Weekly Notes

Undelivered Cloth

THE current phenomenon of cloth accumulation with mills is very similar to that in 1957-58. Stocks have piled up because traders arc refusing to carry any more than the minimum inventories due to a number of reasons: credit stringency, disruption caused by the recent hostilities, and sluggish consumer demand in a traditionally busy period. At various levels and in different contexts, traders receive credits from mills and, in many cases, also extend credit to mills, especially the weaker ones in mofussil areas. These conventional relations have been upset by tight money. Demand from the north-western and eastern States normally reaches a peak at this time of the year but the hostilities, diversion of transport to defence uses, and continuing uncertainties in both these regions have accentuated trade unwillingness to extend commitments and have, correspondingly, increased the burden on mills. Exports, too, are disappointing this year.

Prices of raw cotton, dyestuffs and other materials have risen steeply and so has workers' dearness allowance which is linked to the cost of living index in nearly all centres. It has not been possible to shift these higher costs fully since almost one-half of mill doth output is subject to price control—and some varieties also face competition from powerlooms and hand looms, So far as uncontrolled varieties are roncerncd, significant price increases had been effected during the period of voluntary price control and subsequently ton, The scope for further increase is extremely limited, partly, because of consumer and trade resistance and partly because changes in the pattern of output have been extremely rapid over 'the last few years and many of the varieties are still in the promotional stages.

Bank credit limits, as in other industries, are under strain but the impact of this strain on cotton mills and trade is somewhat greater because profit margins are relatively smaller and the materials, labour and freight components of final prices are comparatively higher. Prosperous mills have extended their capital commitments in modernisation, diversification and investment in new companies; besides tapping banks and financial institutions, they have been eager seekers of public deposits. The weaker mills have exhausted their resources in what little modernisation they have been able to achieve; both cloth wholesalers and cotton dealers who are their traditional sources of finance are cutting them dead.

Given its economic and political strength, long history of unsound financing and its propensity, when in trouble, to seek weird solutions, it is hardly surprising that the industry should have appealed to the Industrial Finance Corporation, among others, for assistance on special terms. The terms demanded—concessional rates of interest, easy procedures for disbursement, relaxation of security margins, non-levy of commitment charges on undisbursed portions of sanctioned loans, etc—from IFC were such that no financial institution could have accepted them, particularly coming from an established industry which should normally be able to look after itself.

Such heroic efforts aside, what should be done for the financial rescue of the industry? This slump should help to create the environment for cost-reduction and improvement of technical and markcling efficiency, though the demands of both capital and labour being what they are, one cannot have much hope in this direction. The immediate step taken by Government was to liberalise the flow of bank credit, for this month at any rate. But deliveries have to improve before the mills jan consider themselves out of the woods. While further credit liberalisation may be in order, it should be clearly understood that this is no substitute for price reductions and greater exports.

The High Price of Cheap Gas

TO turn from the innumerable instances of failure of price control to one where control has been effective would be heartening if the results of success in this case were not so perverse. The State government has zealously controlled the price of piped cooking gas in Bombay, keeping it virtually *unchanged* between 1919 when control was first imposed and early this year. Consumers have thus got their gas at 1949 prices when prices of everything else multiplied manifold. They have much to be thankful to the government for—not all those who today use gas for cooking but only the 18,000 or so fortunate ones who got their connections when the city's sole supplier of piped gas, the Bombay Gas Company, was still in a position to give new connections. Now it isn't any more—thanks to the success of price control! Bombay's population has grown rapidly and so has the demand for a clean, convenient fuel like gas, but price control has seen to it that the Bombay Gas Company cannot meet any of it, to the advantage of the two private oil companies with refineries in Bombay who, though much later entrants in the market, supply bottled gas to over five times as many families as does Bombay Gas. This they do because they are allowed to sell their gas at three times or more the price permitted to. Bombay Gas under law.

That the hopelessly uneconomic price has prevented Bombay Gas from expanding and giving new gas connections has been so plain that one would think that the Government has had some weighty reasons for holding down the price. The purpose, one hopes, has not been to 'protect' the private bil companies. Is it, then, that in the Government's view, any increase in the price of piped gas would cause unbearable hardship to the 18,000 or so existing consumers in whose interest, therefore, further expansion of supply has to be sacrificed? However, this cannot be the reason either, since the present consumers are mostly people of much more than average means, living in the prosperous residential areas of Malabar Hill, Cumbala Hill, Fort and Colaba.

