The Middle Sector

Another disturbing factor in the Himalayan border situation is the way in which Indo-Nepal tension is hotted up the moment the Sino-Indian border shows Signs of renewed activity. Katmandu's opportunism could infect Sikkim and Bhutan. Indeed, those concerned with Ladakh and NEFA are keeping a wary eye on the 'middle sector[1] too. The Chinese 'assurance' to Nepal to come to her aid in the event of aggression is a direct incitement to the anti-India faction which rules the Palace and believes that King Mahendra is a pliable instrument for the fulfilment of its ambitions. Similar factions could take shape in Sikkim and Bhutan to press their claims as part of the general debate on the Himalayan border. And we are doing little to prepare ourselves for such a development.

In this connection there have been a number of loud whispers about the smuggling of gold and arms to these areas, although some are more concerned about linking this activity to the Naga troubles which fortunately look as if they are about to be resolved. In other words, Delhi is in a suspicious, unsettled state of mind.

Cabinet Reshuffle

By the time these lines appear in print, the Prime Minister will be visiting Ceylon. The Finance Minister will also have returned with a clearer idea of raid prospects. Then, the decks will be cleared for the impending changes in the Cabinet. These are being discounted now, but it is not quite clear how the Government of India intends to function effectively without the overdue reshuffle Time is short. It must take place before Parliamen? meets for its winter session next month, or else there will be too many distinguished visitors, tough problems and sudden alarums to leave any time for politicking.

Yes, the weather is delightful now. The hotels fare getting booked up for the winter months. Seminars and conferences are being scheduled. Soon, the 'season' will be on us. Here's hoping that the ashtagraha is also lifting its depressing influence !

Calcutta Letter

Communists and Raw Jute

FROM two different quarters this week, voices have been raised against the floor price of Rs 30 per md Assam bottoms basis, for raw jute agreed between the Ministry of International Trade and IJMA for the current season. The Communist Party is demanding an upward revision of the price and has launched a campaign in the districts through the Kisan Sabhas. News reports in the party organ, *Swadhinata*. claim that meetings held to agitate against the present floor prices have attracted large audiences including traders operating in primary markets.

The claim may well be true. Shri P D Khaitan, Secretary Bihar Jute Growers Association, has recently issued a statement urging an upward revision of the floor price to Rs 35. He entered a special plea on behalf of Bihar's junglee jute which, he claimed, was selling in the Calcutta market at Rs 21 although the cost of production was Rs 22.50 per md. He regretted that the Stale Trading Corporation had not moved into purchase although four months had passed since Government authorised it to do so.

West Bengal Congress, conscious of the support it derives from rural areas, cannot presumably remain indifferent to this Communist-led movement since jute is the West Bengal cultivators' most important cash crop. It should surprise no one, therefore, if the demand for higher prices were echoed by Congress committees in the districts and by back benchers in the State Vidban Sabha.

Jute and Paddy Prices

The demand is indirectly reinforced by the high price of rice now obtaining in the State, which must inevitably cause disaffection among the great majority of peasants who need to supplement by market purchases what little of their own paddy crop they can keep for themselves. West Bengal Government has always been specially sensitive to popular feeling in villages, and the present agitation may well prompt it. therefore, to intercede with the Ministry of International Trade on behalf of the growers.

In support of a higher price, it is claimed that the cost of production in West Bengal is now around Rs 30 per md. The share cropping cultivator cannot, in this view, get a fair return unless the minimum price in fixed at. Rs 45 per md, Rs 15 higher than the present floor of Rs 30. It is contended that the mills cannot get imported jute at a price lower than Rs 45 per md delivered in Calcutta, and there is. therefore, no reason why they should be unwilling to pay a similar price to the Indian grower. (This argument appears to be factually incorrect at the current level of Pakistani and Thai prices. In fact, it is the the prospect of lower landed cost of Pakistani jute that explains the mill industry's agitation for limited imports). Secondly, it is argued that if mills were able to make profits of Rs 6 crores during 1960-61 when they paid up to Rs. 70 per md for raw jute, there is no reason why they cannot pay Rs 45 during this season of booming demand. It is also pointed out that 1960-61 witnessed a sharp rise in export earnings to Rs 146 crores. "In no other year since the Korean war have earnings been ever so high", *Swadhinata* Points out. The only reason why mills refuse to entertain the proposal for a fair price is that if they pay more for raw jute, their "excessive" profits will suffer some reduction.

Nationalisation of the Industry

The agitation, however, is not confined to raw jute prices alone. Their past history makes jute mills very vulnerable, and they continue, despite large scale transfers to Indian interests, to be symbolic of colonial exploitation in the popular mind. If the Indian Jute Mills Association is described as the suecessor to the East India Company (as was done by a Communist MP while speaking at Nadia recently).

it may not be factually correct but the sentiment underlying the charge finds acceptanse in many quarters. Hence, the Communist Party's demand for the nationalisation of the jute industry evokes a wider response than New Delhi may think, The manipulations of the Calcutta *fatka* market have such notoriety that the alternative of nationalising the export trade in jute goods, as a minimum programme for immediate action, cannot be lightly dismissed, The fact that excessive speculation in jute goods hurls long-term export prospects is conceded by Government, and even by IJMA. The latter advances the argument that forward trading on the East India Jute and Hessian Exchange enables the mills to take a long view of demand, and maintain production more uniformly throughout the year than would otherwise be possible.

