Weekly Notes

Importing Soviet *Oil*

OIL is, *par excellence,* a political subject and a normally uneasy situation in international oil relations is tending to become explosive with the emergence of the Soviet Union as a potential supplier in the world market. True enough, Soviet incursions into the oil market have not yet been on a large scale. But coming as they do in the wake of two major developments, they have an ominous significance to entrenched interests. First, the discovery of large reserves in the Sahara makes France a powerful competitor to the Caribbean and Persian Gulf producers. Secondly, the growth of refining and tanker capacity outside the control of the traditional purveyors gives a new dimension to the crude oil market. And changes in the pattern of demand for gasoline, diesel oil, kerosene and aviation fuel have further complicated the issues.

Against this background, it is not surprising that 'red' oil should raise political hackles everywhere. The issue was brought to a head most dramatically in Cuba where the oil companies preferred to walk out rather than process Russian crude oil. In India, the three private refineries have politely but firmly refused to purchase crude oil from the Soviet Union. They have, under the 1948 agreement, the right to buy crude of their own choice until 1968; and faced with a world surplus, they are not likely to shift from their own sources to others. But the Indian Government has wisely chosen not to wield the big stick in the manner of Dr Castro.

This is a wise decision for both physical and psychological reasons. The public refineries at Nunmati and Barauni will come into operation only after some years. And even these cannot take Russian crude except as a supplement to the domestic source. Nor does the matter end there since Government has as yet no arrangements for distributing the oil it produces or imports. On the psychological side, it cannot resort to nationalisation of the oil refineries without making nonsense of its policy of attracting private foreign investment on a larger scale than hitherto.

Nonetheless, Government as also the private oil companies cannot afford to stay put. Russian oil is not only cheaper but can be imported against rupee payments, easing thereby the pressure on foreign exchange, In view of these advantages, Government's decision to import 1.5 million tons of kerosene and diesel oil from the Soviet Union over the next four years must be deemed a moderate one. The prices at which these products are to be bought have not been announced, but it is believed that they will be lower than the prevailing world prices. The first Russian tanker is expected next month, and imports for the first twelve months are likely to consist of 200,000 tons of kerosene and 75,000 tons of diesel oil.

The private companies on their part have begun to recognise the need for adjustment, Burmah-Shell has already announced a reduction of 7½ per cent in the price of its refined products; the other two companies should follow suit soon. A new price formula for foreign companies will come into operation from the next financial year, and that might be the occasion for adjust merits. After the completion of the refineries at Nunmati and Barauni, the share of Government in refining capacity will be about 34 per cent, If oil from Cambay and Ankleswar proves to be a commercial proposition and the world oil surplus continues, it would be unnecessary for Government to start a rate war with the foreign oil companies. The initiative might well come from the companies — but that is still a distant prospect. Forecasts seldom come true in the oil industry.

Kennedy's Triumph

SENATOR John Kennedy is the first Roman Catholic to win his party's presidential nomination since Mr Alfred Smith was defeated in 1928, and the chances are fair that he will go on to win the presidency itself in November. Mr Richard Nixon's opposition (he is almost certain to win the Republican nomination) is by no means a negligible factor; but Kennedy has shown himself to be such a vigorous campaigner and such a powerful wooer of votes that he must be causing grave anxiety in the Republican camp. Moreover, he has been extremely shrewd in choosing Senator Johnson as his running mate. This choice should help him to offset much, if not all, of the suspicion and hostility which his liberal speeches must have caused in the South.

The remarkable feature of the November presidential election is that both the contending candidates will be men in their forties, with meagre political experience, almost all of it restricted to the post-war years. If this is a disadvantage *vis a vis* the maturer and more experienced men in the Kremlin, it also holds out the hope of new thinking in Washington. It is never too realistic to place much reliance on the sentiments expressed by candidates at election time, specially in the United States; but Mr Kennedy has certainly succeeded to a great extent in creating the impression that his term in the White House, if it comes about, will be marked by a liberalism of thought which has not been in evidence since the passing of Franklin Roosevelt, And if, as is generally expected, Mr Adlai Stevenson and Mr Chester Bowles are appointed to positions of importance in the Democratic Administration, a more urbane and humanistic approach to policy might evolve. But these are at the moment no more than speculations.

Centralisation of Sales Taxes

COMPLICATIONS of the sales tax legislation and administration have been a frequent target of criticism from traders. They might find enough loopholes to reduce their tax burdens, but the quarterly inquisition into business, the different systems of tax collection, the variety of rates for .various commodities and the confusion about tax liability on inter-State trade are a perpetual source of nuisance. Since December 1957, additional excise duties levied and collected by the Centre have replaced sales taxes for sugar, cotton, art silk and woollen fabrics and tobacco. The net receipts from these duties are distributed wholly among the States in accordance with the principles laid down by the Finance Commission. Administrative complexities and scope for evasion have been reduced, and the yield-has turned out to be higher than expected originally. The revenue from general sales taxes has, meanwhile, continued to increase as is evident from the table below.