What deep social concern then underlies the Government's policy of denying an economic price to the Bombay Gas Company? It has been suggested that the intention has been to-see that the company runs up huge losses so that it can be taken over at a very low valuation. The company's cumulative losses at the close of 1964 amounted to Rs 24.78 lakhs, being nearly one-half of the paid up capital of Rs 40 lakhs and free reserves of Rs 12.61 lakhs taken together. If the Government really wants to nationalise the company, the despicable procedure of achieving this through euthanasia so as to save a few lakhs of rupees of compensation money deserves to be unreservedly condemned.

And why should the Government want to nationalise the company, anyway? It is unimaginable that the Government will be able to expand or even maintain supplies without raising the price of gas. Official spokesmen have admitted as much. If the aim is to nationalise an essential service—the supply of cooking gas—then taking over Bombay Gas will achieve nothing since by far the larger proportion of gas used in the city is supplied by the private oil companies. If it is none of these spurious objectives but really the expansion of gas supplies that the Government wants, Bombay Gas has repeatedly said that it has expansion plans ready which are held up just by the uneconomic price foisted on it.

True, the company has been allowed a- price rise, from Rs 3.94 to Rs 5 per thousand cubic feet, .from January this year. This increase was recommended by the Gas Advisory Committee which examined the company's cost structure in the first half of 1963. The Chairman of the company, N K Jalan, contends, with evident justification, that both material and labour costs have gone up in the two and a half years since the Committee's enquiry and that allowance must be made for this in the price. Cost-plus price fixing presents problems when there are many units in the industry with varying efficiency. These problems do not arise in this case and once the price of gas is fixed on the basis of costs for a base period, subsequent rise in costs can be taken care of by automatic adjustments in price made after consultation with the Government. The alternative to some such rational arrangement is continuance of the present stalemate between the company and the Government at the expense of Bombay's middle and lower middle class population which needs gas for cooking but cannot afford it at the prices charged by the oil companies for their bottled gas and to the advantage of the well-to-do consumers who have got piped gas connections and the oil companies—neither of whom deserve this bonanza.

The Admirable Corporation

EXPANSTON of shipping tonnage has proceeded considerably faster than was envisaged originally in the Third Plan, to make this industry one of the few in which targets have been over-fulfilled. The overall position remains, nevertheless, unhappy in many respects. Only 10 per cent of our foreign trade is carried in Indian bottoms and the net outflow of foreign exchange on account of freight, repairs etc, is Rs 155 crores a year. Our tonnage and its utilisation have to increase substantially to keep pace with the expansion of foreign trade and to raise our share in the freight carried. The net foreign exchange saving of shipping expansion is, perhaps, the highest among all industries. The foreign exchange cost of a ship is earned back within a period of 8 years or less, not counting the strategic advantages for defence and direction of trade.

Further expansion of shipping in which the public sector Shipping Corporation is playing an active and dominant role is, however, bedevilled by a number of adverse developments. International prices of ships (including second-hand) are going up and so are time rates for charters while cargo freights are in general pegged. The Visakhapatnam Shipyard has reached its lowest production in five years, for which inadequate foreign exchange allocations are alleged to be responsible. Coastal ships are over-aged and are in urgent need of replacement as well as assured dry cargo, 60 per cent of which at present consists of coal and salt, which are carried at somewhat uneconomic rates. Coastal tanker capacity (sadly deficient at present) required in future would progressively diminish as more coastal refineries come up. Port delays and inadequate berthing and handling facilities lengthen the turnround time of ships. All these add *no* to a formidable list but no more formidable than that for most industries.

One of the curious features of recent tonnage expansion is the fact that apart from the Shipping Corporation 2nd Jayanti none of the major shipping companies has added significantly to its fleet; in spite of large and easy credits available from the Shipping Development Fund. The slump in overseas freights which lasted a couple of years had something to do with this but its influence appears to have been somewhat exaggerated. Both the major private shipping lines, Scindia and Ind'a, give the impression of having reached the end of their managerial resources and enterprise for the time being. Scindia is expanding again but India Steam remains stagnant and still relies largely foreign personnel. Great Eastern, once a prodigy in the industry, slowed down in the early sixties and threatens to take things easy till there is a substantial revival in tramp business. New entrants have come in—among them, Birla, South India (P & *O* in collaboration with Tata, etc), Chowgule and Thakur—but these have still to make an impact. Only the Shipping Corporation has expanded and prospered through difficult times.

