the position very clearly when it took the drastic and perhaps unethical, even unwise, step of declaring a moratorium on the remittances of profits and dividends. Clearly some of Ceylon's creditors, perhaps rice suppliers like Burma and China, were pressing the country for overdue payments or were restricting credit.

This picture could brighten quickly and considerably if Ceylon should rind itself with a government determined to eschew politics and work wholeheartedly for the restoration of the economy, for such a government would gain the confidence and goodwill of its people and of the outside world and Ceylon's friends would then give the help that cannot be justified when a country has set its course counter to its own interests.

Following the Prime Minister's visit to Delhi for talks on the vexed question of the future of residents in Ceylon of Indian origin, it was agreed that five-hundred-and-twenty-thousand of these would be taken back to India and that Ceylon would absorb three-hundred-thousand and grant them citizenship. This programme of repatriation is to be phased over a number of years and although a good start has been made the success of this scheme will depend very much on continued good faith and co-operation on both sides.

There will be widespread sympathy for Ceylon and for those who suffered in the cyclone which struck the north and the east of the island in December and severely damaged the port of Trincomalee.

Conclusion

This review covers an area which must figure large in all future plans for increased international trade and the recent crisis in sterling has not only shown the importance of that currency to world trade but has emphasised that Britain's own share of it must be maintained and if possible increased.

A greater awareness of this on the part of our government has seen a quick implementation of some of the recommendations of the Plowden Report and a tremendous export drive includes directive to the Diplomatic Service to concentrate *on* commercial work and helping the visiting businessman. With respect, I would say that in many ways the British overseas banks can be even more helpful for they have usually closer associations with and deeper roots in the countries where they operate. They have a specialised knowledge of local business, and of the credit-worthiness of local businessmen and firms, many of which are already customers.

Our interested ministries could, therefore, with advantage make more use of the vast branch networks at the disposal of the British overseas banks, and should in any case work closer with them in the area of their operations. Too often banks like ourselves are left out of and not even consulted about the financial side of trade arrangements, which is in marked contrast to what happens in other countries. Governments abroad realise fully the contribution their overseas commercial banks can make to invisible exports and national business is passed through them and national funds placed with them. In this respect perhaps it is time our Treasury dropped outmoded rules and prejudices and worked more along the lines of the United States.

Finally, I would like to stress another reason for our government fully supporting the British overseas banks in business and in all their difficulties. The friendship and respect existing over the years between our officers and businessmen and officials has helped to insulate sterling in those countries against precipitate action through loss of confidence in it arising from exaggerated utterances of politicians or the ill considered writing of economists. If there are branches of banks like ourselves in a country enquiries regarding sterling usually come to us and fears can be assuaged—but when we have been forced out of a country direct action by the authorities without consultation is likely to be taken to the detriment of our currency.

AROUND BOMBAY MARKETS

Indecisive Mood

Wednesday, Morning

DALAL STREET struggled hard last week to push its way up but could not make any significant headway. While technical considerations favoured recovery, neither were the bears anxious to cover their sales nor were bulls inclined to lend fresh support to the market in view of the disquieting news from the border areas. And political uncertainty was not all that the market had to contend with. Shri B R Bhagat had ruled cut any modification in the dividend tax on the rather flimsy plea that it would encourage frittering away of corporate profits. The Prime Minister told the FICCJ session that there was no alternative to heavy taxation. Soon came the Finance Minister's statement which cautioned against any hope of modification of his Budget proposals in respect of the corporate sector; T T KSaid that current tax revenues from the corporate sector would not be sacrificed for the purpose of giving tax concessions.

Political uncertainty and responsible official statements discounting prospects of the much-sought: after relief in corporate taxation could have easily given a big jolt to the market. But since it had already been completely shaken-up, the market absorbed the new shocks with amazing calmness. Though a few scrips like Indian Dyestuff and Standard Mills did strike new lows, the market as a whole managed to keep above the previous week's low point

The Finance Minister Krishnamachari did not merely caution against any *hope of* modification of his Budget proposals but he also made some other observations which indicated that he did not care much for the slock market. While conceding that the stock market had a part to play in "this semi-capitalistic society of ours" he was quick to add that if ir did not function, other institutional substitutes would have to be found. In the context of an economy of the size that existed in the country, in terms of money the amount of scrips available in the share market was negligible.

While informed opinion is inclined to share T T K's view that the stock market is not really so important as it is generally made out to be and that if is not an indicator which gives the real estimate of prosperity of the economy, there is a great deal to be said in favour of modifying the Budget proposals in a way which would give a psychological boost to the market without any significant loss to the exchequer. Suitable modifications of the dividend tax and the capital gains tax could go a long way in improving the investment climate in the country.

COTTON

A Big Change

A SIGNIFICANT change has *some* about in the situation obtaining in the cotton market. Excepting Bengal Deshi which has been keeping remarkably firm on keen export buying, the prices of other cottons have continued to drift lower. Several varieties which once fetched fancy premiums are now available at or below the ceilings and some varieties where quality is not up to the mark are quoted more than 5 per *cent* below the ceilings — the level at which the Indian Cotton Mills' Federation stands committed, on its own accord of course, to lift all the cotton that might be offered to it during the season.

Farmers, traders and merchants who had been sitting tight on their stocks when prices were quoted well above the statutory ceilings — the price control notwithstanding — are now anxious to market their goods below the ceilings and are even critical of the authorities for not coming to their rescue. If cotton prices have declined below the ceilings it is not due to any firm action taken by the Government to enforce the pries control order. The fall in prices is due partly to the Federation's scheme of controlled purchases of cotton by mills, but mainly to the acute financial stringency and increased flow of arrivals with the progress of the season. Crop estimates winch had revised downward with every rise in prices are now being revised upward with the decline in prices. Even after the cotton crop had gone beyond the reach of the weather, it has been varyingly estimated between 60 lakh bales and 54 lakh bales and the latest estimates place the crop around 57½/58½ lakh bales. One really wonders whether the crop estimates are at all dependable.

Concern Unwarranted

Serious concern has been expressed by cotton growers and traders over the recent decline in cotton prices. It is quite natural for growers and also for traders to ieel uneasy at any fall in prices because of the depreciation in *the* value of their stocks. But surely, one cannot expect the crop to be marketed at the ceiling rates which cotton growers have begun to regard as virtual floor prices. Unless it is argued that the ceiling prices compare unfavourably with the prevailing prices of other agricultural commodities, a decline of 10 to 15 per cent below the ceilings should be regarded as a normal phenomenon and it should in fact be welcomed even for the healthy functioning of the market.

The controversy regarding Cambodia cotton continues and with prices registering a further substantial decline, the controversy has assumed more serious proportions. The Federation's insistence that the cotton should be surveyed by the E I C A sworn surveyors, that their verdict in regard to appropriate ceilings should be final and further that the offer to sell must be a firm one, has been characterised by traders and growers as an attempt to implement monopoly purchase through the back-door. But if the trade is really anxious to dispose of its cotton at 5 per cent below the ceilings which virtually amounts to selling at the ceilings since the trade is saved the burden of carrying stocks with it, there is no reason why it should not abide by the Federation's terms; the verdict of E I C A sworn surveyors ought to be regarded as final. Presumably to pacify the discontented growers and traders, the Federation has sent its representatives to Saurashtra *to* purchase some quantity of Cambodia cotton the prices of which had declined sharply in recent weeks. It is also considered likely that the Federation may consider the question of relaxing the present limits on cotton stocks to be held by the mills.