64.01	560.50	31.57	47.35	452.24
5. Subscriptions to shares and bonds of financial institutions	7.10	3.36	75.03	7.09	2.64	71.49
Total project assistance	162.51	237.40	1975.48	99.34	147.02	1270.97
6. Direct loans for exports	12.18	5.89	99.74	7.66	10.14	64.11
7. Refinance of export credits	0.47	2.60	50.46	6.76	0.43	43.59
8. Overseas buyers' credit	1.18	—	12.21	—	1.51	1.81
9. Foreign lines of credit	—	—	20.50	1.39	1.04	9.33
Total of 1 to 9	176.34	245.89	1978.39	115.15	160.14	1389.81
10. Guarantees for loans and deferred payments	—	—	26.73	—	—	19.5*
11. Export guarantee	1.99	2.90	7.57	0.45*	2.77*	7.43*

*Guarantee executed.

Eastern Economist 30 Years Ago

JAN. 31, 1947

Courtesy at the international level would appear to be declining from the war-time level when it reached nobler heights, than normally, if the report appearing in the press that "the USA is determined to start collection of reparations from Japan immediately, even without full agreement on the terms with Russia and other war-time allies" is true. The news report gives this message as from the announcement by the US State and War Department officials in a broadcast in Washington. It appears also that the Director of the State Department Office for Far Eastern Affairs has announced that an urgent instruction to General Mac-Arthur is under consideration

to start early removal of Japanese industrial plants and equipment. It might be conceded that in so far as the USA has contributed most towards the overthrow of the Japanese in the East, its part of the Japanese reparations will be the heaviest; but it is rather difficult to understand the haste and ungentlemanly manner on which USA seems to be made up in taking her part of the reparations. It may be mentioned here that at the German Reparations Conference where there were a larger number of countries whose claims for reparations were recognised, substantial satisfaction seems to have been obtained by most of the allies.

COMPANY AFFAIRS

Kirloskar Brothers

AFTER MEETING all expenses and making provisions for depreciation and taxation and other adjustments Kirloskar Brothers Ltd has earned during the year ended July 31, 1976 a profit of Rs 58.44 lakhs. The directors have recommended an equity dividend of eight per cent for 1975-76. Though this means a drop of two points compared to the previous year, the amount Rs 16.35 lakhs to be disbursed by way of equity dividend will be one-third more than in 1974-75 since the bonus shares issued in July 1976 will rank for dividend.

Direct Sales

The company has terminated the distribution agreement with Kirloskar Tractors Ltd for sale of tractors from September 1, 1976. This decision became unavoidable owing to the change in conditions in the last three years. The remuneration on sale of tractors was very meagre and did not bear a fair relationship to the investments required to be made and the costs required to be incurred for promoting the sale of tractors and rendering adequate service to customers. Moreover interest rates also increased in the last three years. This business, therefore, had become unremunerative to the company and its further continuance would have only resulted in an erosion in the profits of the company.

In the first four months of

the current year sales have continued to increase as compared to last year and the flow of incoming orders for company's products except for machine tools is quite satisfactory.

MICO

Exports of Motor Industries Co Ltd (MICO) reached a record level of Rs 117.8 million in 1976, an increase of more than 30 per cent over the 1975 figures. The export earnings of the company were considerably higher than the value of imports and other outgoings. The net foreign exchange earnings of the company amounted to Rs 70 million in 1976.

While the bulk of MICO's exports goes to West Germany, France, Italy, Spain, Brazil, Argentina and the USSR, there has been a significant improvement in MICO's exports to Sri Lanka, Thailand, Malaysia, Singapore and Bangladesh.

Enfield India

A new popular model "Enfield 200" incorporating very many new features was introduced in the market by Enfield India Ltd early last week. The new motor cycle has been so designed that it competes with popular foreign brands in overseas markets. The salient features of the new model are that it has the economy of the earlier popular model crusader and gives 38 km per litre of petrol. It is elegant and has a better brake system than the previous models. Moreover it

has been made possible to change the wheel in a matter of minutes after a puncture which is not possible in any other motorcycle.

The production of Enfield 200 during February would be of the order of 500 units and would be raised to 800 vehicles per month from March onwards.

Enfield India besides meeting the country's needs has entered foreign markets for the sale of its motorcycles. It has received orders from Nigeria and has enquiries from Holland, the UK, West Germany, Kenya and Uganda.

Calico Mills

The turnover of Calico Mills has almost quadrupled in the last 10 years and has now reached about Rs 100 crores as a result of the rapid implementation of the scheme of expansion and diversification in its three major operating divisions — Textiles and Garments at Ahmedabad, Chemicals and Plastics at Bombay and Synthetic Fibres at Baroda. Expansion of the Polyester Fibre Plant to twice its present production capacity and the setting up of a modern textile processing plant are under active consideration.

In view of the increasing magnitude and complexity of the task of management, therefore, Mr Gautam Sarabhai and Mr Suhrid Sarabhai have recommended to the board of directors that the operating management of the company should henceforth be entrusted to managing directors. Accordingly, Messrs H.T. Bhavnani and B.V. Bhatt, until now general managers, will be appointed managing directors, subject to the approval of the shareholders and government. As

Mr Bhavnani wishes to be posted at Bombay due to personal reasons, the Chemicals & Plastics Division will be looked after by him and the Synthetic Fibre Division by Mr Bhatt.

As an interim measure, Mr Kher, director, has consented to look after the Textile Division up to March 1978, after which it will be handed back to Mr Bhatt. Thus, each major operating division will receive concentrated attention of a top executive of the company stationed at the principal centre of activity of the division.

Calico has more than 52,000 shareholders and Mr B.U. Balsari, until now General Manager, Finance and Jt. Secretary of the company, will be appointed a whole-time director, subject to the approval of the shareholders and government and will be in charge of company affairs and Internal Management Audit.

The board of directors will be assisted in its task of general supervision and control of the affairs of the company, by a standing committee of directors taking joint responsibility, with Mr Suhrid Sarabhai as Honorary Chairman, Mr S.A. Kher as Deputy Chairman, and the Managing Directors and wholtime directors as members.

Automobile Products of India

The turnover of Automobile Products of India during the first five months of the current year has improved to Rs 8.6 crores from Rs 8.1 crores in the same period of last year. Production was 18 per cent higher than in the corresponding period of the preceding year. The company has earned a gross profit of Rs 34

lakhs and after depreciation the net profit would be in the region of Rs 10 lakhs.

The hike in oil prices coupled with credit restraint had disturbed the operations of the company. The company, however, hopes to return to the dividend list within the shortest possible time.

The machinery, stores and other assets of the Lucknow division have been shifted to the Aurangabad plant and commercial production of the rod ends is expected to start there shortly.

Indian Oxygen

Indian Oxygen Ltd has reported impressive improvements in its working results during the year ended September 30, 1976. The company's turnover at Rs 44.39 crores inclusive of transport and other recoveries, was 14.8 per cent higher than in 1974-75. The higher turnover reflects mainly increased volumetric sales of almost all products. A much improved industrial relations climate in the company and reduced power constraints enabled better utilisation to be made of production facilities during the year.

The sales of the gases division at Rs 21.73 crores were Rs 2.91 crores more than in the preceding year. Higher volumetric sales were achieved despite increasing competition especially in major products. The special gases centre commissioned during 1975 had a satisfactory year and its products served vital and technically advanced industries which were hitherto dependent upon imports for their requirements. Arrangements are in an advanced stage to implement the letter of intent for the manufacture of argon at its Jamshedpur factory. A further

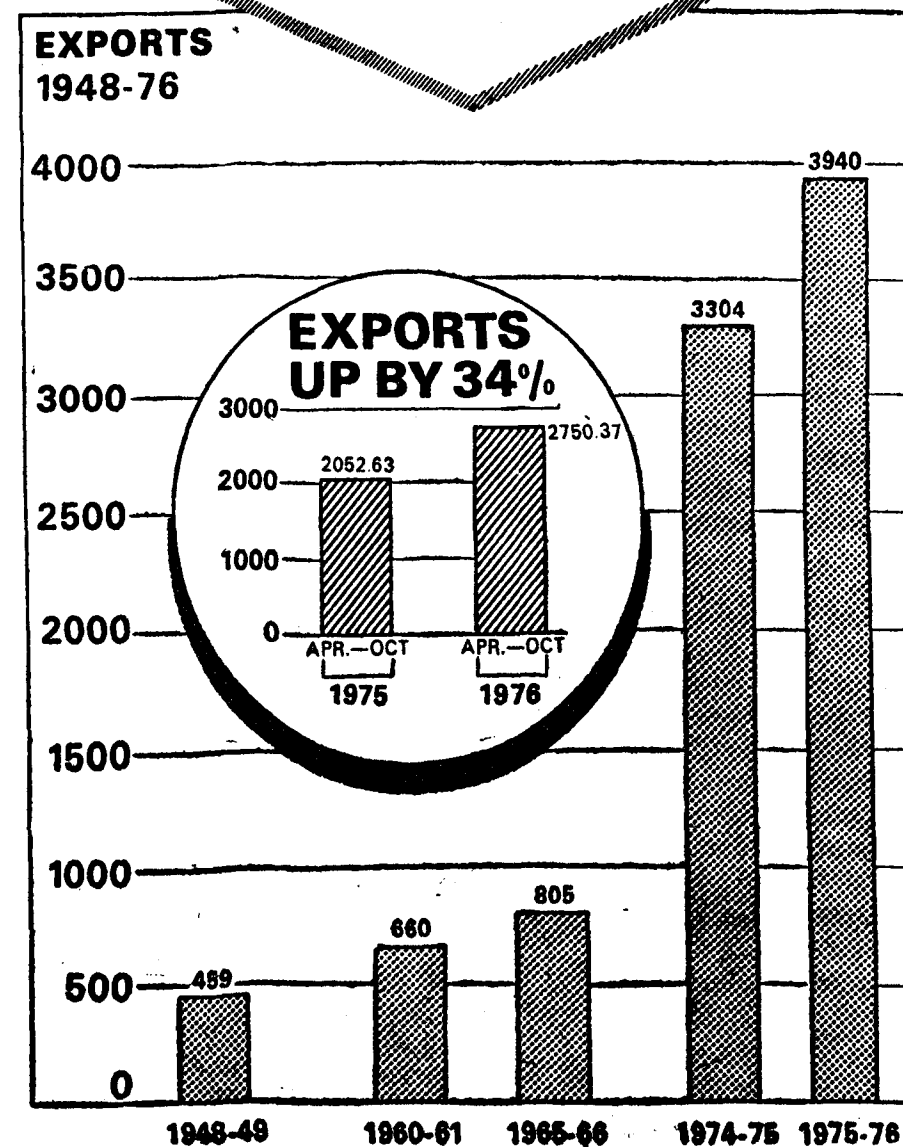
letter of intent was also received in September 1976 permitting installation of manufacturing facilities for hydrogen at its Asansol factory. Steps to implement the project have been initiated.