The merchant navy can do much better than was expected earlier and it must. For this, cheap loans and a Umuing shipyard are not enough. Inadequate attention has been paid over the years to the training of personnel for floating crew and shore establishments, and the development of domestic repair facilities. Shortage of personnel could, in the end, prove a greater handicap than lack of foreign exchange.

Agricultural Refinance Goes Abegging

THE concluding observation of M R Bhide in his chairman's speech at the Second Annual General Meeting of the shareholders of the Agricultural Refinance Corporation is indeed a sad one: "... in the last two years of the Corporation's existence a large number of States have not taken advantage of its refinance facilities. It would indeed be a national waste if millions of acres of land remain unutilised even after big dams costing huge amounts have been constructed for providing irrigation facilities and other necessary aids such as fertilisers, improved seeds and technical personnel are made available." This is, of course, not to deny the advance that has been made so far. Thus in 1964-65 the Corporation sanctioned ten schemes of agricultural development involving a financial outlay of over Rs 20 crores, as against three for Rs 2.7 crores in 1963-64. Most of the schemes sanctioned are for reclamation and development of land under various major irrigation projects such as Nagarjunasagar and Parambikulam Aliyar. Others envisage development of cocoanut and rubber plantations and horticulture. All these schemes except one are to be implemented through central land mortgage banks. Bhide was perhaps understating the general feeling of disappointment when he said: "With all the efforts made so far in bringing scheduled banks into the picture, the planters are, by and, large, still experiencing difficulty in persuading banks to finance them". He went on to say that considering the vast 'potentialities for development of plantation crops, which are among the main foreign exchange earners of the country, and the great need for increasing exports, the schemes relating to plantation crops under the consideration of scheduled banks at present do not touch even the fringe of the problem. Without much greater support from all the scheduled banks or at least from those which are operating in the States that offer scope for development of plantation crops, the growth of this sector of the agricultural economy would greatly suffer.

It is not necessary to seek far to discover some of the reasons which may be holding scheduled banks back from this line of business, though one will read the Agricultural Refinance Corporation annual report and chairman's speech in vain to find any mention of them. Among the more important of these are: (1) the relatively long repayment schedule for loans in the agricultural sector as compared with loans in the industrial sector; (2) the risks to which agricultural operations are exposed due to natural factors like floods, draughts, insect pests, etc; (3) the risks of price fluctuations in the case of export plantation crops due to supply/demand changes in overseas markets, while in the case of industrial products such risks are of much less significance due to the protection which import restriction usually confers; and (4) in the event of default, realisation of assets is relatively more difficult in the agricultural sector than in industry. To these could be added such other factors as the lack of adequately trained staff to assist in the preparation of and appraisal of loan applications for agricultural operations where norms of assessment have yet to be set up and universalised, the absence of the same promise of developing normal banking business with the help of these long-term loans as there is with term loans to industrial projects, etc. It is possible to devise price and credit guarantees and crop insurance schemes to counter some of these factors — and also perhaps some positive incentives for banks. But these are old proposals on which no action has been taken for years. Will the Government do something now under "the much-publicised "crash programme" for agriculture?

U K and the Indo-Pak Conflict

A Correspondent writes :

THERE have been some surprising elements in the British reaction to the India-Pakistan conflict over Kashmir, yet her overall attitude has been consistent with her stand in this matter since 1948. Britain has from the beginning shown an exaggerated enthusiasm for a plebiscite in Kashmir. Even her present government—ostensibly socialist—has not stopped to contrast this enthusiasm with Britain's traditional reluctance to grant the right of self-determination to a colony (currently the Labour Government is cheerfully refusing this right to Aden) or to recall that the closest historical parallel to the Indo-Pakistan conflict over Kashmir is the American Civil War when the central government of the USA, in the name of high and truly democratic principle, refused the constituent states the pseudo-democratic right of self-determination.

