

on the Chinese mainland in the Security Council, with his right of veto, is "wholly artificial."

Informed opinion is convinced that neither the delicate problem of a peace treaty with Japan nor the Korean situation nor the wider problem of the Far East can be resolved without an amicable solution of the question of Communist China's representation in the United Nations. Retirement of Mr. Louis Johnson and the appointment of General George Marshall as the American

Secretary for Defence encouraged the hope that the feud between the State and the Defence Department in Washington will be a thing of the past, thereby removing a major obstacle to the pursuit of a sane American policy in the Far East. But the defeat of the Indian resolution in the General Assembly of the United Nations demanding admission of Communist China makes it abundantly evident that Washington still supports the competence of Chiang's representative to represent

China. President Truman cannot be unaware that newly independent Asian countries disapprove of Baguio, Taipeh, Seoul, Saigon and Bangkok. As long as America and the Western Powers continue to lend support to reactionary regimes in Asia and the Far East and refuse to accept the realities of the situation, their efforts to win over the peoples and governments of Asia and the Far East in their crusade against Communist Russia are foredoomed to failure.

## Weekly Notes

### Falling Tibetan Currency

THERE is at least one corner in the world where the Indian rupee has sharply appreciated in the last few days. In the middle of last week the Indian rupee was quoted at five and a half paise as against the official rate of three and a half. At the week end, the currency crisis gained further momentum and the rupee was reported to have gone up to eight paise in Lhasa.

Kalimpong interpreted this steep decline in the value of paise as a dear induration of the increasing political unrest in Lhasa and the richer gentry liquidating holdings in favour of Indian currency for transferring converted cash to Kalimpong. Amidst this crisis, reports are trickling in of infiltration by Chinese Communists beyond Kham province in Eastern Tibet and in Tyot in Northern Tibet. Kham, extreme border province of Tibet adjoining West China, passed over to the Chinese early this year.

### Reduction in Motor Car Prices

MOTOR car prices have recently been reduced by 10 per cent. Thereby hangs a tale.

The duty on motor car parts were raised in last year's budget. The Government were criticised during the budget session for imposing heavy duty on motor car parts which had no chance of being manufactured in India and thus conferring undeserved profits on dealers and on concerns assembling motor cars. There were strong protests in the Parliament against this "protection to an unborn industry."

Dr. Mathai explained that it was the usual practice to give protection to an industry after it had satisfied its claims before the Tariff Board. But circumstances in this case were peculiar. The automobile industry was already organised, well-equipped and ready to go into operation. This it could not do because it could not get sufficient orders in the face of fierce competition. The Government, therefore, felt that in accordance with the similar developments in other countries which had also put similar restrictions on motor car imports, imposed heavy duties and also paid subsidies, something had to be done in advance of a regular enquiry by the Tariff Board. The latter cannot inquire into a case for protection in the absence of precise data on actual production costs.

The Minister for Industries and Supply promised at the time to call a conference of motor car dealers to see how far the margin of profits on the sale of motor vehicles could be reduced so that consumers were not unduly penalised.

According to a recent Government communication this has now been done and the reduction in prices effected is claimed as a result of operations set into motion in April last.

An assurance was also given to the Parliament that dealers would not be allowed to take advantage of the adventitious rise in the landed cost of automobile parts and components consequent on the upward revision of import duties. That the Government have succeeded in doing so, it would be difficult to maintain

considering that buyers during these months have paid a higher price and will not get a refund.

Some obscurity has surrounded this matter of enhanced import duties right from the beginning. It has also been reported that the relevant provisions in the Finance Act were misconstrued by the Customs officials and importers were actually made to pay more than they need have done by way of import duties. That, the mistake has subsequently been rectified and drawback allowed on the excess collections by the Customs. Needless to say, if these reports are correct, the drawbacks have not been passed on to those who bought cars before the present reduction in prices was announced. This is a matter of considerable public interest and the obscurity should be cleared. It is hardly done in the note which attributes the reduction wholly to a lowering of dealers' margin of profit as a result of active intervention by the Ministry of Industry and Supply.

