the need for development of marketing agencies abroad;

7) The adequacy of the service rendered at present by agencies like the DGCI & S, the Trade Commissioners organisation etc for promoting trade;

8) Any other matter relevant to the main object of export promotion,

Now of these, internal transport is easily the most important and quality control comes next. But outweighing both is the question of prices and production which does not, however, figure in the terms of reference. Yet, unless production in certain lines is substantially increased, costs are brought down and Inflationary pressures disappear, no substantial nor even appreciable expansion in exports would be feasible. The Planning Commission is aware of this and hence in the Second Plan estimates, no credit is taken for a possible increase in export earnings during the Second Plan period.

To accept this limitation, however, is not to concede that nothing can be done. The Committee is not unduly handicapped by it, as the very first term of reference goes to show. Commenting on another aspect of export promotion, Professor B N Ganguli had argued persuasively in the Annual Number of this paper the case for a re-examination of our trade policy, and of the actual working of the numerous trade agreements which we have entered into over the last few years. It is surprising therefore, that a review of trade agreements does not figure in the terms of reference, nor does State Trading. Professor Ganguli's analysis of the trade situation led him to conclude:

"I have no doubt that the pull of the comparatively free play of domestic demand upon exportable commodities, combined with rising costs, has created a situation where there is a tendency for diversion of goods from the external to the domestic market. Raising of the rates of excise duties and sales taxes is no doubt a commendable device for siphoning off excess profits in a rising market. But I think it is time now to consider how best we can keep the prices of our actual and potential export commodities on a reasonably competitive level. The problem is easy of solution in a totalitarian economy. In India we shall need a combination of fairly complicated fiscal measures together with an extension of the functions and scope of the State Trading Corporation''.

So if the Government has really been seized with the urgency of the problem, efforts will have to be much more thorough than is suggested either by the personnel of the committee or by its terms of reference. Moreover, the work of the various agencies which have so far been engaged in export promotion need also to be assessed and speeded up. What happened, for instance, to the Export Credit Guarantee Scheme? And, has the Textiles Export Promotion Council been able to find out how much of cloth is actually exported (see Weekly Notes, "Statistics in the Plural", issue of September 15,1956).

Wheat Loan Fund for Banks

THAT the character of bank advances has also been changing, that the advances are now for a longer period and that some of the difficulties of the banks and therefore one of the reasons for the unseasonal credit stringency are due to the fact that banks have been called upon to finance industry increasingly, in addition to financing trade all these have been brought out clearly in recent discussions on the subject. Since a clear diagnosis makes it easier to apply the right remedy, it. has also been assumed for some time past that the Government is now fully appraised of the situation and that corrective action should not be long in coming. The Finance Minister has also hinted at it more than once.

There has been considerable speculation, however, on the next step whether the special institutions which had been set up for supplying long term credit to industry would be entrusted with the responsibility of supplying medium term credit also or whether an altogether new institution will be set up for the purpose. Neither the Industrial Credit Corporation nor the Industrial Finance Corporation, not to speak of the State Finance Corporations, have succeeded in establishing close contacts with industry or shown adequate initiative to justify any further reliance being placed on them or saddling them with additional responsibilities, even though the resources for the purpose could be made available to them. The case for an altogether new institution to be set up for supplying medium term credit to industry seemed, therefore, to hold the field.

There are some indications, however, that all such speculation may prove to be wrong and that the Government may find it more convenient to utilise the commercial banks for the purpose, instead of experimenting with a new institution. Banks have a reasonably strong case for being preferred for the simple reason that they have actually been doing this kind of business and have, as a result, overstretched their position. They could therefore be helped to continue and expand these lines of business which have been almost forced upon them, by being supplied with additional resources. In the alternative, their advances against 'block' which are in effect medium term and therefore lock up their funds, could be taken over either by the Finance Corporations or some other institution.

Banks have approached the Finance Ministry with this proposal and though no final decision has been announced, it appears that their case is reasonably hopeful. It is not enough that additional funds should be placed at their disposal to enable the banks to maintain and augment their assistance to industry; the form in which the assistance is given is also a matter of crucial importance. More liberal accommodation from the Reserve Bank under the Bill Market Scheme, in short, would not meet their requirements.

