Electricity Rates Increased

THE increase of 12½ per cent in the charge for bulk electricity which has just been announced by the Tata Hydro-Electric Group of Companies was foreshadowed in their annual reports issued some time ago. The Group supplies power directly to certain industrial companies and the distributors in the region, and it is not known how far retail rates will be increased in consequence. The reason for the increase, it has been stated, is the rising operational and replacement costs experienced in recent years. The energy charge in Bombay is one of the lowest in India and Tatas have not revised their tariff structure since 1939, while during the previous decade a progressive reduction had been effected. Although the Electric Companies in general are not satisfied with the 5 per cent return permitted to them by the Indian Electricity Act, the Tata Companies have been finding it difficult to obtain even tins return.

The need for obtaining additional capital from the market for the proposed thermal station makes it essential that the Companies should be able atleast to maintain their present dividend. The increase, in the charge appears therefore to be fully justified. In fact, there may be need to increase the charge still further when the thermal station comes into operation due to the still higher costs of operation which are anticipated.

flow far this increase in the charge should be passed on by the distributing Companies to the consumer is a moot point. It is obvious that there is going to be a big outcry on this point. The decision of these Companies will, therefore, be awaited with interest though it is difficult to see how they could absorb the increased charge, except perhaps to an insignificant extent.

India's Groundwater Resources

AN Operational Agreement between India and the United States of America with a view to undertaking a nation-wide survey of the groundwater resources of India was signed recently in New Delhi. The project which involves a joint cost of $4.5 million and Rs 1.2 crores proposes to drill approximately 350 exploratory wells in suitable areas all over India.

Under *in* Operational Agreement signed last year a joint project to bore 2,000 tube-wells is already in operation in Uttar Pradesh, Punjab, PEPSU and Bihar, where the subsoil water conditions are fairly well known. In other areas these conditions are not so well known and the present Operational Agreement seeks to start an all-India survey to find out the sub-soil water potentialities. As maximum development of river water resources will irrigate only 40 per cent of the land, it is important that every effort be made to develop the groundwater resources to increase agricultural production.

The exploratory wells will he bored principally in those areas which are considered geologically favourable for the occurrence of productive water-bearing formations. It is estimated that tire majority of the test borings will be approximately 500 feet in depth but. in some cases, it may be necessary to drill to depths up to 1,500 feet in order to obtain the requisite data.

In course of explorations, record of tire strata encountered during drilling operations will be kept, A number of hydrological tests will be made in connection with each exploratory well. Although test borings will be conducted primarily for the exploration of the potentialities of water-bearing strata, the borings will be developed and equipped for use as irrigation wells or related purposes where possible Such wells will be handed over to the State Government concerned which will be responsible for their maintenance and operation. It is anticipated that a majority of the test borings will result in economically productive wells. The value of the developed and equipped wells will be treated as loan to the States from the Centre.

Technical aspects of drilling, testing and sampling will be the functions of the Geological Survey of India. The exploratory drilling and equipment of wells will be conducted under contract which will be negotiated and executed by the Government of India. The Agreement provides that the exploratory drilling should commence as soon as possible with a view to completing the project within a period of of 36 months from the date of the contract.

The Geological Survey of India will assign the necessary geologists to carry out the geological and hydrological tests. In addition. it may be necessary to provide technicians from outside India. The US Technical Co-operation Administration will be responsible under the Agreement for the recruitment and assignment to India of all such specialists needed for the project.

<u>Our *Delhi* Letter</u>

Pakistan's New Economic Policy

THERE is little doubt that India's trade with Pakistan, now that an agreement has been reached for raw jute and coal, will not be restricted to these alone. There is considerable speculation in Calcutta about the resumption *of* trade in the necessities of life for which the two pails of bengal have always been one single market. To mention only a few. fish. vegetables, fruits and other perishable articles which account for the bulk of the day's marketing in the average middle and lower middle class houses. The trade in all these has practically remained frozen after the passport system came into force and needs to he revived to bring some rebel to the two Bengals and to give a welcome stimulus to economic activity on both sides of the border. This is a matter, however, which cannot be fully resolved until the passport deadlock is broken, though the present agreement is likely to be extended in this direction soon. The better organised trades like those in chillies, mustard oil, etc. in which Pakistan is greatly dependent on West Bengal are more likely to benefit from it.

Prospects, however, will depend on the economic- policy that Pakistan is now going to pursue. There have been some definite changes and these have to be considered against the background of the changed economic position of Pakistan the depression caused by the decline in raw material prices and newly developed food shortage, from which she is trying hard to pull her sell. Her own Finance Minister has characterised the Pakistan budget as a transition budget, marking the transition from a wholly agricultural economy to a semi-industrial economy. This is in order to reduce her dependence on world forces in the matter of prices of raw-materiaIs by processing these raw materials herself. In the field of public finance, correspondingly, the dependence on import and export duties is to be reduced and more reliance placed on internal resources and duties on internal production. It is not a temporary makeshift to adjust her economy to the fall in world prices of raw materials. On the contrary, it was in the period of boom of raw material prices when her exchange earnings were high that Pakistan decided in favour of changing over from the policy of free economy on which the state had been reared. the recession raw material prices has only brought the change into sharper relief. Pakistan is now definitely committed to. a policy of partial industrialisation. Had it not been so, falling world prices would have been met by devaluation. Apart from politics, devaluation is now ruled out by the long term eon tracts Pakistan has made for the imports of capital goods and by the necessity of food imports. Rupee costs of both will go up in the event of devaluation. The diversification of exports which Pakistan is now aiming at is in the direction of processing of export goods and. increasing the range of such goods, and not of distributing the same exports over a wider number of markets. This was the policy when Pakistan attempted to divert jute exports from India to the continental and other markets.