### Adverse Trade Balance Again

PROVISIONAL figures of trade in the month of August have been released this week. They cover the total value of foreign sea and air borne trade of India both on private and Government accounts. During the last month, exports and re-exports of merchandise amounted to Rs. 41,111 and Rs. 1,65 lakhs respectively, while imports were valued at Rs. 5190 lakhs.

The total value of the transit trade of foreign countries on India's border included in these figures amounted to Rs. 1,42 lakhs for re-exports and Rs. 23 lakhs for imports.

Trade in treasure was only to the extent of Rs. 15 lakhs of export and of Rs. 101 lakhs of import of currency notes.

The total value of exports including re-exports of merchandise and treasure fell short of imports by as much as Rs. 10,33 lakhs, excluding the value of transit trade as well as that of transactions in Government of India coins and currency notes.

August is the fifth successive month during which we had a deficit on trade account. In the five months following the devaluation of the rupee from November 1949 to March 1950, we had a surplus on trade account of over Rs. 63 crores. Nearly 63% of this surplus, however, has been wiped out by the deficit of Rs. 48 crores between April and August. The effect of these deficits however, will not be noted immediately on our holdings of sterling. The latter shows a very strong position indeed since neither the normal release of £50 million for 1949-50 as fixed by the Financial Agreement nor the other £50 million we were allowed to draw upon to meet outstanding import commitments under O.G.L.XI has actually been drawn upon. This released sterling, however, would be allowed to be carried forward to the next accounting period.

Between 30th June and 8th September, 1950 *i.e.* in 10 weeks, the total of the Foreign Securities held in the Issue Department of the Reserve Bank and balances held abroad in the Banking Department have fallen from Rs. 827.4 crores to Rs. 804.5 crores. On the other hand, the weekly statements of sale and purchase of sterling issued by the Reserve Bank generally shows purchases during these weeks. This is because the net position of our sterling holdings depends not only on the sale or purchase of sterling; there are also disbursements on non-trade items, the principal ones being the transfer of sterling from our balances in the Bank of England to the High Commissioner for India and the Commonwealth Relations Office. Nothing is ever currently known about such non-trade items or even later.

### Orders for Wagons

**T**HE Railway Board has decided to re-open negotiations with Messrs. Burn & Co., Braithwaite & Co., Jessop & Co. and the Indian Standard Wagon Works for the manufacture of rolling stocks of various types during 1951-52. The rehabilitation programme for Indian Railways, which had been interrupted during the current year by financial stringency, will thus again get going.

The size of the orders that will be placed with each firm, it is reported, will be according to the latter's production capacity under the present conditions. The orders for delivery during 1951-52 will represent the equivalent of 6,000 wagons of different gauges in terms of four-wheelers and the cost involved will be in the neighbourhood of Rs. 6 crores.

Depending upon the actual performance of these companies in giving timely delivery, the Railway Board intends to place similar orders for rolling stocks with them for delivery during 1952-53 and the two succeeding years. The Railway Board has assured that it will continue, to utilise internal production capacity to the full for manufacturing wagons and carriages. Orders will be placed abroad only for such rolling stock and components as cannot be manufactured within the country during a particular period.

### Saurashtra State Trading Corporation

**T**HE Federation of Indian Chambers of Commerce and Industry has drawn the attention of the Ministry of Commerce to the report that Saurashtra is taking steps to form a State Trading Corporation for undertaking export trade in groundnuts.

The Federation takes a strong view of the matter for the following reasons:

The external trade of India is a Central subject and for any State Government to interfere with it amounts to direct encroachment on the powers and field of the Central Government.

The formation of the State Trading Corporation the obvious object of which is to monopolise the export trade in a commodity in which Saurashtra holds a favourable position, is to create a precedent fraught

with grave consequences. Once a Corporation of this type is allowed to be formed in a particular State, it will not only encourage other States to follow the precedent but also usher in economic autarchy of the most narrow and vicious type and strikes at the very root of the political oneness of the country.

