Sino-Tibetan Agreement

TIBET recognises China's suzerainty over her in the Sino-Tibetan Agreement signed last week. Though China has been exercising some sort of vague control over Tibet for centuries now, her suzerainty had never been clearly defined nor did it rest on anything better that the »armed strength of the Chinese Emperors of old, being based on a treaty wrested by force from Tibetan -hands. Now, of course, it rests on the secure foundation of the people's .support, reinforced by the presence of the army of liberation. Though formally acknowledging it, in the present century at least, Lhasa had been virtually independent because unstable internal conditions and the lack of a powerful Central Government in China stood in the way of exercising any effective control. Chinese suzereinty, however, had always been recognised by the foreign powers in the past, e.g. in Russo-British Convention of 19,07 and the Sino-British Convention of 1912.

It is now about a year since the Chinese People's Republic started setting its eyes on the mysterious plateau and actually inarched their troops towards Lhasa. 'The Dalai Lama has always been a *persona non-'gratia* with the Communists. Though under the present agreement, he retains his status as the titular head, the pro-Chinese Paneham Lama, who conies second in the Tibetan hierarchy, becomes the new spiritual head. The agreement also provides for the stationing of Chinese troops in Tibet and its acceptance of the status of a provincial Government, both of which will greatly increase Chinese influence in Tibet. It also means that the China will look after the foreign policy of Tibet.

That a free. Tibet today will become a vacuum internationally and would become a hot bed of international intrigues is no justification for foisting on it a foreign power any more than Malaya's inability to. stand on her own is a justification for the continued presence of the British. India has no territorial ambitions in this mountain fastness nor is she on the look out for strategic frontiers beyond that an agreed boundary line should he maintained between the two neighbouring countries in order to obviate disputes in the future But her ties with Tibet, both commercial and cultural have been so intimate in the past and are capable of so great a development with equanimity the political eclipse of a good neighbour. As geography has made this country the only outlet for the Tibetan products and the principal inlet for her import goods, some stlay, under better suspices, it is to be hoped, thesesties will be renewed and made stronger. This would not be possible if Chinese suzerainty means perpetuation of isolation.

Letter to the Editor

Capital Budget Deficits and Inflation

A Reply to the Rejoinder

(From the Contributor)

THE article on "Capital Budget Deficits and Inflation " discussed some observations which Shri Chintaman Deshmukh had made when he addressed the Associated Chambers of Commerce in Calcutta in December last. Since then the position has been clarified a little by the Hon'ble Minister in his Budget Speechs The argument now advanced is that, in spite of an overall budgetary deficit, transactions in India show a large surplus and that external transactions account for a larger deficit than the overall budgetary deficit.

This appears to be also Mr. Desai's contention in his rejoinder published last week and if the position is as it is stated to be. it can surely be inferred that the budget is deflationary within the country. However, data relating to net expenditure abroad on Government accounts are not clearly presented anywhere. In respect of foodgrains. fertilisers, stores and other purchases abroad, which are mostly sold to the public in India, the internal receipts from such sales, should be properly deducted in computing net expenditure abroad. Expenditure on foodgrains purchased in foreign countries is shown as capital outlay outside the country but this expenditure dot's not really form part of the Budget at all. It is a trading transaction outside, the scope- of the statement of revenue and expenditure which is placed before the Parliament for its approval. When discussing Budget deficits, it is, therefore, proper to exclude transactions such as-purchase of imported food and subsequent sales in India; but it is really transactions of this kind, falling outside the budget which give the budget the appearance of a deflationary budget. Incidentally, the whole position has been analysed lucidly in the last issue of the *Tata Quarterly,* April 1951.

Our Delhi Letter

No Higher Ceiling for Basic Cotton

THE announcement of the new cotton policy is now overdue. Informed quarters in New Delhi discount the possibility of an upward revision in the prices of raw cotton. In the first place, they suggest, there is no precise data to ascertain the validity of the objection advanced by the cotton interests that present prices are unremuncrative. Statistis of the cost of cultivation in different cotton growing areas are scarce and unreliable. A similar situation exists with regard to the maintenance of parity with oilseeds. At what level should prices of raw cotton be fixed to check possible diversion of land to oilseed cultivation? Besides, in the prevailing inflationary situation, is it not more pertinent to suggest that any disparity between the prices of the two competing crops should be corrected by a reduction in the prices of oilseeds through restriction of exports and measures designed to curb speculation?

