Weekly Notes

A Jubilee of Civil Aviation

THE youngest transport service in India is 25 years old this week. When on the morning of October 15, 1932, Shri J R D Tata, the first Indian to earn a Commercial 'A' Licence, flew a tiny de Haviland Puss Moth from Karachi to Bombay on the first lap of a journey to Madras, one could hardly have foreseen in the event the starting-point of the great roar of flight that fills our air today. Yet, Shri Tata had the vision to foresee It, and, what is more, the faith, courage and persistence to make his dream come true. The last quarter century has seen far-reaching developments in many a field of national life; but there has been nothing to outrival the progress in the field of civil air transport. From a curiosity and an object of suspicion and fear, the aeroplane has grown to be a part of the country's skyline and also of its pattern of life, almost as unreservedly accepted as the railway train and steamship. Indeed, life even in the remotest village would lose some of its meaning without the occasional flutter of a plane overhead.

If this change was not wrought overnight, neither was it achieved without considerable perplexity and strenuous endeavour in the face of seemingly insuperable difficulties. To begin with' no passengers could be carried as the choice was between a human cargo or mail. And then when bigger planes came on the scene, they could carry only a few; and the economics of transport were anything but satisfactory. But the pioneering spirits persisted in their endeavour until the War came to deal another blow to the progress of civil aviation. With the end of hostilities, however, the prospects brightened up considerably; and within a decade, the Tata Airlines, which had so long been a department of the House of Tatas, came into its own as Air India Limited. The planes multiplied in number and became more capacious, powerful and also comfortable, while the urge of the people to prefer air travel to other modes of transport grew in intensity. With this expansion of service in the country, the stage was appropriately set for the launching of Air-India International for adventure abroad. Even after the Government took over the country's airlines It wisely decided to have Shri Tata guide the destinies of the International wing. And there is no doubt that our airlines are doing extremely well. From the puny Puss Moth to the giant Super B-Constellation of today or the Boeing 707 to come may be a far cry; but the spirit of enterprise and pioneering zeal behind them are the same.

Japan and Asia

ONLY those who expected full and complete accord between India and Japan, as a result of Pandit Nehru's visit to the latter country, will be disappointed at the communique issued by the two Prime Ministers. There is no basic issue in dispute between the two countries. It was, therefore, not difficult for the Prime Ministers to reach accord on issues in general. More than the communique, Pandit Nehru's statements disclose Japan's eager desire to establish closer contacts with south-east Asian countries. Much has happened during and since the war to estrange relations between Japan and her Asian neighbours. Japan may be committed to alliance with America. That may explain why Japan does not recognise Peking, but has diplomatic relations with Taipeh. But ever since Bandung, it has been evident that, Japan has been consciously trying to win friends in Asta.

If Japan is eager to revive friendly contacts with Asian countries through common issues like banning or nuclear tests and weapons and disarmament, Tokyo hopes that these relations will become closer through increased economic collaboration. Though not as spectacular as of West Germany, Japan's economic recovery since the war has been phenomenal. Pandit Nehru is not alone among visitors to Japan to express appreciation of war-ravaged Japan's rapid economic recovery. That economic relations between Japan and other Asian countries can, and should expand to the mutual advantage of all the countries concerned, will not be denied. But Japan's wrong psychological approach to this problem has retarded progress In this direction. This is not the first time since the war that Japan has mooted the plan for an Asian Development Fund. Nor is it for the first time that some such offer by Japan has revived pre-war memories of Japan's Co-prosperity Sphere. Pandit Nehru has now advanced another argument against an Asian Development Fund. Some such plan will have to include countries all of which are not committed to Panch Shlla. Some of these countries are members of military pacts and alliances. This political antipathy among the countries concerned is a bar to a common plan for economic development.

That does not mean that bilateral economic agreements cannot be concluded. Negotiations for such an agreement between India and Japan will continue. Disappointment has been expressed over the economic aspects of the joint communique issued by the Prime Ministers of India and Japan. A closer examination suggests that Pandit Nehru's visit has not been unfruitful in this respect. Mr Kishi's offer to establish technical training centres in India for the purpose of helping the development of medium and small scale Industries in this country has been welcomed by Pandit Nehru. It is to be hoped that, as a result of further discussions at governmental levels, the proposal will soon be implemented. Equally encouraging is Mr Kishi's sympathetic attitude to the Second Plan. As a sequel to talks between the two Prime Ministers, It is expected that a plan for yen credits to finance the supply of capital goods from Japan in exchange for exports of Indian ore to that country will materialise. On both political and economic fronts, a good beginning has been made. Pandit Nehru's visit to Japan has not been unfruitful.

Fall in Rate of Decline

WITHDRAWALS from the foreign balance of the Reserve Bank of India during the first 18 months of the Second Five Year Plan, which are shown below, broadly Indicate the rate at which foreign exchange has been spent so far.