Apart from these dangers, the advisability of the State undertaking functions, which rightly belong to private trade, has to be seriously considered. Even the State Trading Committee, appointed by the Government of India to report on the subject, has not found it possible to recommend Government's entering the field of trading excepting in well-defined spheres.

The Committee feels that the attempt of the Saurashtra Government would forestall not only the report of the State Trading Committee but also the decision of the Government of India on the same and, therefore, strongly urges upon the Government of India to take steps at their earliest, if they have not already done so, to stop the Saurashtra Government from embarking on this venture.

### A year of Night Mail Service

**N**EXT month the Himalayan Aviation Ltd. will complete its first year of night air operations, establishing thereby the complete success of the night air mail scheme of the Government of India, and setting up a landmark in the history of *civil* aviation in this country.

Starting in a small way as a non-schedule operator, with three Dakotas, the main object of the Company was to run air mail service and it began operating the four services linking Bombay, Calcutta and Delhi through Nagpur when the air Transport Licensing Board granted a temporary licence to it for these services.

At that time many were sceptical about the success of the night services and it was taken for granted that they would have to be suspended during the monsoon. The critics, however, were silenced after the Himalayan demonstrated not only that the night services could be run regularly and efficiently, under normal flying conditions, but that they could be extended through the monsoon equally successfully.

The night services are now a permanent transport facility which has proved extremely beneficial both to the business community as well as to the general public.

The services are operated by four Dakotas, flying a total of 4,260 miles per night. Freight is carried at economical "rates, whilst the Post Office mail contract allows freight rate *plus* 25 per cent, for carriage mails. Passenger fares have been reduced to two and a quarter annas per mile which is only 12½ per cent, above first class rail fare. This rate appeals to a class of passenger who would not otherwise travel by air because of the prohibitive high fares. Satisfactory loads are being carried and the revenue is building up to the expected figure.

Captains of aircraft are all experienced pilots with over 3,000 hours of flying each to their credit, and a high percentage of Indians are employed. The Company has its Maintenance Base at Nagpur, where all engine and aircraft routine maintenance is carried out, major overhauls being undertaken by Hindustan Aircraft Ltd., of Bangalore. The utilisation of the Company's fleet has reached a total of over 2,000 hours per aircraft per annum. Strict economy of operation is the Company's policy while offering their passengers comfort and service equal to any competitor.

In addition to the night mail, the Company operates in Assam and North Bengal and undertakes charter flights. The Directors are in constant touch with their clients and are ever ready to expand their services, but wisely. They consider it essential to make haste slowly, and to assure as perfect an organisation as possible before undertaking fresh ventures.

**Health Insurance Scheme**

POSTPONEMENT has been reported for the second time, now indefinitely, of the State Health Insurance Scheme which was scheduled for inauguration in the first instance in July and later, on October 1, as an experimental measure at Delhi and Kanpur. It is now doubted in some quarters whether the scheme will be tried at all.

Social insurance of the type conceived in the Scheme is in existence in most of the progressive countries of the West. In India a beginning in this direction is yet to be made.

The scheme, which is now postponed was drawn up according to the provisions of the Employee's State Insurance Act, 1948. The Act covers all employees earning below Rs. 400 per month. It applies to all perennial factories using power and employing twenty or more persons.

The administration of the scheme is vested under the Act in the hands of a statutory body, the Employees State Insurance Corporation. The Corporation will carry out its programmes through its regional agencies, committees and boards set up at different places and for different purposes.

On the Corporation are represented both employees and employers. The scheme is to be financed mainly through the contributions by employers and employees. The Act among others makes provision for benefits such as disablement, maternity and sickness. The main purpose of the Scheme, however, is to secure maintenance of the insured person and his family in case of disablement due to sickness or accident.

The implementation of the Scheme is in fact long overdue. The State and society owe it to the worker. Though the Labour Ministry denied that the postponement

of the scheme had anything to do with the recent deputation of Kanpur employers, it appears that the latter's request not to plant the pilot scheme on them has influenced the Government's decision. The U.P. Government too, it appears, was against the measure. If a pilot scheme has to be tried out, some one has got to be first victim. If Kanpur does not want to have that invidious distinction, others may decline with equal reason.

