

The Economic Weekly

A Journal of Current Economic and Political Affairs

SIXTEENTH YEAR OF PUBLICATION

March 21, 1964

Volume XVI No 12

Price 50 Naye Paise

EDITORIALS

Trade and Development 535
'Save Pakistan Minorities' 535(a)

WEEKLY NOTES

Narrowly-held Companies — Not a Homogeneous Group — Strait-Jacket for Cooperatives — Bonus Shares — Plough-Bark Device — Following His Nose — Refinance Corporation: The Lags — Low Profit-Making Still? — Paying for Expansion 535(c)

LETTER TO EDITOR

Steel Decontrol 540

CAPITAL VIEW

Disquiet, over Defence — Romesh Thapar 541

BOOK REVIEW

Study of Development : Economist vs Anthropologist — Samir Dasgupta 547

SPECIAL ARTICLES

Food Situation in the South — From a Correspondent 543

Trade, Aid and Development: U N Conference — From Our Geneva Correspondent 549

Moonshine on MonopoliesFrom Our London Correspondent 553

A Continent in a Hurry — Krishna Ahooja 555

The Developing Pattern of Congress Party — C N Bhalerao 563

The Managing Agency System : A Reply to R K Hazari — Sudhir Mulji 569

FROM THE CHAIR

The State Bank of India 571
Indian Mining Association 575

AROUND BOMBAY MARKETS

Gloom Pervades Dalai Street 582

BUSINESS NOTES

State Bank — Money Market 584

Trade and Development

IF the World Conference on Trade and Development which opens in

Geneva on Monday can achieve its aims, it would be nearly as momentous an event in history as the San Francisco Conference where the United Nations was born. This is the press build up, but it claims a little too much, for the Conference is meeting under the aegis of the U N and the most ambitious item on its agenda, the establishment of an International Trade Organisation which the U N tried to set up right in the beginning along with its other agencies but could not, because of the opposition of its leading members, may still elude its grasp. It is the changed composition of the U N today and the overwhelming preponderance of underdeveloped or developing nations among its members which lies behind the growing demand for an organisation in which these countries can find a forum.

The Gatt never served the purpose of a world organisation of that sort, though it is the only multilateral international agreement today regulating world trade. It has only a limited function and few of the newly-independent countries which have swollen the membership of the U N have even cared to join it. The socialist countries, almost en bloc, have kept out. There are reasons why it is looked upon as a rich man's club. Any way, it is out of step with the changed balance of forces in the world. Its statute prevents it from having a constant and effective influence on the development of world trade and trade policies of member countries.

The problems that the under-developed world faces today are well known — fluctuating export earnings and declining prices in the world market for its primary products, resulting in deteriorating terms of trade; inadequate outlet in the markets of the developed countries for manufactures and semi-processed goods of such of those developing countries which are able to produce them, etc. The result is that these countries have often to take as aid what they could have legitimately earned on their own, if they could have fairer terms of exchange. The capacity of these countries to develop is severely handicapped by the lack of adequate imports of capital goods and even their ability to repay or service foreign loans is restricted by their inability to increase their export earnings. This is by now a familiar story,

The idea of holding such a Conference was mooted nearly three years ago for the limited object of finding a solution to the export problems of the primary producing countries. The aims were gradually widened. The Cairo declaration adopted at the Conference held in July 1962 welcomed the initiative of the United Nations in this matter and against this background, the Economic and Social Council of the U N recommended to the General Assembly that a preparatory committee should be set up for the World Conference. The committee chalked out a programme: the expansion of international trade and its significance for economic development: meeting the trade needs of developing countries; trade policies conducive to development, and study of trade problems between countries at similar or different stages of development or having different economic and social systems. The second

THE ECONOMIC WEEKLY

65, Apollo Street, Bombay-1.

Grams : ECONWEEK

Telephone : 253406

Annual Subscription : Rs 24

Foreign 50s or \$ 7

group of problems set out related to stabilisation of export prices; compensatory plans to offset fluctuations in export earnings; programme of action by industrialised nations to reduce or remove tariffs, discriminatory quotas and other obstacles to exports from less-developed countries, without strict reciprocity. As ultimately the problem of primary commodity exports can only be solved by diversification of the economies and this can occur only if the developed countries are willing to import processed and semi-processed goods, the preparatory committee put forward a case for special considerations to be extended to such exports. The other group of problems related to invisible trade accounts, e.g., freight, insurance and interest charges; regional groupings: finance for expansion of international trade. And lastly, it put forward for consideration the proposal for an International Trade Organisation, the reform of the Gatt and the establishment of a permanent forum open to all members of the United Nations, with a standing committee and a permanent secretariat.

