Some belated recognition of the need for positive action is noticeable now. Government has set up a Cement Corporation but it will take time to deliver the goods. The development rebate has been raised from 20 per cent to 25 per cent which is equivalent, in event of expansion of fixed assets, to an increase of about Rs 6 per tonne of cement. Now, with effect from June 1, the ex-works price allowed to producers will be raised by Rs 4 per tonne and the selling price by Rs 8.35 per tonne. The price increase is meant to offset rise in costs, as laid down by the Tariff Commission formula. Previous increases were sanctioned in June 1963 and June 1964, aggregating Rs 4 per tonne against a cost increase of Rs 5.91 in 1961, claimed by the industry. The industry now claims that the cost increase between May 1964 and March 1965 has been Rs 217 per tonne, exclusive of higher railway freights since April 1965 and the rise in interest rates on borrowings. Since the latest increase of Rs 4 per tonne, like the earlier one, has no retrospective effect, the industry is not terrible enthusiastic about it,

A comparable situation was allowed to develop in the steel industry in the early fifties and had to be set right at great cost later. Spokesman of The cement industry have been demanding an expansion allowance in the price *on* the basis allowed to steel companies. The Tariff Commission is slated to make a fresh inquiry into the industry next year, but there is a case for not waiting that long. A number of steps can be suggested. Retention prices can be increased at the expense of the margin allowed to the State Trading Corporation and a large part of this increase segregated in a special development reserve. Or, following the Raj Committee scheme and on the analogy of sugar, Government and high priority users should get a specified percentage of the output of each producer and the balance of production should be decontrolled.

From Port to Consumer

THE shortage of middle distillates, kerosene and high speed diesel, threatens to upset the precarious stability of prices which had been established in the last few months in vulnerable areas. The reason for the shortage is two-fold; delays at Barauni which was expected to supply a large part of the eastern and northern markets, and the denial of. foreign exchange to the Western oil companies for the import of these deficit products during April-September 1965. Unless Cochin and Koyali are commissioned on schedule —which is unlikely to happen—the shortage will continue into 1966, As the foreign exchange position got tighter and the demand for kerosene and HSD increased rapidly, Government had two alternatives. One was to ask the oil companies to import deficit products against rupees. This the companies would not, partly in view of possible repercussions in other importing countries. The companies offered a sop in the form of a moratorium on their remittances of profits but this rightly failed to satisfy Government because, among other reasons, there was no offer to reduce prices. The other and immediate alternative which the Government adopted was to step *up* rupee payment imports from USSR and Rumania under existing arrangements and to negotiate with Kuwait and France for cheaper or easier imports. Meanwhile, areas like Calcutta which arc supplied mainly from imports are facing a difficult situation.

Indian Oil Corporation which handles all petroleum imports on Government account has nearly doubled its imports from USSR and Rumania and will, in the bargain, effect a net saving of foreign exchange because these imports are cheaper. IOC's problem, however, is not of import but storage and distribution. Its ability to relieve shortages on an emergency basis is not doubted but arrangements have to be put on a permanent basis if only because it has to handle the capacity production of Barauni by the *end of* the year and later the increasing flew of supplies from Koyali and Cochin. IOC has little storage facility and its distribution organisation is still rudimentary compared to those of Western oil companies. The companies continue to have the products of the Bombay and Visakhapatnam refineries besides imported lubricants which are still relatively unrestricted. They will not handle oil (crude or refined) from the communist countries through their own network nor will they place indents upon IOC. At most, they might agree to temporary leasing of storage facilities; they can be compelled to do so under emergency powers. Their dealers are all captive and cannot walk over to IOC except at great loss. While much has been heard about IOC'S import programme, one would, therefore, like to know a little more about its arrangements for storage and distribu, tion, apart from bulk sales to large consumers.

Capital View

Romesh Thapar is away from Delhi. Capital View will be resumed on his return,

— Ed.

Coal Folly

THERE is only one bona fide reason we can think of for the appointment of a committee to study the prospects of coal exports—that the government is abysmally ignorant of the conditions in the world fuel market. At the present prices, mineral oil is a cheaper fuel in almost all uses; the only assured uses for coal are in the making of coal-based chemicals and of coke for blast furnaces. Where it is particularly cheap, it is barely competitive with oil in thermal power generation.

If coal continues to be widely used in spite of being uncompetitive, It is partly for historical reasons and partly due to deliberate government policy. Many of the world's older industrial plants use coal as a fuel, and railways have large fleets of steam engines; coal continues to be used where the conversion to oil is expensive or impossible. Britain, France and Germany levy discriminatory taxes *on* fuel oil in order to prevent precipitate unemployment among coal miners, and many countries, including India, protect; coal mining for balance of payments reasons. The reasons behind India's present coal exports are largely historical —the bulk of them goes to East Pakistani jute mills.

In these circumstances there are three principal ways of stimulating coal exports. First, we might give a whacking subsidy on coal exports to make them competitive with oil and promise to continue the subsidy over a long period. However, since the relative price of coal to oil is lower at nome than in the international market owing to the oil duty, it would be more sensible to save foreign exchange on oil by subsidising home consumption of coal Second, we might take payment for coal from imports abroad in their own currency; some scope for doing so exists perhaps in South-East Asia, Ceylon and East Africa. Then, however, we would require to enter into trade agreements with the coal importing countries and to shop around to see what we could buy from them. The idea of Afro-Asian trade co-operation or payments union is worth pursuing, but it is hard to visualise the Indian Government taking an initiative *in* the matter. Third, we might manufacture coal-fired thermal power stations and sell them in Asia and Africa; coal exports may then follow the power stations. The conversion of power stations from coal to oil is none too difficult, however; so either the export, ed coal will have to be much cheaper or the conversion co-efficient of coal into electricity will have to be greatly improved. The possibilities of technical advances *in* the latter direction are enormous, but we are not even manufacturing much thermal power equipment, let alone improving its performance. And the appointed "team of experts" is quite irrelevant to the problem.

