

III-46-2
File No. 2 / 330

Sept. 1949

to

October 1950

[2]

III-46-2

POSITION OF

JUTE INDUSTRY

IN INDIA

1
original cr. to
2/320

1

No. 799-DPM/50,
Camp: Ahmedabad,
31st October 1950.

My dear Sri Prakasa,

Thank you for your letter No. HM/182/50
dated the 27th October 1950.

2. I am glad to find that the information which you have collected in regard to self-sufficiency in jute and cotton fully justifies the policy we have been pursuing hitherto. I feel that you can make out a very strong case for modifying our self-sufficiency programme and continuing to import foodgrains only with a view to securing self-sufficiency in cotton and jute. Of course, if by intensive cultivation of jute or by intensive cultivation of foodgrains we can acquire self-sufficiency in both and let the self-sufficiency programme be modified to the extent of required cotton cultivation only, it would be even better. On the whole, I feel that the matter requires very careful consideration and the sooner -- whatever confusion there is among people on this issue is cleared by statistical analysis such as has now been furnished, the better. You might examine, therefore, whether we should not seek the orders of the Cabinet or at least bring these facts to the notice of the Cabinet in order to settle matter once for all.

Yours sincerely,

Sd. VALLABHBHAI PATEL.

The Hon'ble
Shri Sri Prakasa,
Minister for Commerce,
NEW DELHI.

2 2

D.O.No. H.M./182/50,
2, King Edward Road,
New Delhi-2: 27th October 1950.

My dear Sardar Saheb,

You will have received my letter of October 7 acknowledging your kind letter of October 5 from Hyderabad (Deccan) regarding the economics of cotton and jute production, on the one hand, and food production, on the other. I regret this delay in giving further and fuller information as desired, as much careful examination of the position was necessary to reply to all the points mentioned by you.

The Ministry has now completed a review of the subject and I am enclosing three appendices, A, B, and C. The first brings out all the salient economic facts in the balance sheet, if I might put it that way; while 'B' specifically answers the seven questions that you had asked in the second paragraph of your letter, and 'C' contains two statements showing the foreign exchange position as it would be if we were self-sufficient in jute and cotton against the present position. I hope that these documents will give you all the information that you have desired.

As you know, there is a difference of opinion as to the relative priority and importance of jute and cotton, on the one hand, and foodstuffs, on the other, in our programme of self-sufficiency. The whole subject needs to be thrashed out fully, and the facts as stated should help us to reach correct conclusions.

With respectful regards.

Yours sincerely,

Sd. SRI PRAKASA

The Hon'ble Sardar Vallabhbhai Patel,
Deputy Prime Minister,
NEW DELHI.

(+)

The economic effects of jute and cotton cultivation and self-sufficiency, as compared with the cultivation of rice and millets and food self-sufficiency.

This note sets out briefly the salient economic effects of a policy of jute and cotton cultivation as against food grain cultivation.

I. (1) Foodgrain requirements of the country:

Our present production of foodgrains is estimated at about 45 million tons per annum, leaving a deficit of about 2½ million tons per annum. The present cost of importing foodgrains to meet the deficit is as follows:-

Rice	6,00,000 tons	@ Rs 600 per ton	Rs 36 crores
Wheat	1.5 mll. "	@ Rs 420 " "	63.0 "
Other foodgrains	400,000 "	@ Rs 327 " "	12.26 "
Total ..			<u>Rs 111.26 "</u>

While the above figures represent the drain in foreign exchange on account of foodgrains imports, the net cost to Government revenues is, in the form of subsidies, about Rs. 13 crores per annum.

(2) Cotton requirements:

Our present cotton requirements are as follows:-

Mill consumption	...	42 lakh bales.
Ex-Mill	...	2.7 " "
Total		<u>44.7 "</u>

Indian production of cotton:

1947-48	..	21.88 lakh bales
1948-49	..	17.67 " "
1949-50	..	29.71 " "
1950-51	..	34.00 " "

(* From the 34 lakh bales Indian production should be subtracted 2 lakh bales of unspinnable varieties which are exported.)

Excess of country's cotton requirements over production is 44.7 lakh bales minus 32 lakh bales = 12.7 lakh bales.

Cost of importing 12.7 lakh bales of cotton:

Egyptian cotton 2½ lakh bales Rs 30 crores.
@ Rs 1200/- per bale

2 lakh bales East African cotton Rs 18 " "
@ Rs 950/- per bale.

1½ lakh bales long staple American cotton Rs 14.25 "
@ Rs 950/- per bale.

6.7 lakh bales of Middling and 7/8" staple cotton from USA and Pakistan About (price may be assumed at Rs. 750/- Rs. 50 crores per bale).

Rs. 113.25 crores

(3) Jute requirements of the country:

(a) Consumption:

Mill consumption	...	60 lakh bales.
Ex-Mill	...	3-4 lakh bales.
		<u>63-64 lakh bales.</u>

- (b) As against the above requirements jute production since 1947-48 has been as follows:

1947-48	16.58 lakh bales
1948-49	20.55 lakh bales
1949-50	31.17 lakh bales.
1950-51	36.74 lakh bales.

Add Mesta, Sun hemp about 5.0" and other fibres.

The total availability of 40.00 lakh bales Indian jute plus equivalent fibres may safely be taken as ...

- (c) Imported raw jute required 24.00 lakh bales to meet country's requirements.

Price of 24 lakh bales of imported jute at Rs 200/- per bale. Rs 48 crores.

II. A. (1) Area required to reach jute self-sufficiency and the cost of diversion from rice to jute:

1. Shortfall to be made up 24 lakh bales.
2. Production of raw jute per acre. 2.5 bales.
3. Area required 9,60,000 acres.
4. Saving by stoppage of import of raw jute Rs. 48 crores
5. Production of rice on 960,000 acres at 3 ton per acre. 320,000 tons
6. Cost of importing 320,000 tons rice at Rs. 600 per ton 19.20 crores.
7. Saving by growing jute in stead of rice (48 minus 19.20) Rs. 28.80 crores.

(2) For 1951:

1. Shortfall to be made up 10 lakh bales.
2. Area required 400,000 acres.
3. Loss on rice 135,000 tons.
4. Cost of rice. Rs. 8 crores.
5. Subsidy on rice Rs. 2.7 crores

B. Area required to reach cotton self-sufficiency and the cost of diversion from Millets to Cotton.

(Note: As 6 lakh bales of long staple cotton has always been imported, the figures below relate only to the present shortfall of East Indian varieties, viz. 6.7 lakh bales).

1. Shortfall to be made up 6.7 lakh bales.
2. Production of cotton per acre. 2 bales.
3. Acreage required 3.35 mll. acres.
4. Saving by stoppage of import of comparable cotton. Rs. 50 crores
5. Production of foodgrains (mainly millets) at 6 mds. per acre on 3.35 m. acres. 717,000 tons.
6. Cost of importing 717,000 tons millets at Rs12/-per md Rs. 24.12 crores.
7. Saving by growing cotton instead of millets. Rs. 26 crores.

III. Effect on Agriculturist of Cotton and Jute cultivation versus Rice and Millet cultivation.

(a) Economics of 1 acre of land alternative for rice and jute

	<u>Rice</u>	<u>Jute</u>
1. Production.	9 mds	12½ mds.
2. Value of crop	Rs.198	Rs.400
3. The proportion of labour required assuming labour on one acre of rice.	1	: 1.5

Conclusion: The above facts show that jute cultivation is much more paying and gives employment to 50 per cent more people than rice cultivation. Each member of the higher labour force required for jute cultivation earns more than each member of the smaller labour force required for rice cultivation.

(b) Economics of 1 acre of land alternatively for millets and cotton.

	<u>Millets</u>	<u>Cotton</u>
1. Production.	5 mds	1 md.
2. Value of crop	Rs.72	Rs.120
3. Value of cotton seed at 2 mds. per acre		Rs.30

Conclusion: The above figures show that in terms of value, an acre of cotton produces more than twice an acre of millets.

IV. Effect of denying the country 24 lakh bales of Jute and 12.7 lakh bales of cotton.

(a) Jute:

1. 24 lakh bales of jute valued at Rs.48 crores produces Jute goods for export worth about Rs.48 crores.

2. About half the 24 lakh bales of jute is used for producing hessian. The export duty on hessian is now Rs.750 per ton and the loss of duty to the Central Government would be about Rs. 16 crores per annum. Even if the duty is assumed at Rs.350 per ton, the loss would be Rs.8 crores.

3. Our jute mills employ about 300,000 workers and the loss of 24 lakh bales would reduce the production to less than a third and would render more than 100,000 workers surplus to requirements.

(b) Cotton:

1. 12.7 lakh bales of raw cotton amount approximately to one-third of total mill consumption. If this cotton were not available about 200,000 mill. workers would be rendered surplus to requirements.

2. We are at present exporting about one-fourth of our total production of cotton manufactures. If one-fourth of our cotton supplies were cut off, we would have little surplus cotton manufactures of coarse and medium types for export. This would involve us in a loss of about Rs. 60 crores in foreign exchange.

(a) Progressive production of jute and cotton in India since 1947:(1) Production of Jute:

1947-48:	16.53	lakh	bales	of	400	lbs.	each.
1948-49:	20.55	"	"	"	"	"	"
1949-50:	31.17	"	"	"	"	"	"
1950-51:	36.74*	"	"	"	"	"	"

(* Estimated by the Indian Central Jute Committee).

(11) Production of Cotton:

1947-48:	21.38	lakh	bales	of	332	lbs.	each.
1948-49:	17.67	"	"	"	"	"	"
1949-50:	21.65*	"	"	"	"	"	"
1950-51:	35.65	"	"	"	"	"	"

(Very rough estimate).

(*Official figures of production is, however, considered to be under-estimated. On the basis of relationship between official and non-official estimates during the years 1947-48 and 1948-49, the corrected official estimate comes to 22.71 lakh bales.)

(b) Imports of Jute and Cotton from Pakistan into India:(1) Imports of Jute from Pakistan (lakh bales):

	1948-49 (April to March)	1949-50
Jute	41.91	20.57*
Cotton	3.0	-

(*Estimated by I.J.M.A. for jute crop year which extends from July 1949 to June 1950).

(c) Requirements of raw jute and cotton.(1) Requirements of Jute:

	(Lakh bales)	
	Normal	1949-50
Mill requirements	55.0	51.5
Domestic consumption	1.5	1.5
Exports	6.0	6.0
TOTAL:	72.5	59.0

NOTE: Part of the above requirements can also be met by utilization of mesta and sannha-hemp whose production during 1949-50 was nearly 8 lakh bales and may be further expanded to 10 lakh bales during 1950-51.

(11) Requirements of Cotton:

	(Lakh Bales)	
	Normal	1949-50 (Estimated)
Mill requirements:		37.0
(1) East India varieties.	36.0	
(1) Overseas varieties (Long staple)	7.0	
Consumption	2.7	2.7
Export	2.0	2.4
TOTAL:	47.7	42.1

(d) Drain of foreign exchange from India to Pakistan on account of import of raw jute and cotton:

	1948-49 Quantity Imported (Lakh Bales)	Value (Rs. Crores)
Jute	41.9	71.24
Cotton	3.6	18.5

(e) Areas where raw jute and cotton can be best grown and could be expanded:

- (i) Jute: West Bengal, Assam, Bihar, Orissa, U.P., and Travancore-Cochin.
- (ii) Cotton: Bombay (especially Gujarat), Punjab, Madras, Hyderabad, Madhya Bharat, Madhya Pradesh, Bhopal, Mysore and Rajasthan.

(f) Extent of diversion of land from foodgrains to jute and cotton necessary to meet our requirements of jute and cotton to the fullest extent:

In order to purchase sufficient quantities of raw jute and cotton to meet the normal requirements as stated above, it would be necessary to resort to intensive and extensive cultivation. Past experience has, however, shown that such intensive cultivation could increase the production margin to a small level. An rapid extensive cultivation it may be possible to realize through reclamation of fallow/waste land and diversion of areas from food crops and other crops. In view of the competition with food production programmes, the possibility of increased production through reclamation of land is, however, not high at the present moment. The only source left, therefore, is a diversion from food and other crops. Assuming that the necessary increase in the production of jute and cotton is achieved by way of diversion of areas from food crops, the extent of such diversion will be as follows:-

Table.

1. Requirements of Jute	41.9 lakh bales.
2. Production of Jute, during 1950-51	38.2 lakh bales.
3. Production of waste and seed hemp	10.0 " "
4. Total production of Jute, waste and seed hemp during 1950-51	48.2 " "
5. Deficit of raw jute over 1950-51 production	11.8 " "
6. Area required to be diverted from food to jute (on the basis of 0.3 bale per acre)	19.3 " acres
(a) During 1950-51, about 13.4 lakh acres had already been diverted from rice to jute. Thus the overall area required to be diverted from rice may be put at $19.3 - 13.4 = 5.9$ lakh acres.	

Cotton (Seat after variations)

1. Requirements of cotton	41.7 lakh bales
2. Production of cotton expected during 1950-51	30.3 " "
3. Deficit of cotton over 1950-51 production	11.4 " "
4. Area required to be diverted from food to cotton to meet the deficit (estimated on the basis of 0.3 bale per acre)	38.0 " acres
(a) Area required for diversion will be less if better yielding lands are selected.)	
(b) During 1950-51, about 13.7 lakh acres of land is already expected to be diverted. Thus the total diversion of areas required is $38.0 - 13.7 = 24.3$ lakh acres.	

(a) (1) Economic results of cultivation of one acre of land under cotton as against foodgrains (mainly millets).

1. Production of cotton expected from 1 acre of land is equal to 0.2 bales.
2. Loss in production of foodgrains (mainly millets) per acre is equal to 495 lbs. or 6 mds.
3. Saving by stopping import of 0.2 bale of cotton @ Rs.850 per bale (present cost of importing US cotton) is equal to Rs.170.
4. Cost of importing 6 mds. of millets @ Rs.12 per md. (import price of millet) is equal to Rs.72.
5. Gain per acre by producing cotton as against millets is equal to Rs. 98.