The proposal for a committee, headed by the Chief Minister of West Bengal, to examine the possibility of replacing some sales taxes by additional excise duties is reported to have received encouraging response though a few States still have misgivings. The commodities to which the additional excise may be extended are not yet known, but they are likely to be, selected from among those which are major sources of excise revenue for the Centre like matches, steel, cement, paper, tyres and tubes, tea and vanaspati. Sales taxes would not be replaced entirely by excise duties as the State Governments would like to have some auto nomy and flexibility in finding resources. To meet possible objections, the Centre may agree to guarantee their existing revenue from 'transferred' sales taxes to the Stales. Expansion of production in the Third Plan period, checking of evasion and elimination of the exemption enjoyed by small traders should leave no ground for the fear that the States would lose under the scheme. The only apprehension among some of the more prosperous States is that they might suffer from the bias in favour of population in the Finance Commission's formula of distribution.

The States should also benefit from lower costs of collection. The cost of collecting Rs 41 crores of additional excise on three commodities in 1959-60 was less than Rs 1 crore and that too, inclusive of refunds. Comparable cost data for the States in the aggregate are not available, but they are not likely to be flattering.

Tax Revenue of States
(Rs crores)

	Total	Union Excise	General Sales Tax*
1956-57	367	17 (—)	71
1957-58	472	40 (12)	107
1958-59	537	73 (40)	112
1959-60 (R.E.)	554	75 (39)	111
1960-61 (B.E.)	554	75 (39)	118

Figures in parentheses indicate revenue from the additional excise duties imposed in lieu of sales taxes. These duties were levied in December 1957.

* Excluding sales tax on motor spirit.

Land Cellings In Andhra

OUR Hyderabad correspondent writes: The last but one step in the process of completing reform of the land system in conformity with the directives of the Planning Commission was accomplished in Andhra with the enactment into law of the Andhra Pradesh Ceilings on Agricultural Holdings Bill by the State Legislature. The last step will be the enactment of the Tenancy Bill which is on the legislative anvil already.

What the ceiling legislation was intended to achieve and what it was not intended to be were explained in realistic terms by Shri K V Ranga Reddi. Deputy Chief Minister and Revenue Minister. He did not think it would bring about a revolutionary change in the land system nor did he try to justify it as a measure designed to achieve a pre-conceived ideological objective. it not going to eradicate poverty nor could it throw up surplus land to be liberally distributed among the landless. What it was intended to. and would, achieve was a more equitable distribution of the land wealth in the State and reduction of glaring inequalities among those engaged in agriculture. If, as expected, it led to an increase in agricultural production by providing proper and adequate incentives to farmers, it would be a happy consumation.

The main provisions of the legislation may be briefly summarised. It fixes the ceiling for holdings of land by an individual at 4 1/2 times the family holding, the area of which may range from six acres of land in category A, which is wet land with irrigation and other facilities, to 72 acres in category H. Exemptions from the ceiling have been provided in, respect of efficiently managed farms comprising compact blocks, lands held by religious, charitable and educational trusts and institutions, cooperative farming societies approved by Government and other cooperative societies including land mortgage banks, orchards, tea, coffee or rubber plantations and sugarcane farms maintained and operated by. or attached to, sugar factories.

The ceiling limits as also exemptions incorporated in the Andhra Pradesh legislation appear to be on the liberal side. But, as Shri Ranga Reddi pointed out in answering Communist criticisms, the ceiling limit is not far different from that of the earlier Act pertaining to the Telangana area, which covered land yielding an annual income of Rs 3,600. The main difference is that while the Telangana Act defined ceilings in terms of income from the land, the present measure fixes them in terms of area yielding that much of annual income. An argument in this connection—one which answers to some extent the criticism that imposition of ceilings on income from land are unjustifiable when, no such ceilings are imposed on incomes from other sources—is that the Andhra legislation at least is not guilty of making any such discrimination because any landholder, by adopting improved methods of cultivation and making suitable investments in his holding, can substantially increase its yield, thereby securing more income from the land.

The Ceilings on Landholdings Bill is to be followed by an integrated legislative measure serving to bring the terms of tenancy and rights of the actual cultivators of land into conformity with objectives of the ceiling legislation. Under that measure, which would annul the Telangana Tenancy Act and become applicable to the entire State, the rights of tenants would be effectively protected. The 'protected' tenant would automatically become a 'pattadar' or virtual possessor of the land he is cultivating under appropriate conditions.