(669)

INDIA FACES 15th

The economic situation and the

The start of the Third Five-Year Plan is only a few months away. Some of the foundations of industrialization have been laid. Steel output is rising at an impressive rate. If the Plan goes as the planners hope, economic growth should be partially self-sustaining.

But the 'if' is a big one. India now faces a foreign-exchange crisis. There has been reluctance on the part of potential creditors to finance maintenance imports. The current deficit is large; sterling balances fell to Rs.1,396m. (£104·7m.) on November 18; aid for the Third Plan promised up to that date amounted to only about £562m.; and Finance Minister Morarji Desai had to warn the Lok Sabha that, if India was to ride out these difficulties and safeguard the Plan, harsh import cuts were 'inevitable'.

IMMEDIATELY after his return from a foreign tour in September and October, Mr Desai said he hoped to obtain adequate foreign assistance. But it now seems that India will have to endure considerable anxieties before the expected aid is forthcoming. The October-March import policy is more severe than it was in the preceding half-year; and the Government will not be able to fulfil its declared aim of 'enabling indigenous industry to maintain production at maximum levels so as to sustain the tempo generated by the economic development of the recent past'.

In this six-month licensing period, foreign-exchange budget has been slashed to Rs.1,250m.—Rs.300m. less than in the preceding half-year. The April-September allocation, too, was Rs.250m. less than the original estimates. This drastic cut was forced on Delhi by a shortfall of around Rs.600m. in the foreign exchange expected during 1960. But commercial imports have not been cut to the minimum because some public sector and defence imports were axed at the same time.

HOW EXPORTS STAND

'We export articles that are surplus to us. That is a kind of way of looking at things leisurely, a kind of way of an affluent society. If we want to earn money from exports, we must do without things here and export them. It is not a question of surplus. We must starve ourselves of these goods and things and export them to get foreign exchange.'—Prime Minister Nehru, addressing the National Development Council.

Between April and September last year, India had a bigger trade deficit (Rs.824·7m.) than in the comparable period of 1959 (Rs.1,703·7m.). Exports, including re-exports, amounted to Rs.3,014·4m. (Rs.2,976·4m. in April-September, 1959), and imports were Rs.4,839·1m. (Rs.4,680·1m.). The rise in export earnings should not be misinterpreted. So far, efforts to promote exports have yielded very small dividends. The larger figure for exports is more the result of higher price levels than of any substantial increase in shipments.

The export outlook, in fact, is not too promising, partly because of greater competition on the part of other Afro-Asian countries in the very export fields India herself has developed, and partly by reason of changes in Western purchasing policies. But there are more hopeful indications in Indian exports of iron ore and engineering goods.

Tea shipments decline

Most alarming decline has been in tea exports from North-East India, July-October figure of 107·7m. lb being 63m. lb. less than in 1959. Britain's offtake went down from 112m. lb. to 75m. lb. in this period. South Indian tea exports from April to October, at 46·8m. lb., were only marginally lower than the 1959 level. Nineteen-sixty will be an extremely poor year for tea exports, and the record of the recent past makes it clear that offtake by Britain is progressively declining.

New arrangements made with the Soviet Union in October will seek to double Indo-Soviet trade in the remaining three years of the five-year trade pact; and tea is one of the items Russia will buy in larger quantities. India has failed to launch any effective propaganda campaigns, and Mr P. McGrath, who recently led an Irish tea delegation to India, said that a visitor to Britain might think that only Ceylon tea was imported.

A record level of more than 50,000 tons is forecast for the current coffee crop, but efforts to increase coffee exports are being frustrated by the growing world surplus. The gulf between the internal and export prices is widening. In October Plantation A prices averaged Rs.229·79 per 50 kilos internally, against Rs.178·37 for exports.

Textile outlook poor

Another major decline is in cloth exports. Much of the exports in the early months of 1960 were against orders placed in the second half of 1959, and the total dispatches in 1960 may, at the most, touch 700m. yds. against more than 500m. yds. in July-December, 1959.

October, 1960, exports from Bombay port were only 49m. yds., against more than 83m. yds. in October, 1959. Higher prices, largely responsible for the fall in exports, helped maintain the foreign-exchange earnings from cloth exports at Rs.168m., as against Rs.386m. in the first 10 months of 1959. January-October, 1960, exports were 500m. yds.

A big increase in cotton textile prices was brought about by a speculative rise in raw-cotton rates following a very low crop and the Ministry of Agriculture's failure to foresee the extent of the shortfall. Licences for raw-cotton imports were issued on a large scale, but the imports were too late to stop the panicky price lift. Price fixing and stamping were forced on the mills by the Government; but by then the harm had been done. The large purchases of foreign cotton were also responsible for inflating the import bill (see Table II).