(11) Economic results of cultivation of one acre of land under jute as against foodgrains (Rice).

It can be worked out on two bases:

Basis I:

- | | |
|----------------------------------------------------------------------|-----------|
| 1. Production of jute expected from one acre of land | 2.5 bales |
| 2. Loss in production of foodgrains (rice) per acre | 0.3 ton |
| 3. Saving by stopping import of 2.5 bales of jute @ Rs.200 per bale. | Rs.500 |
| 4. Cost of importing 0.3 ton of rice @ Rs.200 per ton. | Rs.180 |
| 5. Gain per acre by producing jute against rice. | |

Basis II:

- | | |
|------------------------------------------------------------------------------------------------------------------------------------|---------|
| 1. Quantity of jute goods manufactured from 2.5 bales of raw jute, the yield from one acre of land | 0.4 ton |
| 2. Sale proceeds from export of 0.4 ton of jute goods at the average rate of Rs.1,425 per ton | Rs.650 |
| 3. Cost of importing 0.3 ton of rice, which will be the loss in yield per acre of rice due to diversion to jute, @ Rs.600 per ton. | Rs.180 |
| 4. Gain per acre by producing jute against rice. | Rs.470 |

Foreign Exchange Budget-I.

9

Assumptions:-

Present: (a) Pakistan will continue to supply raw jute.

(bb) Requisite cotton will be available in the world.

(c) 200,000 tons of jute goods required for internal consumption.

Proposed: Self-sufficiency in jute and cotton with corresponding loss on foodgrains.

<u>IMPORTS</u>			<u>EXPORTS</u>		
	Present	Proposed		Present	Proposed
Food	111	155(1)	Jute Goods	150	150
Raw Jute	40(2)	n11	Cotton	6	6
Cotton	113	63(3)	Textiles:		
			Coarse & Med.	60	95(4)
			Fine & Super		
			Fine	40	40
	<u>264</u>	<u>218</u>		<u>256</u>	<u>291</u>

Present Position: Deficit of Rs. 8 crores.

Proposed Position: Surplus of Rs. 73 crores.

NOTES: (1) Diversion of land from food will lead to further import of 320,000 tons of rice @ Rs. 600 per ton and 720,000 tons of millets @ Rs. 12/- per md.

(2) Based on current year's production of Indian jute, only 20 lakh bales need be imported from Pakistan.

(3) 7 lakh bales of cotton will not be necessary from foreign countries.

(4) If medium cloth is made from cheaper Indian cotton, further export of 400 million yards should be possible.

Foreign Exchange Budget- II.

Assumptions:

Present: Raw Jute not available from Pakistan.

Raw Cotton for medium cloth not available in the world.

200,000 tons of jute goods required for internal use.

Proposed: Self-sufficiency in jute and cotton at the expense of food grains.

<u>IMPORTS</u>			<u>EXPORTS</u>		
	Present	Proposed		Present	Proposed
Food	111	155(1)	Jute Goods	100	150
Raw Jute	n11	n11	Cotton	1.5(2)	6
Cotton	63	63	Textiles:		
			Coarse & Medium	20(3)	95
			Fine & Super	40	40
	<u>174</u>	<u>218</u>		<u>161.5</u>	<u>291</u>

Present position: Deficit Rs. 13.5 crores.

Proposed position: Surplus Rs. 73 crores.

NOTES:

(1) Diversion of land from foodgrains to jute and cotton will lead to further imports of 320,000 tons of rice @ Rs. 600/-

10
12
2.

per ton and 720,000 tons of millets @ Rs. 12/- per maund.

- (2) Ordinarily, we export 2 lakh bales of short staple cotton. With reduced availability of short and medium staple cotton, we will have to use portion of this ourselves and can export only 50,000 bales.
- (3) With reduced availability of short and medium staple ~~xx~~ of cotton, only 200 million yards of coarse and medium cloth can be spared for exports.

-:oOo:-

11
Extract of a letter dated the 7th October 1950
from the Hon'ble Shri Sri Prakasa, Minister for Commerce,
New Delhi, to the Hon'ble Sardar Vallabhbhai Patel,
Deputy Prime Minister, India, New Delhi.

I thank you for your kind letter of October 5
from Hyderabad regarding Jute. I am most grateful to
you for the very kind things you say about myself which
I scarcely deserve, for I must confess I feel rather
lost in this Ministry and I am still trying to find my
way through the mazes of its work and problems.
Generous appreciation from elders like yourself is a
source of great comfort and encouragement. I pray
that I may prove worthy of it.

I shall come any time that it may be convenient
to you. I myself wish very much that I could come
oftener to you, but I am nervous lest I should be dis-
turbng you in your work or encroaching upon your
rest when you are more than busy and not too well
either.

X

X

X

-:oOo:-

12
Camp: Lake View Guest House,
Hyderabad (Dn), 5th October 1950.

My dear Desai,

I am sending herewith a copy of a letter which H.M. has written to your Minister. H.M. told me to send a copy to you for information.

H.M. is particular that both jute and cotton position should be reviewed, so that both the Economic Committee of the Cabinet and the Cabinet may at an appropriate time be apprised of the whole position. There is still some confusion of thought between the need for self sufficiency in food supply and the similar need in respect of jute and cotton. The review which H.M. has suggested, might help in clearing this confusion.

Yours sincerely,

Sd. V. Shankar.

Shri C.C. Desai, I.C.S.,
Secretary, Ministry
of Commerce,
NEW DELHI.

13

Camp: Lake View Guest House,
Hyderabad (Dn), 5th October 1950.

My dear Sri Prakasa,

As you know, I have been of the view that we must attain self sufficiency in jute and cotton in order to keep our two major industries going without any risk of curtailment or diminution of the supplies of raw materials. In both these matters, unfortunately, we are depending on Pakistan. The policy of self-sufficiency has been followed for some time. It has been accepted by the Cabinet also and we have been acting on the principle that the acreage under jute and cotton should be increased, even if it means some diminution in the area under food crops, and that Government should guarantee the States concerned that any increase in such acreage will not adversely affect supplies of foodgrains to them and that Government will make up the deficiency that might occur on this account. I need not dilate on the justification of this policy. Any country cognisant of its own interests ~~would~~ would do it. In our case, the justification is even greater because with Pakistan, being an important source of supply of ~~these~~ these raw materials and drifting away from trade with India to other countries under a deliberate policy of its own leaves us with practically no alternative.

I think we should review how this policy has worked and what is the economic balance sheet of this policy. If you could kindly have a review made on these lines, it would serve, I think, a most useful purpose. Perhaps, inter alia, the following information could form the basis of such review:

- (a) the progressive production of jute and cotton in India since 1947;
- (b) imports of jute and cotton from Pakistan into India during that period;
- (c) our requirements of raw jute and cotton;
- (d) the drain of foreign exchange from India to Pakistan on account of import of raw jute and cotton;
- (e) the areas where raw jute and cotton can be best grown and could be expanded;
- (f) if expansion of raw jute and cotton to the fullest extent of our requirements would result in diversion of some land from foodgrains to raw jute and cotton, the extent of such diversion; and
- (g) the economic results of an acre of land suitable either for paddy or wheat ~~or~~ or any other competing food crop when brought under cultivation of either of the two crops.

Now that we have just finished one of the most critical periods in the history of the jute industry, thanks to the guidance, vigilance, drive and ~~and~~ energy displayed by your Ministry under the able guidance of both yourself and your predecessor, I should like to take this opportunity to say that, if we had, at any time, been less conscious of our own interests, we would have done irreparable harm to the economy of the country. I am sure I am not underestimating the consequences that would have ensued when I say this. Pakistan did its worst to paralyse our industry and in spite of it we have survived. The credit for this is also due to the leaders of the industry and the State Governments who have throughout whole-heartedly cooperated with us. I am writing to you in this strain because, as you know, I have taken a great deal of interest in this problem and have shared with you as well as your predecessor the deep concern which we have throughout felt for this industry. If any appropriate

2.

occasion arises, do please convey this appreciation of mine to Mr. Walker, Chairman of the Indian Jute Mills Association, and through him to its members.

I have not had any time to have some chat with you particularly about your Afghan tour and I am looking forward to my return to Delhi when, I hope, we shall have an early opportunity of meeting.

With kind regards,

Yours sincerely,

Sd. VALLABHBHAI P. EL.

The Hon'ble
Shri Sri Prakasa,
Minister for Commerce,
New Delhi.

SECRET.

Chief Minister



Calcutta.
The 18th February, 1950.
206 219

D.O. No. 129/CM.

My dear Vallabhbhai,

Your letter regarding Jute.

It is obvious that Dattar Singh has given a wrong impression of what I had proposed regarding repealing of the Jute Control Act. What I said was that in view of the difficulties which might arise from the members not within the Congress camp - I thought it would be better if we made a declaration immediately that we are going to introduce enactments to be followed either by an actual legislation through the legislature or by an Ordinance. As the case may be. As it is, the British position being that it is difficult to find time for putting the Bill before the Legislature before the end of March. There is no difficulty regarding the Speaker giving leave to introduce the Bill, nor do I think a Repealing Act is not necessary. It is necessary.

I have seen Sri Ranjani today the day just come from Delhi. I told him that with regard to "getting pits"

the Centre was not sorry about construction of these pits.

What I said to him was if there were some hollow tanks - but they exist especially in the ^{all over} ~~in the~~ districts -

the tanks which are not being utilized may be very usefully used a little for getting pits or getting places or any other which are available nearby. If it is done utilized. I have told Ranjani to find out the quantity of one lakh and we shall make such arrangements as are found necessary.

He said that the promotion should be increased, and that as early as possible in the Indian Union. It may not be possible for West Bengal to ^{grow more} ~~grow~~ four lakh acres this year mainly because we have not got the "seed" with which to sow a large area of land. I have, therefore, told Ranjani to give me a correct estimate as to the quantity of seeds they

can give us. So far as the cultivators themselves are concerned and the stocks of seeds that we possess, it may be possible for us to increase the cultivation of jute this year by a lakh. But if jute seeds are available, larger areas could be brought under cultivation. The other conditions for effecting this might be important, but could easily be solved.

I could request you to get the Department to collect jute seeds from outside Bengal.

Yours sincerely,

B. B. Chatterjee

Hon'ble Jagan V. Chandra Patel,
Deputy Prime Minister,
New Delhi.



16
1, York Place,
New Delhi, the 20th Feb. 1950.

My dear Sardar,

I am sending you a note
put up to me by Panjabi on his
visit to Calcutta to meet the
Chief Minister in regard to jute.

Yours sincerely
Jaiwant Lal

The Hon'ble Sardar Vallabhbhai Patel,
Deputy Prime Minister,
New Delhi.

17
SECRET.

MINISTRY OF AGRICULTURE.

I met the Chief Minister and handed over the Deputy Prime Minister's letter to him and discussed with him and the Agriculture Minister of West Bengal, the repeal of the Jute Regulations Act and the extension of the area under jute in West Bengal.

2. The Chief Minister agreed that the Speaker's ~~xx~~ permission to introduce the Repealing Bill could be obtained without difficulty. That, however, was not the real reason why the West Bengal Government was reluctant to introduce the Bill. The real reason was the possibility of the Communists and Socialists trying to exploit the situation by carrying on an agitation that the Govt. was now taking away food from them by substituting jute for paddy. The attitude of the Muslim Bloc in the Legislature was also a doubtful factor. The Chief Minister, however, agreed that executive instructions not to enforce the Act cannot produce the psychological atmosphere for an all-out effort. He said that he would sound the legislators and if the reaction was favourable he would introduce the Repealing Bill; but he did think it could be taken up early as the Security Bill and the Land Revenue Bill must have priority. In case the reaction of the legislators was unfavourable, he would issue an Ordinance repealing the Jute Regulations Act as soon as the session was over i.e. about the 28th of March. Meantime, executive instructions had issued that the Act was not to be enforced and he also agreed to issue a statement that the West Bengal Government was taking steps to repeal the Act.

3. He stated that the West Bengal Government would have no objection to a target of an extension of acreage by 4 lakhs. He did not think that it ~~xx~~ could be reached in entirety. The availability of seed would be the main limiting factor. The West Bengal Govt. would arrange for seed for at least 1 lakh acres. Seed for sowing the balance of the area of 3 lakhs should be made available by the Central Government.

He also suggested that extension of retting facilities would be necessary and grant of about 1 lakh of rupees should be given.

4. It was agreed by him that the propaganda jointly by staff of West Bengal Government and the Central Jute Committee for extension of area under jute, which was so far restricted to three districts only should now be extended to all the districts except those which cannot grow jute Viz. Darjeeling, Midnapore, Bankura and Burdwan.

5. The Chief Minister suggested that the rice which may have to be supplied to the West Bengal Government, in order to make good the deficit as a result of diversion of paddy land to jute, should be supplied at the same price as is prevalent in the areas of diversion and of the same quality as far as possible. It may also be necessary for the Central Government to pay the cost of distribution of this rice, by rationing or otherwise.

I am taking action regarding supply of seed, grant for retting tanks etc. and am taking up with the Ministry of Food the points regarding replacement of rice. This note is submitted at present for information of H.M. He might like to inform the Deputy Prime Minister. The Chief Minister would be writing to the Deputy Prime Minister in course of time.

Sd. K.L. Punjabi.
20.2.50.

H.M.

14
NEW DELHI, the 19th February 1950.

My dear Shri Jairamdasji,

Thank you for your letter of the 15th February 1950. I have already sent Sardar's letter to Punjabi and he must have taken it with him.

As regards Swami Ranganathanand's invitation to Sardar to the Annual Function of the Ramakrishan Mission on the 26th February, I have spoken to Sardar. He is very sorry that in the present state of his health, it will not be possible for him to accept this engagement. We do not wish to take any risks with his health at least for some time and I am sure you will appreciate his difficult..

