The problems of industrial relations in a country like India have only a superficial resemblance to the situation in countries like Britain. If the underlying values of the British system have been economic freedom and industrial peace, the central requirements in India have been rapid economic growth and the maintenance of political stability. These requirements have resulted in a system of industrial relations based on government control. The government actively works to secure industrial pence, partly because strikes hinder economic development and very largely because the development of a strong, militant trade union movement represents a potential threat to political stability.

In addition to setting up machinery to regulate industrial relations the Congress government has also encouraged the growth of the Indian National Trade Union Congress, the present general secretary of which is G Ramanujam. Ramanujam's, book of essays is not meant to be a scientific analysis of the Indian system of industrial relations. Its interest lies less in any intrinsic merit than in the fact that it authoritatively sets out the INTUC position on a wide variety of topics.

Like most Indian trade unionists, Ramanujam goes through the ritual of denouncing party-policies in trade unionism, but perhaps we can take him a little more seriously than most others, as he is not, in fact, a member of the Congress party. (This may, of course, be more a result of the apparently friendly relations between the Congress Government and the Hind Mazdoor Sabha in Ramanujam's home state of Madras, rather than any differences in principle between Ramanujam and the Congress). While denouncing party-policies, Ramanujam does point out that trade unions must inevitably concern themselves with politics in the wider sense.

Asia's Dismal Export Prospects

G C da Costa

Trade Prospects for Developing Countries by Bela A Balassa; Richard D Irwin, 1964; pp xii + 450.

IN this bock Bela Balassa examines, in considerable detail, the trade problems of developing countries. These problems are examined both in retrospect — 1928 to 1960 — as well as in perspective — 1960 to 1975. The study has been divided into two parts. In the first, the trade patterns of less developed areas arc examined and the following aspects receive attention : (1) exports and economic growth in the developing countries; (2) economic growth in the developed countries; (3) future of exports from the developing countries; (4) import requirements of the developing countries and the consequent trade gap; (5) current account gap and alternative policies that can fill the gap. In the second part, the prospects for individual commodities have received somewhat detailed consideration.

Balassa finds that during the years 1928-1955, the exports of the developing countries grew at a rale considerably below that of the GNP of the developed countries — an 88 per cent increase in the GNP of the developed countries was accompanied by a 38 per cent increase in the volume of their imports. This, of course, does not suggest any uniformity during the period. For example, whereas between 1928 and 1918 export growth into the developed countries was only slightly lower than the latter's GNP the gap widened considerably from 1938 to 1955. In this latter phase a 68 per cent increase in GNP was accompanied by a 27 per cent increase in the exports of the less developed countries. The explanation is to be found in the policy measures introduced during the War and technological changes in production that have taken place since. The substitution process might also be said to have developed during this period. Thus, whereas there was no synthetic rubber production in 1938, in 1955 in the United Slates the share of natural rubber in rubber consumption had declined to 42 per cent and in Western Europe to 85 per cent. Similar was the case with other synthetic substitutes. However, in the period 1955-1961 the growth of the exports of the developing countries exceeded the growth of the GNP of the developed countries. It is of interest to note that about half the increase is accounted for by fuels. Mineral exports, in particular to Weslern Europe, also showed some buoyancy. Manufactures fared well but their role in the aggregate was insignificant as they accounted for only about 7 per cent of the aggregate exports of the developing areas.

Future Trends

In order to estimate the future export prospects Balassa has calculated the future trends in incomes in the developed regions: North America, Western Europe and Japan. Several variants of the income variable have been used. These are per capita disposable income, gross national product (total and per capita), industrial production and in the case of certain raw materials specific indicators regarding the individual industries. Two alternative estimates have been used : (1) a 'most likely' estimate based on past trends; (II) a high or optimistic estimate which could become a reality only if suitable economic policies were followed. Under the first assumption the projected increase in GNP is 80 per cent and under the second it is 96 per cent.

A detailed presentation of the conclusions here is, of course, impossible and uncalled for. But a few highlights are revealing of the trends that might be expected. We shall concern our. selves only with the 'most likely' assumption. First of all, in overall terms, he finds that the exports of the developing countries at I960 prices would rise from $ 19.5 billion in 1960 to $ 29.1 billion in 1970 and $36.0 billion in 1975. This would yield an income elasticity of import demand, for the developed countries, exceeding unity. This he compares with the period 1953-54 to 1960-61 when the imports of the developed countries rose by 48 per cent as against the 31 per cent rise in their GNP. The export prospects to Japan appear relatively the best. This is due to the special features of the Japanese economy; viz, earlier stage of development as compared with W Europe and the United States, lack of domestic sources of raw materials, in particular, minerals and the character of the Japanese diet. In Western Europe exports of fuel and minerals are expected to fare well. This is again due to the special features of the Western economy as compared with that of the United States: (a) the substitution process of liquid fuel for coal has been completed in the United States whereas it is still taking place in W Europe; (b) W Europe has insignificant oil reserves; and (c) W Europe is at a lower level of technological and economic development. Export prospects in the United States and the Canadian markets appear least encouraging.