Electrode and equipment

division's sales at Rs 16.55 crores were Rs 2.40 crores higher than in 1974-75. The division continued with vigour its development programmes. New electric welding equipment introduced includes semi-automatic and automatic weld-

ing equipment, micro plasma welding equipment and a new air cooled torch. A variety of new electrodes was introduced in the market, including special electrodes for pipe welding, for welding medium and high tensile steels and for a

Indian exports touch a new high (IN CRORE RUPEES)



variety of hard facing applications. The company has also received the government's approval to manufacture plasma cutting equipment and this will be put in hand shortly. In the field of medical equipment a ward vacuum unit and an advanced anaesthetic machine — the Boyle Major — were launched and initial customer response is encouraging.

Sales of liquid oxygen explosives at Rs 78 lakhs were the highest for several years and exceeded the previous year's figure by Rs 25 lakhs.

The plant and manufacturing department's sales at Rs 1.58 crores were Rs 64 lakhs lower than in 1974-75. However it is encouraging that an export order for an oxygen plant has recently been secured with the assistance of BOC. Incidentally this is the first export order won by our country for an oxygen plant. Moreover the technical collaborations agreement with Cryoplants Ltd, London, for the manufacture of low pressure air separation plants and nitrogen generators, has also been finalised recently.

Exports sales at Rs 90 lakhs were 34 per cent larger than in the preceding year. Most of the sales were of the company's own products, although there was an increase in the sale of non-traditional products manufactured by others, mostly small scale units.

The profit for the year before taxation amounted to Rs 4.80 crores as against Rs 3.40 crores while the profit after tax stood higher at Rs 1.72 crores as against Rs 1.45 crores in the preceding year. The directors have declared an equity dividend of 18 per cent for 1975-76.

At the annual general

meeting of the company to be held on February 9, proposals will be made to raise the authorised capital of the company from Rs 8 crores to Rs 12 crores. The directors will also recommend at this meeting a proposal for increasing the subscribed capital by the issue of 20,53,333 new ordinary shares of Rs 10 each as a bonus scrip issue in the ratio of one share for every three shares held. As a result the paid-up capital of the company would stand at Rs 8,21,33,300. These observations are contained in the chairman, Mr K.D. Moore's annual statement circulated to the shareholders of the company.

Unit Trust

The sale of units of the Unit Trust of India for the half year ended December 31, 1976 amounted to Rs 21.09 crores against Rs 12.88 crores in the corresponding period last year. The repurchases declined to Rs 4.11 crores from Rs 7.95 crores. As a result, there has been an increase in net inflow to Rs 16.98 crores from Rs 4.93 crores.

Of the half year's total sales, Rs 33.56 lakhs were invested by non-residents under 312 applications as against Rs 11.39 lakhs under 112 applications during the corresponding period of last year.

Sales under the Children's Gift Plan, which is a part of 1964 scheme, aggregated Rs 34.72 lakhs during the half year as against Rs 27.63 lakhs in the same period of last year.

As at the end of December 1976 units of the face value of Rs 175.75 crores under 1964

Department of Atomic Energy

On behalf of the President of India, the Director, Directorate of Purchase and Stores, Department of Atomic Energy, Bombay invites tenders as detailed below:

(1) Tender No. DPS/VEC/ENG/418 due on 21-2-77. Spherical Steel Shots 3 mm and 5 mm sizes, as per tender specification, for V.E.C. Project at Calcutta. Qty: 20 Tonnes.

(2) DPS/NFC/ENG/275 due on 23-2-77. Fabrication and supply of Stainless Steel Pipe Rack as per drawings and tender specifications for Nuclear Fuel Complex, Hyderabad. Qty: 2 Nos.

(3) DPS/RAPS/O&M/ENG/190 due on 28-2-77. Manufacture, inspection, testing, tropical export packing, supply and guarantee of Inconel x 750 compression Springs as per drawing and specification in various sizes and large quantities for Rajasthan Atomic Power Station, Kota. Import licence will be provided by Purchaser if necessary. Qty: 4,600 Nos.

(4) DPS/HWP/PPF/581 due on 4-3-77. Supply of Stainless Steel Slipon Type Flanges as per purchaser's tender specifications.

(5) DPS/MAPP/MTL/82 due on 17-2-77. Copper Sheets conforming to IS 1972 1.6mm and 3.15 mm. Qty: 5,360 kg.

(6) DPS/BARC/ENG/9774 due on 28-2-77. Manufacture and supply of precision pins and pulleys as per Purchaser's specifications and drawings in various sizes and large quantities. 4500 Nos.

(7) DPS/BARC/CAP/2392 due on 14-2-1977. Supply, installation, testing and commissioning of centrifugal pump sets, capacity 3650 litres per minute against total head 130 metres as per purchaser's specification. 3 Nos.

(8) DPS/AMD/CAP/263 due on 17-2-77. Power shearing machine, shearing length 2000 mm, etc., as per purchaser's specification 1 No.

(9) DPS/PPED/PPF/943 due on 25-2-1977. Stainless Steel Fittings as per Purchaser's tender specifications.

(10) DPS/BARC/CAP/2393 on 3-3-1977. Canned motor centrifugal pump mounted vertically or horizontally with a suitable electric on-line starter, discharge capacity 15 Ltrs/Mnt. as per purchaser's specification. 1 No.

(11) DPS/NFC/CAP/433 due on 14-3-1977. Universal nibbling machine, capacities in mild steel/stainless steel straight cutting 8 mm th./5 mm th., figure cutting 2.5mm/2mm, louvre cutting 4 mm/3mm, nibbling 6mm/4mm, etc. with accessories, attachments and tools as per purchaser's specification. 1 No.

(12) DPS/NFC/CAP/435 due on 25-3-77. Design, manufacture, supply, supervision of erection and commissioning of circular saw blade sharpeners complete with electrical equipment and accessories, as per purchaser's tender document. 2 Nos.

(13) DPS/HWP/ENG/923 due date 22-2-77. Supply of alloy steel Studs/Nuts conforming to ASTM A 193 Gr 7 and A 194 Gr 2H, as per tender specification for Heavy Water Project at Kota, Rajasthan. Qty: 8,700 Nos.

(14) DPS/BARC/PPF/R-5/150 due on 7-3-77. Supply of Stainless Steel Needle Valves with Tube fittings with Back and front ferrules as per purchaser's tender specification.

(15) DPS/BARC/PPF/2684 due on 8-3-77. Preparation of shop drawings, manufacture, inspection, Assembly, testing and guarantee of Interconnecting piping alongwith support etc. with purchaser's free issue material as per tender documents.

(16) DPS/PPED/FAB/288 due on 22-2-1977. Manufacture, inspection testing, packaging, supply and guarantee of Shield Plugs as per Purchaser's specification and drawings. Qty: 18 Nos.

(17) DPS/BARC/R-5/FAB/32 due on 25-2-1977. Preparation of shop drawings, manufacture, inspection, crating and delivery at R-5 Project Site, Bhabha Atomic Research Centre, Trombay of Calandria Support Structure as per Purchaser's tender document and drawings. Qty: 1 Assy.

(18) DPS/BARC/R-5/EEQ/43 due on 4-3-1977. Design, manufacture, testing, inspection, supply, delivery, installation and commissioning at site of 415 volts, 35 MVA, Indoor metal clad switch Gear Assembly units 6 set as per specification.