How do prospects of wider Indo-Pakistan trade appear in the light of these changes? The recent agreement: facilitating the import of raw jute and export of coal will certainly go a considerable way in reviving trade between the two countries, which has been at a very low level for some time. In fact, last year it was the lowest since Partition and during the nine months to December 1952, India had a favourable balance for the first time in her trade with Pakistan of about Rs 15, crores. The volume of imports and exports was much higher even in 1949-50, when there was a near balance in trade between the two countries.

After tin- recession in 1952, Pakistan found it difficult to dispose of cotton and jute in the world markets. Favourable world prices had led to an increase in the production of these commodities and to a partial switch over from foodgrains to oilseeds. Failure of the wheat harvest last year, combined with speculative hoarding, has led to an acute food shortage. The effect of all these factors on the Pakistan economy may be judged from the fact that the sterling resources of Pakistan have fallen from Rs 148 crores in January 1952 to about Rs 60 crores now.

Figures show that raw jute has tome to account for the great bulk of Pakistan imports into India, almost to the exclusion of other items. According to a statement in the Pakistan Parliament by the Commerce Minister, Mr Fazlur Rehman, Pakistan had contracted for the sale of 47.4 lakh bales from July 1, 1952 to February 8, 1953, actual exports being 27.8 lakh bales. According to our statistics, Indian mills contracted to purchase during the period July 1, 1953 to March 15, 1953. 32:"55 lack bales from India and 10.56 lakh bales from Pakistan. Actual deliveries during the period were 30.53 lakh bales of Indian and 9.68 lakh bales of Pakistan jute. The bulk of Pakistan's contracts, therefore,— these figures refer to the period before- the Indo-Pak Agreement—were with the UK, Continent, Japan and China. For the next three years, India has agreed to purchase a minimum of 18 lakh bales and a maximum of 25 lakh bales. It is significant to note that according to our trade accounts, imports of jute from Pakistan amounted to 18.7 lakh bales in 1950-51 and 23,9 lakh bales in 1931-52.

Although coal has figured in the trade talks as the principal item of export, even today, jute goods. textiles, vegetable oils and tobacco are more important than coal in the export trade with Pakistan. India exported one million tons of coal to Pakistan in 1949-50, 26,000 tons in 1950-51, 586,000 tons in 1951-52 and 334,000 tons between April and November 1952. It is expected that as a result of the Agreement, we would be exporting once again about a million tons to Pakistan.

In the last quarter of 1952, Pakistan was compelled to impose stiff restrictions on imports and to cancel the O G L in order to balance her payments position and conserve exchange for imports of foodgrains. The position remains serious and it would be futile to expect in the near future relaxation of import controls in Pakistan and increase in our exports. Storks of consumer goods and cotton textiles in Pakistan are reported to be considerable.

Further talks on border trade are expected to take place next month. The question of widening trade between the two countries will also be discussed at that time' During the recent talks, India agreed to supply 15,060 tons of ammonium sulphate to fertilise the rice crop in Pakistan.

It cannot be said that Pakistan has abandoned her policy of diversification of trade and that it would be early for India now to expect a considerable trade with Pakistan. A primary producing country like Pakistan has in her own interest to attempt at diversification of trade to maximise the gains according from trade and also to achieve a measure of stability. A large country like India has much greater adaptability and can afford to be more magnanimous. It is not yet sufficiently realised how important it is from India's long-term point of view to buy some amount of Pakistan cotton. The subject was raised at the talks, but it was dropped because Pakistan did not have the varieties that India needed. Just as we have adapted the pattern of our jute production to provide for some import of Pakistan jute, so we must adjust the pattern of out cotton production and imports in order to allow for Pakistan cotton. Pakistan will buy coal, fertilisers, iron and steel, machinery, etc, from India, but not textiles, sugar and other consumer light manufactured goods, unless India is prepared to buy Pakistan's second largest export.

If India does not buy Pakistan cotton, Pakistan's policy of diversification will not be retarded. As regards sugar, Mr Kidwai warned the sugar interests last week that until India produces sugar at a much cheaper price, Pakistan would find it more profitable to buy from other countries. It would be in the long-term interest of Indo-Pakistan trade and to the mutual benefit of both the countries if India makes a serious attempt at the next trade talks to negotiate for the purchase of Pakistan cotton. The main theme of future trade talks might well be cotton instead of jute.

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