The bulk of the increase in the value of the exports of the developing countries will be accounted for by fuels and non-fuel minerals. Thus taking into account the fact that only in a few developing countries do these feature as important exports the position of the developing countries is much less optimistic than might appear in the aggregate projections. In fact there are sonde who would even prefer to exclude the exporters of fuel from the category of developing countries and include them in the category of the developed countries. It is no surprise then that Balassa finds the income elasticity of demand for cereals and potatoes negative and zero or slightly above zero for fish, oils and fats, sugar and tea. The case of tea is interesting for two reasons : first it is so important in India's exports; and, secondly, Balassa's results in respect of it corroborate the present reviewer's own findings,* The 'world' income elasticity of demand for our tea was found to be + 0.07, As against this, the U K income elasticity of demand was - 0.71, of the U S + 1.40 and of Canada — 1.04. In view of the overwhelming importance of the U K in our tea exports the weighted average of these three countries' income elasticity closely approximates our global estimates.

Balassa confirms the view that the income elasticities of demand for primary commodities is low. Here he expects that by 1975 while the GNP of the developed countries would grow by 80 per cent their imports of this group of commodities would «row by only 31 per cent. The prospects for coffee, cocoa and bananas ippear only slightly better: the exports are expected to rise by 44 per cent during the same period. He does not, for well known reasons, envisage any bright prospect for cotton and jute textile exports. On the other hand, non-fuel mineral exports may double and' fuel exports more than double. Exports of manufactures may rise by about 120 per cent. All these projections are worked out in considerable detail.

Balassa next turns to the study of the import requirements of the developing countries. Here he finds, on the basis of past experience, that the greatest increases are likely for the Middle East and Asia and relatively smaller increases for Latin America and Africa. Together with his findings that the exports of the Latin American countries, Africa and Middle East are expected to rise by more than 66 per cent while those of Asia will rise by only 50 per cent he concludes that the trade gap of the Asian countries will comparatively worsen. How much it will worsen may be seen from the following figures. While the trade gap of all the developing countries together is likely to rise from $1.3 billion in 1960 to $ 5,2 billion in 1975 for Asia alone the trade gap is likely to grow from $ 1.5 billion in 1960 to $5.2 billion in 1975. Thus the entire gap will be concentrated in Asia. This he attributes to the slower growth of Asian exports and the faster growth of its import demand.

Several measures for tilling the 'current account* gap arc considered : accelerated growth in the developed countries, reduction of trade barriers, increased trade to the Sino-Soviet: area, regional integration and capital inflow. He has, however, ignored the possibility that domestic measures by the developing countries might also help. His concentration on the demand side to the exclusion of the supply side prevents the emergence of a more realistic picture of the problem. TOO often inflationary policies in the developing countries tend to divert resources away from the export sector. An export-oriented pattern of investment might go a long way in raising export earnings in the developing countries.

In the second part of the book Balassa examines the export prospects for individual countries. This is the more interesting part of the book. The commodities have been classified and studied under seven separate heads; (1) temperate zone food items; (2) competing tropical food items; (3) non-competing tropical food items; (4) . agricultural raw materials: (5) non-agricultural raw materials which include all non-fuels minerals and metals; (6) fuels; and (7) manufactures. The export prospects for products falling within these groups have been examined with reference to North America, Western Europe, Japan and Oceania. The prospects vary both in respect of the group as well as the markets,

The methodology followed to forecast the trends in imports and exports is extensively discussed in the Appendix. Here too we find almost 80 pages of useful tables. In conclusion we may make two observations,: First, as the study is general the export prospect facing an individual country should he deducted from it only with care. A separate study would naturally be best and Balassa's work lays the groundwork for it. Second, his conclusions are not new. There is a considerable amount of literature today that has arrived at broadly the same results. The merit, of the work lies in its painstaking attempt to quantify economic relationships in t-iC international trade of the developing countries. The expected relative deterioration in the trade position of the Asian countries would seem to suggest that thus region deserves the most attention in international efforts designed to boost the exports of the developing countries.

* Period 1953-1962. The detailed study will appear in the next issue of the *Indian Economic Journal*

Vaikunthbhai Mehta Committee

An Appeal

HIS great devotion and life-long service to the co-operative movement and his patient work for developing the decentralised sector of the economy which, he firmly believed, held the key to the egalitarian society *of* the future are to he commemorated *in* a fitting manner by raising a memorial to the late Vaikunthbhai L Mehta. A trust has been formed for this p»»rpose with the following trustees :

U N Dhebar	Chairman
D R Gadgil	Vice-chairman
B Venkatappiah	Treasurer
Shantilal H Shah	
Phwaja Prasad Sahu	
V P Varde	
Vadilal Dagli	Secretary

The trustees and Vaiktinthbhai's admirers and co-workers have issued an appeal to the public, especially to those engaged in the activities which he had made the concern of his life, to contribute funds for the memorial.

Contributions are to be sent to the Treasurer, Vaikunthbhai Mehla Sniarak Trust, Royal Insurance Building, 4th Floor, 14, Jamshedji Tata Road, Bombay-1. (BR).