Tender documents priced Rs 5/- for items at S. No. 1, Rs 10/- each for items at S.No. 2 to 4, Rs 15/- for items at S.No. 5 Rs 20/- for items at S.No. 6, Rs 25/- each for items at S.No. 7 to 12, Rs 30/- each for items at S. No. 13 to 15, Rs 100/- each for items at S.No. 16&17 and Rs 300/- for items at S.No. 18 and General conditions of contracts priced Rs 0.50 p each except for items at S.No. 16 & 17 can be had from the Finance and Accounts Officer, Department of Atomic Energy, Directorate of Purchase and Stores, 3rd floor, Mohatta Building, Palton Road, Bombay-400 001 between 10 a.m. to 1 p.m. on all working days except on Saturdays. Tender documents and General conditions of contracts will however be issued upto 9-2-77, 14-2-77, 25-2-77, 10-3-77 & 21-3-77 for items at S.No. 7,8,10, 11 & 12 respectively. Import Licence will be provided except for items at S.No. 5, 16, 17 & 18 only if the items are not available indigenously. Tenders will be received upto 3 p.m. on the due date shown above and will be opened at 4 p.m. on the same day. The right is reserved to accept or reject lowest or any tenders in part or full without assigning any reasons.

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scheme were outstanding under more than six lakh accounts.

The unit-linked insurance plan under unit scheme 1971 continued to make fairly good progress. As many as 1,693 applicants joined the plan for a target business of about Rs 1.53 crores as against 1,018 applicants for about Rs 87 lakhs in the similar period of last year.

Punjab United Pesticides

Punjab United Pesticides and Chemicals is setting up a Rs 1.75 crore project at Derabassi in Patiala district of Punjab for manufacturing 600 tonnes per annum of Malathion. This joint venture has been promoted by Excel Industries and Punjab State Industrial Development Corporation. Excel Industries is providing the technical know-how, besides giving detailed engineering required for the project. The project cost will be met by share capital of Rs 75 lakhs and term loans of Rs one crore rupees. Punjab and Haryana are predominantly agricultural states, and therefore will provide a good market for the proposed company's product — Malathion, which is widely used as an insecticide, pesticide and also for public health programme in the eradication of malaria.

News and Notes

The Monopolies and Restrictive Trade Practices Commission passed 'Cease and Desist' orders in the case of M/s Muller and Phipps (India) Ltd of Bombay and other respondents in December last. The orders related to the agreements entered by M/s Muller and Phipps (India) Ltd with M/s Unique Beauticare Pro-

ducts Pvt Ltd of Bombay, M/s Paramount Products Pvt Ltd, M/s. Hakeem Chichi Pharmacy, M/s Bombay Trading Corporation of Bombay and M/s. T.T. Blades of Andheri, Bombay; an order was also passed in respect of its standard form of agreement for appointments of stockists. These arrangements mainly relate to distribution and sale of products manufactured by M/s Muller and Phipps (India) Ltd and also products of other manufacturers.

The respondent is a public limited company engaged in manufacturing and marketing *inter alia* Cuticura ointment, talcum powder and soap and it also distributes the products of several other manufacturers such as tooth brushes, sprayers, safety razor blades, gripewater, kum kum, kajal etc.

New Issues

Punjab Scooters Limited is a company in the state public sector, promoted by the Punjab State Industrial Development Corporation Ltd (PSIDC) to manufacture Vijai Model 150 CC scooters under the brand name of "Vijai Kesri". The licensed capacity of the company is to manufacture 24,000 scooters per annum. The technical know-how and consultancy are being provided by the Scooters India Limited, Lucknow, a government of India undertaking, manufacturing Vijai DL 150 CC scooters.

The Vijay Kesri 150 CC scooter is based on design and know-how which was procured by the Scooters India Limited from the world renowned scooter manufacturers—M/s Innocenti of Italy. The scooter has various elegant

features which distinguish it from other scooters of its class.

The factory is located at village Kakrala, near Patiala. The factory location is well connected by rail and road with other major towns in Punjab viz., Ludhiana, Gobindgarh, Patiala etc. and will enjoy the benefits of focal point.

The company proposes to go into trial production during the first quarter of 1977 and commercial production shortly thereafter. The cost of the project is estimated at Rs 340 lakhs and it will be financed by term loans of Rs 220 lakhs and equity capital of Rs 120 lakhs. Out of the equity capital, the Punjab State Industrial Development Corporation Ltd has taken up shares worth Rs 61.20 lakhs. The remaining 5,88,000 equity shares of Rs 10 each are now being offered to public for subscription. The issue opened on January 27. It will close on February 7 or earlier but not before January 29.

The company will be launching an effective sales promotion campaign in the near future. The effective sales/after-sales service, customer recognition and product improvement through an appropriate feedback and effective research/development programme will form the basis of company's sales promotion strategy.

With an assured demand for the scooters, the company expects to have a fairly good future and barring unforeseen circumstances, will be in a position to declare dividends within a reasonable period after the commencement of commercial production.

Capital and Bonus Issues

Consent has been accorded to 10 companies to raise capital of over Rs 6 crores. The details are:

Cominco Binani Zinc Limited, Calcutta, has been accorded consent, valid for six months, to capitalise Rs 1.68 crores out of its general reserve/capital reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of four bonus shares for five equity shares held.

The Printers House Private Limited, New Delhi, has been accorded consent, valid for six months, to capitalise Rs 700,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for two equity shares held.

New Standard Engineering Company Limited, Bombay, has been accorded consent, valid for six months, to capitalise Rs 29.33 lakhs out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for three equity shares held.

Albright, Morarji and Pandit Limited, Bombay, has been accorded consent, valid for six months, to capitalise Rs 70 lakhs out of its general, development rebate reserve and issue fully paid equity shares of Rs 50 each as bonus shares in the ratio of one bonus share for two equity shares held.

Jay Shree Tea and Industries Limited, Calcutta, has been accorded consent, valid for six months, to capitalise Rs 54,66,650 out of its capital redemption reserve and issue fully paid equity shares of

Rs 10 each as bonus shares in the ratio of one bonus share for four equity shares held.

Rainbow Ink and Varnish Manufacturing Company Private Ltd, Bombay, has accorded consent, valid for six months, to capitalise Rs 10,43,800 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 one equity share held.

T. V. Sundram Iyengar and Sons Limited, has been accorded consent, valid for six months, to capitalise Rs 64 lakhs out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of two bonus shares for nine equity shares held.

Herbertsons Limited, Bombay, has been accorded consent, valid for six months, to capitalise Rs 14,28,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in

the ratio of one bonus share for each equity share held.

Tata-Robins-Fraser Limited, has been accorded consent, valid for six months, to capitalise Rs 16.25 lakhs out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for four equity shares held.

Colour-Chem Limited, Bombay, has been accorded consent, valid for six months, to capitalise Rs 1,54,68,700 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of three bonus shares for eight equity shares held.

Maharashtra State Seeds Corporation Limited, Akola, has communicated to government its proposal to issue capital under Clause (5) of the Capital Issues (Exemption) Order, 1969, for Rs 85 lakhs, equity shares of Rs 100 each to meet a part finance for its project for production, processing and marketing of seeds.

Dividend

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Unichem Laboratories	Sept 30, 1976	14.0*	5.0
Ravalgaon Sugar	Sept 30, 1976	16.0	Nil
Laxmichan Bhagaji	June 30, 1976	5.0	Nil
Peirce Leslie & Co	Sept 30, 1976	12.0	9.0
Same Dividend			
Porrits and Spencer (Asia)	Sept 30, 1976	16.0	16.0
Shree Gopal Industries	June 30, 1976	Nil	Nil
First Leasing Co of India	Nov 30, 1976	18.0	18.0
Reduced Dividend			
Precision Bearings	August 31, 1976	8.0	12.0
Tribeni Tissues	Sept 30, 1976	14.0*	15.0

*On the enlarged capital.

MINISTRY OF DEFENCE INDIAN ORDNANCE FACTORIES

The General Manager of the following factories invites sealed tenders for supply of the following items:—
ORDNANCE FACTORY: MURADNAGAR (U.P.)
Heating Element suitable for Pit type furnace as per our specn = 1 Set of 30 element.

Closing date 24-2-77. Tender forms available @ Rs. 10/- by M.O/Postal order/Bank Draft on application upto 12-2-77.
ORDNANCE CABLE FACTORY: CHANDIGARH-160002

Rolling of full length Electrolytic Copper wire bare vertically cast into Copper wire rod 7.9 mm $\pm$ 0.35 mm. Qty 23000 M/Tons. Tender forms available @ Rs 3/- payable by cash as M.O. upto 7-3-77. Closing date 8-3-77.
ORDNANCE FACTORY: KATNI

1. TENDER NO. 1563/PV/LP/Adv/525: Rack for Rack Draw Press. Drg. No. 35M/118—Qty. 1 No.

2. Tender No. 1563/PV/Adv/523: Slitting cutter for G Type slitting, M/L, Drg. No. 58/2A—Qty. 1 Set (8 Nos.).

3. Tender No. 1563/PV/LP/Adv/524: Bench Lathe centre height 80 mm to 100 mm centre distance 500 mm complete with motor, starter and 1 No. 3 Jaw self centering chuck and 1 No. of 4 Jaw chuck of 150 mm holding capacity. —Qty. 1 No.

Tender forms available @ Rs 5/- each item by cash or P.O. upto 11-2-77. Closing date 11-2-1977.

ORDNANCE FACTORY: TIRUCHIRAPALLI—620016.