The current crop, considered good, plus greater vigilance by the Government, which is requisitioning cotton stocks and allocating quotas to mills, will keep prices down this year. The Government is also ordering a tariff inquiry so as to pave the way for reasonable long-term price fixing in textile goods.

Hope for annual exports of 1,000m. yds., expressed a few years ago, is no longer talked about. In 1961 India may aim to export 800m. yds., but even that will be an uphill task because of the setback in several markets. The Sudan, virtually closed to Indian textiles till July, 1959, became the second-best market (next to Britain) with purchases of 150m. yds. in 1959. But in 1960 there was severe competition, since the Sudan permitted the import of cheap Japanese varieties.

In British East Africa, India has been selling more textiles, *it would not* throw overboard the plan drawn up by the Council's Secretariat. It envisages a total outlay of Rs.15,600m. *covering* the period 1959-68, disbursed thus:

	Rs.
Agriculture	5,110m.
Fisheries	218m.
Industry	2,714m.
Electricity	*826m.*
Transport and communications	1,946m.
Construction	525m.
Social investments	*5,571m.*
Public administration ..	180m.
Other services	710m.
	Rs.15,600m.

The forthcoming World Bank Mission is likely to examine this programme as a basis for giving substantial economic aid to Ceylon.

East-West trade plea Embargoes on trade with the East, of no 'strategic significance', mean a loss to the U.K. of millions of pounds and should be abolished; import barriers against goods from the East should be dismantled. These were among measures advocated by Lord Boyd Orr in his presidential *address to the British Council* for the Promotion of International Trade. Exports to Soviet countries, he said, could *go up by at least £500m. a year. The* 'dynamics of trade' had already resulted in British exports to Russia and Eastern Europe increasing at a faster rate than those to any other comparable region, and exports to China *had* risen *by 70·2* per cent.

Lord Boyd Orr also advocated:

- Provision of better credit *facilities* to cover trade with Eastern countries;
- Abolition of import quotas in trade agreements with Eastern bloc countries;
- Negotiation of long-term trade agreements with Eastern bloc countries that are planning, in terms of up to 20 years ahead, to introduce 'a stable and growing element' into trade.

One of world's largest dairies New *Delhi's Central Dairy, claimed to be one* of the world's largest and most modern, was opened this December. It forms part of the £2·52m. Delhi Milk Scheme.

Interest-free loans for development?

Indian economist delivers Montague Burton Lecture at Leeds on International Relations

It is one of the ironies of history that proposals for a new type of international aid organization, condemned in 1949 as 'premature' and 'idealistic', have now, 11 years later, largely materialized in the *form of the* International Development Authority.

THE *proposals were put forward by* Dr V. K. R. V. Rao, then Chairman of the Third Session of the UN Sub-Com*mission on Economic Development*. But among Dr Rao's proposals was one for interest-free development loans. This is not *yet adequately met.*

Pointing this out in an address at Leeds, Dr Rao said:

'*The limits* imposed by a recipient nation's capacity for repayment—which generally hinge on its export capacity and its *inability* to earn foreign-exchange resources—will not normally apply to the aid, whether by way of loans or grants, *that will* be given by the International Development Association as visualized in my proposals. . . . Loans will be given for very long periods, there will be little or no interest, and the terms of repayment will be liberal and suitably adjusted to individual circumstances.'

Dr Rao, now director of the University of Delhi's Institute of Economic Growth, was delivering the 18th Montague Burton Lecture at the University of Leeds on International Relations; and his address, which dealt with international aid and economic development, raised a number of controversial issues. Among the points made by Dr Rao were:

Inadequacy of foreign aid

'The allocation of this foreign aid is . . . not primarily determined by *the overall* needs of economic development in the under-developed world; and neither in distribu*tion by territory nor by project or the* purpose for which the aid is given is adequate or even reasonable attention given *to the economics and the equity of economic* development. The result is that the distribution of economic aid by the governments *of the* developed countries in the Western world has been very unequal, and bears little relevance to the actual economics of development.'

Role of private capital

'The view is . . . strongly held in the U.S., and to a smaller extent also *in the rest of* the Western world, that the under-developed countries should rely mainly on foreign private capital *for the foreign* funds and techniques that they needed for their economic development. . . . Thus emphasis was always *laid on the undesira*bility of doing anything that would reduce the importance of private enterprise or not give it the *fullest chances to play* its legitimate role for promoting economic development; and this has influenced their thin*king in the International* Bank, the United Nations Organization, and their own governmental programmes of foreign eco*nomic aid. Unfortunately* this view was out of tune with both the reality of the economic circumstances and the sentiments of the *people in the* vast *bulk* of the under-developed countries. . . .

