

The Mysore Chamber of Commerce

SECTION A(i)

Questions 1 to 8.—The economic position of India since the last Fiscal Commission reported in 1922, has changed materially in all directions and it is necessary that a new approach should be made to consolidate and develop industrial development in the country. From a predominantly agricultural economy, characteristic of this country during the twenties, recent years have seen the establishment of a net work of new industries. As the pressure of population has increased, it is necessary that industrialisation which offers a quicker method of raising the standard of living should be accelerated.

Indian agriculture has not made sufficient advance as compared to the industrial progress and it is important that there should be a co-ordinated development of the two spheres of the nation's economy. As a result of partition India is deficient in food crops and is also a net importer of cotton and jute. It is therefore necessary that future measures must provide for self-sufficiency in respect of food production as well as raw materials required for the textile and the jute industries.

India before World War II was essentially an exporter of raw materials including agricultural products. Since the last decade however there is an increasing tendency to make use of agricultural raw materials in the country itself; for example oil and oil seeds.

The policy of discriminating protection followed since 1922 and the general impact of the industrialisation on the country coupled with abnormal war conditions has changed India to the status of an exporter of manufactures. The changes that are needed particularly as regards agriculture would be expansion of collective farming, mechanised cultivation, better seeds, manure and fertilisers. As regards mining it is essential that India should take to processing of minerals in the country itself instead of exporting them outside. It would also be beneficial if the Government can assist the starting of new industries based on utilisation of minerals within the country. Further a comprehensive geological survey should also be made for effecting utilisation of the country's mineral resources.

The pattern of industrial development in India has been mostly on a piecemeal scale and not according to plan. Technical efficiency in certain industries has reached a high level though the country has not developed capacity for manufacturing machinery required for those industries. Some industries like sugar, paper and glass are still to reach a high level of efficiency. Some of the smaller industries started during the war have not been able to consolidate the position to meet foreign competition. Industrial activity has not developed on a proper plan and there is great necessity for raising the quality and quantity of industrial production.

India at present has not developed heavy engineering industries such as shipping, locomotive, automobile, aircraft, engineering, heavy chemicals and agricultural machinery industries on any appreciable scale. Even as regards production in existing industries, the full potential has not been reached. Production costs need to be lowered and the employment of latest types of machinery is required. High grade technical ability is still limited and the efficiency of labour has not reached a high level. Even as regards raw materials, transport bottlenecks and uneconomic methods of production, there is room for great improvement.

The development of small-scale and cottage industries is essential to give stability to country's economy. At present emphasis has been placed only on large scale production with the result that there is unhealthy concentration of industries near some big cities. A stimulus is needed for diverting energy for revitalising small and cottage industries. These industries are now not properly organised due to lack of capital, understanding and difficulty in securing raw material. It is desirable to follow the system of Japan wherein some of the products used in large scale production could be produced by small-scale and cottage industries. By this method a close liaison could be

maintained between these three scores of the country's economy and India has ample scope for all the three.

Cottage industries like mat-weaving, carpet-making, button making and others allied to some of the large-scale industries could be developed. As regards industries suited for export purposes it is suggested that wood-carving, curios and woollen druggets could be developed. There is also a necessity to start a corporation by which finance could be advanced to individuals for taking to cottage industries. Marketing facilities and suggestions for improvements should also be made available to them easily while in the case of some others, subsidies could be granted for helping them initially.

SECTION B

The three conditions laid down by the Fiscal Commission of 1934, have had marked defects particularly as regards the triple formula that was laid down before protection could be granted for an industry. It presupposed that an industry should have all the advantages before it was entitled for protection. In an industrially backward country like India, this formula adversely affected the development of industries particularly when foreign competition and ideas of free trade were freely used to stifle the indigenous industry.

As regards wire and wire nails, when the Indian Wire and Steel Products Co., started production, protection was not given uniformly on the products produced. On the ground that the Company was not able to obtain the raw materials of wire rods from Tatas, the protection duty on wire rods was withdrawn and the Company was obliged to go into liquidation.

The starting of the Locomotive industry was never taken as a serious proposition due partly to the fear that Britain would be affected. Under the plea of economy the starting of a company specifically for this purpose was discouraged in 1924.

Similarly the woollen industry was not encouraged in the earlier years when foreign competition from Italy and Japan was severe during the years 1924-29. Protection to Manganese Chloride industry was not given on the ground that the industry was not of national importance.

Glass industry is another instance which did not receive full protection from the Board on the ground that the Chief raw material—soda ash—was imported. Again when the Tariff Board recommended protection in the year 1932, the report was not released till three years later in 1935 and no attempt was made to encourage local industries for manufacturing soda ash.

It is certainly not possible for every new industry to ensure an easy supply of raw material and to estimate the probable time by which it could stand competition. It was upto Government to take measures that would enable new industries to stabilise themselves over a certain period. As regards industries that have developed as a result of the policy of discriminating protection, there is great need of supplying a large number of technical personnel and trained labour. There has not been sufficient time or scope to introduce technical improvement and to optimum utilisation of indigenous raw material. Industrial research has not made headway and it is necessary to impress upon those protected industries, to devote attention on this aspect.