No Sympathy From India

A Correspondent write a:

COMMON courtesy becomes the first victim of national animosities. April and May have been months during which Indians and Pakistanis were busy denigrating each other. The Rann of Kutch has excited emotions, and those emotions winch have a p.i-mal base - anger, hate, fear, desire for vengeance, and so on. Old issues of conflict have been revived, new issues have been discovered; whether here or in Pakistan, the general spirit is one of uncompromising non-accommodation, iron has entered the soul. *In* either country, goodwill for the. other is at the lowest point.

It is not necessary to go into the v - lalive merits of the various issues in the Indo-Pakistani dispute. In the context we want to refer to here, it should not be necessary to rake them up. More than thirteen thousand men and women died in East Pakistan as a result of last month's devastating cyclone. All these people must hove been poor, simple folk, mostly pea. sants; some perhaps had belonged to the artisan class: for all one knows, some were members of the fishing community. Communication lines loo have been destroyed, property damaged extensively, school buildings washed away. All told, it has been a grian human tragedy.

As human beings, we on this side of the border ought to have felt deeply about these deaths and devastations, and should have been moved to express our sorrow and sympathy to the stricken inhabitants of East Pakistan. In different circumstances, perhaps the President or the Prime Minister would have sent a telegram of sympathy to the Government of Pakistan and might even have made a token offer of relief. The Rann of Kutch has taken care of all that. There has been no report of any telegram from our leaders and by and large no commiseration on the part of the Indian press. Our conscience would not apparently allow us to accord any sympathy to human beings in distress across the border because we have concluded that the people who have now been stricken — or at least their Government — have done us wrong. Similarly, it is possible that there would be no message of sympathy from Pakistan for the mining disaster at Dhori.

Must the logic of conscience be so cold-blooded? Must human sentiments be of such acute divisibility that we should be prevented from expressing our sorrow on a tragedy which obliterates populations, devastates schools, destroys standing crops and wipes out transport networks, in case all these take place in a country which we consider to be hostile? Are we scared that any such expression of sympathy will weaken our political cause? Or has some sage in the South Block reached the conclusion that a telegram of sympathy to the Pakistan Government would affect adversely (he morale of our troops along the border?

These questions are being raised here more in sorrow than in annoyance. In the long run, a nation will grow as strong as its moral fibre will allow it to. In our struggle for survival, we are not supposed to abdicate the elementary decencies. This, one assumes, was the teaching of Tagore and Gandhi — and of Nehru, whose first death anniversary we were observing last week. But perhaps we are going to other temples of learning these days, so that each time there is a drought in China, there is no end of gloating in our newspapers, and each time a cyclone hits East Pakistan, we decide to do a foxtrot.

World Bank's Smile

WHILE the Industrial Finance Corporation had to rest content with a loan of 10 mn dollars from the US Agency for International Development last month (which raised its aggregate borrowing from that agency to 40 mn dollars), ICICI has walked away with 50 mn dollars from the World Bonk. This sixth loan has raised the Bank's total credit to ICICI to 140 mn dollars: it is also the largest single loan yet given by the Bank to any development finance agency. The fifth line of credit of 30 mn dollars obtained by the ICICI in 1963 was fully committed in 1964. As a matter of fact, in anticipation of the present credit ICICI had committed 91 mn dollars through 1964 against the then available total *of* 90 *mn* dollars. The amount credited by the Bank to ICICI. Loan Account was 71 mn dollars *(Rs* 34 crores), of which 49 mn dollars (Rs 23 crores) or 68 per cent was disbursed to sub-borrowers. Repayments by ICICI through December 1964 aggregated Rs 4.96 crores, all of which had not been recovered from sub-borrowers till then. The ICICI's annual report for 1964 indicated an amount of Rs I crore overdue from sub-borrowers, most of whom have run into project delays and overruns of cost. This difficulty has arisen because the first three loan agreements signed in 1955, 1959 and f960, provided for a fixed repayment schedule. Thanks to the efficient management of its resources, ICICI has been able to withstand this strain. The fourth and fifth credits, finalised in 1962 and 1963, provided for flexible repayment schedules consistent with the repayment of sub-loans. The latest credit also has the same terms of repayment but unlike the variable interest rates chargeable on the earlier loans it has been extended at 5½ per cent. The credit is expected to meet the bulk of ICICI's foreign exchange requirements (the rest are met from West. German loans) till mid-1967.

From 1955 to 1964, ICICI has approved assistance of Rs 102 crores to 374 projects. Foreign exchange loans account for about one-half of total assistance, rupee loans for a fourth, and underwriting and direct subscriptions for the rest. The ICICI has concentrated on new industries like chemicals, machinery and machine tools (unlike IPC which has taken great interest in textiles and sugar). About a third of the 125 assisted projects which have gone into production have been sponsored by entrepreneurs who are new to industry. The ICICI's main problem now is not foreign exchange but rupee funds. IBRD had agreed in the past to a 4 : 1 instead of 3 : 1 debt equity ratio, the first government loan of Rs 7.5 crores also ranking as equity, but the sixth credit and the tapering off of government rupee loans (Rs I crore only has been provided for ICICI in the 1965-66 budget) have made it necessary to increase the share capital in the immediate future. How capital is to be raised under present capital