Private capital does not flow into *international* channels of philanthropy. What prevents the movement of private capital on a large scale for the industrializa*tion* of under-developed countries is the basic fact of the comparative unprofitability of large-scale industry in the initial stages of economic development in most of the under-developed countries.

Low rate of growth

'There is no doubt that during the last 10 years a great deal of progress has been made in national and international thinking on the subject of international aid for economic development; and aid has also been substantially increased during this period. There can be no doubt that international aid has played a *significant role* in the economic development that has taken place in Asia and Africa and Latin America during the last 10 *years*.

But progress has not been rapid nor has it been adequate to meet the needs of the *situation. The* rate *of economic* growth in the under-developed countries in the non-Communist world has been distressingly low *in comparison* with the corresponding rate of growth in the Communist world. They have also been slow in absolute terms when viewed against a minimum target of achieving a per capita income of at least \$250 in 15 years. They are indeed phenomenally low when one takes into account the higher rate of growth that is taking place in the developed countries, thus leading to a steady and tragic widening of the income gap that separates the poorer from the other countries. . . .

'I believe the answer is the internationalizing of all aid and the entrusting of this international aid to an organization *like the* International Development Association. Only I don't think it can take such a major job in its present form, *certainly not* as an affiliate of the International Bank with its peculiar structure of voting rights and with its membership *that does not include* the Soviet Union and Communist China. Nor can it operate on the scale required with the meagre *finances that* have been currently placed at its disposal.'

YEAR OF INDEPENDENCE
problem of external finance

Bhopal Heavy Electricals, for which Associated Electrical Industries is to be expanded in two phases, with British aid as indicated by Lord Chandos during his visit last year. ▲

though she has not been able to maintain her share in proportion to the expanding market. The worst setback has been in British West Africa, which took only 23m. yds. in 1959, as against 70m. yds. in 1957. The market for Indian textiles has also declined in Ceylon, Indonesia, and Indo-China.

High jute prices balance reduced dispatches

Exports of jute goods in the first nine months of 1960 fetched Rs.766m., against Rs.1,108m. in the whole of 1959; but (as in cotton textiles) the jute industry has been facing a serious crisis precipitated by speculators after a setback in raw-jute production.

With 17 to 19 per cent. of the looms sealed, the mills have been fighting to conserve the limited stocks and keep the speculators at bay. The higher level of exchange earnings has been the result of abnormally high gunny prices. The chaotic conditions in the Calcutta markets in October and November have led to a drop in overseas inquiries, and jute dispatches will be uncertain for the rest of the season.

Despite rationing by Calcutta mills, the shortage has meant larger raw-jute imports from Pakistan. In July-October, the first four months of the jute season, out of the total raw-jute arrivals of 1,412,400 bales, 173,000 bales were from Pakistan, compared with 61,700 bales out of 1,533,600 in July-October, 1959. Delhi permitted the import of 450,000 bales of Pakistani jute this season, but the quotas came too late for use by Calcutta mills, with Pakistani prices ruling at Rs.250 a bale at the end of November, against Rs.100 some months earlier.

Iron ores 'star performance'

A bright star on the export front is iron ore, handled by the State Trading Corporation. In January-June, 1960, iron-ore exports earned Rs.95·7m., against Rs.64·7m. in the first half of 1959. In the financial year 1959-60 iron-ore exports earned Rs.148·5m., compared with Rs.97m. in the previous financial year. In the current financial year iron-ore exports will rise to 2·5m. tons from 1·9m. tons in 1959-60; and a 40-50 per cent. increase is possible in the coming year. Most of the exports are for Japan, with whom India has a long-term deal under which the supplies are to be progressively increased to a possible 8m. tons in 1966.

Prime Minister Nehru with a technician at the Bhopal plant, which went into production in July, 1960 ▼

Engineering exports rising

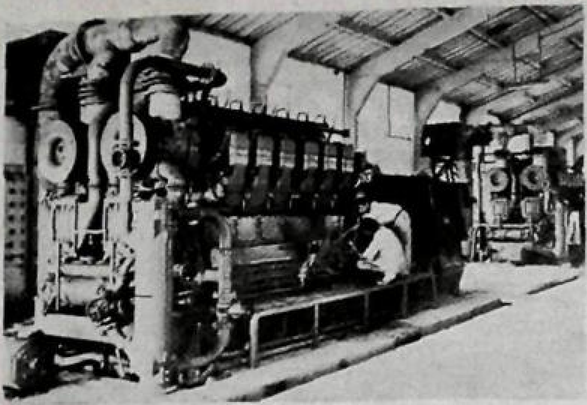
Although engineering goods form as yet only an insignificant part of total exports, proportionately spectacular increases have been registered in this field during the last few years. Between January and July, 1960, exports of engineering goods earned nearly Rs.50m., against about Rs.30m. in the comparable period of 1959.