Yours sincerely,

(V. Shankar)

The Hon'ble
Shri Jairamdas Daulatram,
Minister for Food & Agriculture,
NEW DELHI.

G.



20
1, York Place,
New Delhi, the 15th Feb. 1950.

My dear Shankar,

I have spoken to Sardar about a letter to West Bengal Government regarding repeal of the Jute Crop Act and also allowing the construction of tanks so that we can increase the jute acreage by 2 lakh acres. In view of the pre-occupation of the Bengal Government with other urgent affairs there, the jute matter may not be speedily handled. I have therefore thought of asking Panjabi to take Sardar's letter personally to Calcutta so that he could get a few minutes with those concerned and secure satisfactory decisions. I have mentioned this to Sardar last evening and he said that he would be giving the necessary letter. Could you kindly see to this?

There is another matter also. Swami Ranganathanand of the Ramkrishnan Mission has been very anxious to secure Sardar's presence and a brief speech from him at the annual function of the Mission on the 26th February. On earlier occasions, the Prime Minister and Dr. Rajendra Prasad had spoken. Somebody formally presides. This time Justice Kania will be presiding. As the President has to stay for about two hours of the function, the idea is to detain the principal guest only for half an hour or so. I hope you will be able to get this engagement fixed up. Swami Ranganathanand has a record of good public service. He is a man of great learning

as well as spirit of service.

Yours sincerely,

Jairamdas Doulatram

(Jairamdas Doulatram)

Shri V. Shankar I.C.S.,
Private Secretary to the
Hon'ble Sardar Patel,
1, Aurangzeb Road,
New Delhi.

21
No. 17/DPM/50

New Delhi,
16th Feby. 1950.

My dear Jairamdas,

Thank you for your letter No. C. 777/50/PAM dated the 14th February 1950 regarding difficulties in increasing jute production in Bengal.

I am sending herewith a sealed cover addressed to Bidhan which you might send with Punjabi. I am attaching a copy of my letter for your record.

Yours sincerely,

The Hon'ble
Shri Jairamdas Daulatram,
Minister for Food and Agri.
New Delhi.

m

(+)

No. 113/DPM/30
New Delhi,
16th February 1950.

My dear Bidhan,

Datar Singh has returned after a tour of some of the States in a drive for greater production of jute and cotton. I am addressing you in regard to jute where we propose to have a target of 50 lakhs bales. He got the impression that you would be repealing the jute Control Act which we regard as essential if we have to achieve the target mentioned above. Apparently you held the view that you would not be justified in asking for Speaker's leave to introduce a repealing Bill and you would prefer to pass an ordinance after the present Session of the Legislature is over. I am not quite clear as regards your difficulty in asking for permission to introduce the Bill. We experience no such difficulty here and we can introduce any Bill at any time so long as the Legislature is in Session. The legislative programme, which we give at the beginning of the Session, is obviously tentative and it is open to us to make a departure in any way we like. I hope the same holds true of your State, but in case it is different, I think the sooner you follow our practice, the better. In any case, I think it would be unwise to leave matters to executive instructions and not to repeal the Act. We are more likely to be criticised for not implementing a law which is on the Statute Book than for seeking permission of the Chair to introduce that Bill if such permission is necessary. Moreover, we have an

.T.O.

unfortunate experience of a similar arrangement in Bombay. There they tried to secure some results by means of executive instructions keeping in abeyance the enforcement of the Bill and we found that the results were not as satisfactory as we would wish. I hope, therefore, that it will be possible for you to reconsider this matter.

2. Our Agricultural Ministry also feels that unless ratting pits are dug, the additional area cannot be increased to 4 lakhs with the result that our target will not be realised. I understand that your Health authorities object to it on the ground of increase in the incidence of malaria which this might lead to. I hope that is not correct. However, even if it be correct, I think it should be possible for you to take effective anti-malaria measures. They have already suggested to you that special ratting pits could be constructed out of a subsidy furnished by the Central Government. I think this should be quite adequate for you and on this assurance you could go ahead with the programme of increasing the area under jute crop.

3. You know the high stakes involved in the increased cultivation of jute and realising that, I hope, you will reconsider your policy in regard to the two matters I have mentioned above.

Yours sincerely,

The Honourable
Mr. B. C. Roy,
Chief Minister,
West Bengal, CALCUTTA.



24
No. C. 777 /50/PAM.
1, York Place,
New Delhi, 14th Feby. 1950.

My dear Sardar,

I am sending you with this a copy of a note put up to me by Panjabi. I would request that you might kindly write to the Bengal Chief Minister on the three points which arise out of this note:

- (1) A special permission should be obtained to introduce a Bill as early as possible to repeal the Jute Control Act;
- (2) That ratting pits should be dug in order to increase the present area by four lakh acres.
- (3) That effective anti-malaria measures should be taken to make the functioning of these pits possible.

As has been indicated in the note, if the above steps are not taken, the target for jute production which could be reached, would be reduced from 50 to 44 lakh bales. I think it is very desirable that the Bengal Chief Minister should be moved by you to take the steps which seem to be necessary for our jute programme.

Yours sincerely,
Jairamdas Doulatram
(Jairamdas Doulatram)

*I had mentioned this matter
in our meeting last and you
would be to send me a note
on the subject.*

The Hon'ble Sardar Vallabhbhai Patel,
Deputy Prime Minister,
New Delhi.

95

MINISTRY OF AGRICULTURE.

Sir Datar Singh

The Additional Secretary returned from Calcutta under the impression that the Government of West Bengal (The Hon'ble Chief Minister and the Ministers concerned) had agreed to repeal the Jute Control Act. I have just enquired from Secretary, Agriculture, West Bengal, as to the progress of the legislation to repeal the Act. He tells me that the idea of a repeal has been given up because there is a constitutional hitch. Notice of the amendment repealing the Act was not given at the beginning of the session. A bill can, therefore, be introduced during the session only with the approval of the Speaker. The Chief Minister does not feel inclined to ask for the approval, and he feels that the object will be served by issuing executive orders that the regulations under the Act should not be enforced. West Bengal Government is prepared to give publicity to this order so that it should be known by every person. The Chief Minister is prepared to issue an ordinance repealing the Act as soon as the session is over which would be by the end of March or April. Personally, I don't feel very happy about this because no amount of executive instructions can offset the effect of an Act which still remains on the statute-book. The village officials may find it profitable to ignore the executive instructions and point out the Act to the cultivators. The same kind of situation with regard to cotton prevails in Bombay with unsatisfactory results. If the Cabinet were of one mind and firm that Jute must be grown even at the cost of diversion from its drains, they would not hesitate to request the Speaker for permission to introduce the Bill. It must often happen that during a long session the Government cannot anticipate what legislation will be brought forward.

Mr. Ley also mentioned that the Government of West

25/11

- 2 -

Bengal did not feel that the area which West Bengal can increase is beyond 2 lakh acres. The difficulty is the lack of retting facilities and the time is too short for providing these by the excavation and improvement of the existing tanks. We had suggested that special retting pits should be constructed out of a subsidy furnished by the Central Government; but the health authorities in West Bengal are adamant and will not permit these retting pits being dug for fear of spreading malaria. The situation, therefore, is not satisfactory and we cannot work up to a target of 30 lakh bales. The utmost that can be expected is 14 lakh bales.

I feel that the State is big enough to make an approach to the Government of West Bengal at a high level asking (1) that special permission should be obtained to introduce a bill to repeal the Jute Control Act and (2) that the retting pits should be permitted to be dug in order to increase the retted area by 4 lakh acres during the next year.

Dr. P. N. Banerjee
B. A. S. S.
Secretary.

26

Copy of SECRAPHONE MESSAGE No. 44065 dated 16th February 1950, from N.M. Ayyar, Esquire, Chairman, Calcutta Port Commissioners, to C.C. Desai, Esquire, Secretary, Ministry of Commerce, New Delhi.

Arrivals of jute by river :-

ASSAM JUTE :- 6891 bales.

PAKISTANI JUTE :- 15322 bales.

Forty thousand one hundred and ninety-nine chests of tea also arrived by river from Assam (.).

N. 1484 - May 153
Government of India.
Ministry of Commerce.

=====

New Delhi, the 17th February 1950.

Copy to :-

- (1) H.M.
- (2) P.S. to Deputy Prime Minister.
- (3) Information Officer. (Mr. Pritchard).

Mr. N. M. Ayyar
for (C.C. Desai)
Secretary to the Government of India.

SECRAPHONE MESSAGE.

No. 44068.
Dated 17.2.50. (2215-16)
From Regcomdis, Calcutta.
To Suplind, New Delhi.

* * * * *

Arrival of jute by river :-

PAKISTAN JUTE :	7,272 bales
(Previous arrivals =	1,09,947 bales)
TOTAL ARRIVALS =	1,17,219 bales.
ASSAM JUTE :	NIL
(Previous arrivals =	1,02,675 bales).

(MINISTRY OF COMMERCE)

Copy to :-
H.M.

✓ P.S. to Dy. Prime Minister.

Sd/- C.C. Desai.

17.2.50.

of 4/4 = 207/18-19
182

28
No.2(39)-TP(T)/49.
Government of India,
Ministry of Commerce.

New Delhi, the 16th February, 1950.

A copy of the undermentioned papers is forwarded to :-

- (1) Mr. J.R. Walker, Chairman, Indian Jute Mills Association, Royal Exchange, Calcutta.
- (2) ✓ P.S. to Deputy Prime Minister.

in continuation of this Ministry's endorsement No.147-Secy/50-M, dated the 18th January, 1950, regarding the use of DW bags instead of B Twill bags for bagging foodgrains.

H.K. Kapoor
(H.K. Kapoor)

Assistant Secretary to the Government of India.

List of papers forwarded.

D.O. letter No.10/S/50 dated 31st January, 1950 from Mr. R.L. Gupta, Secretary to the Government of India, Ministry of Food, New Delhi to C.C. Desai, Esquire, Secretary to the Government of India, Ministry of Commerce, New Delhi.

29

Copy of D.O. No.10/8/50, dated the 31st January, 1950 - From Mr. R.L. Gupta, Secy. to the Govt. of India, Ministry of Food, New Delhi - To Shri. C.C. Desai, Secy. to the Govt. of India, Ministry of Commerce, New Delhi.

Please refer to your d.o. letters No.80-Secy/50 dated 13th January, and No.87-Secy/50 dated 15th January, and my d.o. No.7/8/50 dated 17th January 1950, in which I promised to let you have our final views on the question of use of B Twill or D W bags for packing of foodgrains.

I have had the question thoroughly examined and an experiment conducted in the presence of two Senior officers at a local flour mill to check the quantity of wheat which could be packed in the two types of bags. The experiment showed that a B Twill bag (44" x 26") as normally filled, contained 2 mds. 20 seers (205 lbs.) of wheat. It was also found during the experiment that if one wanted to put in 2 Cwt. of wheat in D W bag, it could be forced but the bag in that case was full to the brim and burst easily in handling. The results of the experiment are confirmed by the fact that the actual weight of wheat packed at different ports in B Twills during the last two years was, as a rule, 2 Cwt.

The papers attached to Walker's letter of 10th January (returned herewith) sent to me with your d.o. of 13th January leave little doubt that a D W bag is not as strong as a B Twill. The report of the Chief Technical Adviser, Indian Jute Mills Association, states that the bursting strength of a D W bag was 63.8 as compared to 92 for a B Twill. Messrs. Shaw Wallace & Company report that 80% of DW bags burst in the course of normal warehouse handling and the strength is unsatisfactory. Messrs. Ralli Brothers consider them suitable for packing groundnuts - 178 lbs. (2 mds. 7 seers) - but state that their standard packing in the past was B Twills or Heavy C. The report of the Alliance Jute Mill shows that when the bags were filled with rice (about 2 Cwt.) the DW bag gave way more although it contained 4 seers rice less than the B Twill bag. In the case of imported foodgrains, the bags have not only to stand a number of handlings and long transport, but have to be stacked upto 15 to 16 high in our godowns with a view to make the maximum use of available godown accommodation. The experience at different ports is that DW bags cannot easily be stacked to this height and the bursting of bags in the lowest tier is more common in DW bags than in B Twills.

Walker states in his d.o. to you that he has been assured that both bags carry the same, viz., 2 mds. The implications of packing 2 mds. grain per bag have apparently not been fully visualised. If we were to pack 2 mds. wheat per bag, both B Twill and DW bags would be suitable, but the number of bags required per 100 tons wheat would be 1,361 as compared to only 1000 when the packing is 2 Cwt. per bag, so that our requirements would have to be increased by more than 33%. This obviously would mean waste of jute. Some economy in jute, however, appears possible by packing 2 mds. wheat per bag in which case 1,089 DW bags weighing 2,178 lbs. could be used instead of 1,000 B Twills weighing 2,250 lbs. per 100 tons wheat. This

2 Cwt. of wheat
and a DW bag
(40" x 28") as
normally filled,
contained

would, of course, be at the cost of increased handling charges for the larger number of bags apart from the larger losses due to the comparative weakness of the bags. In the case of imported foodgrains, handling charges have to be incurred a number of times from the time the bags are discharged from the ship upto the time they reach the retailer. The bags packed by Provincial Governments, however, have to stand less handling and undergo shorter transport. Besides the packing in the internal markets is often not more than 2½ mds. per bag.

Another important aspect to be considered in connection with packing of foodgrains at ports is that in order to ensure correct accounting of weight of foodgrains despatched to various recipients and to avoid loss of grain, it is essential that the bags of a particular foodgrains packed at a particular port should be as far as possible of uniform weight which is not possible if more than one type of bags are used at one port.

