

Weekly Notes

Reduced Sterling Releases

MR. GAITSKELL has hit upon a formula on sterling releases which partially meets the Conservative criticism, without appearing to do so, and yet professes to satisfy the reasonable demands of Britain's creditors. The formula looks all right, provided the assumption on which it is based is accepted, viz., that India, Pakistan and Ceylon will remain on the sterling exchange standard, and will therefore need to maintain sterling balances at a certain figure as reserve against their note issues and as exchange cover.

The annual releases can then be slowed down and balances in excess of the necessary backing against the currencies of the countries concerned can be paid off in the next six years. This reduced annual rate of releases has been taken into the estimates for the Colombo Plan, and now awaits formal agreement. Mr. Deshmukh has already announced the decision of the Government of India to accept releases at this reduced rate.

Transfers would be made to the No. 1 Account for India whenever it falls below £30 million or upto £35 million in each of the six years beginning on July 1, 1951. Ceylon will be able to draw £21 million of her sterling balances during the period between July 1, 1951 and June 30, 1957 in annual instalments of £3 million. Arrangements with Pakistan have not yet been finished but*art: under discussion.

Between 1946 and 1949 releases had been made to these countries for capital transactions amounting to £270 million and for current transactions amounting to £340 million. Over the six years of the Colombo Plan the balances are to be released by a further £246 million. Thus India, whose current balances in London amount to about £619 million, will draw out a total of £210 million. Ceylon's current balance is between £30 and £40 million. Pakistan, whose current balance is about £100 million may under the plan draw out £16 million, of which £10 million will be for 1951-52 alone.

Mr. Deshmukh stated in the Parliament that arrangements had been made to release £210 millions

from sterling balances during the six years beginning July, 1951. The present sterling balance agreement, entered into in July 1948, will terminate on the 30th June, 1951. As a result of his recent discussions with Mr. Gaitskell, the two Governments have now agreed on the broad outlines of a new agreement to be formally concluded in due course.

The contemplated agreement will provide for a release up to £35 millions from our Sterling balances in each of the six years beginning with the 1st July, 1951. Provision will be made for a measure of flexibility by stipulating that any part of the amount not drawn in a particular year will be carried forward and added to the releases for later periods.

Further, the two Governments will consult together, if in any year the Government of India find it necessary to exceed the release, of £35 millions and to draw upon time releases for subsequent periods, by more than £5 millions.

The latest balance in our sterling account is £619 millions. Of this a certain amount will be utilised under the present agreement before the 30th June 1951, to meet the probable deficit in our balance of payments over the next few months. A part of our sterling balance will have to be maintained over a long period as a currency and exchange reserve. Having regard to all these considerations, the Government of India are of the view that the proposed scale of releases over a period of six years is in the best interests of the country.

Electric Supply

ACCORDING to *Planning for Electric Power Development in India*, a handbook brought out by the Central Electricity Commission, the present total installed capacity of electric power plants in the country is 2,004,000 kilowatts. This includes plants installed by public utility undertakings, and installations owned by railways, private industrial undertakings, etc.

The development of electricity since the beginning of the century has been remarkable. In 1900 the total installed capacity was 1,130 kilowatts, in 1925, 327,153 kilowatts

and in 1948 it was 1,399,410 kilowatts. On the completion of some of the projects now in hand, capacity in 1954 and 1959 is expected to increase to 3,451,000. and 4,849,000 kilowatts respectively.

However impressive these figures may appear, we are still lagging far behind other countries in power generation. Against the per capita generation of electricity of 3,580 kilowatt hours in Canada, 1,775 kwh' in the USA, 1,717 in Sweden, 855 kilowatt hours in UK and 390 kwh. in Japan in 1947, it was only 12 kwh. in India!

India has great electric power potentialities and the latent water resources are estimated to be roughly about 25 million kilowatts.

Power planning has been given preponderant importance in the Colombo Plan. The question now is whether there will be a commensurate development in other sectors of economy, mainly in industries and rural areas to make use of the additional power. It is estimated that then¹ would be a surplus of about a million k.w. in 1959, after meeting all industrial and agricultural requirements so far planned. The formation of inter-regional grids has been suggested to pave the way for the even distribution of power in order to avoid the disparity between power development and industrial growth which would otherwise arise,

Plantation Labour

THE importance of plantations as an employer of labour in South and South-East Asia and the need for the study of their special problems was first mooted at the Asian Regional Conference held in New Delhi in 1947. The South-east Asia region employs about 95 per cent of the world plantation labour. The ILO Plantations Conference now meeting at Bandung, Indonesia, has to start from scratch because this field has not been adequately covered hitherto.

The Tripartite Industrial Committee set up in 1948, it may be recalled, does not concern itself with the problems of the workers in the coffee and rubber plantations in the South and the tea plantations in Assam. Five years ago the Rege Committee, referred to the "appalling standard of living" of the plantation workers in India. Their

daily wage scarcely exceeded a rupee a day and amenities like maternity benefits and educational facilities for their children were non-existent though plantations usually provide housing and medical aid.