Sewing machines and electric fans form the major items in this category, and some have been exported even to the U.S., Britain, and W. Germany. Main buyers have been West Asia and South Asia, Ceylon being the best customer (Rs.3·2m. in January-July).

In sewing-machine exports to Malaya, Singapore, and Indonesia there has been intensified competition from Japan and China; and Indian machines are not equal in style and finish to the Chinese and Japanese products.

There is also a wider variety of machines from Japan and China—whose prices too are flexible. Despite exorbitant prices, Singer, Pfaff, and Neechi machines are selling in South Asia, mainly because of servicing facilities that are lacking after the sale of Indian sewing machines. Spare parts of many Japanese and Chinese machines are also replaceable with those of Singer.

In the electric-fan field, a survey of the Malayan market has shown that Japanese fans have improved considerably in quality, performance, and finish, coupled with a reduction in price, while there has been little change in the Indian models. Japanese representatives have built up better and wider distribution arrangements, including hire-purchase. Among ceiling fans the popular brands in Malaya are G.E.C. (British) and Usha (Indian), and consumers do not have any



English Electric equipped these two movable substations for Neyveli Lignite Corporation (Private), Madras, for emergency use at their opencast lignite mine.

marked preference either way. In table fans Mitsubishi products are the first choice.

Indian cycles are at a disadvantage in Malaya because they cost around Rs.30 more than the Japanese and Chinese models; and Japan is also said to be planning cycle assembly in collaboration with Malayans.

IMPORT SOURCES

All the countries of Eastern Europe are expected to seek more trade with India, which wants to tap the Soviet bloc as another source of industrial raw materials. Russia is to supply more non-ferrous metals, newsprint, tinplate, steel materials, oil products, and machinery and equipment for metallurgical, power, and construction projects. An Indian mission that visited Russia in November inspected transport equipment, including helicopters. The rupee payment deal with the Russians for 1·5m. tons of petroleum products in four years, means a saving of just Rs.50m. in exchange a year.

This will scarcely afford any relief from the drain on oil imports, which is moving to a billion rupees. Gains from the price cuts by Western oil companies in the middle of 1960 will be partly wiped off by the increase in consumption in 1961.

Diversification of trade in the direction of the Eastern bloc has been a popular slogan, but the process can be painful, as shown by the initial difficulties in the distribution of oil imported from Russia. Russia is also to supply more machinery this year for the oil industry, and some drilling equipment is to be bought from Rumania. Next to Russia, Czechoslovakia —second-best buyer of Indian iron ore—is also the best prospect in Eastern Europe as a supplier of industrial equipment.

Diesel sets, tractors, ball-bearings, and some electrical equipment are likely to come from the Czechs; the total annual imports may not, however, be higher than Rs.100m. Trading at a similar level each way is also planned with Yugoslavia, whose supplies will include paper, raw film, iron bridges, and heavy chemicals. Poland has offered to build ships for India, and precision tools and equipment for a hydro-electric project are expected from Hungary soon.

Main supplier of electrical goods, transport equipment, and various industrial accessories will have to be Britain, the major trading partner, who is not averse from giving credit for maintenance imports by India. Between January and September last year, Indian exports to the U.K. rose to £101m. from £95m. in the comparable period of 1959. British exports to India in this period declined from £124m. to £115m.

Caution will be the guiding factor in imports from W. Germany, with which India has the worst trade gap—Rs.991m. in 1959 and Rs.478m. in the first half of 1960. The Germans have shown no willingness to buy more from India, which has no choice but to import more capital goods from them.

OUTSIDE CAPITAL FOR INDUSTRY

The exchange crisis, and the delay in securing foreign aid, *could* lead to an inauspicious start for the Third Plan, for which the Draft Outline placed the foreign-aid needs at Rs.2,600 crores. According to Mr Morarji Desai, committed and indicated aid so far amounts to Rs.750 crores, excluding the PL480 funds, which will actually be in rupees from sales.

Britain has made an initial offer of £30m., and India expects a total of £250m. from the U.K. Discussions are yet to take place on details of financing the Durgapur steel plant expansion. The second-largest Indo-British project, the Heavy Electricals at Bhopal, is also to be expanded. Lord Chandos, who visited India on behalf of Associated Electrical Industries (technical consultants to the project), has stated that the exchange component of the expansion will be financed from British sources.