It is also pointed out that the basic ceilings have already been increased from Rs. 550 a candy to Rs. 630 last season, the increase having been reflected in a 15 to 30 per cent appreciation in the statutory prices of coarse and medium varieties of cloth since the beginning of the current year. Any further increase in the prices of raw cotton will provide the millowners with the necessary excuse to for further increases in the prices of cloth. On the other hand prices ,of raw cotton in Egypt, Pakistan and the United States have already declined by 25 to 30 per cent and if the bumper American crop this year, estimated at 16 million bales, materialises, as is very likely, the downward trend in the world prices of raw cotton should receive further support. How will the protagonists of an upward revision in the basic ceilings at home react to the phenomenon of falling prices of superior varieties of cotton cloth spun out of the imported fibre accompanied by a rise in the price of coarse and medium varieties which the common man consumes?

In order to induce the farmer to grow more of the long-staple varieties of raw cotton the Government will, it is understood, allow an increased premium on such categories. Such a step, it is hoped, may also discourage mixing practices.

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Another official statement eagerly awaited relates to the import licencing policy for the July-December, 1951, period. While opening the sixth meeting of the Import Advisory Council early this month the Commerce Minister, it will be recalled, had urged the formulation of an import programme for this period " which will, if anything, err on the side of liberality rather than of caution." The Commerce Minister was encouraged to put forward such a plea first, because of the acute scarcity of essential raw materials and consumer goods in the country and secondly, due to the improved foreign exchange situation which is reflected in a net increase of Rs. 92 crores in the amount of free sterling which we hold in our account with the Bank of England between October 1950 and April last. The two are closely interconnected for the favourable balance of trade which has brought about the latter situation conceals, as Shri Hare Krushna Mahatab put it, an indirect and unintended restriction on imports, which has come about through the rise in world prices and the relative scarcity of many important raw materials. "To put it more briefly the favourable balance of trade represents a shortage of goods and services internally resulting from an increasing volume of exports and a diminishing volume of imports."

A sharp turn towards a more liberal import policy in the next half year is thus taken for granted in New Delhi. In framing the policy for this period the Government have apparently been influenced by the following considerations. In the first place they appear to be anxious to reiterate their resolve to hold inflationary tendencies in check in so far as it is practicable in the prevailing international situation. It is a happy circumstance that the monthly value of our exports has lately touched the unprecedented figure of Rs. 70 crores and is expected to remain in the neighbourhood of this mark in the near future, A considerable portion of the additional foreign exchange resources thus made available would however be consumed by the increased volume of imports of foodgrains and higher allocations for raw cotton imports necessitated by a phenomenal increase in world prices since the Korean incident.

It was given out at the time of the last meeting of the Import Advisory Council that foreign exchange to the tune of Rs, 400 crores would be made available for commercial imports during the foreign exchange year July 1951 to June 1952. This corresponds with the minimum figure suggested by the Import Control Inquiry Committee at a time when prices in the exporting countries had not soared so high. During the current exchange year also a similar over-all allocation had been made but higher prices have offset increased monetary ceilings under various heads to the extent of reducing the actual volume of imports considerably. A similar situation is likely to recur in the next licensing period unless in the meanwhile the Government decide to revalue the rupee or/and they are prepared to lace a temporary deficit in the balance of payments. It is thus problematic how tar the new import policy to be announced shortly will be more liberal in effect than the licensing policy currently in operation.

All that can be said at present is that the Government are likely to fix higher monetary ceilings over a wide range of essential goods, the term " essential goods " being interpreted rather generously so as to include a large variety of goods consumed by the small consumer. It had been suggested in certain quarters that in the situation created by the stock-piling activities of Western Powers, the Government should free as many of the essential raw materials from licensing restrictions as possible! The official view, it appears, does not favour an omnibus OGL as it is felt that the retention of licensing helps to keep some sort of supervision over the volume and nature of actual imports, besides reducing speculation. The issue of liberal import permits, however, does not automatically mean larger imports as it has been found in actual practice that many importers do not fully utilize, their quotas. A suggestion has been made in this connection that the Government should explore the possibility of applying a scheme of penalties to unutilized quotas.

