Our Calcutta Letter

Foreign Trade Seminar

THE long-awaited foreign trade seminar of the Indian Chamber of Commerce was held last week-end, its formal inauguration coinciding, incidentally, with the major Chinese offensive simultaneously on the NEFA and Ladakh fronts. Nothing wag said at the inauguration or at the business sessions that had not been said before, many times over, A senior official, intimately concerned with exports, remarked afterwards that he had been put to sleep by the wearisome repetition of well-worn formulae at one committee meeting that went on all morning. A young business executive from an engineering firm very keen to earn additional import entitlements sounded equally disappointed. These reactions left one wondering at the end what was the point of the junket.

Apparently, the seminar's purpose was to make the business community in eastern India export-conscious. The idea came, one gathered, from New Delhi because eastern India is the base of such important export industries as tea, jute, chemicals and engineering. If consciousness is assumed to be heightened by exposure to yet more speeches, one would have no quarrel with the seminar's New Delhi sponsors or its organisers In Calcutta. But as any one could see the seminar provided no evidence that business had moved even in the slightest degree from traditional patterns of thought. All failures and disappointments were traced back, indefatigably and relentlessly, to the Government's ideologically-oriented policies. Without necessarily holding a brief for the Government, it is pertinent to ask whether industry's own short-sighted policies, classically exemplified in OJMA's past curbs on output, did not contribute their share to the present impasse. There was neither at the open session or in the committees any attempt at introspection or any reappraisal of past performance, making the whole exercise of formulating statements on trade policies and export problems somewhat unreal.

Shri Manubhai Shah opened his hour-long address with a reference to the perils on our borders, and went on to anticipate the Prime Minister's broadcast appeal for maximising production irrespective of any differences of opinion on other issues. He tried to relate (not very successfully as one must point out) the task on the export front to the national emergency, hoping perhaps to strike a responsive chord among the massed ranks of Calcutta businessmen. At the end of his speech, he renewed his plea for a sense of national purpose, and demanded from his listeners dedicated determination in pushing up exports. He was not ashamed, he said, of repeating that substantial exports could not be achieved without patri otism since no scheme of incentives or assistance could wholly offset the losses inevitable in the international marketing of manufactured goods.

If his intention was to arouse a sense of urgency appropriate to the country's critical circumstances, the Minister failed in the effort. Three out of the four speakers who followed the Minister did not consider it necessary even to refer to the national emergency. Shri Shanti Prasad Jain provided the sole exception, and he came up with a somewhat involved but nevertheless valid case for India's participation in economic development of neighbouring countries through export of capital goods on deferred payment both to promote trade and also to cement India's relations with them. Shanti Prasad also made the sensible point that programmes of import substitution were handicapped by the diversity of plant and equipment used in Indian industry which made it difficult to embark on indigeneous manufacture of spares and components. Some degree of standardisation in original equipment, he said, should be aimed at in future import licensing policies.

The seminar's sponsors were anxious to emphasise that export capacity could not be viewed in isolation but required a reorientation of economic policies of a fairly far-reaching character. If this was their central purpose, as one was subsequently given to understand, it was lost in the flood of verbiage cascading from the seminar. Shri K P Goenka, Chairman of the World Trade Department of the Indian Chamber who acted as the principal spokesman, argued for "elimination of uneconomic units" and "the need for giving due importance to the economics (sic) of large production". Here was a substantial point to be made but it was unfortunately left at the level of a feeble generalisation, not meriting even a comment from Shri Manubhai Shah.

Then followed the familiar argument for linking future increases in wages to productivity in export industries, another point on which international comparisons of labour costs would have been invaluable.

State Trading came in for the usual criticism that it had merely diverted to itself the trade that flowed formerly through private channels, and done precious little to enlarge the flow. Goenka alleged that some countries preferred to deal with private agencies, which might well be true since STC was not immune from the dilatoriness and rigidity of Government procedures.

Specific criticisms, however, were were left only to be inferred, in order to preserve a facade but for whose benefit one wondered.

Subsidy for Sacking

In regard to problems of individual commodities, the most substantial contributions came from the jute and sugar industries. Shri Chiranjilal Bajoria, (currently Chairman of IJMA) argued for a countervailing subsidy to sacking to protect Indian exports from the very grave threat posed by Pakistan's export bonus and lower raw material costs. The Indian minimum price for raw jute of Rs. 30 per md. Assam bottoms basis, he pointed out, was Rs. 6 to 10 higher than the price of corresponding grades in Pakistan, giving the latter an advantage of Rs. 220 to 270 per ton, in addition to the export bonus vouchers currently quoted at over Rs. 200.

The IJMA Chairman's case would have been more persuasive if he had openly acknowledged (as some IJMA people do in private) that the present Indian floor price was the minimum needed to persuade the cultivator to grow jute at all. And when the jute grower was not persuaded, the result (as has happened) was not more jute goods exports but less, and the consequent scarcity pushed up prices where jute goods tended to lose markets permanently. Bajoria held that a subsidy of Rs, 4 crores on sacking exports would suffice in present circumstances and added that it was a small price to pay for protecting Rs. 45 crores of foreign exchange earned by sacking compared to the rupee losses borne on sugar.

Profound Inanities

Shri S, S. Kanoria (head of the Indian Sugar Mills Association's export division) asked for concessions in nail freight which now accounts for 20 per cent of the export price. He made the telling point that ocean freight to USA costs Rs. 1.25 per md of sugar against a railway freight of Rs. 3 from factories 1000 miles inland. With bulk of India's sugar capacity located at considerable distance from ports, this factor alone puts the country at a disadvantage vis-a-vis coastal plants in Cuba, Taiwan and Mauritius. He also made out a fairly convincing case for a long-term export policy, improved shipping and storage facilities, and price incentives for pro* duction of better quality sugar, higher than the top "29" grade now manufactured.

ECM and Britain's possible membership frequently featured in seminar discussions. Apart from urging liberal trade policies, the seminar failed to arrive at a firm assessment of future prospects or to recommend concrete counter measures. One influential business group, as its spokesman made clear, rejected the notion that ECM should be judged on its present record. A "proper" approach to ECM would overcome the difficulties now envisaged. The final statement from the seminar merely recorded its "concern at the adverse repercussions on the Indian economy from the U.K's proposal to join the common market, and hoped that" in the event of U.K. joining, the interests of India and other developing countries in general will be fully safeguarded". Not a tremendously profound contribution to the most challenging problems that Indian exports face!