Die Block, size 330 x 165 x 115 mm to OFT. Drg. No. SK 1162. Specification. BS 224/3 or 224/5 (Oil hardened and tempered condition—16 Nos.

Closing date 2-3-77. Tender forms available @ Rs 5/- by cash or crossed Indian Postal Order upto 8-2-77 on application.

GUN CARRIAGE FACTORY: JABALPUR

1. T.E. No. 76/406/56 B. Canvas Cotton 24 Ozs. O.G. WP 0.91 Metre wide to specn: IND/TC/0221 (C): 1234 Metres.

2. T.E. No. 76/411/56 B.: M.S. Hoop 0.80 mm thick x 19 mm wide x 6.20 Metres or its multiples long to specn: IS 5872/Grade I: Qty 9000 Kgs.

3. T.E. No. 76/436/56 B.: Wooden Fitter's Bench size 12' x 3' x 3' (365.75 x 91.44 x 91.44 Cms.) As per GCF SK 492: 10 Nos.

4. T.E. No. 76/750/56 A.: NIV M.S. Screws Wood Slotted CSK Hd. No. 10 x 35 mm long to specn: IS 6760-1972: Qty 5,00,000 Nos.

5. T.E. No. 76/749/56 B.: Indexable Face Mills (R.H) with throw-away Inserts in Grade P-30 to sizes 400 mm dia x 60 mm Bore x 20 Ins its similar to R-265—2—400-24 S4: Qty 2 Nos.

6. T.E. No. & 76/751/56 A.: Steel Billet 125 mm to specn: IS-4367-40 Cr. 1 MO 28 with TS-883 MP a Mix 1 ZOD+54 J with Elongation (5.65/A) + 15% Min. The quality Billet will be subject to ultrasonic tests to ensure soundness of material: Qty 6500 Kgs.

7. T.E. No. 76/56—B/VP: Thinner for use with synthetic paint specn: IS 1872/1961: Qty. 4580 Litrs.

Closing date 10-2-77. Tender forms available @ Rs 5/- each by postal order.

ORDNANCE FACTORY VARANGAON

Box HIB

Painted internally and externally with paint ready mixed Air drying Matt. finish for general purpose. Brushing/spraying Olive Green to ISC—220 of IS 5-1961 to specn. IS: 168-1973 (As applicable for defence use.)

Drg. No. ISV 297-A Sheet 1 DC(I) 31295-A

Drg. No. ISV 297-A Sheet 2 DC(I) 31268-A

Specn. IA 1169(i) DC(I) 31188-A Specn. IA 1279(a) DC(I) 31094-A

Aide Memoire-P II: Qty. 70,000.00 Nos.

Closing date 29-3-77. Tender forms available @ Rs. 32/- by postal order (cheque/M.O. will not be accepted) upto 25-2-1977.

ORDNANCE EQUIPMENT FACTORY KANPUR

1. T. NO. PV/778 Paint P.F.U. Ammunition Air Drying Brushing Matt. Finish O.G. ISC No. 220—(4000 Litres). (Specification No. JSS—16302.

2. T. NO. PV/801 Supply of Myrabolium Nuts.—1644000 Kgs. (Specification No. Copy of Specn. will be issued along with Tender Form.)

3. T. NO. PV/833. Supply of Rivets Copper Hose Tinned 16 MM x 3.15 MM Dia. 575 Kgs. (Specification No. BS: 641-1951)

Closing date 17-3-77. Tender forms available @Rs 5/- each by postal order.

AMMUNITION FACTORY: KIRKEE. Poona-3.

1. Tender Enquiry No. 3753/34/E: (a) Steel sheet 2500 x 1000 x 2.5 mm thick Specn. BS 1449 pt. 2 B-1964 En 2C OR Specn. IS 1079-1968 gr ST 42-1979—Qty. 14,700 Kgs.

(b) Steel sheet 2500 x 1000 mm x 2.5 mm thick Specn. BS 1449 (latest issue) Pt. 2 B En 2 D. Qty. 27,000 Kgs.

2. Tender Enquiry No. 3753/27/E: Supply of 16,000 Nos. of Box G 70 Mk. 1 with packing fitments phosphated and painted with paint ready mixed air drying brushing/spraying/dipping matt. finish for general purpose for use in defence services, olive green ISC 220 of 15-5-1961 to IS 168-1973 or paint stoving to Specn. J.S.S. 16302.

Closing date 15-2-77. Tender forms available @ Rs 5/- for item 1 and Rs 58/- for item 2. Applications should reach by 31-1-77.

Note: Other details and specification etc. will be supplied alongwith tender forms. Tender fees are non-refundable. Further details can also be seen in Indian Trade Journal.

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COMPANY MEETINGS

Sudarsan Trading Company Ltd.

Registered Office : Calicut-673011

Speech delivered by Major-General D.C. Misra, M.C. (Retd.), Chairman, at the 17th Annual General Meeting of the Company held at the Conference Hall, 'Sudarsan Building', Chakkorathukulam, Calicut on Thursday the 27th Day of January, 1977 at 10.30 A.M.

Gentlemen,

1. I have great pleasure in welcoming you to this 17th Annual General Meeting of your Company. The report of the Directors, incorporating the salient features of our performance during the year under review, together with the audited statement of accounts for the year ended 31st July, 1976, have already been in your hands for some time. With your permission, I will take them as read.

2. It will be recalled that last year I invited your attention to certain significant events and developments that had taken place and which in turn led to political stability followed by a visible increase in production and an all round economic well-being. This favourable climate was further improved by the enunciation of the 20-point economic programme by our Prime Minister. This programme has set out firm guidelines for an effective implementation of sound agricultural and industrial policies aimed at a rapid pace of comprehensive and balanced development. It is encouraging to note that a realistic approach has also been made in regard to policies affecting wages, prices and demands in conformity with professed political objectives. The fiscal and taxation measures have also been suitably tailored to suit the needs of the hour. In addition significant efforts are being made for controlling the growth of population and keeping inflation in check. The Prime Minister's recent announcement of the elections and the appropriate steps taken

to restore normalcy in a disciplined manner would now prove beyond any doubt to all our critics and pessimists within the country and abroad that India is still the largest democracy in the world. It would, therefore, be reasonable for us to view the future with renewed optimism. I need hardly assure you that your Directors will, on their part, always endeavour to implement our Government's 25 point programme, both in letter and in spirit.

3. Reverting to our own sphere of business activity, I am happy to report that your Company has once again made a satisfactory profit of Rs. 14.13 lakhs after providing for operational expenses and depreciation. Considering that ours is a comparatively young company, learning while it is earning, you would agree that the overall performance of the Company has indeed been commendable. This will be apparent when I refer to the working of our various subsidiaries/units during the year under review.

4. Sudarsan Chits (India) Limited

The first reference that has ever been made officially about Chit Funds or Kuries is in "Logan's Manual", which was a chronicle compiled by an erudite Britisher and who was the Collector of Malabar a long time ago. Mr. Logan traces the origin of this system to the credit needs of the ancient village economy of Kerala when trade was in terms of barter and grain, as a commodity, was used instead of cur-

rency or coins. Later, through a process of evolution, the system acquired its present form with all its attendant contractual obligations between the participants and the foreman, who assumes responsibility to run it satisfactorily, efficiently and honestly. The system caters for the "saving instinct" and "borrowing needs" of the various strata of our society.

5. Past experience has established, beyond any reasonable doubt, that the Chit Fund system has played an effective role in the economy of the country in meeting those credit needs of our people which are not normally provided for by commercial banks or other financial institutions. It has thus, to a certain extent, assisted in reducing the reliance of credit seekers on professional money lenders with their often impossible terms. It has, in addition, assisted in providing a degree of financial viability to agriculture, trade, commerce and industry.

6. As for our "Sudarsan Chits", it is now common knowledge that they owe their remarkable success and popularity to their able and ingenious architect, Shri M. Velayudhan, who has over a period of years and through his personal efforts given them the pride of place amongst the Non-Banking Financial Institutions in the country.

7. In this context, it would be relevant to mention here that despite the substantial services rendered by the Chit Funds to the society, there still exist certain unfortunate misunderstandings and/or mis-

conceptions about them; these, in turn, have led to piece-meal and at times drastic legislation being enforced by certain State Governments. We, on our part, have been representing since 1968, for the introduction of an All-India legislation relating to the control, conduct and growth of the Chit Funds. Keeping in view the area of operations of your Company which covers the entire country, we welcome the proposed Central Legislation which would result in a uniform all-India control of these financial institutions and would put an end to the regulations that exist at present, but vary from State to State. We further pray that the proposed legislation be drafted in a manner where principles of equity and natural justice may prevail to protect the interests of the "Lender", the "Borrower" and the "Promoter".

8. Sudarsan International Limited

Before I report on the working of this subsidiary, I wish to place on record the outstanding service rendered by the late Colonel Chandran, General Manager of the Hotel, whose tragic death, along with his wife, in the ill-fated air crash at Bombay on the 12th October, 1976, deprived your Company of a dedicated and capable Senior Executive. It would be no exaggeration to state that the foundation of the Hotels Division of your Company was well and truly laid by Colonel Chandran and its subsequent growth was largely due to the zeal and energy displayed by him.