MANUFACTURING PROJECTS IN HAND

A number of industrial projects in which foreign organizations or firms are participating, recently got under way. Here is a brief resumé of some of the most important:

- Heavy structural fabricating works and heavy plate and vessel shop—the detailed project report was prepared for the Government by Atkins & Partners;
- Zinc smelter 15,000-ton capacity, to be set up at Udaipur—it will be operated by Metal Corporation of India with the technical and financial assistance of two French firms;
- Gujerat cable factory—in which Johnson & Phillips will participate;
- Borivili permanent-magnet plant, capacity 5·6m. units—to be set up by a newly-formed company, Permanent Magnets, which will have technical and financial assistance from Centro Magneti Permanenti, Milan;
- Aluminium reduction plant, being constructed by Hindustan Aluminium Corporation (Hindalco), near Rihand, Uttar Pradesh. The Export-Import Bank, Washington, has advanced big dollar and rupee loans for the project;
- Two heavy electrical plants, proposed for Madras—with foreign-exchange finance from Russia and Czechoslovakia;
- 10,000 metric-ton-capacity aluminium smelter for Mettur, Salem District—financial and technical assistance from Montecatini, Italy;
- 6,000 scooters a year—Enfield India;
- Motor-cycles and scooters, 50 c.c., 175 c.c., and 250 c.c., to be manufactured in Mysore by Ideal Motors;
- Trombay styrene polymer plant will go into production in 1962 and be operated by Polychem—Dow Chemie, A.G. Switzerland, is to help with the project;
- 100,000-metric-ton-capacity Ammasandra, Mysore State, cement plant, to be set up by Mysore Cements. Finance comes partly from a Rs.1·1m. loan under P.L.480;
- Basic chemicals and intermediates project, to be located at Panvel, under agreement with the West German firms of Bayer, Basf, Hoechst, and UHDE;
- Durgapur fertilizer factory and a 10,000-ton-capacity high-tensile steel-wire plant at Baroda or Surat (the steel-wire plant to be set up by Shah Co. Private). Both projects will receive Japanese assistance;
- Rishikesh antibiotics project, Sanatnagar synthetic drugs plant, Madras surgical instruments factory, and the Kerala chemical plant—project reports for these four are being prepared by Technoexport, Czechoslovakia.

Two other heavy electrical projects are to be financed with aid from Russia and Czechoslovakia, which are also to help in heavy machine tools, foundry forge, and several other heavy industrial units. The contract for the second major shipyard, at Cochin in Kerala, is likely to go to a British firm. The yard at Vizagapatam, built by British technicians, it is proposed to expand; and a dry dock planned at Vizagapatam is also awaiting availability of foreign aid.

Foreign collaboration and finance are also sought for a plate and vessel works, an alloy and tool-steel plant, and a marine diesel plant. Elaborate plans to change the face of Bombay port's waterfront will receive World Bank assistance, but many improvements proposed in port handling need a variety of equipment for which global tenders will be called. More dredging equipment for the Calcutta Port Commissioners in the battle against Hooghly silting may normally be ordered from Scottish yards, who have experience of Calcutta's needs.

JOINT VENTURES

Between April and September the Government of India approved 228 foreign collaboration agreements—80 with British firms, 41 with German, 35 with American, and 23 with Japanese.

The next few months should see the conclusion of negotiations with foreign firms for the installation of capacity to increase fertilizer production to a million tons of nitrogen and 500,000 tons of phosphates. Rs.2,500m. is the Planning Commission's allocation for fertilizer projects in the public and private sectors. Simon Carves (U.K.), Montecatini, and Ansaldo (Italy), and some German firms have contracted for three factories in Madras State. Japan and Britain have both offered Rs.50m. of foreign exchange needed for a Rs.110m. fertilizer plant using natural gas found in Nahorkatiya, Assam.

If the Japanese offer comes through in its final form soon, the British offer will be diverted to some other project. Thirteen of the 85 deep wells drilled in the area by Oil India (Burmah Oil-India Government partnership) are yielding gas; and numerous small projects are possible outlets for the surplus after supplying the fertilizer plant.

The U.S. Development Loan Fund has underwritten the entire cost of the Trombay fertilizer plant, to use refinery gas, with a loan of $58m., and is also willing to finance two projects in the private sector. Negotiations are still on for plants at Durgapur, Vizagapatam, and Kothegudem in Andhra State. Uttar Pradesh, Madhya Pradesh, Rajasthan, and Gujerat are also canvassing fertilizer factories. Delhi is keen to speed the foreign deals on these plants.

Montecatini, which took part in the expansion of Sindri Fertilizers and is to invest in an aluminium factory in Madras, is reported to have offered to put Rs.500m. into projects during the Third Plan. In addition to Rs.2,500m. for fertilizers, investment of Rs.4,000m. is proposed for chemicals. A major deal for the basic-intermediates plant has already gone to a German consortium, and four drug projects are to be financed by the Soviet Union. But a number of projects in rayon, chemical pulp, other heavy chemicals, and pharmaceuticals await foreign collaboration offers.