"We cannot allow ourselves to be kept back or diverted from our aim because of vested interests and must judge every step from the point of view of the good of the masses," so said Pandit Nehru. His Government apparently does not always take, that view.

**Air-India Ltd.**

IN his annual speech to the shareholders of Air-India, Mr JRD Tata analysed in detail the numerous problems facing civil aviation in this country. Air transport can give a fair return to shareholders only if an exceptionally high rate of utilisation of equipment and its continuous replacement with new and more efficient equipment is ensured, maximum flexibility and free-



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dom of action on chosen routes is permitted and the structure of fares and freights is reasonably related to the costs of operation. Unfortunately, the actual conditions in the industry have been almost diametrically the opposite.

Mr Tata welcomed the belated appointment of the Air Transport Enquiry Committee which had submitted its report to the Government. He hoped that the report will be published soon and the Government will take suitable action at an early date so that the industry may recover and be able to operate on an economic basis.

The result of last year's operations of Air-India had been unsatisfactory and the nett revenues were insufficient to provide for full depreciation. Because peral allocations made to depr n and other reserves in the unsatisfactory results of the last two years had not affected the financial stability of the Company. But " the continuance of such a state of affairs, let alone further deterioration, could bring the Company into serious difficulty."

### **Ban on Export of Wool**

T H E Bombay Wool Merchants' Association has protested against the ban on all exports of raw wool, imposed by the Government of India, in July last. The ban was obviously to help Indian woollen industry especially the manufacturers of carpets who had been finding it difficult to secure wool at reasonable prices because the world demand for wool having been going up after devaluation, wool exports from India had gone up by leaps and bounds.

Because of the upward trend in world prices, exports of raw wool had been rising even before devaluation but in the six months from September 1949 to February 1950, they nearly trebled to 16.6 million lbs. Exports to the U.S.A. in particular increased five times; the U.S.A. imported 1.1 million lbs. of wool from India during the five months ending August 1949 but in the following six months, the U.S.A. took 7.8 million lbs. The loss of dollar exchange from the stoppage of wool exports cannot be made good for there is little chance of increasing the exports of woollen manufactures to the dollar area. It

may however be that the total earning of foreign exchange from wool may not be affected to that extent, if increased domestic manufacture reduces the consumption of imported woollens.

The immediate effect of stopping exports has been a fall in the price of wool from Rs. 3-4 to Rs. 3/- per lb. If the new clip turns out to be 50% higher, as is expected, there is a possibility of a further decline in prices. It is now for the woollen industry to prove that it can use much more of the domestic production which the Bombay Wool Merchants' Association think highly unlikely. They maintain that normally more than 70% of the domestic wool production is exported and that it cannot be used up by our woollen industry. Whether the latter is able to show a substantial increase in production or not, a complete ban on export is a very crude method of assuring supplies of raw materials to local manufacturers; it prejudices the wool producers' interests for those of wool users, not to speak of losing costly dollars for the country. Since international efforts to allocate supplies between buyers in order to prevent a rise of wool prices have so far failed it does not look defensible to deprive the producers of the phenomenally high prices in world markets. Why should primary producers lose in every case ?

### **The franc Area**

T H E French Ministry of Finance recently published a study of the balance of payments of the franc area in 1949. This study shows a decided improvement in the position as compared with the immediately preceding years.

As in the past, however, the balance of payments of France continues to show a large deficit on current account. In 1949 the deficit was markedly reduced in comparison with the preceding year \$706 million, against \$1,737 million in 1948, a reduction of nearly 60 per cent. This large deficit in the French balance of payments is accounted for by three separate factors:

(1) The trade deficit of Metro-Solitan France. In 1949 it came down to \$468 million from \$1,428 million in 1948, thanks to a fall of \$475 million in imports and a rise of \$485 million in exports.

(2) Trade deficit of the overseas territories of France. This fell from \$208 million in 1948 to \$167 million in 1949, a decrease of 20 per cent.

The trade deficit of the franc area as a whole decreased from \$1,636 million in 1948 to \$635 million in 1949.

