work against us. It is true that in some cases imports into the U K from our main competitors will also be subject to the same impositions as ours. In such cases our export prospects would depend on the price elasticity of demand for these products in the British market.

Against the loss of preferences in the British market, a possible concomittant of U K's entry into the Common Market is a downward readjustment of common tariffs. This will come about partly as a result of the re-working out of common tariffs on the basis of the arithmetical average of the tariffs in effect in the different countries, including the U K. The inclusion of U K as a low-tariff country will lead to a lowering of the common tariffs.

More important, however, is the opportunity offered by U K's entry into the E C M to persuade the present Common Market countries to do away with some of the tariffs and lower others and remove some of the quota restrictions which now operate against imports from non-member countries. Such a request would be eminently reasonable today in view of the fact that the growing economic strength and the sound balance of payments position of the Common Market countries permit them to make these concessions with little or no risk of any adverse impact on their economies.

The U N's Economic Commission for Europe has repeatedly urged European countries to follow up their aid policies with steps to encourage imports from the under-developed countries. A strong and unified Europe is undoubtedly a hopeful portent for the developing countries, both for aid and trade, but the fact must be faced squarely that hitherto the European Common Market with its high tariffs and other restrictive practices has hindered rather than helped the efforts of the under-developed countries to expand their exports. India, for instance, has been running a persistent and crushing trade deficit with these countries for many years. This is not to say. however, that there are no hopeful signs. Recently, the Common Market countries have exhibited a "quickening of conscience" with regard to the problems of the developing countries. Two of them, for instance, are members of the Aid-lndia Consortium which has done so much to underwrite the foreign exchange requirements of India's Third Plan. There is some reason to hope that Britain's entry into the Common Market would speed up this trend.

State Loans

THE borrowing programme of the Central Government for this year having been completed in two instalments in the earlier part of the slack season, State Governments have now announced their own programme for raising funds from the market. Only Assam and Kashmir are not included in the list of States which have decided to enter the market this time, this being the second consecutive year of attention for Assam. The other thirteen States have announced the issue of loans, ranging from Rs 3 crores for Bihar and Punjab to Its 10 crores for Andhra, Madras and Maharashtra. The total amount lo be raised is Rs 80 crores though as usual the States retain the right to accept up to 10 per *cent* more than the amount issued. These figures, however, represent gross borrowing; repayments during the year amount to Rs 12.96 crores, with Mysore alone having maturities of Rs 6 crores. On the basis of these figures, both gross and net borrowing in the current year will be approximately equal to the average annual amount of such borrowing scheduled for the period of the Third Plan. The States could, therefore, be said to have made a good beginning this year for the borrowing programme envisaged in the Plan, the assumption beings of course, that the present issues will succeed.

A feature of the State borrowing programme this year is the relative uniformity in the term* of offer for the thirteen States. All the loans are being issued at 4.25 per cent for maturity in 1972, the only differences being in the issue prices, which are Rs 100 for Gujarat and Maharashtra, Rs 99.75 for Andhra, Madras, Mysore, Uttar Pradesh and West Bengal and Rs 99.50 for Bihar, Kerala, Madhya Pradesh, Orissa, Punjab and Rajasthan. The slight discount on the nominal values of the securities result in slightly higher yields, both current and redemption, on those particular securities, reflecting presumably the smaller support the loans of these States obtain from the market. In due course, one should expect these differences to disappear. An improvement in the marketability of the different securities is however, necessary for the purpose.

It is interesting to notice that the terms of the loans are more favourable than those of existing loans of a comparable nature. Though the difference is slight, it is evident that the Reserve Bank has deliberately attempted to push, up the yield pattern on the State loans as it did in connection with the second instalment of Central loans just a few days ago. Having kept the interest rate structure down consistently for a •long time and having also consistently refused to permit a formal rise in the Bank Rate even while introducing a three-tier system that increases the marginal rate on bank borrowings from itself, the Reserve Bank has now given an upward push to interest rates *on government* loans which does require attention. The fact that this push was given in the shape of terms offered on new loans rather than by moulding the gilt-edged market also calls for notice. It suggests either a last-minute change in policy or an attempt to ensure the success of the new issue by offering more favourable terms than those prevalent in the market.

Attention needs finally to be drawn to the rather heavy burden of maturities that the present State issues have set up for 1972. The maturity of Rs 80 crores of securities in 1972 should be compared with the maximum volume of maturities in the current Plan period, which is Rs 38.67 crores in 1963-64.

A Tragic Act

THE fast-unto-death undertaken by Master Tara Singh has perhaps tilted the scales irretrievably against a peaceful solution of the Punjabi Suba question. That things should have been brought to this pass is not just unfortunate; it is tragic. Whatever may be the outcome of the Sikh leader's fast, it will certainly not be such as to enhance the strength or stature of the country. Should his gamble succeed, it will have added yet another element #to the already powerful forces separating Indians from Indians. And a truly communal basis will have been established for further balkani--ation of the country.

The astonishing thing is that all this should have started with nothing more than a matter of scripts.