Taking all factors into account, we do not find it possible to agree to take all our requirements in DW bags. We, however, want to assist to the maximum extent possible in reducing the internal consumption of jute and have already taken steps in that direction. The Provinces have been advised to arrange for return of bags from ration shops and for their being used again. We have also advised the Provinces that DW bags should be used as far as possible. When their indents are received they are advised to agree to accept DW bags as an alternative. Copies of two circular letters issued by us are enclosed for your information. In respect of Food Ministry's requirements, we told the D.G.(I & S.) early in December, 1949 that all our requirements for Madras and Cochin ports amounting to 25% of our total indent may be supplied in DW bags. Our indent has now been reviewed in the light of decisions recently taken about the volume of imports in 1950 and we are cutting down our total indent by 4 million gunnies, which should also help.

Yours sincerely,

Sd/- R.L.Gupta.

Skr1

THE JUTE BALERS' ASSOCIATION.

Tele. Add:- "JUTEHOUSE"
Bank 2891 & 2892.
Phone Nos. C.B. 10887, 10888, 10889.
5, Royal Exchange Place.

Calcutta, 11th February, 1930.

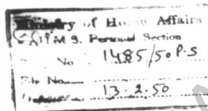
To
Hon'ble Sardar V. Patel,
Deputy Prime Minister,
Government of India,
New Delhi.

Dear Sir,

Sub:- Raw Jute & Mesta fibre not purchased
by Calcutta Jute Mills.

I am directed by my Committee to draw your kind attention to the fact that inspite of our repeated efforts Jute Mills of Calcutta, united under the Indian Jute Mills Association, are not buying the following qualities of Raw Jute packed in Fucca Bales:-

1. Dacca Tossa Assortment.
2. " " Fours.
3. " " Five.
4. Binli Jute.
5. Mesta First.
6. Mesta Lightnings.
7. Mesta Hearts.
8. Mesta Cuttings.
9. Dundee Firsts Assortment.
10. Dundee Lightnings Assortment.
11. Dundee Hearts Assortment.



Further, I am directed to request you that if our Jute Mills do not require these qualities of Jute or Mesta fibre, which apparently they don't, the same may be permitted for export to foreign countries who are eager to get them and can fetch much needed valuable foreign Exchange, in both hard and soft currencies.

Several thousands of Raw Jute Bales are lying in the godowns of our members of the above grades and a huge capital has been

32
Dated, 11th Feb: 1930.
Page Two.

blocked. Indian Jute Baling Industry is on the verge of extinction and have rendered idle thousands of bread-earning labourers, middle class merchants and big exporting commercial houses, who were sources of great revenue to the Government of India.

In the circumstances, my Committee most respectfully desire to request you to consider the matter at an early date and they may wait upon you in a deputation on behalf of Indian Jute Baling Industry or send the undersigned to meet you for supplying any further information if you so desire.

An early reply is eagerly awaited.

Yours faithfully,

S. Mehta
(SHREE CHAND MEHTA)
Secretary.

No. 842-244/53
GOVERNMENT OF INDIA
MINISTRY OF COMMERCE

New Delhi, 28th January 1950.

Copy of the undermentioned paper is forwarded to:-

- (1) H.M.
- (2) Secretary, Economic Committee, (Mr. Bhattacharyya)
- (3) Financial Commissioner, Railways (Mr. Chanda)
- (4) P.S. to Deputy Prime Minister.
- (5) Chief Controller of Exports (Mr. Jha)

for (C.C. Desai)
Secretary to the Government of India.

Copy of letter No. 625-D dated 24th January 1950 from
Mr. J.R. Walker, Chairman, Indian Jute Mills Association,
Calcutta, to C.C. Desai, Esq., ICS., Secretary, Ministry of
Commerce, New Delhi.

34

Copy of a letter No. 625-D dated the 26th January 1960 from Indian Jute Mills Association, Royal Exchange Post Box No. 200 Calcutta, to the Secretary to the Government of India, Ministry of Commerce, New Delhi.

I confirm the conversation we had yesterday on the telephone about the Jute position. As I told you, 12 flats have already arrived in Calcutta and Oakley informed me that another 4 had been released on Saturday and over the weekend. 3 steamers and 9 flats of the Bengal Assam Steamship Co. had been released, had left Khulna, and were now on the way to Calcutta and should be here tomorrow or Thursday.

I have been in touch with the Steamer Companies and the latest position is as follows:-

Summary

Joint Companies: 14 steamers and 16 flats now in Indian water

R.A.S. 3 steamers and 9 flats on the way to Calcutta now.

R.A.S. 9 flats all Pakistan Jute i.e. 1,10,000 mds. approximately.

Joint Companies: 7 flats Assam Jute and 9 Pakistan, i.e., 1,00,000 mds Assam Jute.
1,00,000 " Pakistan.

I told you that Berry, one of the senior partners of Kilburns, had gone up to Dacca over the weekend and had been in close consultation with Faruque and I understand that Faruque has been given over-riding powers over the Provincial officials in order to ensure the quick release of the flats still held up at Khulna. You will no doubt feel that releases up to date have been very slow but I do not doubt the bona fides of Faruque.

You spoke to me about the through movement of jute from Assam; ten vessels have started to move but as far as I know, no jute has yet moved or is moving from Assam through Pakistan waters to Calcutta. This hold up I understand has been on Government of India orders and not the Government of Pakistan.

With regard to the jute which you wish moved as a test case from Agartala through Pakistan to Calcutta, I am asking Keshardeo Jalan and M.P. Birla who have Agencies there to try

35
this and after they have done so I will report to you.

My people inform me that they have had prepared and have submitted statements made out in accordance with Faruque's advice about our jute paid for prior to devaluation in all our Agencies and our fellows here seem certain that it is the intention of Faruque to release this jute. What Faruque told our man up in Dacca was that they were frightened about the flight of capital, but so far as we were concerned he felt that everything was all right. If that applies to us it will apply to the other Companies, who, like ourselves, paid for all the jute prior to devaluation.

As I told you, Jardine Hendersons have had their jute released amounting to about 30,000 maunds and I will watch with interest what happens before and when this jute reaches Khulna and keep you advised.

I told you that Sutherland had been ill, and in the interests of his health I have sent him off for a week's holiday. He left on Saturday and will not be back until next week. I instructed him to send you our stock figures as at 15th January and again I draw your attention to these figures showing that our receipts of jute do not much equal our consumption, thus we are steadily going downhill so far as stocks in the mills are concerned, despite the fact that we have jute bought and lying in different parts of India. I would like these stocks of jute lying in different parts of India to be transferred to the mills as quickly as possible.

As I told you, I was out at our mills yesterday going into the position of these mills, and in checking over our sales position I found that we had very little sales on the books, and on making an enquiry I found the same answer as I got from my Committee members, namely that the stock in the godowns is just over 6 week's stocks although the purchases are equal to 16 weeks' stocks, a difference of 10 weeks. The Saleman is not selling until he sees the jute in the godowns because you will realize that McLeod's have a name and reputation for honouring their

contracts in every respect: thus, if we sold and we did not get the jute we would default in our contracts. This means that if jute was in the godowns we would be able to sell 10 weeks production, and this I think goes for all mills in the I.J.M.A. We have buyers from all parts of the world eagerly anxious to buy jute goods and they simply cannot understand why the mills are not selling. The reason for all mills is the same as I have given to you for our mills, and I earnestly urge that the first and highest priority be given to the question of transporting and transferring jute from the jute growing areas to the mills. Thus will we be able to see more clearly ahead what our policy should be, and at the same time the mills will be able to sell Hessian and heavy goods which are in demand from our export markets. If we cannot sell then our buyers will go back disappointed and endeavour to find some substitute until such time as we are able to come into the market, and that might be too late.

As I told you yesterday also, Raza, Manager for Ispahani here, came and read to me a letter he had received from Ispahani asking Raza to see me about the possibility of us selling gunnies, i.e. Liverpool Twills, A Twills and B Twills at our rates F.O.R. or F.A.S. Calcutta in return for Bottoms, Cross Bottoms and Cuttings landed Calcutta at our prices. I told Raza, as I told Farquas when I last saw him, that there was no point in my discussing now would I discuss the question of taking their Cuttings, Cross Bottoms and Bottoms at our prices until I had received all the jute we had already paid for. Raza told me he would advise Ispahani accordingly. Ispahani's idea is to give ten for ten of jute for every ton of jute goods, starting off initially with a deal of 5,000 tons.

21-726 T.C. (207/52) 37

Extracts from d.o. Letter No. DCCI & E/PER/51(18), dated the 20th January, 1950 from Shri J.N. Dutta, Deputy Chief Controller of Imports & Exports, Calcutta, to Shri C.C. Desai, Secretary to the Govt. of India, Ministry of Commerce, New Delhi.

(1) Movement of Indian raw jute to Calcutta.

Every week we have very lively discussions about these movements, Mr. Avtar Singh complaining against the inadequacy of arrangements made. This week we caught him at bay. According to the statements furnished by the Indian Jute Mills' Association, the stock of raw jute awaiting transport at the various stations on the E.I. Railway and the B.N. Railway in terms of jute wagons are about 2,581 wagon-loads while over the O.T. and the Assam Railway the stocks would be about 5,600 wagon-loads. Jalan admitted that there was no difficulty in getting wagons over the E.I. and B.N. Railways and immediately a question was asked why the Indian Jute Mills' Association should not concentrate on the immediate movement of this Jute allowing Bihar and Assam Jute to come in the 100 wagons that are being provided daily. To this he could not give us a straight answer. Mr. Avtar told him quite firmly that the arrangements made by the Assam-Rail-Link Committee would enable the entire stock in North Bihar and Assam to be moved in 30 days and that in the national interest the Indian Jute Mills' Association should also in order to accelerate movement, organise bringing Jute from the interior either to rail or the river heads so that no wagon capacity is wasted.

(11) Coal from Poland.

I have received unconfirmed reports that two ships carrying coal are going to Chittagong. I have not yet been able to gather precise information about the country from which this coal is coming, but presumably it is Poland. I am sure you will get correct information from either the Asst. Trade Commissioner Dacca, or the Trade Commissioner at Karachi. In any case this supply cannot relieve East Pakistan's scarcity. Against their normal monthly requirements of 80,000 tons, the two ships referred to can at most bring 14,000 tons.

Copy to P.S. to Dy. Prime Minister for information.

C.C. Desai.
26/1/50.

D.S. & Dy. Prime Minister
H/CO (d. No. 71-726 T.C. (207/52) 37

~~SECRET~~
~~IMMEDIATE~~

38

TELEPHONE MESSAGE.

No. 44088
Dated 27.2.50 (2200-00)
From Singapore, Calcutta.
To Supplied, New Delhi.

**

**

**

Arrivals of jute by river :-

W41

Assam Jute:-

M11

(Previous total arrivals of Assam Jute) - 1,07,400 bales.

Bahar Jute:- 90,302 bales.

(Previous arrivals of Bahar Jute) - 1,07,062 bales.

Total arrivals of Bahar Jute - 1,51,361 bales.

Arrivals of

Cheira of tea (Cheira) - 1,01,112

(Previous total arrivals of Cheira of tea) - 1,01,112

Total arrivals of Cheira of tea - 1,01,112

Arrivals of

Wax (Free goods) by river - 42,485 mds.

(Previous x total arrivals of wax) - 1,000 mds.

1,000 packages

Total arrivals of wax - 42,485 mds.

1,000 packages

Copy to :- ✓P.S. to Deputy Prime Minister.

P.S. to H.P.

AS(ASIA)

1077-207/50 dt. 28/2/50

927 3.17/50
Government of India.
Ministry of Commerce.

SECRET

New Delhi, the 31st January 1950.

A copy of the undermentioned papers is forwarded to :-

- | | | |
|-----|--------------------------------|--------------------------|
| (1) | H.M. | |
| (2) | P.S. to Deputy Prime Minister. | |
| (3) | Ministry of Finance (RD) | (Mr. K.R.K. Menon) |
| (4) | Ministry of Finance (EA) | (Mr. K.G. Ambegaokar) |
| (5) | Ministry of Agriculture | (Mr. K.L. Panjabi) |
| (6) | Ministry of Food | (Mr. R.L. Gupta) |
| (7) | Ministry of I. & S. | (Mr. S.A. Venkataraman) |
| (8) | Secretary, Economic Committee | (Mr. P.C. Bhattacharyya) |
| (9) | Financial Commissioner, Rlys. | (Mr. A.K. Ghanda) |

for (C.C. Desai)
Secretary to the Government of India.

-
- (*) Copy of telegram dated 30th January 1950, from J.R. Walker, Esquire, Chairman, I.J.M. Association, Calcutta, to C.C. Desai, Esquire, Secretary, Ministry of Commerce, New Delhi.

40

Copy of telegram dated 30.1.1950, from J.R. Walker, Esquire, Chairman, Indian Jute Mills Association, Calcutta, to C.C. Desai, Esquire, Secretary, Ministry of Commerce, New Delhi.

