

are beginning to pull a few American planes out of the sky. So, in his magnanimity, he has offered 'unconditional' talks, baited with a billion dollar loan to South-east Asia.

But what exactly does he think is possible by this face-saver? The South has voted for the Viet Cong, a genuine popular and indigenous nationalist movement in exactly the same sense as were the revolutionary leaders of Yugoslavia, China, Algeria and Cuba. They cannot be ruled out by some deal between other countries, nor,

ultimately, can they be restrained from the victory which is rightfully theirs. The only sort of worthwhile negotiated agreement possible is the one that the Americans has so far shown no inclination to swallow—which concedes victory to the Viet Cong,

The struggle remains as it was: about victory, not a stagnant peace such as there is in Laos. The talks therefore can only be useful if they achieve this victory and the evacuation of American forces from Viet Nam—

summed up in the demand for a referendum in the South, the results of which will be binding upon all participants and all foreign powers concerned. The right of national self-determination has been denied the Viet Nameese so for — and the Geneva agreements rejected as a result. It is this right, its firm and binding affirmation, that alone can prevent any talks that ensue being merely a breathing space for both armies to polish their weapons or a camouflage to hide America's disastrous failure.

Weekly Notes

Foreign Companies' Assets

IN 1962-63, foreign controlled rupee companies and branches of foreign companies made a gross fixed investment of Rs 37 crores and Rs 19 crores, respectively, against Rs 45 crores and Rs 13 crores, respectively, in 1961-62. The increased investment by branches was accompanied by a considerable improvement in profits before and after tax. Branches of American companies particularly improved their profitability in substantial measure. Not merely did the branches step up their fixed investment, but they also increased their inventory accumulation (mainly in finished goods) from Rs 3 crores in 1961-62 to Rs 18 crores in 1962-63 and also increased their receivables substantially. The total asset formation of Rs 48 crores in 1962-63 (Rs 18 crores only in the previous year) was financed largely from borrowing (Rs 38 crores) mainly the category "others" (Rs 29 crores) and also from banks (Rs 10 crores),

This sudden spurt of asset formation in branches is difficult to explain. All that one can see from the Reserve Bank study published in the Match issue of the *Bulletin Is* that U K trading branches were largely responsible for this spurt, U K branches added Rs 41 crores to their total assets, U S branches Rs 8 crores, while other branches shed Rs 1 crore. A high jump of this order in total assets and 'other borrowings' could have been performed by only one U K trading branch and that is Burmah Shell Storage and Distribution. It must have added substantially to its fixed investment inventory and receivables in 1962-63 and financed it largely from other borrowings. Since there is a reduction of Rs 11 crores in the trade dues of U K companies and a rise of Rs 29 crores in 'other borrowings' it would be justifiable to presume

that Burmah Shell changed the classification of a large part of its payables and borrowed more from some associated company—not its holding company for that would come under liability to head office'. Something interesting must have happened at Burmah Shell in 1962-63.

Long Term Trade Plans

REPORTS have been appearing for some time about the eagerness of U S S R and Czechoslovakia to co-ordinate some of their production programmes with industrial development in India. This is a welcome development since these countries were rather cool to this idea three years back when the Poles and Hungarians first made proposals on these lines. At that time New Delhi also did not respond too favourably because it was believed that (a) the scheme might inhibit the production of certain items (b) it might reduce the earnings of free foreign exchange and (c) it would involve long term commitments which the government may not be able to underwrite. There was also a fear that this tie-up with communist countries may not be received too favourably by Western government.

Attitudes seem to have changed over the years. They had to, because India's trade with the Soviet bloc is expanding rapidly. This expansion involves the import of more machinery as well as more intermediate goods from the centrally planned economics, and the export of processed and more sophisticated goods, including tropicalized components. The import of steel mills and power stations and the export of traditional goods like iron-ore is up to a point, a simple affair. The diversification which is taking place now implies that the annual trade plans, which lay

down either the values or quantities of goods to be exchanged for the next years, are no longer sufficient. The export of more finished goods to the communist bloc requires considerable advanced planning for capacity and materials. Similarly, at the other end, the wide variety of goods demanded by us has to be fitted into the development plans of individual countries.

The U S S R is now agreeable to setting aside capacity for the export of goods like special steels, pig iron, caustic soda, fertilizers, newsprint, non-ferrous metal, etc. The non-traditional goods required from India would consist largely of shoes, hide- and skins, garments, hosiery, processed goods, radios, electric fans, and plastic cloth, etc. The volume of trade, both existing and potential, in these commodities is large enough to justify constant effort over a period of time to lay down targets and means for their implementation.

The problems of trade with East Europe are somewhat different. As smaller countries, they do not have the same capacity to provide goods or absorb them, nor is a large part of their export of machinery, etc. covered by credits for large specific projects. Some of them have been eager to enter into deals with India for planned division of labour and for export of finished goods to third countries. This exercise in international planning would be unique in many ways. It would also involve a considerable tightening up of Plan implementation in India

A Second South Africa?