It is likely, therefore, that an altogether new source of funds would be made available to them viz the use of the sale proceeds (counterpart funds) from the sale of U S surplus wheat. The amount runs to several crores and if these are left as deposits with the banks, it will strengthen their lending capacity and not make any further drain on their liquidity which is at the moment very nearly exhausted. A figure of Rs 26 crores has been mentioned in this connection but confirmation is awaited.

Amalgamation or Winding Up?

THE procedure to be followed under the Securities Contracts (Regulation) Act, 1956, which came into force this week *is* the same that is followed under the Forward *Contracts Regulation)* Act, except that no Securities Commission will be appointed for implementing the Act. The implementation of the Act. therefore, will be the responsibility of the Ministry of Finance of the Government of India. The most important part of the Act Is the recognition to be given by the Government of India without which no stock exchange will be allowed to carry on business.

In the case of forward trading in commodities, only one organisation in a town or city is given recognition by the Forward Market Commission for dealing in the same commodity or group of commodities. The Securities Contracts (Regulation) Act does not say that only one stock exchange in any notified area can be recognised. . But this is the express intention of the Government, as stated by the Minister for Revenue and Civil Expenditure while replying to the debate on the Bill in Parliament that—

"There could be only one Stock Exchange in a notified area and it would be their earnest effort to see that Stock Exchanges working in a notified area were amalgamated Into one".

Now in many cities, kerb trading has been notorious, but as kerb markets had no legal status before, there is no question of such markets being recognised. In Bombay, however, there are two stock exchanges trading under quite different conditions. The younger of the two, the Indian Stock Exchange Ltd. sponsored and carefully fostered over many years by Sir Chunilal B Mehta, trades under quite different conditions from the old Native Share and Stock Brokers' Association. The cost of its membership—the current value of cards—is modest, being only Rs. 3,000 as against Rs. 20,000 In the case of the better known and old established stock exchange at Dalai Street; its members do not have to put up any deposits, unlike those of the older association—only the new members, though—who have to deposit a sum of Rs. 20,000 in addition to paying the same amount for their card and finally—this is not unimportant—they are not debarred from becoming members of other associations dealing, for instance, in commodity or bullion. Trading under such different conditions, the absorption of the members of the Indian Stock Exchange into the Native Share and Stock Brokers' Association naturally presents many hurdles. Discussions and negotiations between the representatives of the two bodies have failed so far to evolve a common formula which could solve the problem.

Now that the Securities Contracts (Regulation) Act has come into force, the question cannot be left pending Indefinitely, though no solution seems to be in sight. The President of the Indian Stock Exchange Ltd. has submitted a memorandum to the Finance Minister, putting forward the case of the members of his Exchange. The older association has so far declined to differentiate between one member and another and to admit a new class of members on terms and conditions which are radically different from those to which others have to submit. Though Sir Chunilal has argued that members of his Exchange should not be debarred from continuing their business under the new Act, the object of which is to regulate and not to stop legitimate speculation, nor to interfere with investment buying and selling, it is difficult to see how the differences can be reconciled and amalgamation made possible. The continuation of the Indian Stock Exchange as a separate body is, of course, out of the question.

Algeria and UNO

THERE will be disappointment at the final outcome of the discussions on the Algerian Issue in the United Nations. Last week, the General Assembly passed a pious resolution, expressing the hope that a peaceful democratic and just solution of the Algerian problem will be found. France did not take part during the voting on the resolution. Though the Assembly did not endorse the French Foreign Minister's emphatic contention that Algeria was an integral part of France, the resolution as finally passed by the Assembly imposed no obligation to France to start negotiations with the Algerian people. Algeria remains on the agenda of the United Nations. But, in the absence of any directive to France to seek a negotiated solution of the problem, Paris may interpret the Genera! Assembly's decision to mean that France has no international commitment or obligation to concede the nationalist movement in Algeria.

Even so, certain facts emerge out of the debate on Algeria in the United Nations. That both the Political Committee and the General Assembly have had elaborate discussions on the Algerian problem