The impact of the recent World War has brought about a change in the Indian economy due to the fact that the imports practically ceased and India had to manufacture certain products which she formerly imported. India is therefore in a position to develop new industries in addition to existing ones. Heavy industries require to be developed and Government should now make it a point in expediting imports of capital machinery required for those industries. It is not enough if protection is given only to infant industries. A system of protective import duties and subsidies will have to be employed for giving stimulus to Indian industries and to guard against dumping. If certain industries are necessary from the larger point of view the question of cost to the community should not be initially considered. From this point of view the conditions laid down for the Tariff Board of 1945 should be viewed.

SECTION E

There is now considerable transport difficulty in movement of essential raw materials required for industries. Government should always ensure that essential raw materials are quickly moved and such, others as are imported are supplied in time. The supply of cheap electric power is also another necessary factor in stimulating industrial development. There is abundant scope for regionalisation of industries and this should be helped by making available, cheap power all over the country. Development of electric power would in addition conserve the coal resources of the country. Services of foreign technical experts should be secured for training a large number of Indian personnel. There is already a Central Industrial Finance Corporation for financing big industries and starting similar corporations for Provinces and States for helping smaller industries is necessary. The establishment of Export trade research Organisation is necessary to find new markets for Indian products. It would also be helpful if Government were to arrange for technical information about industrial methods and processes on the lines of the Anglo-American Council formed for raising the efficiency of British Industry.

SECTION F

The Committee is of the view that Imperial preference has adversely affected Indian interests. It is in agreement with the view of Fiscal Commission of 1922, that whatever preference is extended to other countries, it should not diminish the protection required by Indian Industries and it should not involve any appreciable economic loss to the country. Any agreement therefore concluded on the lines of the General Agreement on Tariffs and Trade should be subject to this condition as otherwise under the plea of multi-lateral trade India would not be able to develop new industries. The Committee welcome the formation of bilateral Trade Agreements as a better method of safeguarding Indian industries.

SECTION G

Industries receiving protection should be made aware that after the preliminary period required for stabilisation, they should reduce their costs and sell their products at competitive rates. They must also be urged to adopt latest methods of production, give labour a fair deal and maintain a high level of industrial efficiency. Restrictive and monopoly practices should be discouraged and industries must be impressed on the need to maintain economic units. At present standardisation and quality control are not employed on a wide scale and there is great scope for improvement in this direction. It is also necessary that a National Research Laboratory should be set up for undertaking researches in industry on a large scale.

SECTION H

The existing organisation of the Tariff Board is inadequate to cope with the work entailed in implementing the Government's Fiscal Policy. The Tariff Board must be a permanent Body and the members must be eminent people having wide knowledge of economics and industries like the members of the American Tariff Board. The Board should have initiative in conducting enquiries instead of being a subordinate branch of the Government. The Board should have also other powers of considering independently the effect of excise duty on industry, effect of *ad valorem* and specific duties, to investigate questions regarding treatment of Indian products by foreign countries and to investigate complaints regarding formation of monopolies to the detriment of the country. The Board should also watch the effects of Tariff Policy on the cost of living and to study the tariff systems of other countries. The various bilateral trade agreements concluded by Government should first be referred to Tariff Board for opinion. It would also be necessary that the Government should normally accept and implement the Tariff Board's recommendations.

Replies to Part II of the Questionnaire by the Mysore Chamber of Commerce.

The Managing Committee considered at their recent meeting Part II of the questionnaire issued by the Fiscal Commission and welcomed the Havana

Charter on Trade and Employment generally as it indicated the latest measure of agreement among the various countries for encouraging multilateral trade. The Committee noted that the Charter recognised the rights of economically backward countries to resort to import restrictions, tariffs, quotas, etc. for safeguarding the interests of their industries. The Committee also felt that it is necessary to emphasise in this connection that the various safeguarding measures should generally be permitted to be used by backward countries for a period of 10 to 15 years.

The Committee feel that the terms and conditions of the Charter regarding foreign capital are in general accord with the policy of the Government of India and note that the settlement of terms for such employment is finally dependent on mutual agreement. The Committee is of the view that sufficient freedom must be given for countries like India to withdraw any concession contemplated under the GATT if it should be found to affect her industries adversely. The Committee is of the opinion that India can join the proposed International Trade Organisation as a founder member and should insist upon the employment of a fair number of her nationals on the staff of the Organisation.

The Committee hopes that Government will bear in mind in future negotiations, that articles for which concessions are given are in the interests of national economy, that they do not relate to products for which protection is likely to be asked in the near future, and that they will not result in excessive loss of revenue. The Committee have further to suggest that the working of these concessions be reviewed every two years and that the list of products for which concessions have already been given should again be reviewed in view of the fact that India's position after the partition has considerably changed in respect of products like raw jute and cotton and other products.