NOW that Ian. Smith has called for general elections on May 7, a unilateral declaration of Rhodestian independence seems inevitable within the next six months (by when this *season's*

tobacco crop will have been safely disposed of). Smith's purpose in calling for elections is to increase his majority in parliament to the necessary two-thirds required by the 1961 constitution for constitutional amendment. Since constitutional amendment also requires British assent, which is bound to be withheld for the changes Smith has in mind, a unilateral declaration of independence must be the obvious sequel.

Smith, when he gets his majority, plans to reduce the number of elected Africans and replace them with chiefs. He also wants to increase the number of higher roll seats normally held by Europeans. Together with new security measures these changes will take Southern Rhodesia further in the direction of becoming a second South Africa. Smith's Rhodesian Front is believed to be already working on schemes which will keep the races apart.

Smith is widely expected to secure the necessary majority. The leaders of the nationalist African opposition are under restriction and European opinion is rallying to his banner so as to strengthen his hand as much as possible for the crisis which lies ahead. The white members of the moderate opposition Rhodesian Party are expected to be obliterated in the new parliament.

In view of this situation, Harold Wilson's government should make it quite clear that rebellion will be met with vigorous economic sanctions. Unfortunately the threat of sanctions may not deter Smith. Salisbury appears to be confident that it will be able to sell more of its important tobacco crop to non-Commonwealth countries, particularly France and Japan, in the event of a Commonwealth boycott. Secondly, Salisbury is actively discussing with Portugal and South Africa, ways and means of beating an economic ban. Thirdly, Smith knows that if Zambia participates in collective Commonwealth action, she is less likely to be able to withstand a breaking off of economic relations than is Rhodesia. But despite these difficulties, and given emergency measures to aid Zambia, there is good reason to believe that sanctions would badly dent the Rhodesian economy if they are enforced for long enough. The only alternatives are military intervention which Wilson's government might not survive at home, and abandoning Rhodesia to a white minority which seems determined to thwart

the politician social, economic and cultural development of the African majority for as long as it can.

Agricultural Finance and Banks

SOME surprisingly contradictory views have been expressed by the chairmen of the leading banks in their statements to shareholders this year. There have been sharp differences, for instance, on the role of banks in agricultural finance. The chairman of the United Bank, S B Dutt, is convinced that the preconditions for bank financing of agriculture just do not exist at present. For one thing, 'agricultural activity has still not been able to shed its characteristics as a subsistence and unorganised activity' and, for another, its dependence on weather makes it "a great financial risk". Dutt would, therefore, wait till "the entire agricultural sector could be placed on an organised and market-oriented basis" before stepping into agricultural finance, ignoring that provision of agricultural credit is a precondition to such a transformation of agriculture.

The chairman of the Syndicate Bank, T M. A Pai, however, sees things in a different light. His bank, though it has only just joined the class of big banks with deposits over Rs 50 crores, has been distinguished by its pioneering efforts in the field of agricultural finance. Of course, in quantitative terms agricultural finance is a negligible proportion of even the Syndicate Bank's advances, but during the last year it has taken certain steps which indicate that this bank at least is not going to wait till the opportunity to finance agriculture is presented to it on a platter. It is prepared to go out on the farms and partly adjust itself to existing conditions and partly change them.

It is true, as T M A Pai is realistic enough to admit, that "one bank by itself can do little" considering agriculture's vast need for finance. What one hopes is that the Syndicate Bank's role in agricultural finance may prove to be that of the Schumpeterian entrepreneur. If it can establish the possibility of profitable operation in this field it is bound to draw in others. The State Bank at least may be spurred to work harder and show better results in agricultural finance.

The PM's Approval

A N institution, even if it be one for private profit, is entitled to attention when it completes a long period of successful existence. If in the opinion of the Government the

institution has served some public interest, official approbation may also be bestowed upon it. The Prime Minister himself may publicly applaud the institution's services to the country. All this is permissible and has been done before.

But in the process is it necessary for the Prime Minister to seem to extend his congratulatory approval, even though by a thoughtless word or act, from the institution concerned to individuals who have fallen foul of the laws of the land? Is it necessary, for instance, for him to get himself photographed with someone about whom the following facts are well known?

- (i) that he is On bail after being arrested on a criminal plaint;
- (ii) that he is charged by the Government with various malpractices before a semi-judicial body;
- (iii) that a number of companies under his control are under investigation by statutory authorities; and
- (iv) that only a few years ago he was removed from the Board of the very institution whose achievement is being lauded, as a result of a specific directive from an official authority which gave him every opportunity of clearing himself.

Whether the charges against the individual concerned are ultimately proved or not, should not the Prime Minister have considered carefully the consequences of his consorting with such a person for the morale of the Government officers and others who are charged with the investigation and prosecution of the charges against the individual concerned and for public confidence that the Government will apply the country's laws equally to all wrong-doers, however rich or influential some of them may be,

Second Thoughts on Coal

A correspondent writes:

LAST September the Ministry of Steel and Mines published a tentative Fourth Plan target of 47 million tons of coking coal, which was to yield 24 million tons of clean coal. The target has since appeared increasingly unrealistic. The NCDC, which is supposed to contribute 21 million tons, has said that 17 million tons is the utmost it can manage. The private sector's response has been hardly more