English Electric's subsidiary in Madras, making light electrical goods, is to expand; and the British firm has large-scale collaboration arrangements with the railways for diesel and electric locomotive manufacture. In the transport field, Ashok Leyland has already announced expansion plans for which the parent firm is making further investments; other firms like Standard and Hindustan also plan to increase production.

PROJECTS IN SEARCH OF PARTNERS

The biggest project is for an economy car to cost around Rs.6,500, and this will be in the public sector. A committee is examining the choice of the model, and the Government is reported to be negotiating with the Nissan Motor Co. of Japan to produce a Datsun model. If the negotiations succeed, the proposal is for 2,500m. yen (£2·5m.) investment.

The Government wants to achieve relative self-sufficiency in motor accessories, and a number of lines are still open in this field. Sankeys have taken on a project to make wheels, and Guest, Keen and Williams also have similar plans. Arrangements by David Brown have yet to be finalized; and there is at the moment, it is believed, a gap in plans for the making of tractors.

Of the 97m. tons of coal to be produced in 1965-6, about 23m. tons will need to be washed; and sanctioned washery capacity leaves a gap of 10m. tons for which foreign collaboration will be sought. So also in coal-mining machinery manufacture and equipment for mining iron ore whose production is to be stepped-up from 12m. tons to 32m. tons in five years.

Foreign offers are awaited also for paper-making machinery. A smelter able to produce 400 tons a day, and a plant with a daily production of 1,000 tons of sulphuric acid are proposed, to make use of pyrite found in Bihar. Cost is placed at Rs.100m. Production at the Hindustan Machine Tools and Praga Tools is to be expanded rapidly, and other machine-tool units too need to be erected quickly.

But all the accounting on foreign aid by the planners may go awry, since it has now become clear that Development Loan Fund financing will be tied firmly to expensive American goods. Total D.L.F. assistance to India is $425m., and Delhi expects a major contribution to the Third Plan from the Fund.

TABLE I

India's foreign trade, 1959 and 1960
(in Rs.m.: Rs.1m.=£75,000)

	Exports		*Imports*		*Balance of trade*	
	1960	1959	1960	1959	1960	1959
January	509·5	451·9	637·3	805·3	−127·8	−353·4
February	486·4	421·7	696·8	716·0	−210·4	−294·3
March	534·1	469·8	756·1	756	−222	−286·2
April	487·4	447	822·7	988·3	−335·3	−541·3
May	506·4	440·5	828·9	733·7	−322·5	−293·2
June	489·1	429·3	845·3	814·3	−356·2	−385
Jan.-June	2,834	2,692	4,572	4,274	−1,738	−157·8
July	485·4	508·6	737	674·8	−251·6	−166·2
August	570·4	572·3	827·3	618·1	−256·9	− 46·1
September	530·9	585·2	752·8	702·4	−221·9	−117·2
Jan.-Sept.	3,014·4	2,976·4	4,839·1	4,680·1	−1,824·7	−1,703·7
October	—	598·7	—	663·1	—	− 64·4
November	—	607	—	709·3	—	−102·3
December	—	695·7	—	697·4	—	− 1·7
Jan.-Dec.	—	6,227·4	—	8,873·8	—	−2,646·4

Expected total exports in 1960: Rs.6,300m.

TABLE II

Major Indian imports
(Value in Rs.m.)

Commodity	*January-June,* 1959	*January-June,* 1960
Machinery other than electric ..	705·1	841·1
Electric machinery	247·1	266·1
Steam locomotives	50	141·4
Road motor vehicles	143·1	·143·3
Iron and steel	484·2	492·6
Copper	64·3	99·9
Aluminium	29·3	36·2
Lead	11·8	13·4
Zinc	26·2	42·8
Tin	19·5	21·8
Non-ferrous total	157·9	223·3
Chemicals	200·3	197·8
Wheat	618·9	214·5
Rice	33	91·2
Newsprint	24·8	34·4
Fertilizers	87·2	67·6
Natural rubber	19·1	16·2
Raw cotton	191·9	382·7
Raw jute	5·7	42·8
Art silk yarn	72·4	53·9
Medical products	41·8	58·9
Copra	44·4	52·6
Cashew nuts	31·4	51·4
Petroleum products	—	402·5

Striking rise in East-West trade

ECE'S NEGLECT OF CHINA

Western Europe's trade with the countries of the Sino-Soviet bloc continues to expand, the EEC/EFTA split acting as an impetus, reports the UN Economic Commission for Europe.

DURING the first half of 1960, Italy's exports to the Communist nations rose by more than 75 per cent. above those of the first half of 1959. British and French exports grew equally, by almost 62 per cent., West Germany's by 38 per cent., Denmark's by 25 per cent. In most cases, these high rates of increase followed on more or less sizeable improvements in 1959 on 1958.