The Shrivastava Committee-appointed by the Ministry of Commerce and Industry, to assess the long-term prospects of the jute industry, is understood to have coverid the impact of these speculative operations in its enquiry. Its report is, at present, being finalised in New Delhi, and it is not perhaps far-fetched to connect with it the gingering up of the agitation over jute prices. Since raw jute constitutes 60 per cent of production costs, the Mills naturally attach great importance to the maintenance of what they regard as economic price levels. Memoranda submitted to the committee, particularly the one presented by IJMA. have dealt at great length with what should be the fair price.

What the Grower Gets

At any level of price pevailing in Calcutta, what the cultivator actually gets is an .altogether different mater. Intermediaries are numerous in both the raw jute and the jute goods trades. The elimination, or at least the reduction of intermediaries, would seem to be essential if the benefits of a fair price are to percolate to the grower, and savings in production costs are to reach the ultimate buyer. Shri Shriman Narayan, member of the Planning Commission in charge of agriculture, recently called for a vigorous growth of marketing co-operatives to tackle this problem in the primary markets. He talked about the State Trading Corporation taking over at that point and making the final sale to mills. In principle, the suggestion is unexlepUonable if the aim is to safeguard the growers' interests but before it can be implemented on any significant scale, wholesale reforms in the economic structure of jute growing and baling will be necessary. Cultivators, except for a small percentage of rich peasants, finance their growing operations by credits advanced by the traders and wholesalers. Organising alternative sources of credit is an enormous task but until this is done, the hold of the intermediaries cannot be broken. There is also the equally difficult problem of creating adequate baling and storage facilities which are now controlled, almost wholly, by the trade.

In these circumstances, State trading in raw jute is unlikely to be a practical proposition in the short run. The Communist Party, whatever it may say for public consumption, is not unaware of these practical difficulties and its agitation for State trading (echoing, as may be noted, the sentiments of Shri Shriman Narayan) is perhaps intended to serve as a warning to intermediaries. The agitation should make it easier to stop the illegal exactions now current which allow the *mahajan* to obtain 14½ per cent of the jute offered for sale without payment under the sanction of customary but illegal deductions. In fact, it would not be a bad thing at all if the Slate Trading Corporation and the Agricultural Cooperative Marketing Federation did make a start in some limited areas — the demonstration itself should be quite rewarding.

Bargaining Counter

While the Communist Party has pitched its demand high, it is quite likely that the figure of Rs 45 per maund is only bargaining counter. There are well, recognised parities on the basis of which one can work out the price of finished goods for any given level of fibre prices. IJMA claims that the differential between the price of 100 yards .of hessian 40" 10 oz and a maund of raw jute should be Rs 20. but official estimates regard Rs 13 to 15 as a fair margin.

IJMA has also warned that the price level for finished goods should correspond to Rs 45 for 40" 10 oz hessian, as anything higher will drive overseas customers to substitutes. It thus seems to argue (it has not said so explicitly) that the minimum for raw jute should be Rs 25 per maund!

Gunny traders are not at all convinced that Rs 45 for 40" 10 oz hessian is the price the industry should aim at. The price today is around Rs. 50-52 at which, as traders point out, there is a fair level of demand. One might note here that well-informed, independent sources endorse the IJMA view without necessarily accepting the inferences which the Association seeks to draw. Even if one accepts the current price level of about Rs 51 (October 6 — high Rs 52.16; low Rs 51.46) as the basis for fixing this season's jute price, it will work out to no more than Rs 38-36 allowing for the lower differential of Rs 13-15 as officially calculated. Rs 45 per maund of jute is, therefore, quite out of the question.

Subsidy for Jute Goods

The Communist Party is also not unaware of the threat of Pakistani competition reinforced by her export bonus scheme, Raw jute in Pakistan ranges between Rs 20 and Rs 24 per maund or Rs 6 to 10 more than the Indian floor price for corresponding grades. This undoubtedly gives Pakistan a strong competitive advantage, of around Rs 280 per ton, enabling her to oust India from the world's sacking markets at will. The only feasible solution, the mill industry argues, is a subsidy on sacking exports since a price level in India comparable to that of Pakistan will lead to large-scale switch to paddy growing, bringing on the crisis of shortage which cost the country so dearly in 1959-60 and 1960 61. The Communists, it seems, are not averse to this solution. To quote from a recent article in *Swadhinata* :

> "It may be recalled in this connection that the Union Government had to pay out from its funds a subsidy of Rs 5.5 crores to sugar mill owners to make possible exports worth Rs 11.6 crores during 1961. The same principle should be applied to jute to assist, if necessary, in matching international competition. The jute cultivator should be encouraged to grow jute even if this requires a subsidy."