9. The overall performance of Hotel Sudarsan International has been entirely satisfactory. Their forecast of anticipated profitability has been borne out to a large extent. The hotel continues to enjoy an excellent reputation for its service, cuisine and other amenities. There is every reason to believe that the Hotel will continue to do well in the future, certain difficulties such as loan liabilities notwithstanding. Incidentally, with the completion of phase two of the Hotel project, the addition to

Fixed Assets of the Company during the year has been approximately Rs. 33 lakhs, making the total Rs. 1,88,81,677/-.

10. In their plans for the expansion of the Hotel subsidiary, your Directors' aims and objectives are essentially realistic and practical, preference is being given to those Hotels which require minimum of capital outlay to provide clean, comfortable rooms, wholesome food, personalised service, a pleasant environment and basic amenities at a reasonable tariff to suit the various income groups.

11. Since the Hotel Industry in our country is inextricably linked up with tourism, covering both foreign and indigenous fields, the development of tourism, based on a national co-ordinated plan, would undoubtedly provide important incentives for the expansion of and improvement in hoteliering. Tourism has yet to develop fully in the South to secure its rightful place in the tourism map of India. There is vast scope for its development once the historical monuments, the cultural heritage, the wild game sanctuaries combined with the natural scenic beauties of places like Bangalore, Trivandrum, Goa, Cochin, Mangalore and Hyderabad have been fully exploited. Thereafter these attractions would have to be sold to the tour operators/travel agents in Europe, Gulf, U.S.A. and Japan. In anticipation of these developments, your Company has taken steps to acquire substantial interests in the share capital of East West Hotel Limited, Bangalore. This is being done with a view to convert it eventually as a link in the Sudarsan International chain.

12. Sudarsan Clay Products Limited

Although the sales have recorded an increase of Rs. 2 lakhs for the year ended 31st March, 1976, the working results have not measured upto our expectations. The inevitable expenditure on power and fuel alone has recorded an increase from Rs. 12.90 lakhs to Rs. 18.42 lakhs. Neverthe-

less, expenditure on other items has been strictly controlled. Reasonable increase in prices are being contemplated. They would, however, be in conformity with the demands of the market and in tune with the avowed policies of the Government. During the current year the tempo of production, marketing and sales has been accelerated and this subsidiary is expected to show better results.

13. Anchor Breweries Limited

Your Directors have already reported that at the time of acquisition of this Unit they were confident of utilising the plant's capacity to the maximum so as to cater for both internal and external markets. However, with the reintroduction of Prohibition in the State of Tamil Nadu, this has not been possible. Therefore, the possibility of diversifying the scope of its activities is being examined with a view to formulating specific proposals in the near Future.

14. Feroke Tile Works

The stoneware pipe unit at Feroke is functioning on a "lease arrangement" in a satisfactory manner. Likewise, the Tile Unit at Feroke Tile Works had a satisfactory performance on a lease arrangement with the Eastern Clay Works Ltd. The Stoneware Pipe factory at Rajamundry has since been transferred to Sudarsan Clay Products Limited with the object of bringing such manufacturing activities under the same Company for productive efficiency and administrative convenience.

15. Standard Furniture Company

Sales have shown a decrease mainly due to the fact that optimum production could not be maintained as timber, the main raw material, was not available in adequate quantities. During the year under review, the allocation of Government timber, particularly for the Chalakudi Unit, was further reduced drastically, based on a new formula adopted by the Government for this purpose. This indeed has been a severe blow to the pro-

fitability of our plywood manufacturing operations. A few years back non-availability of adhesives, a bi-product of petroleum, was a problem. However, even though the prices are high, this item is available in sufficient quantities, the basic raw material which is timber, continues to be scarce. Your Company has repeatedly represented to the Government of Kerala for an increased allocation of timber. Our requests have been based on the assurance given to the Company by the erstwhile Cochin Government (now Kerala Government) that adequate quantities of timber for running the Chalakudi Unit would always be made available to us by the Government. Still, your Directors earnestly hope and pray that the State Government would view our plight in a sympathetic manner and sanction the allocation of timber atleast in terms of the above mentioned agreement. Once this has been done, the Unit will be able to show substantial progress and what is equally important, ensure employment to the workers engaged by the Standard Furniture Company. Your Company has also started a new Wood Working Unit in Madras to cater for the showrooms at Madras, Bangalore and Cochin which are at present marketing the various products of the Company.

16. Sudarsan Liners Limited

In conformity with the decision taken by the Members in the past your Directors have promoted Sudarsan Liners Limited as a fully owned Subsidiary. The Company commenced business by acquiring a Cargo Vessel "s.s. Sudarsan Shakti". Although a modest beginning, the vessel has already completed two fully laden voyages to the Gulf.

17. Despite the international recession in the shipping trade, indigenous shipping continues to make laudable progress, helped in a considerable measure by the fact that exports from our country have shown an extremely encouraging and sustained upward trend.

18. Our Government is offering very generous incentives to foster the case of Indian Shipping, of which your Company proposes to take full advantage.

19. I may add that apart from the points enumerated above, an additional advantage of this newly formed subsidiary lies in the fact that a portion of the shipping space available on our vessel can be car-marked for the export of your Company's products, a facility the advantages of which are obvious.

20. Conclusion

As we are all aware, your Company has shown an impressive growth over the last decade. Diversification has become an acknowledged policy. No efforts, therefore, will be spared to ensure that the necessary infra-structure is created to continue all future expansions on productive and profitable lines.

21. May I conclude by saying that the greatest asset your Company has built up in the past is the unbounded confidence reposed in us by our associates. On behalf of my colleagues on the Board and on my own behalf, I wish to convey my sincere thanks to all our valuable constituents, customers and subscribers for their unqualified support. Our thanks are also due to the able professional service rendered by our Auditors, Legal Advisers and Bankers. I wish to congratulate all our employees, agents, staff, officers and Executives for their creditable performance during the past year.

22. Lastly, I would like to convey my deep sense of gratitude to my colleagues on the Board, in particular to our dynamic and far-sighted Managing Director, Shri M. Velayudhan, for their most valuable contributions in the service of the Company. Thanks, Jai Hind.

(MAJ. GEN. D.C. MISRA, M.C., RETD.)
CHAIRMAN

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



Mr. K. D. MOORE

(The following is a slightly abbreviated version of the Statement of Mr K D Moore, Chairman, Indian Oxygen Limited. The full text has been circulated to the shareholders along with the Company's Annual Report for the year ended 30 September 1976.)

It gives me great pleasure to present this statement for the first time as Chairman of IOL. Mr R C Hesketh-Jones relinquished the office of Chairman because of the pressure of his other commitments; I would like to record our thanks for the valuable guidance and advice given by him regarding the Company's affairs. Mr Hesketh-Jones will continue to be a member of the Company's Board.

The year under review witnessed a remarkable change in the economic and industrial climate of the country in the wake of the 20 Point Economic Programme announced by the Prime Minister soon after the declaration of national emergency in June 1975. The inflationary curve which had begun to flatten out actually began to register a decline. There was a new sense of economic discipline and a concerted effort to improve production. The industrial relations climate also underwent a remarkable change for the better.

Not unexpectedly the economy began to show distinct signs of improvement. The GNP at market prices for the fiscal year ending 31 March 1976 showed impressive growth at about

6.5%. The resurgence on the economic front continued unabated during the second half of the year under review. Industrial production in June quarter 1976 was 16% above the corresponding period last year. Exports during the same quarter registered a growth of over 28% whilst imports during the same period declined by about 16%. The favourable balance of trade account and inward remittances swelled the exchange reserves by Rs 516 crores between end March and end August 1976. The food situation with a record buffer stock of 17 million tonnes has continued to remain comfortable. The decision of the Central Government to step up public sector investment by some 31% during the current fiscal year is likely to give a further fillip to industrial growth.

The only disquietening note in this otherwise encouraging economic situation has come from the recent trend in price movements. The index of wholesale prices has started rising steadily after April 1976. Although action has been taken by the Government to check the rise, prices are continuing to move up even if at a considerably slower rate than in the 1972/74 inflationary period.

The Company's performance over the past year has reflected this background.

OPERATIONS

Turnover for the year at Rs 44.39 crores inclusive of transport and other recoveries was 14.8% higher than the previous year's figure. The higher turnover reflects mainly increased volumetric sales of almost all products. A much improved industrial relations climate in the Company and reduced power constraints enabled better utilisation to be made of production facilities this year.

The activities of the Product Divisions and Departments are dealt with separately below.

GASES DIVISION

Gases Division sales at Rs 21.73 crores were Rs 2.91 crores greater

than in the previous year. Higher volumetric sales were achieved despite increasing competition especially in major products.

The Special Gases Centre commissioned during 1975 had a satisfactory year and its products served vital and technically advanced industries which were hitherto dependent upon imports for their requirements. Priority has been given to development of new applications for gases and improvements in technology to meet customer needs in sophisticated industries.