It is even more significant that in most of these countries the relative growth rates of their exports to the Sino-Soviet bloc during the first six months of 1960 far exceeded those of their exports to all other regions of the world—the U.K. growth rate of 61·9 per cent., for example, compared with increases in her exports to Western Europe of only 1·1per cent., to North America of 7·7 per cent., and to the newly developing countries and the rest of the world by 16·3 per cent.

One reason for the upswing of business with the political 'East', according to the September BULLETIN of the UN's Economic Commission for Europe, is that 'the split of Western Europe into two separate trading blocs has induced exporters to explore markets outside either bloc with increased vigour'.

With regard to the Communist markets, this seems to have been true particularly of exporters in Britain and other countries of the EFTA region. The BULLETIN notes that while in general the six members of the Common Market (EEC) increased their total imports less, and their total exports more, than the seven members of EFTA, 'in the trade with Eastern Europe these tendencies were reversed'.

Moreover, even before the split between the Six and the Seven became effective, a weakened demand inside Western Europe, such as is again being experienced, 'sometimes resulted in a shift of exports towards Eastern European markets'. And the gradual relaxation of strategic controls, which have so long been hampering East-West trade, 'was certainly a prerequisite for the growing share of industrial equipment in such trade', and for its overall expansion.

TABLE I Western European trade with Sino-Soviet bloc countries
(% changes from preceding year)

		1959	1960 (*first half*)
UNITED KINGDOM	Imports	+12·6	+31·9
	Exports	+17·9	+61·9
WEST GERMANY	Imports	+14·0	+22·6
	Exports	+ 0·7	+38·2
FRANCE	Imports	− 8·0	− 9·3
	Exports	+ 4·5	+61·5
ITALY	Imports	+47·7	+87·3
	Exports	+30·2	+75·6
SWITZERLAND	Imports	− 3·9	+ 3·6
	Exports	+20·5	−12·1
SWEDEN	Imports	+30·0	+11·3
	Exports	+16·5	+ 6·0
DENMARK	Imports	+27·6	+30·0
	Exports	+23·6	+25·1

TABLE II Sino-Soviet bloc's share in world trade
(% distribution of exports, on basis of current US$ values)

Areas of origin		*Areas of destination*				
		Non-Communist world	*Eastern Europe (including U.S.S.R.)*	*China**	*Total Sino-Soviet bloc*	*Entire world*
Eastern Europe (including U.S.S.R.)	1957	2·6	5·2	0·9	6·1	8·7
	1958	2·7	5·6	1·2	6·8	9·5
	1959	2·8	6·3	1·4	7·7	10·5
China*	1957	0·5	1·0	—	1·0	1·5
	1958	0·6	1·2	—	1·2	1·8
	1959	0·5	1·3	—	1·3	1·8
Total Sino-Soviet bloc*	1957	3·1	6·2	0·9	7·1	10·2
	1958	3·3	6·8	1·2	8·0	11·3
	1959	3·3	7·6	1·4	9·0	12·3
Non-Communist world	1957	87·1	2·2	0·5	2·7	89·8
	1958	85·7	2·3	0·7	3·0	88·7
	1959	84·8	2·4	0·5	2·9	87·7
Entire world	1957	90·2	8·4	1·4	9·8	100·0
	1958	89·0	9·1	1·9	11·0	100·0
	1959	88·1	10·0	1·9	11·9	100·0

* Excluding North Korea, North Vietnam, and Outer Mongolia.

Terms of trade

Considering the high degree of bilateral balancing of payments between Eastern and Western countries, it is only natural that Western imports from the Sino-Soviet bloc should also have continued to rise during the first half of 1960.

Italy again was in the lead with an 87 per cent. increase. Britain's amounted to 32 per cent.; Denmark's to 32 per cent.; and Western Germany's to 23 per cent. Only France once again bought less from the Communist countries than in the preceding year.

But it must be noted that Western European imports from Eastern Europe as a whole have increased significantly more in volume than these value figures indicate. Their total rise in value during that period was only 11 per cent., while their quantitative growth was almost 20 per cent.

The reason is that many of the Eastern European exports—like petroleum, timber, coal, and steel—were marked down because of the fall in world market prices.

Yet there was no reduction in the overall price levels of the export goods of Western Europe. Hence the fact that the improvements of the terms of trade in favour of the Eastern European countries, which occurred in 1951-2 and again in 1956-7, have been reversed. Western Europe therefore once more enjoys better terms of trade in its exchanges with the East than in 1950.

Global value

The global value of East-West trade, including China (taking as the basis all

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No. 9 in a series of surveys on British industries

THE COMMONWEALTH IN ASIA

Comment

THE visit by the Queen and the Duke of Edinburgh to India and Pakistan is a tribute to the importance of these countries in the Commonwealth structure.