The preparatory committee was guided in its task by the joint declaration of 75 countries made at the 18th session of the U N General Assembly, which really clinched the issue. Setting out the broad objectives and aims of a dynamic international trade policy, the Declaration took the stand that "the development of production and the increase in productivity and purchasing power of developing countries will also contribute to the economic growth of the industrialised countries as well and thus become a means of worldwide prosperity".

What the Conference aims at is exactly what is attempted within each country by the state — economic integration through measures of reducing inequalities between people and regions. This integration does not come spontaneously but is achieved, however slowly or gradually, through judicious but deliberate interference with the natural economic forces. That indeed is the final rationale of the World Conference which is to meet in Geneva. Of course, there would be serious objections to all the proposals that are going to be raised, and not by the

advanced countries alone. Among the developing countries demanding preferential treatment, there may well be cleavage among those which are relatively less advanced than the others, Britain has already broached the abandonment of Commonwealth preference in anticipation of the line likely to be taken at the Conference. Some of the member countries will espouse the cause of stabilised prices supported by a levy on countries benefiting from purchases made at low prices; others interested in cheap raw materials will oppose price stabilisation at any level. Advanced countries will oppose any proposal to run down their agricultural production (and end protection) or to switch from some indus-

tries, e.g., textiles, to others in order to accommodate the emerging Japans. And finally, the same interests which stood in the way of the I TO being ever born will line up against its revival.

Granting all this, the Conference can still achieve much. Forces behind it which have been gaining momentum cannot be permanently resisted or even thwarted, for they emanate not only from the underdeveloped world but also from the socialist group of countries. A forum for them may not mean today the executive authority of the U N. it will still have behind it the sanction and the energetic support of the vast majority of the members of the United Nations.

'Save Pakistan Minorities'

Our Calcutta Correspondent Writes :

AT this writing, the gruesome incident in which 21 Muslim workers of a cotton textile mill in a Calcutta suburb lost their lives on Monday night is still something of a mystery. Since the scene of the incident is a well-known trouble spot, an attack on Muslims in this spot on the eve of the *hartal* called by the "Save the Pakistan Minorities" Committee may not seem so surprising at first sight. But this is to miss two noteworthy aspects: first this was the only incident in West Bengal for several weeks, and secondly, the absence of any kind of tension in the area itself in the hours preceding the tragedy. Tension escalating into an outburst of frenzy is one thing but the hit and run killing by an armed gang quite another. Obviously this was premeditated and planned as is suggested by the sequence of events. Crackers were hurled at a group of 100 Muslim workers taking their usual route to work at the textile mill. This was followed by stampede and confusion aggravated by all the lights going off on the main road where this was happening. Equally suddenly, 10 gangsters emerged from side-streets, all armed with sharp weapons, and had a field day stabbing and wounding the fleeing workers. 13 men were killed on the spot and another eight succumbed to injuries later.

Calcutta heard nothing (fortunately, perhaps) of the incident till late on the strike-bound Tuesday morning. Shortly afterwards a statement was made in the Assembly at the Congress Parti's insistence the Assembly met at its appointed hour despite the *Hartal* — and those present stood up in silence for two minutes to mourn the workers' death. The gesture, no doubt well-intentioned, is beside the point unless the real task of tracking down the gang and, more important, its patrons is pursued with vigour.

No opposition member was in the House when the statement was made on Tuesday but Jyoti Basil, leader of the Opposition, raised the matter again the next day to offer the Chief Minister some information. He prevailed upon in the public interest, to discuss it privately, and no more was, therefore, heard of what Basu might have had to say.

Even in the present stage of knowledge, some aspects of the incident stand out. First and foremost, the highly unsatisfactory situation of the police not having the slightest inkling of what was obviously a well-laid plan for massacre. The police in West Bengal have not exactly distinguished themselves in their handling of communal trouble, as evident from the fact that the army had to be brought in to quell