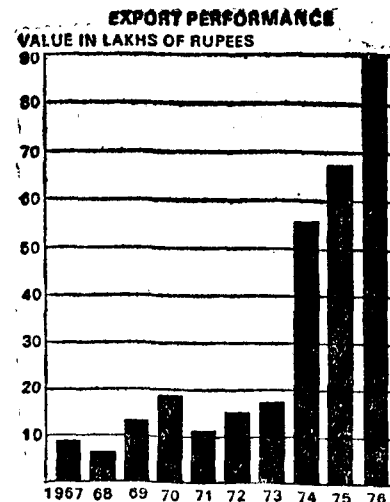
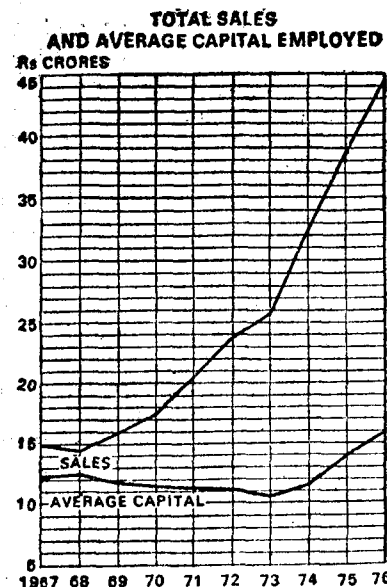
Arrangements are in advanced stage to implement the Letter of Intent received last year for the manufacture of argon at our Jamshedpur factory. A further Letter of Intent was received in September 1976 permitting installation of manufacturing facilities for hydrogen at our Asansol factory. Steps to implement the project have been initiated.

ELECTRODE & EQUIPMENT DIVISION

Electrode & Equipment Division sales at Rs 16.55 crores were Rs 2.40 crores higher than the previous year. Higher sales of welding consumables and gas welding and cutting equipment were achieved despite growing competition. Availability of equipment improved substantially due to the highest ever production achieved in the Equipment Factory. Sales of electric welding equipment were satisfactorily ahead of last year.

The Division has continued its development programme to satisfy the growing need for higher productivity in welding and higher quality welds. The programme is also directed towards satisfying the requirements of those sectors of the market who are looking for higher welding technology. New electric welding equipment introduced includes semi automatic and automatic welding equipment, micro plasma welding equipment and a new air cooled torch. A variety of new electrodes was introduced in the market, including special electrodes for pipe welding, for welding medium and high tensile steels and for a variety of hard facing applications. Since the end of the year under review Government approval has been received to manufacture plasma cutting equipment and this will be put in hand shortly.

In the field of medical equipment a ward vacuum unit and an advanced anaesthetic machine—the Boyle Major—were launched and initial customer response is encouraging.



EXPORT

Export sales at Rs 90 lakhs were 34% higher than the previous year. Most of the sales were of the Company's own products, although there was an increase in the sale of non-tradi-

LOX DEPARTMENT

Sales of liquid oxygen explosives at Rs 78 lakhs were the highest for several years, and exceeded the previous year's figure by Rs 25 lakhs.

FINANCIAL HIGHLIGHTS

	1976 Rs	1975 Rs
Sales	44,39,25,000	38,67,19,000
Profit before Taxation	4,80,32,000	3,40,04,000
Profit after Taxation	1,72,32,000	1,45,04,000
Dividend subject to deduction of Tax	1,10,88,000	92,40,000

PLANT MANUFACTURING DEPARTMENT

The department's sales at Rs 1.58 crores were Rs 64 lakhs lower than the previous year. A number of customers who had previously placed orders with us found it difficult on account of the credit squeeze to organise the finance necessary to proceed with their projects. Against this background, it is encouraging that an export order for an oxygen plant has recently been secured with the assistance of BOC. This is the first export order won by India for an oxygen plant.

The technical collaboration agreement with Cryoplants Ltd., London, for manufacture of low pressure air separation plants and nitrogen generators—mentioned in the Chairman's Statement last year—has recently been finalised.

tional products manufactured by others, mostly small scale units.

PROFIT, TAXATION AND DIVIDEND

The profit for the year before taxation amounted to Rs 4,80,32,071 as against Rs 3,40,03,677 last year, after providing for depreciation of Rs 98,27,000 (previous year Rs 93,07,000) and interest charges of Rs 73,28,433 (previous year Rs 50,56,317). The increase in profit was mainly due to the higher sales and improved operational performance arising from the better industrial relations climate in the Company and reduced power constraints.

Tax provision for the year amounted to Rs 3,08,00,000 (previous year Rs 1,95,00,000) leaving a net profit of Rs 1,72,32,071 as against Rs 1,45,03,677 last year. After transferring Rs 50,000 to Investment Allowance Reserve and bringing back Rs 21,00,000 (previous year Rs 11,00,000) from

Development Rebate Reserve and taking into account Rs 14,63,677 brought forward from previous year the amount available for appropriation was Rs 2,07,45,748 as against Rs 1,51,03,677 last year. After careful consideration your directors have decided to transfer Rs 81,50,000 to General Reserve and to recommend payment of dividend at the rate of 18%, subject to deduction of tax, leaving Rs 15,07,748 for carry forward to next year.

FINANCE AND SHARE CAPITAL

At the Annual General Meeting of the Company to be held on 9 February 1977, proposals will be made to raise the authorised capital of the Company from Rs 8,00,00,000 to Rs 12,00,00,000 made up of 1,20,00,000 shares of Rs 10 each.

At the end of the year the share capital of the Company stood at Rs 6,16,00,000 against total capital employed of Rs 10,89,56,000 and it was felt that the share capital should be brought into better relation with the capital invested in the business. The directors have therefore recommended, subject to the approval of the members at the Annual General Meeting of the Company to be held on 9 February 1977 and necessary approval from the Controller of Capital Issues and The Reserve Bank of India, that the subscribed share capital of the Company should be increased by the issue of 20,53,333 new Ordinary Shares of Rs 10 each as a bonus scrip issue in the proportion of one share for every three shares held on such date as the directors may determine hereafter. This scrip issue would be made by capitalisation of Rs 2,05,33,330 out of General Reserve. As a result of this operation, the paid up capital of the Company would stand at Rs 8,21,33,330.

DEVELOPMENT & EXPANSION

Certain development projects have already been mentioned in the review above of the activities of the Product Divisions and Departments.

As to the Company's major diversification project, we were hoping that the necessary approval would be received before the end of the year under review. This was not to be; questions relating to certain aspects of the project—which had been raised before and we thought had been settled satisfactorily—have been reopened.

These issues are still under discussion with the Government. One can only hope that the long delayed approval will be accorded before developments, especially in other countries, jeopardise the viability of this almost totally export-oriented project.

The Company's Research and Development establishment in Calcutta was accorded recognition by the Department of Science & Technology, Government of India, in September 1976.

During the year two pilot plants were installed at the Technical Centre at Beliaghata, Calcutta for the manufacture of chemicals and pigments from industrial wastes on the basis of process know-how developed by our R & D Department. Arrangements for commercial exploitation are proposed to be made shortly.

MANAGEMENT & PERSONNEL

Industrial relations in the Company remained calm throughout the year, in line with the generally peaceful atmosphere prevailing in the country.

In line with the Prime Minister's 20 Point Economic Programme, steps were taken to set up Joint Councils, Shop Councils or Productivity Committees at some of the units. It is

hoped that this move will gather momentum during the current year.

The scheme for training of apprentices was considerably extended so that the Company might discharge fully its wider obligations under the Apprentices Act as recently amended.

This year's improved results could not have been achieved without the untiring commitment and enthusiasm of our senior management and our officers. The increased cooperation and efforts of our workers are again gratefully acknowledged.

PROSPECTS

With industrial production for the second half of the fiscal year promising to show a continuation of the vigorous growth pattern already established during the first half-year and with a high level of planned public sector investment, we anticipate that demand for our products will remain buoyant. Given continued cooperation from our employees which we shall earnestly seek to secure through their increased involvement and participation in productivity and allied matters, a further improvement in turnover and profits may be reasonably expected for the coming year.

As to the longer term, the requirement to reduce the percentage of

foreign shareholding is fully recognised by the present majority shareholder BOC International Ltd and this will be achieved as soon as possible in the most appropriate way.

With the final outcome of our major diversification project still to be decided, the precise pattern of our future development is as yet unclear. We continue to hope that Government approval will finally be given on terms which will enable us to proceed with this important project on a technically sound and economically viable basis, nevertheless the Company's future growth and prosperity does not depend solely or predominantly on this.

The Company's existing business is soundly based and has for many years played a prominent role in the economic life of the nation. Both in these present spheres of business and in new areas which are likely to emerge in the years ahead, it is difficult to conceive that the future national interest will not be seen to lie in making full use of IOL's very considerable technological resources and links and of its management expertise to help meet the fast growing industrial needs of the country.

CALCUTTA 26 November 1976

Indian Oxygen Limited

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Wholesale prices

THE OFFICIAL wholesale prices index of "all commodities" (base 1970-71=100) stood at 178.2 during the week ended January 8, 1977 as against 177.0 for the immediately preceding the week. Compared with the previous week, the index for the week under review showed an increase of 0.7 per cent.

Groupwise analysis of price movements is shown below:

Primary Articles

Among primary articles, the index for Food Articles stood at 155.4 during the week under review as against 153.6 during the previous week. The rise in the index was due to increase in the prices of moong (+13 per cent), sweet potatoes (+11 per cent), oranges (+9 per cent), onions (+8 per cent), gram (+7 per cent), betelnuts (+6 per cent), arhar and masur (+5 per cent each), urad (+4 per cent), jowar, maize and apples (+3 per cent each), wheat, bajra, barley, cashewnuts, butter and tea (2 per cent each) and ragi, tapioca, bananas and turmeric (+1 per cent each). However, prices of tomatoes (-1 per cent), potatoes (-9 per cent), fish (-6 per cent), and eggs and coffee (-1 per cent each) showed a fall.