' The depletion of foreign exchange reserves since the very beginning of , the Plan 1 e from April 1956 on-

Withdrawals from Foreign Balances
(Rs crores)

	1956	1957
Jan		--19.31
Feb		+ 8.27
Mar		+11.43
Apr	20.48	--21.92
May	-13.51	-41.35
June	--30.62	- 1.73
July	-22.09	33.13
Aug	- 27.81	-40.35
Sept	-16.55	34.60
Oct	--32.82	*- -10.32
Nov	45.72	
Dec	-- 6.62	

* for two weeks only

wards has continued uninterrupted till now. Accretions during the months of February and March 1957 and the very small decline in June were the consequence of the transfer of the I M F credits to India of Rs 29 crores, 32 crores and 34 crores respectively during these months. Similarly, it may he noted that the wihtdrawal by Burma in August of the loan of Rs 10 crores granted *to* her by India exaggerated the loss of foreign exchange during the month. If allowance is made for the sharp drop of Rs 9 crores in the book value of sterling securities following the increase in the Bank Rate in the U K, comparatively speaking, the withdrawals from the foreign exchange reserves have been smaller in September and the trend in October also continues to be hopeful.

It is difficult to say how far this fall in the rate of decline in foreign exchange balances Is the result of the austere policy of import trade control adopted in July last First a sufficient time must elapse before a restrictive policy is reflected in the actual volume of imports and secondly, when restrictions on imports were clamped in July, it was reported that unutilised licences of the value of Rs 435 crores were still outstanding. In any case, five or six six weeks is too short a period to provide any worthwhile indication of a change in the trend which has prevailed over a year and a half. It may, however, be. reasonable to assume that as the foreign trade policy for the six-monthly period ending March 1958, which has now been announced, reinforces the stringent policy which was in force during the last three months, the rate of withdrawals would not be as heavy as it has been in the first 18 months of the Plan. *

Two T's

TOBACCO and taxes seem to go together. The Chairman of the Imperial Tobacco Company, Mr G H J Clarke, in his speech at Its recent Annual General Meeting complained that the tobacco industry has been made to bear a heavy burden of taxation in recent years. He had particularly in mind the Central Excise Duty and the Sales Taxes levied by the States on tobacco and tobacco products. In his view the suggestion to centralise taxation of tobacco along with other articles of nation-wide consumption would be a welcome step, A step in that direction would be helpful to the tobacco industry because in so far as the manufacturers of tobacco products in India are concerned their competitive position being one of oligopoly, the few manufacturers who control the industry throughout the country would be in a better position to relate their business policies according to changes In taxation if there are not many governmental agencies in the country entitled to levy taxes on their products.

Another interesting point made by Mr Clarke Is that although the volume of sales continues to increase the consumer is turning increasingly to less expensive brands. Although he does not say it, he does seem to fear that in case tobacco products come in for still further taxation the above trend might lead the consumers to turn away from cigarettes to bidis or even to hookah. This is a matter which even the tax authorities cannot afford to ignore because a switch over to bidls or hookah might make tax collection a hazardous job.

Whither Prices ?

AFTER an almost continuous rise since November 1955, prices reached a peak in the first week of August but appear to have started receding since then. The all-India commodities wholesale price index (1952-53) which had arisen from 90.6 in October 1955 to 113.1 in *the* first week of August 1957, declined to 109.8 at the end of September 1957. Food and Industrial raw materials prices appear to mainly account for this recent downward trend in prices. The price index of food has dropped by nearly 5 points from 113.5 in the beginning of August to 108.7. The role played by the Reserve Bank's credit squeeze in this price decline cannot be fully estimated till the final breakdown of bank advances against various commodities becomes available. Without meaning to belittle the achievements of the credit squeeze (which seems to have worked quite effectively if one goes by the decline achieved in the total bank advances since June last the decline has been of the order of Rs 90 crores), it may be stressed that a 'dip' in the food prices at this time of the year is rather to be expected. It will be recalled that last year also there was a fall of about 3 points in September ay compared to August, but the upward trend again set in by November. Hence this fall of 5 points in the food prices affords no cause for jubillt.ion. Whether this fall will continue or not depends to a large extent on the Government's ability to prevent undue accumulation of food stocks a phenomenon which was particularly responsible for the rise in food prices during the past twelve months or so.

The prices *of* industrial raw materials also registered a decline in the last two months. The price index in their case has gone down from 122.3 in the first week of August to 116.1 in the last week of September. Both the higher production of cotton, jute and oilseeds and the credit squeeze seem to have brought about this price decline. The price of cotton yarn has also been falling- presumably because of the accumulation of stocks with mills and greater competition from synthetic fibres. This fall is reflected in the downward trend in the price index of intermedlate products. As against this trend, the price index of liquor and tobacco has gone up from 92.0 to 94.3 during the last two months. This is perhaps to be explained by rising taxation and import restrictions. The prices of finished articles have remained more or less stable, which means that the fall in raw material prices has yet to have its Impact on the prices of manufactured commodities. Rut the prospect is one of decline. Whatever the fall in prices of domestic products however, the economy will have to contend from now onwards with the rise on the other hand, In prices of foreign goods which have come within the purview of recent import restrictions and also of those domestic goods which would face less foreign competition now than before.