MY TELEGRAM TO FAROUQUE TODAY BEGINS INFORMED BY STEAMER COMPANIES OUT OF TOTAL EIGHTY FLATS DETAINED ONLY TWENTYSEVEN RELEASED FROM KHULNA OF WHICH SEVEN CONTAIN IN TRANSIT JUTE AND REMAINDER PAKISTAN JUTE (.) NO MOVEMENT OF FURTHER FIFTEEN FLATS ORDERS ON WHICH PASSED BY YOU AND DIFFICULTIES GREAT IN OBTAINING DISTRICT MAGISTRATES SIGNED ORDERS WHO WHEN ON TOUR LEAVES INSTRUCTIONS EITHER IMPERFECTLY UNDERSTOOD OR SUBJECT CONDITIONS WHICH EITHER CANNOT OR WILL NOT RESULT IN ANY ACTION (.) IN ONE RECENT PERIOD SIX DAYS NOTHING DONE IN WAY OF RELEASE AND ON SATURDAY LAST ONLY TWO PAKISTAN FLATS RELEASED AFTER RECHECKING PLEASE NOTE RECHECKING AND OTHER VARIOUS DELAYS WHOLLY FRUSTRATING COMMENDABLE OBJECTS OUR DISCUSSIONS THREE WEEKS AGO (.) AGAIN IN RELEASES ORDERED NONE BELONGING TO INDIAN COMPANIES ALLOWED AND FEEL IN ALL OF THIS AND ESPECIALLY AS CONCERNS IN TRANSIT JUTE NOT ONLY PRESENT OBJECTS BUT FUTURE AIMS LARGELY DEFEATED THROUGH ~~INTER~~ INTERFERENCE LOCAL OFFICIALS (.) MUST ESPECIALLY STRESS THE MOST UNSATISFACTORY NATURE OF RELEASES OUR IN TRANSIT JUTE & IN WHICH UNDERSTOOD FROM OUR DISCUSSIONS THERE WOULD BE NO DIFFICULTIES (.) PRESENT POSITION FEEL DUE LACK OF SUPPORT IN PROVINCE YOUR OWN EFFORTS AND STRESS POINT ALREADY MADE THAT CONFUSION WILL PERSIST SO LONG AS TRADE AND OTHERS SUBJECT TO INTERFERENCE PART LOCAL OFFICIALS (.) MAKE THIS POINT NOW SO THAT IF POSSIBLE YOU RETURN WITH CENTRAL GOVERNMENT MANDATE OVERRIDE THESE LOCAL OFFICIALS IN BEST INTERESTS OUR MUTUAL AIMS ENDS PARTICULARLY WOULD STRESS THE TWO POINTS OF NO INDIAN SHIPPING COMPANIES FLATS RELEASED AND PARTICULAR DIFFICULTIES EXPERIENCED IN GETTING OUR ASSAM JUTE MOVED.

~~CONFIDENTIAL~~

W 725-24/150
Government of India.
Ministry of Commerce.

New Delhi, the 23rd January 1950.

A copy of the undermentioned paper is forwarded to :-

- | | |
|-------------------------------------------------------------|--------------------------|
| (1) H.M. | |
| (2) P.S. to Deputy Prime Minister. | |
| (3) P.S. to H.M. Transport. | |
| (4) P.S. to H.M. Finance. | |
| (5) Ministry of Finance (R.D.) | (Mr. K.R.K. Menon) |
| (6) Ministry of Finance (R.A.) | (Mr. K.G. Ambegaekar) |
| (7) Ministry of Agriculture | (Mr. K.L. Panjabi) |
| (8) Ministry of Food | (Mr. R.L. Gupta) |
| (9) Ministry of I. & S. | (Mr. S.A. Venkataraman) |
| (10) Ministry of Transport | (Mr. Y.N. Suktanarkar) |
| (11) Secretary, Economic Committee | (Mr. P.C. Bhattacharyya) |
| (12) Financial Commissioner, Rlys. | (Mr. A.K. Chanda) |
| (13) Chairman, I.J.M.A., Calcutta | (Mr. J.R. Walker) |
| (14) Chairman of the Commissioners
for Port of Calcutta. | (Mr. H.M. Ayyar) |
| (15) Chief Controller of Exports | (Mr. L.K. Jha) |

Int. Hilal to
for (G.C. Desai)
Secretary to the Government of India.

Land Letter No. 15-ATC-2
15-303 dated
19.1.1950.

Copy of Confidential letter No. 340 dated 20th January 1950 from P. Das Gupta, Asstt. Indian Government Trade Commissioner in East Pakistan, Dacca to G.C. Desai, Esquire, Secretary, Ministry of Commerce, New Delhi.

You must have received my report No. 15-ATC(4)/50-304 despatched yesterday. I have again tried to assess the coal position at this end. Studied in a comprehensive perspective, the situation appears to me extremely serious and almost desperate. I am in constant touch with the big industries here like the Dhakeswari Cotton Mills, Chittaranjan, Lakshminarayan, Kushtia etc., most of whom are managed by organisations that may be deemed to be Indian. I have also discussed the problem with the heads of these industrial organizations, and they all agree unanimously that by the end of this month a complete collapse will face this province and unless India agrees to supply coal the Govt. here can hardly escape the debacle, that already looms ominous. So far as the industrial units are concerned, many of them.....

them are now working on half load, and are speedily approaching a condition of complete break-down for dearth of coal. By requisitioning all private stocks big ones are being maintained, though precariously, and to-day I am told that Dhakeswari, Chittaranjan and Lakshminarayan cannot continue beyond this month inasmuch as the stock obtained even through total requisitioning by Government for these industries is disappointingly small. The coal position of Kustia mill is admittedly worse and they may have to close down earlier.

With careful discretion I have tried to pursue the coal question in the top most official circles. In reliable official quarters the impression seems to have suddenly changed, and it is being more readily admitted that East Bengal cannot manage without Indian coal. The condition of the railways and for that matter, of the entire transport system here, may be considered as extremely grave and fast approaching the last stage of complete break-down. It seems that provincial authorities had approached Karachi for issue of some coal from the available stocks there. But this proposal appears to have been turned down, implying that the coal position in West Pakistan is none easier, and the top authorities of the Central Govt. are inclined to accord first priority to the Western wing irrespective of the situation in the Eastern province. From discussions with officials, it is also my impression that talk about the import of coal from Poland and other European countries is intended more as a propaganda stunt to us. Though some amount must have been purchased, the coal price, including shipping freight and the local distribution costs, is apprehended to be prohibitive. More over, it is also doubted if coal from Europe or any other alternate source so far arranged, could be expected to arrive at Chittagong before the third week of February. This obviously implies that the proposal of the Government of Pakistan is not only too costly, to be of much practical value; but it could hardly be expected to offer the much needed relief at the proper moment so as to

enable.....

enable them to obviate the crisis. Yesterday I wrote you about a small consignment reported to have been received at Chittagong. On further enquiry, it seems to be too small to be of much value and the total volume would not exceed 1,000 (one thousand) tons. The official circle is reluctant to give out the actual source, but indicate Hongkong as the port of shipment. It is not unlikely that the shipping companies having services along Indian coasts to the Far East have some of their own stocks at Hongkong, originally purchased from India, and a small portion of that might have been made available to the Government of East Bengal at prefitering bargain prices. In any case, this could be of little value when their needs are so great. And I do not see any way how a complete break-down in the industrial production as also in the transport system could be avoided by the end of this month or early in February, provided we can sufficiently ensure against smuggling. The talk of an ultimatum noted in my yesterday's report only reflects the desperate situation and the consequent psychosis of the local authorities, who feel completely helpless, though yet under the thumb of Karachi. It is interesting to note that with the deepening of the economic crisis here, the morale of the Hindu minorities has improved very considerably, and they earnestly hope that India, this time would stick to her post quite stubbornly and expose Pakistan's bluff to the ~~India~~ ^{Indians} ~~later~~ ^{own} distress. Just a few minute's back I contacted the Joint Agent, Bengal Steam Navigation Co. at Narayanganj and he told me that unless coal was received from India by the next week, he will have to suspend all his services from the first day of February.

44

OFFICE OF THE ASSISTANT INDIAN
GOVERNMENT TRADE COMMISSIONER.

IMMEDIATE

No.15-ATC(4)/50-303

8, GOPIKRISNA LANE
P.O. WARI, DACCA.
(East Pakistan).

SECRET

By Diplomatic Bag.

Dated January 19, 1950.

From

Sri P. Das Gupta, M.A., P.R.S.,
Assistant Indian Government Trade Commissioner
in Eastern Pakistan.

To

The Secretary to the Government of India,
Ministry of Commerce,
New Delhi.

Subject:- Latest position of the jute market in East
Bengal.

.....

Dear Sir,

In continuation of my letter No.15-ATC(4)/50-170, dated the 12th January, 1950, on the above subject, I have the honour to submit the following for the favour of your information and necessary action.

The jute market at Narayanganj remains featureless. The activity of the baling houses have declined considerably; so has the usual purchase of the nominated buyers. But the major part of the crop having changed hands from the cultivators to the middlemen beparis, some amount of seller's resistance to lower prices is still perceptible. Though the price-level has dropped considerably, the full impact of the demand-supply position does not seem to be reflected in the market quotations. Thus, while Jat Tossa tops for which the official minimum is fixed at Rs.30 per maund, went up to Rs.32 and has now come down to Rs.28 and is being maintained at that. As to the other varieties of tops and middles prices are generally Re 1/- to Re 1/8 below the official floor. But bottoms and X-bottoms, that constitute the major part of the current arrivals, command very little demand and are Rs.3/- below the floor at the baling centre. In the mofussil centres and specially in the interior, all prices are about Rs.2/- below the corresponding quotations at Narayanganj, except for the Tossa, the price of which differs within Re 1 or Re 1/4 as between the baling centre and the mofussil areas.

The important nominated buyers, appointed earlier, have substantially reduced their purchases. Most of them, except Messrs. Ispahani Ltd. and R. Sim & Co. Ltd. are practically buying little, and even when they buy the selected superior varieties are strictly adhered to. To obviate the further depressing effect of such restricted buying on the market, the Jute Board is frantically adding to the list of nominated buyers; and in course of the last fortnight, have appointed more than 40 (forty) new agents for different areas, some of whom are listed below:

1. Rangpur District Consumers Co-operative Stores Limited.
2. East Bengal Jute Baling Co. Ltd.
3. The Narna Jute Trading Co.
4. Pak Traders Corporation
5. Transocean Asia
6. Pak Jute Baling & Co.
7. A. Quaym & Co.
8. K.B. & Co.
9. The Jute & General Trading Co. Ltd.
10. Choudhury & Sons
11. Ali Muhammad Nur Mahammad Hossain
12. The Eastern Trading & Co.
13. Karim Buksha Sarker
14. M. Osman Ali.
15. Mv. Mahammad Nizaruddin
16. Kazi Mahammad Abdul Khaleque & Sons Ltd.
17. Khan Bros. & Sonswala
18. Solaiman Khan & Sons.
19. Sailakupa Co-operative, Multipurpose Society Sailakupa.
20. Abdul Wahed Choudhury & Sons
21. Mirzas & Islam & Co. (Ruhia).
22. Piyarpur Jute Co. No. II
23. Chuadanga Central Co-operative (Multipurpose Society Ltd.)
24. Azizul Haque Choudhury
25. Bothra & Sattar
26. Rostamali Golandaz
27. G. Dey & Co.
28. S.K. Shaha & Co.
29. Munshi Nashiruddin Dewan, Bitalakhya
30. Mahatabuddin Ahmed, Vill & P.O. Magulhat Dist. Rangpur.
31. Marfat Ali Mia, Iswarganj, Myemensingh
32. Sub Divisional Co-operative, Multipurpose Society Ltd. (Natrokona).
33. United Jute Baling Co.

As to foreign buying, the pressure has abated very considerably. Nonetheless, the demand for Jussa continues. In the estimate of the knowledgeable trade circles, the rate of export via Chittagong has declined quite substantially, and the current opinion is that actual export during January 1950 would be 50 per cent less than the recorded figure of December 1949. It will be

remembered in this context, that the total export of jute via Chittagong during the last month was estimated at 2,40,000 bales, according to the provisional statistics obtained from the Pak. Customs authorities. On the basis of this, the current month's total export is not likely to exceed 1,20,000 bales in the opinion of the principal shippers.

Regarding the next year's crop, it appears that the final decision has not yet been taken at this end. A preliminary meeting was held between the members of the Jute Board and the officials of the provincial Department of Agriculture. Subsequently, a cabinet meeting was also held to assess the actual position. But on personal discussions with some of the Hon'ble Ministers here, for the last two days, I gathered the impression that no final decision has been taken as yet, and the Cabinet meeting for the purpose of enunciating the nature and extent of restriction of jute cultivation has been postponed to some time in the first week of February. Nonetheless, the discussions with the Minister's indicate certain interesting outlines of thought. First and foremost, it is readily recognized that in case India insists on keeping off the market, East Bengal cannot maintain the present acreage of jute. In the top circle, the usual impression is that the current year's crop (1949-50), though initially much under-estimated, would actually turn out to be nearly 65 lakh bales. In the opinion of the Jute Board, if India cannot be counted upon, next year's crop yield should not be allowed to exceed 30 lakh bales. The Jute Board also insists that drastic restrictions must be applied both in respect of the acreage and the quality of jute grown the implication being that only tossa and good white Jats and Districts should be grown so that there may be no difficulty in marketing as also in assuring the cultivator of fair and reasonable prices. On the other hand, the provincial authorities, while appreciating the obvious logic behind the above proposal, seem to harbour great doubts about the feasibility of it. They are frankly of the

opinion that such drastic cut in the jute acreage would be practically difficult and cannot possibly be attained, except on the basis of a gradual reduction, planned over a period of 5(five) years. The principal difficulties are considered to be that :-

(a) Any drastic cut, as proposed by the Jute Board, would be ineffective as in the principal jute growing districts it would be well nigh impossible to check the cultivators without prescribing some alternate suitable cash crop.

(b) It will have a serious repercussion on the agricultural economy of the province. Not only the total production of wealth will diminish, but in many areas the cultivator will be deprived of his only source of living.

(c) The condition of the landless labourers would be seriously precipitated.

(d) The quality control as well would not be properly effective inasmuch as only certain inferior varieties could be grown in certain soils and particularly in the vast low land tracts.