Higher prices of linseed and niger (+9 per cent each), rape and mustard seed and logs and

timar (+7 per cent each), gingelly seed (+4 per cent), raw cotton, groundnuts and copra (+3 per cent each), mesta, cottonseed, castor seed and raw hides (+2 per cent each) and raw jute, mahua seed and raw tobacco (+1 per cent each) pushed up the group index for Non-food Articles (which includes industrial raw materials) by 2.9 per cent to 186.3 as against 181.1 for the earlier week. However, prices of safflower and tanning materials (-4 per cent each) and soyabean (-3 per cent) showed a decline.

The index for Minerals remained unchanged at its last week's level of 443.1. Compared with the corresponding week of the last year, it showed a decline of 2.1 per cent.

Fuel, Power, Light and Lubricants

The index for the major group Fuel, Power, Light and Lubricants stood stationary at the earlier week's level of 232.1.

Manufactured products

Among manufactured products, the index for the group Food Products advanced by 0.2 per cent to 182.9 as compared to 182.6 for the last week owing to an increase in the prices of groundnut oil (+9 per cent) and mustard oil (+6 per cent),

cottonseed oil (+5 per cent), mahua oil (+4 per cent), vanaspati, gingelly oil, oil-cakes and salt (+3 per cent each) and coconut oil (+2 per cent). However, prices of khandsari (-4 per cent), gur (-3 per cent), kardi oil (-2 per cent) and sugar (-1 per cent) witnessed a fall.

The index for Beverages, Tobacco and Tobacco Products group stood stationary at its last week's level of 166.0. At this level, the group index recorded a fall of 1.2 per cent when compared with the corresponding week of the last year.

The index for Textiles rose by 0.2 per cent to 159.3 as against 159.0 for the preceding week due to an increase in the prices of jute manufactures and coir yarn (+1 per cent each).

The index for Paper and Paper Products stood stationary at its earlier week's level of 179.5. At this level, the group index showed a fall of 3.1 per cent when compared to that of a year ago.

The index for Leather and Leather Products group advanced by 1.0 per cent to 232.5 as against 230.1 for the previous week owing to an increase in the prices of sole leather (+14 per cent).

The index for Rubber and

Rubber Products stood stationary at its earlier week's level of 157.2.

The index for the Chemicals and Chemical Products went up by 0.3 per cent to 172.9 as against 172.4 for the previous week owing to an increase in the prices of linseed oil (+9 per cent), castor oil (+2 per cent) and paints and enamels (+1 per cent each). At this level, the index registered a fall of 0.6 per cent when compared to that of a year ago.

The index for Non-Metallic Mineral Products stood stationary at its earlier week's level of 190.3.

The index for Basic Metals, Alloys and Metal Products stood stationary at its earlier week's level of 190.5.

The index for Machinery and Transport Equipment group worked out to 170.0 as against 169.9 for the earlier week. Prices of rim (+1 per cent) increase during the week. At this level, the group index recorded a fall of 1.2 per cent when compared with the corresponding week of the preceding year.

The index for Miscellaneous Products remained unchanged at its earlier week's level of 164.8. Over a year ago, the group index receded by 1.0 per cent.

RECORDS AND STATISTICS

Index Numbers of Wholesale Prices by Major Groups, Groups and Sub-groups

(Base: 1970-71=100)

Major group, group & sub-group	Weights in relation to all-commodities	Week ended				
		8.1.77	1.1.77 (Provisional)	11.12.76	13.11.76 (Final)	10.1.76
All Commodities	(1000.00)	178.2	177.0	177.9	176.6	166.6
Primary Articles	416.67	171.8	169.2	168.0	166.9	157.2
A. Food Articles	297.99	155.4	153.6	153.8	154.0	151.7
Foodgrains (1+2)	129.22	159.1	156.1	153.4	153.0	156.2
Cereals	107.43	158.4	156.8	155.0	154.6	152.2
Pulses	21.79	162.7	152.5	145.8	144.9	175.7
Fruits & vegetables	61.32	136.4	134.0	138.7	142.8	136.8
Milk & milk products	61.50	150.4	150.5	155.3	158.5	144.2
Eggs, fish & meat	18.97	182.2	185.9	184.1	169.8	172.2
Condiment & spices	10.94	155.4	153.7	158.0	157.6	183.0
Other food articles	16.04	184.5	181.3	170.5	167.0	156.3
B. Non-food Articles	106.21	186.3	181.1	175.6	170.7	138.8
Fibres	31.73	199.1	193.9	185.1	189.7	147.4
Oilseeds	42.01	182.1	174.7	169.5	153.9	113.9
Other non-food articles	32.47	179.2	177.0	174.4	173.8	160.1
C. Minerals	12.47	443.1	443.1	443.1	443.1	452.7
Metallic minerals	2.29	172.8	172.8	172.8	172.8	195.0
Other minerals	4.16	181.3	181.3	181.3	181.3	191.2
Petroleum, Crude & Natural gas	6.02	727.4	727.4	727.4	727.4	731.9
Fuel, Power, Light and Lubricants	84.59	232.1	231.1	232.0	231.0	228.9
Coal mining	11.47	197.7	197.1	197.7	197.7	197.7
Mineral oils	49.12	267.6	267.6	267.7	267.7	267.1
Electricity	24.00	175.8	175.8	172.0	172.0	165.7
Manufactured Products	498.74	174.5	174.2	176.9	175.4	163.8
A. Food Products	133.22	182.9	182.6	192.8	188.8	154.0
Dairy products	3.88	181.4	181.4	181.4	181.4	181.4
Canned & preserved fruits & vegetables	0.39	155.5	155.5	155.5	155.5	155.5
Canned and preserved sea food	0.36	229.2	229.2	229.2	191.0	191.0
Grain mill products	4.64	157.8	157.8	157.8	155.6	170.4
Bakery products	1.85	159.8	159.8	159.8	159.8	162.4
Sugar, khandsari & gur	72.41	187.2	192.1	212.7	215.0	175.2
Sugar, confectionary, cocoa & chocolate	0.53	160.2	160.2	160.2	160.2	160.3
Misc. food products	49.16	180.0	171.9	169.4	155.8	118.4
Edible oils	37.16	171.8	162.6	160.2	147.4	114.7
Oilcakes	9.05	218.7	212.3	211.1	190.1	123.9
Other misc. food products	2.95	164.2	163.7	157.6	156.1	147.3
B. Beverages, Tobacco & Tobacco Products	27.08	166.0	166.0	166.0	166.0	168.0
Wine industries	6.77	132.2	132.2	132.2	132.2	131.0
Soft drinks	0.82	224.9	224.9	224.9	224.9	173.8
Tobacco manufacture	19.49	175.2	175.2	175.2	175.2	180.6
Textiles	110.26	159.3	159.0	159.1	157.6	145.4
Cotton textiles	81.02	162.3	162.0	162.0	160.5	143.7

—Continued

Index Numbers of wholesale Prices by Groups—Continued

Major group, group & sub-group	Weights in relation to all-commodities	Week ended				
		8.1.77	1.1.77	11.12.76	13.11.76	10.1.76
		(Provisional)			(Final)	
Woollen yarn & textiles	2.44	211.2	211.2	211.2	210.4	194.4
Silk, art silk & synthetic fibre textiles	12.83	155.9	155.9	158.5	159.5	157.7
Jute hemp & mesta textiles	12.14	127.7	126.3	124.6	120.6	127.9
Textile products n.e.c.	1.83	192.5	191.5	191.5	189.1	181.2
D. Paper & Paper Products	8.51	179.5	179.5	179.5	179.5	185.2
E. Leather & Leather Products	3.85	232.5	230.1	232.0	235.3	218.8
	2.95	241.4	238.3	240.7	245.1	221.6
	0.90	203.1	203.1	203.1	203.1	209.6
F. Rubber & Rubber Products	12.07	157.2	157.2	157.2	157.2	156.8
	9.84	155.2	155.2	155.2	155.2	154.8
	2.23	166.3	166.3	166.3	166.3	165.9
G. Chemical & Chemical Products	55.48	172.9	172.4	171.9	171.4	174.0
Basic industrial chemicals	7.26	189.4	189.4	188.4	188.6	198.1
Fertilizers	12.52	185.8	185.8	185.8	185.8	207.2
Pesticides	1.16	232.7	232.7	232.7	232.7	232.0
Paints & varnishes	1.92	207.2	205.5	206.7	205.9	196.4
Drugs & medicines	9.83	134.7	134.7	134.7	134.7	119.7
Cosmetics, soap, detergent	5.86	167.6	167.6	167.6	167.6	176.4
Edible oils	1.54	186.8	173.0	167.6	167.6	105.7
Synthetic resins, resins & plastic materials	8.30	165.6	165.6	163.6	149.9	167.7
Dyestuff & other chemicals n.e.c.	7.09	176.8	176.8	176.6	164.0	170.4
H. Non-metallic mineral products	14.15	190.3	190.3	190.2	190.2	189.4
Structural clay products	1.82	210.4	210.4	210.2	210.2	201.2
Glass & Glass products	1.98	190.3	190.3	190.6	190.1	214.6
Earthen ware & earthen pottery	0.96	253.3	353.3	253.3	253.3	253.3
Cement lime & plaster	7.07	173.8	173.8	173.8	173.8	171.7
Mica products, ACC & misc. non-metallic mineral products	2.32	198.6	198.6	198.0	198.6	186.4
I. Basic metals, alloys & metal products	59.74	190.5	190.5	190.5	190.6	187.2
(Basic metals & alloys (1+2))	(46.51)	192.8	192.8	192.8	192.8	190.4
Iron steel & ferro alloys	34.73	187.0	187.0	187.0	187.0	185.7
Non-ferrous metals & their alloys	11.78	209.7	209.6	209.5	209.8	205.3
Metal products	13.23	182.6	182.6	182.6	182.6	176.0
J. Machinery & transport equipment	67.18	170.0	169.9	169.8	169.2	172.0
Machinery & machine tools (1+2)	50.45	170.6	170.5	170.5	169.7	172.5
Electrical machinery	19.54	162.7	162.7	162.7	160.8	166.6
Non-electrical machinery	30.91	175.7	175.5	175.4	175.3	176.2
Transport equipment (iii) + (iv)	16.73	167.9	167.9	167.9	167.9	170.6
Motorvehicles & parts	13.73	173.3	173.3	173.3	173.3	176.9
Moter cycles, scooters bicycle & parts	3.00	143.1	143.2	143.0	143.2	142.1
K. Miscellaneous Products	7.20	164.8	164.8	164.8	164.8	166.4
Wood & wood products	1.74	160.2	160.2	160.2	160.2	160.1
Other mfg. industries n.e.c.	5.46	166.2	166.2	166.2	166.2	168.4