An ugly feature of the plantation economy is the large-scale employment of women and even of children. Since the Factory Act does not apply to the plantations, there is no regularity of working hours, leave and holidays. It is hoped that the new draft bill prepared by the Labour Minister and approved of by the Industrial Committee on Plantations early this month will remedy these defects. The Bandedong Conference is expected to provide the basis for future plantation legislation.

Finance Corporation For Bombay

AT the recent meeting of the State Advisory Council of Industries, the question of setting up a separate Industrial Finance Corporation for Bombay was mooted. Enabling legislation which will be introduced shortly in the Central Legislature will arm the Bombay Government with the necessary powers for the formation of the body.

The need for dispersal of industries has been stressed and according to the Industries Minister, no new industry will be allowed to be started in Bombay city, unless housing is provided for 60 per cent, of the additional labour that is expected to be employed. Since 1946, the Government of Bombay have granted loans to over 35 industrial concerns of an aggregate amount of over Rs. 14 lakhs besides grant of loans to fishermen of Rs. 10 lakhs.

The Corporation is expected to have a paid up capital of Rs. 2 crores, 51 per cent, of which will be subscribed by the State Government and the Reserve Bank and Unbalance by institutional investors, including co-operative banks.

Milk Supply

THOUGH milk is an important article of diet, with high calorie value, the gross production of milk in India is estimated to be only 583 million lbs. and the net production after the amount consumed by calves, about 481 million lbs. Tins is only about a fifth of the milk production in Europe, though India has 310 lakh more of milch cattle than all the countries of Europe except the USSR.

We are believed to have nearly twice as many cattle as USA, our

milk production is only a quarter. The total cattle wealth in India is estimated at 60.7 million heads against 38.9 million in the USA; but the production of milk in India is only one-fourth the US production.

According to the milk Marketing Report, our milk output can be increased by at least 20 per cent, by better feeding and management. The average per capita consumption of milk is very low, being only 5.45 ounces as against the pre-war consumption of 41 oz. in the UK and 36 oz. in the USA.

Among the States in India, Saurashtra claims the highest average daily consumption of 18.8 oz. and the lowest is in Assam—1.2 oz. Dairying is mainly a rural industry; but about 350 lakh maunds are annually used in the urban areas. Adulteration of milk is widespread in spite of the vigilance of the officials concerned. The enforcement of the Food Adulteration Acts rests entirely with the Municipal authorities but dishonest milkmen have found means to escape the lactometer test.

Register of British Manufacturers

The 1950-51 edition of the *F.B.I Register of British Manufacturers*, the authorised directory of the

Federation--of 'British Industries, is now available.

The Register contains a vast store of information of value to overseas buyers. The Products and Services Section, is a classified Buyers' Guide listing in alphabetical order some 5,000 products and services and showing under each heading the British firms which supply them. Another Section gives full addresses of all F.B.I members (including telegraphic addresses), telephone numbers, their main products and, in many instances, details of home and overseas branches and agencies.

To assist overseas buyers in tracing goods of which only the brand or trade name is known, there is an alphabetical list of Brand and Trade Names. In addition, there are reproductions of several hundred registered trade marks, classified by trade categories for easy reference.

The *F.B.I. Register of British Manufacturers* is, published for the Federation of British Industries jointly by Kelly's Directories and by Hiffe & Sons Ltd., Dorset House, Stamford Street, London, S.E. 1, Overseas inquiries should be made to Hiffe & Sons Ltd., at the above address. The cost is £2 2s.

Our Delhi Letter

Deficit Financing

THE Colombo Plan, it is obvious, was drafted with the intention of inviting American capital. Does it follow that the picture of what might happen if that capital was not forthcoming was, therefore, deliberately overdrawn in order to frighten the State Department of the United States? The internal evidence within the Report itself seems to support this point of view. In the first place, the drafting gives the unmistakable impression of special pleading. In the second place, the balance of payments data which are presented in the Report obviously understate the expert earnings of the region, even if they do not overstate the requirements of imported goods. For example, the balance of payments deficit of the Indian Union in 1950-51 is estimated at £104 millions—a figure which bears little relation, to reality.....Why did the

Colombo planners, who had an excellent case to plead, think it necessary to use these extraneous devices?

That answer is simple. The Colombo Plan leaves a gap in external finance of the order of \$2.35 billions, and the authors were afraid that this demand on the American economy, over the next six years, needed some justification, especially in view of the current American inflation. The special pleading which they have done in this Report in view of this difficulty, is to point out that the bulk of the expenditure proposed is on account of agriculture and communications, which will be most fruitful in the sense of contributing most towards stable economic conditions in this region. But are the economic arguments; convincing by themselves?