Britain has, then, always supported Pakistan's propaganda, at the UN and elsewhere, for a plebiscite in Kashmir, This support emanates from three sources: malice, self-interest and misguided moral fervour. Malice was quite important in the immediate post-independence years. Then there was an active anti-India group of Conservative politicians and journalists who had earlier opposed the granting of independence, and who went on to specialise in maligning the Congress party , Nehru and India. This group has very rapidly dwindled in recent years, so that malice in Britain against India is no longer so important.

But self-interest is one of the strongest motives both for individuals and nations, and Britain is particularly a scheming and calculating country; it is not for nothing that the British have been called a nation of shop-keepers. We had come to expect the British Labour Party to be significantly different from the Conservative Party in this respect, but Wilson has proved to he as opportunist as the worst Conservative premiers; what is far worse, his interpretation of the British interest is stratlingly old fashioned, narrow and short-sighted. When SEATO and CENTO were formed, the Labour Party in opposition had at least an ambivalent attitude towards them, but now Wilson has become the custodian of Britain's self-chosen world-wide responsibilities. For fulfilling these responsibilities Wilson feels that Britain must have a chain of bases in the Middle East and South and South-East Asia. Unbelievable though it may sound, it does begin to seem that Wilson is wooing Ayub for a base somewhere in Pakistan, the need for which—given the neo-Dulles philosophy of Wilson—will be greater, the more likely Britain's expulsion from Aden, Vijayalakshmi Pandit, who was" our High Commissioner in London for seven years till 1961, also felt moved to say in the Lok Sabha during the last session that Britain is looking for a foothold in Pakistan. Again, both the old Conservative and the present Labour governments have been passionatejy interested in the Chinese market; there has been a plethora of trade delegations and fairs. (Needless to say, because it did not suit their interests, British governments have not cared in the slightest for the American susceptibilities about this.)

These considerations of British self-interest as seen by Wilson explain the partiality towards Pakistan of which there has been definite evidence. (Some politicians and highly important .sections of the British press, of course, actively supported the Dulles policies and their descendants, and, therefore, though they have perhaps no active malice for India, they have always had greater sympathy for Pakistan and her allegations of not being treated fairly by her large bullying neighbour.)

A Religious War?

WE come now to misguided moral fervour. There is no doubt that Britain has had a tradition of nurturing eccentrics, reformers, pacifists and radical thinkers; one of the great qualities of her society is her ready tolerance of such people. The presence of such thinkers has meant that there has always been in Britain a large section of leaders of public opinion who have stood by moral principles as they saw them. It was the British leaders of this kind who supported us in our struggle for independence; our own national leaders drew a great deal of inspiration from them. One can in fact claim that Nehru's policy of non-alignment was based on principles which were partly derived from the philosophy of such British thinkers. To Britishers of this kind, our war with Pakistan has seemed greatly regrettable and unnecessary because they believe that there has been a lack on both sides of a sufficient amount of give and take. Therefore, such British commentators,' with the friendliest feelings towards the democratic, secular and trying-to-be socialist India, have not been entirely on our side in their comments. Though this too has annoyed us, the justification for our indignation against them is very slight

Yet there is one respect in which these well-meaning commentators also have been seriously wrong; even they have called the recent war a religious war. This is utterly silly. Pakistan has dragged religion in to gain some illicit support from Muslim countries and from the Muslims in India; bat from the Indian side, it is a fight between sovereign states over territory and over the principle that in secular India no sect has any *sectarian* rights. Muslims have fought with Hindus against Pakistan. If the Indian armed forces had consisted of only Hindus, and if there had been officially Supported or condoned persecution of Muslims in India, then it would have been a religious war. Hardly any of the well-meaning commentators we are now considering would claim that the facts are such; they should, therefore, realise how silly (and inadvertently mischievous) they have been in calling this a religious war.

Should India leave the Commonwealth as a recent private bill in the Lok Sabha proposed? Our economic self-interest is better served by staying in it, even though the Commonwealth preferences in trade have been weakening. That these preferences ace still very important for us is proved by the concern our government felt when Britain was about to join the Common Market. Then there are facilities offered by the Sterling Area, and, presumably, a certain additional attraction of India to a British investor due to our being in the Commonwealth. At the political level again there is the great advantage of having built-in closer contacts with a number of African countries; this is extremely important vis-a-vis China. There also are lesser and more commonly cited advantages. Vijayalakshmi Pandit has said that there is a certain division between the white and the black countries within the Commonwealth. This is certainly true. To expect it to disappear at once will be unhistorical: provided it is a division which is weakening, we need not leave the Commonwealth for this; it might then in fact be a very good reason for staying in it, so that a genuine multi-racial club of nations does get evolved.