Nonetheless, the general consensus of opinion in the Cabinet circle is that, unless there is some sort of a compromise with India, drastic reduction of cultivation will have to be resorted to. Just at the moment, however, some of the Hon'ble Ministers are inclined to believe that India cannot keep off the market much longer, nor she can grow enough for herself in course of the next few years. They earnestly cherish the hope that very soon India would be compelled to come to some compromise, at least to save her own industries. Accordingly, they are favouring the idea of 'wait and see' for some time more, and then to decide on the ultimate jute policy in the perspective of India's attitude. The last Cabinet meeting favoured the idea that India should be served with some sort of an 'ultimatum', with a request to indicate finally if she (India) would accept Pakistan currency and purchase Pakistani jute. When told that India would be ready to buy jute in East Bengal as soon as the price is considered suitable and that

at the present, she was being denied the opportunity of buying her requirements because of the high price consequent upon 44 percent over-valuation of the Pakistan rupee, it is replied that such matters of detail could be settled by discussions at the inter-Dominion level. It is even indicated that further revision of official price minima may not be impossible, provided India agrees to revise upward her maxima to some extent and condescends to meet half the way. In any case, it seems quite plausible that the Central Government of Pakistan has been requested to know the final attitude of India, pending decision at this end regarding the next year's crop. If, however, no compromise with India appears likely in the immediate future, the policy of drastic cut in cultivation, which may seem inescapable, should be introduced by the Central Government, in consultation with the Provincial Government and the Provincial Muslim League. It is also suggested that some principles of compensating the landless agricultural labourers and the cultivators seriously affected by the new policy should also be evolved.

2. It is now obvious that the coal position is seriously telling upon the transport system of East Bengal as also its industrial production. By requisitioning of private stocks of coal, some quantities have been made available to the Dhakeswari Mills and it is assumed that they would be able to continue for about 10 (ten) days more. Attempts are being made to turn some of the taline houses from steam power to electricity, so that supplies may be made available from the Narayanganj Electric Supply, run on diesel oil. All coal stocks in possession of the provincial Department of Public Works have been surrendered to the Dacca Electric Supply Co. It is understood that, in connection with their programme of building staff quarters, the P.W.D. had required 1,000 tons of dust coal for the purpose of burning bricks. But this entire stock has now been made over to the Dacca Electric Supply Co., with the consequence that the provincial authorities suffered considerable loss on account

of the expenditure already incurred over the brick-fields. A few lakhs of bricks were ready for firing and the whole thing is apprehended to be a total loss during the coming rains. While the main line between Narayanganj and Chittagong is being maintained, many local and less important train within East Bengal are suspected to have been suspended, at least, temporarily. The steamer companies as well cannot be expected to continue their scheduled services much longer, unless coal stocks are replenished immediately. The latest information in official circle indicates that coal from Piland is likely to be received in Chittagong by the first week of February. It is also disclosed that a small stock has just been obtained, presumably, from Hongkong, and the price, including distribution cost, at this end would be about Rs.9 per maund. I have a shrewed suspicion that this coal might have been smuggled from India with the help of the shipping companies, and diverted to Hongkong for the purpose of re-shipment to East Bengal. Such smuggling, at any cost, cannot obviously solve their problem, though it may increase, to some extent, their strategic staying power. In any case, we should see the matter to its bitter end and tighten our anti-smuggling control to plug off all the possible holes. The porting difficulties apart, the cost factor is likely to wear down the industrial economy as also the transport system and the question of subsidising, by the state, of coal consumption by the private industries and the public utility services with a view to minimise the costs is being already motted. In the meantime railway services are being maintained, even on the Narayanganj-Chittagong life line, on a skeleton basis. Passenger trains are running with very few compartments (averaging 5 to 6 only). This is on account of the low steam pressure obtained with mixed coal and wood fuel. The goods trains are also carrying not more than 50 per cent of the usual average tonnage, and even then the speed is extremely low. Difficulties in the distribution of diesel oil is also reported by the electric supply companies and other small industries..... p.t.t.

industries at outlying stations. Due to the shortage of railway transport dearth of petrol is also being felt quite seriously. Nonetheless, it seems that some amount of coal is still leaking from India, some way or other, and the matter needs be thoroughly enquired into.

Yours faithfully,

Sd/- P. Das Gupta.

(P. Das Gupta).
Asst. Indian Government Trade
Commissioner.

.....

Encl. No.15-ATC(4)/50-304 dated January 19, 1950.

Copy forwarded for the favour of information to

1) C.C. Desai, Esquire, C.I.E., I.C.S., Secretary to the

Government,,,,,,p.t.o.

Government of India, Ministry of Commerce, New Delhi in continuation of this office letter No.218, dated the 14th January 1950.

- (2) S.K. Chatterjee, Esquire, I.C.S., Secretary to the Government of West Bengal, Department of Commerce, Writers Building, Dalhousie Square, Calcutta, in continuation of this office letter No.15-ATC(4)/50-173 dated the 12th January 1950.
- (3) S.K.Basu, Esquire, Deputy High Commissioner for India in Eastern Pakistan, 11, Rankin Street, Wari, Dacca, in continuation of this office letter No.15-ATC(4)/50-215, dated 14th January 1950.

Extracts from the report regarding jute is being forwarded to Mr. J.R. Walker, Chairman, Indian Jute Mills Association, Royal Exchange, P.O. Box No.280, Calcutta for favour of information.

SA/-
(P.DAS GUPTA).

Assistant Indian Government Trade Commissioner.

...

20 copies.

No. 923-217/50
Government of India.
Ministry of Commerce.

SECRET

New Delhi, the 31st January 1950.

A copy of the undermentioned papers is forwarded to :-

- | | | |
|-----|--------------------------------|--------------------------|
| (1) | H.M. | |
| (2) | P.S. to Deputy Prime Minister. | |
| (3) | Ministry of Finance (RD) | (Mr. K.R.K. Menon) |
| (4) | Ministry of Finance (EA) | (Mr. K.G. Ambegaekar) |
| (5) | Ministry of Agriculture | (Mr. K.L. Panjabi) |
| (6) | Ministry of Food | (Mr. R.L. Gupta) |
| (7) | Ministry of I. & S. | (Mr. S.A. Venkataraman) |
| (8) | Secretary, Economic Committee | (Mr. P.C. Bhattacharyya) |
| (9) | Financial Commissioner, Mys. | (Mr. A.K. Chanda) |

for
for (G.C. Desai)
Secretary to the Government of India.

Secraphone Message No. 44035, dt. 30.1.50, from H.M. Ayyar, Esq., Chairman, Calcutta Port Commissioners, to C.C. Desai, Esq., Secretary, Ministry of Commerce, New Delhi.

53

(48) Copy of Secraphone Message No. 44035, dated the 30th January 1960, from N.M. Ayyar, Esquire, Chairman, Calcutta Port Commissioners, to C.C. Desai, Esquire, Secretary to the Government of India, Ministry of Commerce, New Delhi.

(1) Steamer Companies report that 'Alampore' one of the three vessels which we propose to use for towing purposes on the Ganges ferries has passed through Pakistan territory on her way down from Assam and is now in Indian waters on her way to Bihar (.)

(2) Information has also been received that one steamer and one flat carrying transit cargoes from Assam have passed Goalundo on the 25th instant (.) These were the first vessels to move down among the lot released by me as part of experimental move from Assam to Calcutta (.)

(3) In discussion with Land Customs Collector propose to start upward move this week of through transit cargoes to Assam from Calcutta with four steamers and four flats (.) Shall report progress of experiment from time to time (.)

34

No. 901 - 224/150
Government of India.
Ministry of Commerce.

New Delhi, the 30th January 1960.

31

A copy of the undermentioned paper is forwarded to :-

- | | | |
|------|-------------------------------------------------------|--------------------------|
| (1) | H.M. | |
| (2) | P.S. to Deputy Prime Minister. | |
| (3) | P.S. to H.M. Transport. | |
| (4) | P.S. to H.M. Finance. | |
| (5) | Ministry of Finance (RD) | (Mr. K.R.K. Menon) |
| (6) | Ministry of Finance (RA) | (Mr. K.G. Ambegaokar) |
| (7) | Ministry of Agriculture | (Mr. K.L. Panjabi) |
| (8) | Ministry of Food | (Mr. R.L. Gupta) |
| (9) | Ministry of I. & S | (Mr. S.A. Venkataraman) |
| (10) | Ministry of Transport | (Mr. Y.N. Sukthankar) |
| (11) | Secretary, Economic Committee | (Mr. P.C. Bhattacharyya) |
| (12) | Financial Commissioner, Rlys. | (Mr. A.K. Chanda) |
| (13) | Chairman, I.J.M. Assn., Calcutta. | (Mr. J.R. Walker) |
| (14) | Chairman of the Commissioner for
Port of Calcutta. | (Mr. N.M. Ayyar) |
| (15) | Chief Controller of Exports. | (Mr. L.K. Jha) |

for (C.C. Desai)
Secretary to the Government of India.

Copy of confidential letter No. 419, dated the 25th January 1960, from P.Das Gupta, Esquire, Assistant Indian Government Trade Commissioner in East Pakistan, Dacca, to C.C. Desai, Esquire, Secretary to the Government of India, Ministry of Commerce, New Delhi.

As I had apprehended and reported earlier, there has now been a break-down in the public transport system of East Bengal. Thus, the E.B.R. (Pakistan) authorities have notified the immediate suspension of 20 (twenty) passenger train services within East Bengal. Likewise I.G.N. and R.S.N. Company Limited have notified the suspension of many of ~~xx~~ their services plying within this province and the curtailment of others. Copies ~~xx~~ of notifications are *enclosed* *information by the 11th Dec 1960* remaining few train and steamer services still being run are also likely to be stopped for want of coal, thus completing the breakdown.

RAILWAY NOTICES.

EASTERN BENGAL RAILWAY.

NOTICE

Due to stoppage of the supply of coal by India to Pakistan and the necessity to conserve coal, it has been necessary to cancel immediately the following trains:-

<u>Train No.</u>	<u>Name of the Train</u>	<u>Section</u>
15 Up/16 Dn.	North Bengal Express	Between Calcutta and Siliguri
11 Up/12 Dn.	Parbatipur Passenger	Between Calcutta & Parbatipur
9 Up/12 Dn.	Dacca Passenger	" Calcutta & Ishurdi
13 Up/14 Dn	Goalundo-Siliguri Pass.	" Parbatipur and Siliguri
35 Up/36 Dn.	Passenger	" Calcutta & Khulna
37 Up/38 Dn.	Shuttle	" Khulna and Jessore
85 Up/86 Dn.	Passenger	" Rupsa East & Bagerhat
137 Up/147 Dn.	Passenger	" Faridpur & Rajbari
51 Up/54 Dn.	Passenger	" Ishurdi & Sirajganjghat
155 Up/156 Dn.	Passenger	" Chittagong & Dehazari
146 Up/146 Dn.	Passenger	" Chittagong & Nazirhat
167 Up/168 Dn.	-do-	" Feni and Belonia
181 Up/182 Dn.	-do-	" Noakhali & Laksam
183 Up/184 Dn.	Shuttle	" Noakhali & Sonaimuri
223 Up/224 Dn.	Passenger	" Balla & Shaistaganj
115 Up/116 Dn.	-do-	" Bhairabbar & Dacca
261 Up/262 Dn.	-do-	" Kulaura and Karimganj
265 Up/264 Dn.	-do-	" Benarpara and Tistamukhghat
309 Up/302 Dn.	-do-	" Lalmanirhat and Benarpara
317 Up/312 Dn.	-do-	" Lalmanirhat and Parbatipur.

NOTICE.

I.G.N. AND R.S.N. COMPANY LIMITED SERVICES.

In view of the reduction of through Passengers and in order to conserve coal stocks, the Joint Steamer Companies announce the undernoted curtailments in their services with effect from Monday, the 23rd January, 1950 :-

SERVICE.	TO BE CURTAILED TO
1. Khulna - Narayanganj	Not curtailed
2. Khulna Barisal Narayanganj	-do-
3. Pudda Triangular (The Narayanganj/Chandpur Ferry will be stopped and Passengers are requested to use the K.N.M. and Barisal Express Steamers)	Daily
4. Barisal - Lohaganj	Limit Barisal Charnagria
5. Patuakhali - Amtoli	Alternate Day
5A. Patuakhali-Khepupara	-do-
6. Bheel Mail	-do-
7. Bargunah	Not curtailed
8. Bhowaniganj	-do-
9. Bagirhat	-do-
10. Boalmari	} Alternate day
11. Satkhira	
12. Magura	
13. Dhalleswari	Restricted to Narayanganj/ Manikganj, alternate day.
14. Serajdigha	Not curtailed
15. Narayanganj/Chhatak	Service every 3rd day.
16. Goalundo/Bhadurabad	Restricted to Goalundo/ Jagannathganj, alternate day
17. Serajganj Feeder	Entirely closed.
18. Lakhya Feeder	-do-
19. Hulerhat-Banaripara	-do-

N. 968-22715
GOVERNMENT OF INDIA.
MINISTRY OF COMMERCE.
.....

With the compliments of

Mr. C. C. Desai
Secretary to the Government of India
Ministry of Commerce.

New Delhi.

To

✓ V. Shankar, Esq. I.C.S.
P.S. to Dy. P. Minister
.... New Delhi

571A

OFFICE OF THE ASSISTANT
INDIAN GOVERNMENT TRADE COMMISSIONER.

No.15-ATC(4)/50-379.

8, GOPIKRISHNA LANE
P.O.WARI, Dacca.
(East Pakistan).

SECRET.
IMMEDIATE.

(BY DIPLOMATIC BAG)

From

Dated Jan. 24. 1950.

Sri P. Das Gupta, M.A., P.R.S.,
Assistant Indian Government Trade Commissioner
in Eastern Pakistan.

To

The Secretary to the Government of India,
Ministry of Commerce,
New Delhi.

Subject:- Latest review of the business condition
in East Bengal.