(3) Balance of non-commercial transactions. This comprises settlements of freight, insurance and accessories, transfers of earned income, interest on capital, expenditure of passengers and tourists, public loan services, etc. Among other items, tourists brought into France \$144 million in 1949 against \$97 million in 1948.

This balance, as a whole positive before the war, has since remained negative and thus adds to the trade deficit of the franc area. For 1949 its deficit was \$71 million, against \$101 million in 1948.

The general improvement shown by the above figures, however, stands out against the large deficit which still persists with the dollar area in particular. The latter amounted to \$857 million in 1949 and \$1,134 million in 1948. Operations with currency areas other than the US dollar showed a surplus of \$151 million last year as against a deficit of \$603 million in 1948. To the dollar deficit of \$857 million must be added the annuities payments of the public debt of some \$77 million, bringing the total dollar deficit in 1949 to \$934 million.

As a counterpart of the dollar deficit, France realised last year only \$114 million through loans issued, liquidation of French dollar investments and through requisitioning private holdings and American investments in France.

Marshall Aid was the essential factor which enabled France to meet her dollar deficit. The amount of Marshall Aid in 1949 rose to \$855 million, from \$754 million in 1948. This aid financed the major part of French imports, both for France herself and her overseas territories.

### **U. S — Canada Trade Relaxation**

W I T H effect from October 1, Canada has announced a substantial relaxation of import con-

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trols on United States goods, retained so long because of dollar shortage. Such items as pulp and paper products, office machinery and appliances and passenger automobile types will be allowed to be imported into Canada without restrictions.

Restrictions on imports of pork and pork products, admitted into Canada on a government permit only at present, will be completely removed from December 31.

These trade relaxations are reciprocal. The United States have also agreed to lift their embargo on the import of Canadian bacon and other pork products at the same time.

In the announcement by the Trade and Finance Departments, a group of items which had previously been allowed into Canada on a limited quota basis will now be able to move into Canada unrestricted. The most important items are textile fabrics, soaps, polishes, glassware, kitchen and household hollow ware and cooking and heating equipments.

Another move towards relaxation, from the completely prohibited category to the quota group, has been to allow imports in limited quantities of such items as cut flowers, perfumery and toilet preparation, electric light fixtures, flash lights, electric irons, jewellery and fans, etc.

The Departments announced that 45 of the capital goods items now under quota will be removed from control. Capital goods imports absorbed the biggest part of Canada's dollar expenditure in the United States.

These measures of trade relaxation have been taken on the eve of the Torquay negotiations on reduction of trade barriers. The commodities covered in the reciprocal agreement are of a wide range and it will be interesting to see how other members of the Torquay Conference react to these relaxations.

**"Better be late than the late"**

THE States Department of the United States is reported to be busy with a Food Production Aid Plan for Asia and the Middle East. The Plan will involve no less than 300 million dollars a year, and the aid will continue for four to five years. If it receives administrative support, Congress may be asked for

funds early in the next session.

The primary purpose of the plan is to stimulate food production in the twelve key countries where hunger has created conditions which are ideal for the spread of instability and communism. The countries included in the plan are India, Pakistan, Ceylon, Afghanistan, Israel and the Arab States in the Middle East. In the current preliminary stages of the planning; South-East Asia has been excluded.

One is reminded of the safety first poster one used to see in London. The central figure in it was that of a widow, urging people to keep death off the road—its caption, "Better be late than the late."

#### Inventory Control in the U.S.

THE all-out anti-inflation drive in the United States is slowly

gathering momentum. The National Production Authority last week announced the Inventory Control Order. Manufacturers must limit stocks of 32 critical materials, excluding lead, to "practicable minimum working inventories." The Authority defines the latter as the smallest quantity of material from which a person can reasonably meet his deliveries or supply his services on the basis of his currently scheduled method and the rate of operation.

Traders, however, have been left wondering who will ascertain the limits for inventories. But as leading sellers have been voluntarily allocating sales since the start of the Korean War, the trade therefore, convinced that tighter controls must be in the offing.