Labour's Left Wing Muzzled

Our London Correspondent writes:

THE Labour Party Conference at Blackpool was dominated throughout by Harold Wilson whose two brilliantly conceived . speeches not only served to enthuse the rank and file but also succeeded in obtaining the endorsement of the Conference for all the Government's controversial policies, including those on Viet Nam, immigration and incomes. The left wing of the Party, which had been growing increasingly restive in the last: few months as step by step the Government seemed to be walking away from a socialist programme, was surprisingly quiet and ineffective. Is it now Wilson's aim to convert the Labour Party into what has always been the Liberal dream—a non-socialist radical party? This is the gnawing doubt which the left wingers must have carried with them from Blackpool. Their leaders like Frank Cousins and Barbara Castle, through being in the Cabinet, are virtually Wilson's prisoners.

The general impression left by the Blackpool conference, the first after 13 years held with Labour in power, is that Wilson is determined to provide the country with a Government whose objective will be not to achieve socialism but to make a mixed economy work. The word socialism did not find even a polite mention in Wilson's speeches at Blackpool and the question of nationalisation of steel was left discreetly in the background.

Certainly the morale of the Party as a whole is high. The national opinion polls show that Labour is once more on top, and that there is no reason why it should really dread a general election now, if one is forced on it. If an election were held now, the results would almost certainly repeat the voting pattern of October last. This is also the main finding to emerge from a survey carried out by Research Services Limited for the *Observer* in 92 key marginal constituencies: the 20 seats carried by Labour last October with majorities of less than 1,000, the 20 Conservative seats won with similar small majorities, and a further 52 constituencies where Liberal candidates came second. With the sterling out of danger and the more unpopular measures out of the way, Labour can now look forward to introducing more popular measures and thus increase its popularity with the electorate.

All this, however, is small comfort to Labour's left wingers. The fact that they have to reckon with is that the life of the Labour Government hangs on a slender majority of three; a revolt against one of the more obnoxious of Wilson's policies may leave them with the guilt of having brought down the Gov eminent. Obviously, they are unprepared to take the leap. So they can do little but live with their disillusionment made the more bitter by the Blackpool conference. It is ironic that Harold Wilson has been the man to disillusion Labour's left wing considering that he gained his spurs in the party as the champion of the left, despising High Gaitskell's Atlanticism abroad and "revisionism" at home! At Blackpool Wilson used brave words to say that there was no connection between American support for the pound and his Government's support of American policy in Viet Nam, but no one was convinced. Indeed, hadn't Wilson himself told the TUC conference in 1964: "Yes, we can borrow... You can get into pawn, but don't then talk about an independent foreign policy or an independent defence policy".

The voting on the three supposedly explosive issues at Blackpool are a tribute to Wilson's political skill. Even in the case of Viet Nam, where feeling among the rank and file was strongest, the vote was still two to one in the Government's favour. On Commonwealth immigration, the vote was more comfortable, the Government's majority being no less than three to one. After the vote, however, 41 Labour M Ps and 28 candidates issued a call to carry on the fight. The most surprising victory of all was perhaps that on incomes policy. Here the motion was carried by 3,625,000 against 2,504,000. Prominent in opposition was the Transport and General Workers' Union and the Amalgamated Engineering Union. That despite such formidable opposition the motion could get through shows how far the Labour Party has moved from its traditional image.

As the Labour Government enters the second phase of its term in office—a phase that it hopes to sweeten with more palatable measures now that sterling is momentarily safe—one is tempted to wonder what type of policy it will follow. For the left, steel nationalisation has become a major issue and it will judge the socialist credentials of the Government on the basis of whether nationalisation is to be taken up in the Queen's speech. But the left wingers will not be the only ones watching: the Liberals, and particularly Jo Grimmond, will also decide their attitude to the Government on the basis of whether steel nationalisation is pushed or shelved,