perhaps, thereby giving French farmer larger share of the German market W German opposition to agricultural integration thus also stems from the anxiety that German exports to non-EEC countries cannot be maintained at the present levels if it stopped buying agricultural commodities from these countries — e g, meat and grain from Argentina, butter from Denmark.

Kennedy Round

DIFFERENCES on the common policy to be followed during the Kennedy round of negotiations centre on (1) the treatment of commodities in respect of which there is a wide disparity between EEC tariffs and the tariffs of the other negotiating countries; and (2) the list of "exceptions", i e, EEC tariffs which are .not to be subject to reductions agreed ripen during the Kennedy round.

The U S has proposed a 50 per pent cut in tariffs across the board, with a few minimum exceptions. W Germany, anxious to strengthen ties between the EEC and the U S, is inclined to accept this in principle as the ultimate objective of the Kennedy round. France, on the other hand, accepts the 50 per cent cut only for commodities on which EEC and US tariffs are roughly equal. ; As for the commodities on which U S tariffs arc much above EEC tariffs — and there are many such —, France wants the relative reduction to be such that the tariffs are "harmonised".

France has succeeded in getting her partners in the Community to accept in principle the need to treat commodities on which EEC and US tariffs are roughly equal differently from those in respect of which there is a wide disparity in tariffs. The "negotiations at Brussels among the six were, therefore, mainly on the criteria for distinguishing tariffs, which are not to be subjected to the 50 per cent cut. As for the commodities to be totally exempt from tariff cuts, France has taken the position that the EEC should wait till the American list of exceptions is made known.

The reliefs of the six Fpreign Ministers at Brussels at having averted the threatened disintegration of the EEC is easy to understand, but the claim that the "package deal'' marks the Community's "renaissance" can be judged only when the details of the deal are made known. There are, nevertheless, sufficient indications that the common policy on the Kennedy round agreed upon yet leaves a big gap between the US and the EEC positions. As for the agreement on agricultural integration, the suspicion is difficult to avoid that while face has been saved and "the deadline of December 31 has been respected", the hard decisions remain to be taken.

Deposits with Companies

MUCH has been made in recent months of the alleged growth in the practice of industrial concerns accepting deposits from the public. This has culminated in the inclusion, in the new banking legislation, of provisions for Reserve Bank control over deposit(taking by industrial concerns which might seem a little strange since acceptance of deposits by companies is by no means a new phenomenon. Time was when it was the principal means of mobilising capital for the emergent industries. The Central Banking Enquiry Committee, for instance, estimated that the Ahmcdabad cotton mills got about 40 per cent of their total funds from this source.

But that was in 1930 and much has happened, both in banking a'nd in industry, since then. For one thing, deposit acceptance, once considered a feature peculiar to the cotton textile industry in Bombay and Ahmedabad, has spread to other industries and regions. But this need not imply any increase in the significance of the practice. Actually, with the development of modern banking, deposits would seem to have lost their importance. But to what extent? Despite all that has been said about the recent growth in the practice, there is vet no reliable estimate of its magnitude.

The Reserve Bank's company finance studies provide some sort of a clue. Data on the deposits with 1,001 public limited companies. available for 1957-59, show that the amount rose over the period from about Rs 20 crores to about Rs 25 crores. Unfortunately, the studies do not indicate the number of companies in the sample actually accepting deposits, so that an important indicator of the prevalence of the practice is lost. However, from the published data it is clear that balance sheet analysis does not give the whole or the correct picture. Companies report 'deposits' as a total — which might include inter-company as well as trade deposits. Hence, the qualification is given that the data can "indicate only an upper limit", with the actual deposits from the public like. lv to be lower. Even so, this "upper limit" of Rs 25 crores in 1959 is minuscule compared with the total scheduled banks deposits of Rs 1,830 crores in that year.

Of course, these are dated statistics, since the Contention — mainly of bankers — is that the practice has grown in recent months, as a result of the general tightness in the money market Some "guestimates'' have been made of the extent of this growth. One such, published in the house journal of a leading bank, placed the figure of total deposits with companies at between Rs 100 and 125 crores. No doubt, bankers have intimate knowledge of the state of things in the business world but no evidence has been adduced in support of this estimate. In fact, what bankers were attempting was only to impress on the Reserve Bank the emergence of new competition to their efforts to mobilise deposits which they were unfavourably placed to meet because of the deposit rates agreement

Actually, the implications for banks of any increase in deposits with companies extend beyond competition for resources; it also means a reduction in the demand from industries for bank credit. The impact therefore, is on total bank business and earnings. For the monetary authority, the problem is entirely different It means an extension of the sphere where the authority's influence cannot reach and further weakening of credit control. That is why under the new legislation the Reserve Bank is equipped with powers that seem, at first sight at least, to properly belong to the department of company law administration. The Reserve Bank may now call for re-