Punjab Chamber of Commerce New Delhi

Memorandum to the Fiscal Commission submitted on 23rd February, 1950.

The Punjab Chamber of Commerce covers mainly the Punjab and Delhi and includes in its membership interests representing large-scale industries, imports and exports, distribution, wholesale and retail trades and banking and insurance. This is an area where economic life was badly shaken during 1947-48, and has not regained equilibrium even now. In the Chamber's view economic policy should aim at consolidation of the progress towards stability, a further increase in production, and at an expansionist economy generally. Fortunately, there are signs that the country has entered this phase already and the immediate task is only to add a further momentum to the recent favourable trends. The Chamber, therefore, recommends :

(1) Existing industries should be helped in their schemes of rationalisation, and in securing adequate supplies of raw materials, transport, working funds, and technical assistance. In the Punjab particularly, commercial banks are reluctant to advance loans to trade and industry, and a State-aided Finance Corporation, an Industrial Bank, or an amalgamation of the various smaller banks is a virtual necessity.

(2) A further stimulus to investment through—

(a) a substantial relief in taxation, including company taxation, to increase the ability to save and to invest ;

(b) the removal of deterrents to industrial enterprise, such as statutory introduction of profit-sharing schemes, threats of nationalisation and State Trading, and the Industries (Development and Control) Bill, which, even in its modified form, is a typical example of powerful disincentives which industry has to face today ; and

(c) an assurance of Government assistance to industries by way of research, and in securing them machinery, industrial raw materials and skilled personnel, including a Government guarantee of return in essential industries for certain limited periods.

(3) Encouragement of foreign investment in India by—

(a) a re-statement of policy, and an assurance that profits, royalties, and dividends, as well as the capital amount, may be taken out of India at any time, subject to considerations of foreign exchange ; and, that equitable compensation would be given in the event of compulsory acquisition of any property, business or industry ;

(b) the removal of discrimination against foreign capital in matters of taxation and a guarantee of no-discrimination in the future through taxation or otherwise ;

(c) the early conclusion of agreements for the avoidance of double taxation ;

(d) other stimuli to investment and the removal of deterrents mentioned in paragraph (2) above ; and

(e) a more positive approach to labour as explained in paragraph (4) below.

(4) A more constructive attitude towards labour, including a material reduction in the prices of foodstuffs, a policy of wage stabilisation, the relating of working hours to efficiency, greater uniformity among different States in Labour Legislation, and the abandonment of schemes which involve considerable expense, but have no direct or immediate bearing on efficiency.

(5) Top priority for all multi-purpose projects like the D.V.C. and Bhakra and Nangal which would help to generate electric power and therefore help in

further industrialisation; and (2) increase the production of food and reduce imports of foodgrains.

(6) Steps to link up cottage and small-scale industries as feeders of the bigger industries except where they are themselves makers of the finished goods.

11. In the Chamber's view, these measures would form an essential background to any helpful and effective fiscal policy. As for tariff measures, industries, which are necessary for Defence or which form the basis for further industrialisation in the future (machine tools and heavy chemicals) have obviously to be developed, and necessary protection given to them. For the others, the only condition should be that the expenses of production are such that give a reasonable hope that protection would be unnecessary after a reasonable time. On the other hand, the criterion of natural advantages should perhaps be put in the negative; and an industry should not be given protection if it has no natural advantages.

Apart from this, there should be tests for continuing protection as much as for the grant of it. All industries cannot be granted protection, and protection once given cannot be continued indefinitely. There should be calculated regularly for each protected industry, index numbers of cost of production for purposes of comparison; and protection itself should be at a diminishing rate to guarantee increasing efficiency, and a progressive cutting down of costs.

Subject to these considerations—and others relating to foreign exchange resources—India should have the freest trade possible.

(2) The Tariff Board should assume a more positive role and cease to be merely a sort of a judicial machinery weighing nicely evidence of costs and prices. It should be a permanent body with a permanent secretariat functioning from day to day; examine references made to it without unnecessary delay; and continuously watch the progress of an industry under protection and recommend changes in the rate of protection as circumstances arise.

The Tariff Board, secondly, should consist of both officials and non-officials, though not necessarily of parties interested in a particular industry.

(3) The Chamber's interpretation of the Havana Charter is that a commercial policy as is suggested in paragraph (1) above would be permitted, and the Chamber, therefore, recommends adherence to the Charter and the consequent participation in the International Trade Organisation.