Dear Sir,

In continuation of my letter No.15-ATC(4)-50-303, dated
January 19, 1950, I have the honour to submit the following for the
favour of your information and necessary action :

Jute:

(1) The jute market continues featureless, except that there has been a further decline in business activity with the consequent falling trend in prices. Complaints are again pouring in, alleging that the nominated buyers appointed by the Jute Board are not operating on a scale necessary to meet the seller's demand and in the interior distressed selling is again becoming an ominous feature of the market. The local papers are beginning to draw the attention of the authorities to the continued deterioration of the jute market and the resulting distress in the countryside. The activities of the Jute Board and its failure to maintain the price-level has also evoked considerable criticism. As reported much earlier, the National Bank of Pakistan had lately evinced considerable reluctance to provide the nominated buyers with ready financial accommodation, and had, in fact, been rejecting the recommendations of the Board in this regard. Though this policy of caution and reserve was, obviously, necessary to avoid any further extension of undue risk already undertaken by the National Bank, its attitude has also evoked resentment and criticism in public. In this context, however, it would be interesting to quote hereinbelow, the editorial comments of the Morning News (a popular local English daily and supposed to be affiliated to the official party). In its issue of Monday, January 23, 1950 the said paper commented editorially as follows under the caption "Board and Bank".

"Gossiping, and undefined hob-nobbing with strange friends in foreign lands, be it Calcutta or New Delhi, are no solution of our economic problems. If the Jute Board imagines that its responsibility ends with the purchase of a costly 'de luxe' car, from the public exchequer or otherwise, and with the requisitioning of a stately building to house its office or offices, it is, to say the least, suffering from very grave delusion. Jute is as big and important a front as Kashmir is, and this newspaper has constantly been impressing upon the Government and all concerned that jute and everything connected with jute should be handled on war-basis. But it seems, the Government, like its many other programmes, is guided more by planned thinking than prompt action. According to reports from several border districts, we find that smuggling has by no means been appreciably checked. In fact,

no proper arrangement has so far been made to root out the lurking temptation to smuggling.

"Writing under the caption "Credit and Jute", in these columns, on January 10, we invited the urgent attention of the authorities, the Jute Board including, to the serious situation created mainly because of incompetence, inefficiency, and bungling on the part of the officials of the National Bank of Pakistan. We pointed out how the Bank authorities were flouting the recommendations of the Jute Board, and how the two had failed to provide credit facilities, as assured by the Government of Pakistan in its communique of October 25, 1949. We made no secret of the fact that by neglecting this vital side of the problem, and by neglecting border purchases, we were actually encouraging smuggling. It is not our intention to discuss, at the moment, the serious implications of continued smuggling, nor do we want to open the question of jute releases to India following Mr. Farouque's mysterious visits to Calcutta. We would at present like to know the functions of the Jute Board, as the "executive agency" of the Government and having "very wide powers", and the position of the Jute Board in relation to the National Bank of Pakistan.

"One would also like to know whose responsibility is to provide credit facilities and with what objects agents were appointed by the Government. Then it may be asked, on what conditions advances are made by the National Bank to the Government agents? Advances, we understand, are made against purchases pledged to the Bank. Our information is that the Government has also undertaken the responsibility of making up any loss the Bank may have to suffer on account of its transactions. What is more, floor-prices for all varieties of jute have been fixed. In other words, the Government has undertaken to buy jute lying with the agents, and left unsold, at certain fixed prices. In these circumstances, the serious point that arises is whether in the fact of the Jute Board's recommendations, the National Bank has any right or any justification to ask for individual guarantors from the Government agents before making advances.

"Pettiforring is, of course, a different matter, but if the National Bank is a Governmental creation, to augment the efforts to make the Jute Ordinance succeed the National Bank will certainly not be within its jurisdiction to cast reflection on the Jute Board by demanding additional sureties. In fact, the Bank has to operate on the advice of the Jute Board. Without perfect co-ordination between the Bank and the Board on the one hand, and the Agents and the Bank on the other, the creation of the Jute Board, or the promulgation of the Jute Ordinance will not enable us to bring the trade into the hands of the Pakistanis. It is one thing to sell or export jute, as has been done before, but to liberate jute trade from those who have been persistently trying to strangle us is altogether different. Our task, therefore, is not only to sell jute, but to sell it through Pakistanis. Evidently, this cannot be achieved through middle or mischief, nor with a let-alone policy on the part of the Jute Board and the Government. Karachi still refuses to face realities, the consequences, we would once again warn, will be too tragic for words".

2. Other cash crops: As to the other cash crops, the position is admittedly worse. For instance, items like betelnuts and coconuts constitute important cash crops in the districts of Barisal, Khulna and Nookhali. In fact, a considerable percentage of the population of these districts, depends for a substantial part of their income, on the yield of betelnut and coconut plantations. Prior to the present deadlock in inter-Dominion trade, both the items used to be exported to West Bengal in

considerable ...p.t.e.

considerable quantities, and the whole-sale price of betelnut in East Bengal ranged between Rs.35/- and Rs.42/- per maund on average, and that of cocoanut between Rs.120 and Rs.125 per thousand. But since the currency deadlock between India and Pakistan, both these cash crops have become virtually unsaleable, and very large quantities are reported to be lying in wasteful heaps in the growing districts. The actual position would be appreciated from the fact that the wholesale price for betelnut has come down to Rs. 9 or Rs. 10 per maund, thereby recording a decline of over 70 per cent, while the price-average for cocoanut (ripe and dry) estimated at Rs.60 per thousand, reveals a fall by over 50 per cent of the respective pre-devaluation prices.

3. Cost of living of the rural population: In consequence of the serious decline in the money yield of the principal cash crops, the general rural conditions have suffered sharp deterioration. With the advent of the aman crop, the price of rice had, of course, declined substantially. But the falling trend of the staple-food prices seems to have halted with the depletion of the floating free-market stocks, and from the beginning of the new year the upward tendency is again becoming discernible. Besides, the other miscellaneous essential commodities, including food items like mustard oil, spices, dal, onion, sugar and gur have all been very substantially priced up, with the consequent higher cost of living of the rural population. Thus, the agricultural community has suffered a double cut. While their money-income has declined sharply due to the fall in the selling prices of cash crops, their cost of living has increased with the increase in the purchase-prices of other essential consumption commodities. The actual position will be realised from the fact that the wholesale price of adulterated qualities of mustard oil in the countryside varies from Rs.160 to Rs.180 per maund, the average retail price being Rs.4/8 to Rs.5 per seer. Besides, while articles like kerosene have become scarce, the price of wood-fuel has gone up by 100 per cent. Reports from interior indicate that the inactivity in the agricultural market has inflicted loss of employment and the rural population, particularly the landless labourers, are again becoming restive and the crime incidence is on the increase. In the urban markets, the similar trends are equally manifest. The prices of textiles and other imported articles of common use have gone up by 20 to 30 per cent; loss of employment and the deflationary trends in the prices of the major cash crops have palpably brought about a serious slump at the consumption end, with the resulting deterioration in the off-take of the market. The situation may be termed as quite serious. Studied in an overall perspective, it may now be said that Pakistan has distinctly failed to derive the expected benefit from her policy of non-devaluation of the rupee. While export-prices have declined sharply in terms of Pakistan rupee, the import-prices have generally gone up quite substantially, and the obvious result has been a deterioration in the terms of trade. Considering such other factors as the loss of employment, the loss of purchasing power, the fall in the standard of living and the increasing distress of the people, the total burden of the policy of non-devaluation must be considered to be a very serious infliction on the people of East Bengal. The provincial revenues have also been largely suffered not only because of reduced exports of the cash crops; but also of the other important sources such as amusement tax, which has largely declined due to the restricted supply of electricity in the cities and the consequent partial suspension of the cinema houses.

4. Coal position: The grave seriousness of the coal position is now clearly evident. As apprehended earlier, things have now assumed the most critical phase and the beginning of a total break-down is publicly noticeable. While every effort is being made to maintain the Narayanganj-Chittagong railway line, many other trains have been suspended. Though fuller details are not available as yet, at least half a dozen important trains and an equal number of subsidiary trains are understood to have been suspended for shortage of coal. The condition of the inland steamer services is equally grave, and at least 4 (four) service lines within East Bengal have been suspended by the I.G.N. and R.S.N. Co. Ltd. and the services in other 8 (eight) lines have been curtailed substantially. This is about the passenger services. But the goods services, except the one between Narayanganj and Chittagong and engaged in carrying export freights of jute, have been likewise affected. Apart from the difficulty of the passenger traffic, the internal movement of trade and the distribution of import traffic is being caught up in a crisis, with the resulting scarcity of supplies in the commodity markets. The road traffic has also been affected by the tightening position of petrol, and this, in the near future, is likely to cause a break-down in the internal distribution of the imported food-stuff like rice, wheat and sugar.

But what is more interesting is the exposition of the bluff, propagated by the Central Government of Pakistan and holding out the false hope that coal was soon to be received from Britain, South Africa and Poland. Thus, as reported in to-days issue of the 'Pakistan Observer', Mr. Nazir Ahmed Choudhuri, Pakistan's Minister for Industries, in reply to the question put forward by Mr. Hafizul Huq Choudhury regarding prices and allocation of coal in the two parts of Pakistan, revealed the following facts on the floor of Pakistan Parliament on January 16, 1950. The Hon'ble Minister said that "Before the stoppage of supplies by India the cost per ton of Indian coal delivered by rail at the following stations was:- Karachi Rs.44-11-6 per ton, Lahore Rs.32-15-3 per ton, Dacca Rs.35-12-9 per ton, Chittagong Rs.36-11-0 per ton.

Monthly allocations of Indian coal to East and West Pakistan in recent months have been :-

East Pakistan 72,000 tons

West Pakistan 31,000 tons

In addition, approximately 30,000 tons of indigenous coal has been consumed in West Pakistan every month".

It is further said that the price of coal purchased by Pakistan, exclusive of unloading charges and internal distribution costs would be as follows:-

Coal from Poland	-----	Rs. 78/4/- per ton
Coal from Britain	-----	Rs. 79/- per ton
Coal from France	-----	Rs. 82/- per ton

Thus, the cost of foreign coal at the inland destination points would be more than 150 (One hundred and fifty) per cent higher than Indian coal, and the responsible trade quarters - consider this too prohibitive for industrial use. Enquired as to "what will be the earliest time by which delivery is expected", the Hon'ble Minister replied that "supplies are expected within two months", Thus, it is evident

that.... p.t.o.

59

- 5 -

that cost factors apart, the time factor is seriously against Pakistan, and no supplies of coal from Britain, Poland and France could be expected to arrive earlier than the second week of March, 1950. Obviously, therefore, a major crisis with a complete break-down in industrial production and the essential transport services in East Bengal can, by no means, be avoided, with all its socio-economic and political implications, provided of course, we stick to our policy and rigorously check the possibilities of smuggling.

In this context, it is also interesting to find that Mr. Hamidul Haq Chaudhury by his questions in Pakistan Parliament is persistently exposing the policy of the Central Government and their discrimination against East Bengal. Thus, in reply to another question of his, the Hon'ble Minister for Industries admitted that Karachi cement was being sold in East Bengal at prices varying

from..... p.t.o.

from Rs.230/- to Rs.240/- per ton as against the price of
Rs.82/8 per ton F.O.R. destination in West Pakistan.

Yours faithfully,

Sd/- F. Das Gupta.

(F. Das Gupta).
Assistant Indian Government
Trade Commissioner.

'G.LAL'.
25 copies.

60
N. 1057 - 20/15
GOVERNMENT OF INDIA.
MINISTRY OF COMMERCE.
.....

With the compliments of
Shri C.C. Dasai
Secretary to the Government of India
Ministry of Commerce.

New Delhi.

412/50

To

(P.S. to.....

Deputy Prime Minister,
...New Delhi

39

that cost factors apart, the time factor is seriously against Pakistan, and no supplies of coal from Britain, Poland and France could be expected to arrive earlier than the second week of March, 1950. Obviously, therefore, a major crisis with a complete break-down in industrial production and the essential transport services in East Bengal can, by no means, be avoided, with all its socio-economic and political influences, provided of course, we stick to our policy and rigorously check the possibilities of smuggling.

In this context, it is also interesting to find that Mr. Hamidul Huq Choudhury by his questions in Pakistan Parliament is persistently exposing the policy of the Central Government and their discrimination against East Bengal. Thus, in reply to another question of his, the Hon'ble Minister for Industries admitted that Karachi cement was being sold in East Bengal at prices varying

from..... p.t.o.

4.10.57 - 20/158 60
GOVERNMENT OF INDIA.
MINISTRY OF COMMERCE.
.....

With the compliments of
Shri C.C. Dasgupta
Secretary to the Government of India
Ministry of Commerce.

New Delhi.

4/2/58

To

P. S. to

Deputy Prime Minister,
... New Delhi

from Rs.230/- to Rs.240/- per ton as against the price of
Rs.82/8 per ton F.O.R. destination in West Pakistan.

Yours faithfully,

Sd/- F. Das Gupta.

(F. Das Gupta).

Assistant Indian Government
Trade Commissioner.

'G.LAL'.

25 copies.

N. 1057-207/54 60
GOVERNMENT OF INDIA.
MINISTRY OF COMMERCE.
.....

With the compliments of
Shri C.C. Desai
Secretary to the Government of India
Ministry of Commerce.

New Delhi.

412/50

To

P. S. to.....
Deputy Prime Minister,
New Delhi

6)
Copy of telegram dated 3rd February 1950 from Indian
Jute Mills Association, Calcutta to C.C. Desai, Esq., ICS.,
Secretary, Ministry of Commerce, New Delhi.

RATES FIXED FOR JUTE FROM ASSAM VIA L K RAILWAY
CONSIDERABLY IN EXCESS OF OLD RATE VIA PAKISTAN STOP AS COST
OF FREIGHT ALMOST DOUBLE USE OF ASSAM LINK UNECONOMICAL STOP
WOULD REQUEST THEREFORE IMMEDIATE REVISION OF RATES STOP
RAILWAY BOARD ADDRESSED IN DETAIL WITH COPY TO YOU.

.....

SECRET
IMMEDIATE

62

Copy of D.O. No. 475 dated 31st January 1950 from Mr. P. Das Gupta, Assistant Indian Government Trade Commissioner, Dacca to C.C. Desai, Esq., ICS., Secretary, Ministry of Commerce, New Delhi.