India, of course, with her age-old civilization, is one of the master architects of the Commonwealth's future. Pakistan may be making a valuable contribution to ideas on development through her concept of 'basic democracies'.

The Commonwealth faces a challenge to close the gap between East and West that has endured since the days when Europe exploited communications with Asia on unequal terms.

Indo-British relations have a particular value in that they have established an East-West bridgehead, both historically and politically.

India and Pakistan are, like Britain, major factors in mankind's destiny. Unless East and West can come together there is no hope at all for the future; and it is on this unity that the effectiveness of their contribution to world progress and peace will depend.

Much hangs on acceptance of the tenet that although the Commonwealth may need London as its voice, the will and personality are as much Afro-Asian as European.

There is also India's own unique position to be considered. She is not aspiring to live by a Western or other ideology. She is a country that has achieved independence in the steps of her own Master, Mahatma Gandhi, who said: 'Life is a quest for self-realization, but it is through service of humanity in a spiritual detachment that one can hope to achieve self-realization.'

Reflecting India's breadth of view, Dr V. K. R. V. Rao concluded his address on *International Aid for Economic Development*, at Leeds University in November, with a plea for 'recognition on the part of nations that they are all part of the world, and on the part of their citizens that they are all members of the human race'.

The visit may also serve to make it more widely realized that India is a country 450m. strong and that the problems of her development are urgent. Their solution is a vital need for both the Soviet and the Western worlds, since much depends on the contribution of Indian stability in world affairs.

Another benefit could be an enlargement of the concept of the 'wind of change' in Africa. President Sukarno's recent speech at the UN will go on record as a classic underlining of the need for understanding this 'wind of change'.

And from such contacts between East and West may also come even stronger support for the admission of China to the UN, and for the conviction held by many that the Chinese leaders should be invited to Britain in the hope of achieving co-operation through mutual understanding.

In the long term, the Royal visit may prove a significant step in demonstrating that the Commonwealth serves not only Commonwealth members but the common cause of East-West progress, especially in getting the world to move on and away from 'pact' groupings, which in the end can do no more than proclaim their separateness.

IN THE NEWS

continued from front cover

capital into developing countries. Many of the delegates felt that this issue was vital to the future of these countries: if private enterprise fails, the alternative is strong State control. But uppermost in their minds was the question: How to attract private capital when private capital finds investment in the developed countries more attractive? (The problem has been made more acute by the emergence of the Common Market and EFTA.)

Inevitably, the Conference was much concerned with safeguards and guarantees for the private investor. Some countries, notably Pakistan, have already announced guarantees that appear far-reaching. But there remain the drawbacks of, first, the instability of certain economies—an instability that sometimes arises from the very fact of their development; and, second, the low return to be expected from particular categories of long-term projects that are, by their nature, essential to development.

Estimates put the amount needed for steady industrialization of the less-developed countries at about £10,700m. In comparison, private foreign investment has, so far, been only a trickle.

Among the recommendations made by the Conference were the following:

- 'Fair treatment code' containing rules about nationalization and compulsory arbitration—and a request that Governments 'observe the principles underlying such proposals of their own accord';
- Study of proposals to guarantee or insure non-commercial risks—reference was made to a possible international investment guarantee institution, 'with a membership roughly the same as that of the World Bank';
- Elimination of double taxation;
- An international-level hire-purchase system for the acquisition of capital goods;
- Price agreements between less-developed and developed countries to prevent fluctuations in the price structure of primary products.

C.A.F.E.A. thought the idea of an Asian Common Market or Free Trade Area premature, but urged the Chamber to study and present a scheme for an Asian Bank for Trade and Industrial Development to help countries with their balance-of-payments difficulties.

World Bank mission to Ceylon A mission from the World Bank is expected to visit Ceylon early this year. It will examine current plans for economic development in relation to their contribution to economic growth, the strain on the balance of payments, and the sources of finance. It is possible that certain projects in the public sector may also be examined by the World Bank, and these may include the U.S.S.R. steel mill, the U.S.S.R. rubber tyre and tube factory, and the Chinese textile mill. Most of these projects have passed the blueprint stage, but work on them has not yet begun.

This will be the second mission from the World Bank to visit Ceylon since the country gained independence in 1947. The last mission, headed by Sir Sydney Caine, visited Ceylon in 1952, and recommended a development programme totalling Rs.1,600m. (£120m.) covering the period 1955-9.

The mission now proposed is the result of talks held recently between a visiting executive of the World Bank and senior officials of the Central Bank of Ceylon, the Ministry of Industries, and the Ministry of Finance.

The Government has before it, at the moment, an ambitious 10-year plan which was drawn up under the auspices of the now defunct National Planning Council. When the Planning Council was dissolved the Government stated that