Source: Office of the Economic Adviser, Deptt. of Industrial Development.

Reserve Bank of India

(Rs crores)

Week ended	1976			Variations over		
	Jan. 2	Dec. 24	Dec. 31	Week	Month	Year
	6,270	7,232	7,252	20	48	982
Notes in circulation	6,305	7,266	7,266	—	45	961
Notes issued	36	34	13	—21	—4	—23
Notes held in banking department						
Deposits	65	98	108	10	30	43
Central and state governments	519	898	782	—116	—131	263
Scheduled commercial banks	19	23	32	9	7	13
Scheduled state co-operative banks	2	3	3	—	1	1
Other banks	1,405	1,923	1,924	1	50	519
Others	2,035	2,036	2,087	51	124	52
Other liabilities	10,316	12,212	12,188	—24	129	1,872
Total liabilities/assets	782	2,302	2,286	—16	72	1,504
Foreign exchange assets*	183	183	183	—	—	—
Gold coin and bullion	6,698	6,239	6,229	—10	—149	—469
Rupee securities**						
Loans and advances	192	205	205	—	69	13
Central and state governments	452	982	958	—24	70	506
Scheduled commercial banks	521	450	475	25	57	—46
State co-operative banks	448	620	622	2	9	174
Others						
Bills purchased and discounted	164	158	156	—2	9	—8
Commercial	270	164	183	19	—22	—87
Treasury	85	36	36	—	2	—49
Investments	522	873	856	—17	15	334
Other assets						

Source: Reserve Bank of India

*Foreign securities plus balances held abroad.

**Government of India rupee securities including ad-hoc treasury bills.

Scheduled Banks : Business in India

(Rs crores)

Week ended	All scheduled banks			Scheduled commercial banks		
	1976			1976		
	Jan. 2	Dec. 24	Dec. 31.	Jan. 2	Dec. 26	Dec. 31
Aggregate deposits	13,977	17,422	17,743	13,751	16,822	17,132
Demand	5,728	6,681	6,890	5,660	6,562	6,762
Time	8,248	10,741	10,853	8,092	10,260	10,369
Borrowings from Reserve Bank	965	1,422	1,422	452	982	958
Against usance bills/pro. notes	475	232	287	95	12	12
Others	490	1,190	1,135	357	970	946
Cash and balances with Reserve Bank	881	1,266	1,181	860	1,241	1,147
Cash	343	346	367	340	344	365
Balances	538	920	814	519	898	782
Investments		5,622	5,677		5,438	5,492
Government securities	3,264	3,930	3,980	3,164	3,824	3,874
Other approved securities	10,371	11,692	11,697	10,103	11,614	11,618
Bank Credit	8,353	11,828	12,130	8,085	10,844	11,114
Loans, cash-credits and overdrafts		608	628		608	628
Inland bills-purchased}	1,600	613	623	1,599	613	623
discounted}		316	319		316	319
Foreign bills-purchased}	419	240	226	419	240	226
discounted}	6.30	7.27	6.66	6.25	7.38	6.70
Cash-deposit ratio	23.35	32.27	32.00	23.01	32.33	32.06
Investment-despite ratio	74.20	78.09	78.48	73.47	75.03	75.35
Credit-desposit ratio						

Source: Reserve Bank of India.

Consumer Price Index Numbers for Industrial Workers

(Base 1960=100)

Centre	1965- 66	1969- 70	1970- 71	1971- 72	1972- 73	1973- 74	1974- 75	1975- 76	1976							
									April	May	June	July	Aug.	Sept	Oct.	Nov.
All India	—	177	186	192	207	250	317	313	289	290	291	297	298	302	304	306
Ahmedabad	130	169	176	181	198	245	305	293	273	269	269	276	279	283	281	280
Alwaye	145	197	198	202	215	267	346	358	325	313	321	326	318	322	322	328
Asansol	140	178	189	194	206	245	316	317	306	306	307	314	319	319	321	323
Bangalore	144	183	186	194	212	265	318	332	302	299	301	312	312	319	326	335
Bhavnagar	132	178	186	194	217	273	327	315	282	291	291	291	297	301	303	300
Bombay	130	175*	182	190	203	233	289	300	291	290	294	298	294	298	297	299
Calcutta	131	172	182	187	197	228	288	287	286	288	293	296	293	298	306	303
Coimbatore	132	154	163	177	189	218	209	319	281	283	285	300	312	313	315	313
Delhi	136	185	199	211	222	265	337	333	324	320	324	328	334	335	334	331
Digboi	138	180	189	188	198	234	310	317	304	308	317	309	311	310	309	308
Gwalior	139	184	191	197	214	271	348	324	301	305	308	316	322	322	320	314
Howrah	137	176	186	191	206	239	298	290	283	286	286	291	285	290	296	300
Hyderabad	140	185	189	195	211	251	304	316	289	293	295	301	303	304	311	317
Jamshedpur	136	170	183	187	202	249	313	293	275	274	275	280	284	284	297	297
Madras	134	160	170	182	203	229	301	314	272	273	276	281	280	283	289	298
Madurai	128	152	183	192	206	236	334	333	280	284	287	291	293	295	303	316
Monghyr	151	188	205	204	225	292	263	325	290	289	292	313	317	325	330	322
Mundakayam	138	191	197	199	210	263	337	346	312	301	304	309	303	305	305	309
Nagpur	138	176	187	192	203	256	314	326	281	283	289	298	294	305	305	303
Saharanpur	141	181	186	198	213	253	338	313	304	300	299	303	297	298	298	298
Sholapur	128	176	185	191	216	277	325	342	300	393	288	291	306	314	310	320

Source : Labour Bureau, Government of India.

Consumer Price Index Numbers for Urban Non-manual Employees

(Base 1960=100)

Centre	1965- 66	1969- 70	1970- 71	1971- 72	1972- 73	1973- 74	1974- 75	1975- 76	1976						
									Apr.	May	June	July	Aug.	Sep.	Oct.
All-India	132	167	174	180	192	221	270	277	267	268	270	275	277	279	280
Bombay	132	162	168	172	183	204	241	249	248	249	253	256	256	256	256
Delhi-New Delhi	131	168	174	180	190	217	262	273	267	270	272	273	276	277	274
Calcutta	126	162	170	174	180	204	238	243	241	244	246	249	252	250	255
Madras	133	161	175	188	204	231	291	306	285	285	287	290	291	293	296
Hyderabad-Secunderabad	133	167	174	180	195	223	270	283	270	271	273	277	278	280	283
Bangalore	133	164	172	180	194	228	272	284	276	273	273	278	280	285	288
Lucknow	132	161	166	174	185	215	255	270	267	266	266	272	272	272	274
Ahmedabad	131	168	171	173	188	222	271	272	256	254	258	262	263	266	264
Jaipur	133	176	183	188	205	244	308	311	300	301	306	310	311	314	313
Patna	139	180	191	190	199	229	286	284	275	273	274	279	278	234	288
Srinagar	134	174	184	191	200	215	262	283	291	294	293	296	296	298	302
Trivandrum	131	172	178	184	198	231	280	297	295	295	295	300	299	302	304
Cuttack-Bhubaneswar	142	169	176	184	196	221	266	270	259	259	259	267	271	274	278
Bhopal	133	172	180	188	204	238	295	296	284	285	288	298	297	296	297
Chandigarh	129	171	178	183	194	217	265	278	278	277	278	283	286	286	283
Shillong	123	164	166	175	193	208	257	274	261	265	264	268	270	270	267

Source: Central Statistical Organisation.

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