While there may be some scope for revision as far as the import policy is concerned, it is not clear what changes Government could effect in their export policy in the near future. There are, hewever, rumours that they are anxious to restrict exports as much as they can without inducing any serious balance of payments difficulties with a view to augmenting the available supplies of goods internally. Though in the context of an inflationary situation like the present, restriction of exports is as relevant as liberalisation of imports, it needs to be pointed out that such curbs as the Government could put in the former direction have already been imposed. Cotton textiles, oilseeds and hides and skins are the principal export commodities in the case of which large overseas off-take has been at the expense of domestic consumption. With the possible exception of oilseeds the exports of all these commodities have already been subjected to restrictions. Other exports such as jute goods and tea do not generate inflation in the sense of denuding the country of essential supplies. Indirectly perhaps they do—by increasing the pressure of increased money incomes on the available supply of goods, but physical limitation of exports is no remedy in their case.

From South India

Planning Machinery for Madras

THE planning machinery in the State of Madras has been reorganised. There will be a Board, a Committee and a Cabinet Subcommittee, functioning at the State level, and a Board and a Committee functioning at the District level. The. constitution of the planning machinery at the village and taluk levels will be taken up after the District and State Planning Hoards are formed.

The State planning Board, with the Chief Minister as its Chairman, will consist of all the Ministers, 10 members of the Legislature, 13 persons from amongst economists, scientists, engineers, doctors, industrialists, representatives of agricultural labour and business interests.

The State Planning Committee will prepare and scrutinise the material for the drawing up of a composite plan for the State and lay it before the State Planning Board and the Government for consideration. The, Committee will suggest priorities for the various phases of the plan and the agency to be entrusted with its execution. In the District, the District Planning Board and District Planning Committer will be constituted with the District Collector as the Chairman. The District Committee will be responsible for preparing material for the formulation of the District Plan by the District Planning Board,

Though Madras leads in the field of co-operation, there are certain aspects to which public attention has to be drawn. Mr Ryam, Registrar of Co-operative Societies, pointed out that the success of the movement and its popularity had given rise to an unfortunate impression that every form of economic activity could be undertaken on a co-operative basis. " I have had for instance " he said, " dealers in yarn coming to me for a co-operative society for the purchase and sale of yarn. While co-operation helps consumers of yarn (handloom weavers) to purchase yarn to satisfy their needs, it cannot help dealers in yarn to make profit at the expense of the handloom weaver." Co-operation sought to eliminate the middle men, not to retain him. Landowners also had asked him for land colonisation societies, not for settling on the land and cultivate it but so that field labour could be employed by the society for tilling the land for the benefit of the landholder! Co-operation was not intended to encourage absentee landlordism or help landlords at the expense of tenants. Only the agriculturist who cultivated his land, he pointed out, could be a member of a co-operative land colonisation society.

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Full details are now available of the co-operative spinning mill at Guntakal, mention of which has already been made in these columns. The Madras Government have exempted the mill from the provisions of the. Co-operative Societies Act to the extent necessary to enable the Madras Handloom Weavers Co-operative Society and the Primary Weavers Co-operative Societies, which would become members of the mill, to have and exercise as many votes as they hold shares in the. mill. Fifty-one per cent of the shares should be taken up by the Provincial Handloom Weavers Co-operative Society and the balance by the Primary societies. Detailed provisions for the directorate have all been made. The mill will produce only such kinds of yarn as are required by the Provincial Co-operative Society. With 11,000 spindles, the mill is expected to produce 700 bales of yarn per month.

In Travancore-Cochin, the Government had constituted a cottage industries committee with Dr P. J. Thomas, late Financial Adviser to the Government of India as Chairman, the Registrar of Co-operative Societies and an M.L.A. as members and the Deputy Registrar as the Secretary. Thirty investigators helped the committee: in its survey work. An interim report has been prepared and the final report is awaited.

THE PALMYRA TREE

Since Prohibition had come to stay, efforts at rehabilitation of the tappers and others thrown out of work are continuing apace. Hyderabad, however, was not having prohibition, said Mr V. B. Raju, Minister for Cottage Industries, as the mainstay of its finance was the excise duty, which contributed Rs. 11 crores to the exchequer.