I am keeping a watch on jute movement at this end. But it seems that the actual movement of the jute barges is not up to the expectation. I am sure, you have been obtaining information as to the actual receipts of the mills from the I.J.M.A. as also from the Chairman of the Calcutta port. It would have been very convenient if I could get up-to-date information from our end to check up things here. This is necessary, particularly because the Jute Board is still insisting on the cumbrous procedure and the proof of actual payment prior to devaluation for the held-up consignments. The administrative machinery in its lower rung is pursuing the obstructionist policy even now. Mr. Mehta of Birla Jute Mills saw me to-day and he also confirmed my impression.

The coal position is growing impossible every day, completing the break-down. From yesterday water works at different places are reported being affected. It is also likely that the only service (Narayanganj-Gualando Mixed Steamer) linking E.B. Railway upto Darsana will be suspended by the end of this week, running only on alternate days. This will seriously affect the main passenger line between the two parts of Bengal. For the last fortnight, rumour has been current to the effect that coal ships have arrived at Chittagong. But there has been no official communique and no responsible officer is inclined to commit on this point. In other quarters, it is said that some amounts (not exceeding 5 to 8 thousand tons) might have been obtained. But this is too small to relieve the situation here. I have tried to verify. But as yet, there is no movement of coal from the port towards the consuming centres, except what I have already reported.

It is now reliably understood that the following firms have been permitted to export jute cuttings to India. The total

62

cost at the Indian mills point would be about Rs. 80/- per
bale of 5 maunds.

1. Lazarus Jute Co. Ltd. ...	4,800 bales
2. Ralli Bros. Ltd. ...	5,000 bales
3. D.L. Miller ...	2,500 bales
4. Sindare Murrey ...	4,500 bales

16,800 bales

.....

N. 1213-207152
GOVERNMENT OF INDIA.
MINISTRY OF COMMERCE. 64

With the compliments of
Shri C. C. Desai
Secretary to the Government of India
Ministry of Commerce.

New Delhi.

5/2/50

To ✓

P. S. to

Deputy Prime Minister,
New Delhi.

65

Copy of D.O. No. 157 dated 3rd February 1960 from Mr. P. Das Gupta, Assistant Indian Government Trade Commissioner in East Pakistan to S.C. Dasal, Esq., ICS., Secretary, Ministry of Commerce, New Delhi.

In continuation of my previous D.O. on the subject, I am now able to report that certain more steamer services in East Bengal have been suspended with effect from yesterday. Thus the two important services, namely the Barisal Express and the Khulna Express have been cancelled. Narayanganj-Gulando mail service (a link in the Dacca-Calcutta mail service) had been stopped earlier, as reported to you, and only a daily passenger service was being maintained. But with effect from February 2, that also has been suspended and a passenger steamer is to run on alternate day only.

It means that passages from Dacca to Calcutta and vice-versa will be available only for 3 days in the week. Similarly, the Chandpur-Gulando Express will also ply on alternate days. The relevant notification issued to-day by the I.G.N. & Ry. Co. Ltd. and R.S.N. Co. Ltd is enclosed for your information.

NOTE.

NOTICE.

I. G. N. AND RY. CO. LTD. AND
R. S. N. CO. LTD.

On and from 2.2.1960 the Chandpur-Gulando Express Steamer will ply on alternate days. The H. B. C. Service will remain entirely closed.

The Narayanganj-Gulando Inter Steamer will also ply on alternate days on and from 3.2.1960 (morning) from Narayanganj Chat.

66
New Delhi,
1st February 1950.

My dear Ghanshyamasji,

Thank you for your letter of the 31st
January.

I am sending herewith the papers sent
therewith.

Yours sincerely,

(V. SHANKAR)

Shri Ghanshyamas Birla,
Birla House,
New Delhi.

PHONE 40084-85

(17)
BIRLA HOUSE,
NEW DELHI.

21st January, 50.

My dear Shankarji,

This will interest you. Please return the same after you have read it. Perhaps you will tell Shankarji about its contents.

It is natural that Indians should be anxious to get rid of their fate. This only shows the difficult position in which they are. The time has now come when I hope they will start trying to do so.

Yours affectionately,

Ch. Acharya

Sd/-
Shri V. Shankar, M.A.,
New Delhi.

1044
68
L 616-24/50A
GOVERNMENT OF INDIA.
MINISTRY OF COMMERCE.

.....
Shri C.C. Desai.

With the compliments of

Secretary to the Government of India
Ministry of Commerce.

New Delhi.

3/2/50

To

.... P. S. to

... Deputy Prime Minister,

... New Delhi.

22

(4)

D.O.No.442
Assistant Indian Government
Trade Commissioner in
East Pakistan.
...

Dacca, the 28th January 1960.

Dear Mr. Desai,...

~~I would beg to avail this opportunity to inform you that~~
~~opportunity to inform you that~~ The jute market continues featureless
except for the glut in qualities like bottom, L-bottom and
cuttings. In fact, the qualities other than Tossa and Superior
white Jat enjoy very little interest in the market and are
generally being refused also by the Government agents. This has,
obviously, caused some clamour amongst the affected interests.
But the situation has been further intrigued by the latest
refusal of the Jute Board to buy up the offers from the nominated
agents at the minimum official prices. It has always been known
that it was neither feasible to buy up the entire residual crop
at Government cost, with the attendant risk - nor the authorities
were inclined to go so far in real earnest. Their immediate object
was to offer some relief to the distressed cultivators and thereby
to counter any political agitation. It had also been visualised that
the National Bank could not go on with the policy of financing the
nominated buyers for long, and in fact, the tussles between the
Jute Board and the National Bank on the one hand, and the Board
and the nominated buyer's on the other have already begun. A day
or two before, a meeting of the Central Board of Director of the
State Bank of Pakistan was held in Karachi, wherein the question
of further extension of credit-financing of jute was discussed.
From information available in Dacca it appears that no final
decision has been arrived at, and another meeting of the Board
is scheduled to be held at Dacca sometime in February. In the
meantime, it seems that the National Bank authorities, who have
rather been proceeding on commercial banking principles do not
favour the idea of unduly risking itself. Ultimately, therefore,
the Jute Board must either swallow its own promises to the
nominated buyers or find out some alternative solution. Or in the
absence of any such cogent measure, the public criticism of the

70

official policy, which is already sprouting out, will assume serious proportions. Jute Board's lack of confidence about the future is rather apparent. Early this week, it is now understood, the Jute Board agreed to allow export of cuttings, Cross Bottoms and Bottoms to India and actually issued permission to two or three firms for export of their stocks. So far as cuttings are concerned, there should be no difficulty inasmuch as there is no official price minimum for this quality and the actual price minimum for this quality and the actual market price is low enough to be within the maxima fixed in India for that ^{quality} ~~quantity~~ and the quality too, if properly selected, should not compare unfavourably with mesta and Assam jungli. As to the X-bottom, the official minima are as follows:

White Jat Cross Bottoms - Rs.21/- per Md.

White Dist. Cross Bottoms - Rs.20/- per Md.

White Northern Cross Bottoms - Rs.19/- per Md.

There would be some difficulty in exporting this variety to India, if the Board would insist on the quality actually exported and the price at which these are bought and sold as also on the actual mode of payment. The market quotation for X-Bottom varies between Rs.16 and Rs.17 at Narayanganj - the mofussil price being between Rs.14 and Rs.15. There should, thus, be no difficulty in exporting to India within the maxima and the Jute Board would leave it to the trade. The authorities here are beginning to realise that the free market exchange rate being at par, smuggling could not be stopped, while receipt from export duty was being unnecessarily lost. In view of all these, it is not unlikely that the Board will review their policy and revise their attitude, allowing export to India. Without this, they cannot evidently meet the situation and relieve the heavy load of unsaleable jute wherever it lies. In a strict sense, this would be accepting a virtual failure of the official jute policy, so long pursued with vengeance, and practically legalizing smuggling. This

would p.t.e.

would also set at naught the official price floorings and gradually allow the market to freely adjust itself at a sufficiently lower level to neutralise the currency ratio of the two repuses. But this is bound to produce a serious recrudescence on the total economy of this province, though apparently much of the ice will begin melting and the present stalemate in trade will start resolving. Yet, the political side of the repercussion would be too risky for the Government to embrace, with any semblance of prestige, whatsoever. It is somewhat difficult for one to probe into the mysterious meddling of the Karachi authorities. Nonetheless, the authorities at this end look desperately helpless and realise the untenability of their position, though it is their habit to roar at India even while they themselves are drowning and are not unaware of that. Appraising the political aspect of the question, they cannot afford summarily to abandon their farm price support policy and face a precipitate crisis in Government. Accordingly, it is believed here that devaluation would be a much safer and wiser alternative. If they allow prices to deflate unduly, they would lose both the prestige and the purse. While with devaluation, they lose the prestige but save the purse. On such presumptions, the Jute Board's latest tendency to allow export to India may be a precursor of their acceptance of the free market rate of exchange and hence, of devaluation. These presumptions above might appear a little premature. They are indeed so. We should prefer to wait and see how they manage the real difficult phase of their jute policy, which has just commenced taking a critical shape. Yet, this letter is really a speculation as to what might be lurking behind, and not very far behind. This obviously postulates that in the meantime India sticks to her position and refuses to accept their ratio or to enter into the unprofitable trade of supplying coal without a settlement on trade agreement.

As to the other section of the jute market - Tessa and white superiors continue to enjoy some demand from foreign buyers. Actual shipment is not very large in volume, nonetheless steady at a reduced figure. Mr. Valentine (Jute Controller at Dundee) has well explained Britain's case in his speech. Foreign quotation here is £ 110 on average and U.K. is obviously buying some Tessa and White Superiors; and India has nothing to grudge, simply because they cannot be expected to stop buying completely and face a crisis in their own country on the eve of election while we cannot supply them their essential requirement in jute manufactures. Besides, this extremely limited buying of the tops could hardly solve Pakistan's problem. Americans (Mr. Withers) have not been buying on any commercial scale since September. But towards the end of December, American firms started buying and upto the 23rd of January they had bought some 6,000 (six thousand) tons, mostly superior qualities. Bunks of these purchases are now awaiting shipment at Chittagong. Some European countries are also on the list of customers, but except France and Italy, others do not count much. Though things at this end are turning somewhat in India's favour and Pakistan's economy is seriously wearing down, it would not be wise to be too complacent and to refuse to be ready for any ~~new~~ initiative in future.

Coal position is admittedly precarious. For some time the local authorities tried to sell the rumour that coal ships are about to arrive. But this is not given any credence. It is now disclosed that Messrs. James Finlay had about 500 tons in their stock at Chittagong. Some other private parties had also some such small stocks there. All these have been requisitioned and a total quantity of 1,000 (one thousand) tons has been earmarked for the Bhakeswari textile mills turbine, which is being loaded in barges for despatch to Narayanganj. The baling houses are in a precarious condition. The Kumudini Trust has been allotted some 100 (one hundred)

tens of brick-field stocks and this might stand them a week at the best. The vehicular road traffic is facing no better for shortage of petroleum. In to-day's Pakistan Observer, the staff reporter writes that "The scarcity of petroleum, continuing for the last fortnight suddenly headed towards a climax yesterday (Friday) morning, when a large number of motor vehicles of the city went dry for want of fuel. In the morning the Civil Supplies Department had to abandon their trucks and take recourse to carts for carrying purposes. The scarcity went so far as to compel a big firm dealing in supply of petroleum to put their cars in the garage. The symptoms of an impending crisis were evident for the last few days from the long queues of motor vehicles waiting for their respective daily rations of 1500 gallons. Taking chance of this scarcity a section of people are reported to have reaped a good harvest by exacting Rs.7/- per gallon from their customers as against the scheduled rate of Rs.2/5/6 per gallon". The District Magistrate, Dacca has notified that taxis were ^{getting} only 2 gallons and buses 4 gallons per day. This will mean serious curtailment of the Dacca-Marayanganj vehicular traffic and some buses are already being put off the route. However, some quantities seem to have been received at Dacca and the new stock would possibly last for a week. The local authorities contend that they have enough stock at Chittagong. This is doubtful and some B.O.C. people say that their main stock is kept at Budge Budge and unless they can freely draw upon that stock, there might be some shortage in East Bengal. On the other hand, the Pak Army's Eastern Headquarter recently established at Dacca, is also taking away a large portion of the existing stock to build up the necessary reserve, and their claim, obviously, receives the top most priority.

On the political front, the opposition party is gaining strength. But the Karachi authorities may have to face a showdown in his case. His exclusion from the Ministry is being questioned, and in official circles it is said that the Provincial Government should either institute a public enquiry

to investigate the allegations against him and substantiate the charges or should take him back. The Provincial Ministers are not very enthusiastic about the enquiry, lest they fail to substantiate the charges or some of them are also exposed. But Karachi is reported to be adamant to have it either way or at least, to make out a show of justice, and some judge of the Lahore High Court (formerly of the Allahabad High Court) is being named as the Chairman of the tribunal. This may, I apprehend, play havoc with the Provincial Cabinet itself, as some of the existing Ministers may be involved quite seriously, if ultimately it comes to that. As I have reported earlier, the crime incidence in the countryside is increasing. This is obviously a sign of greater distress and privation of the people. The Hindus being relatively better off are the first victims. Moreover, when people get desperate, it is the way of the Muslim League fanatics to divert economic effects into communal factions. On the false bogey of communism, the police authorities are also oppressing the minorities. Apparently the authorities at the top do not support such lapses of peace and order. But the administrative machinery does not seem to be strong and disciplined enough to prevent the undesirable recurrences. ^{Kashmir} ~~Kashmir~~ and Barisal incidents are presumably known in India. At the trade end, the economic atrophy is beginning to precipitate and Bazar is gradually assuming a deserted outlook. While prices of imported consumables continue high, the off-take has declined very sharply and internal trade movements have apparently been caught up in a deadlock. The cancellation of 20 (twenty) trains and about 8(eight) inland steamer services have already affected the prestige of the authorities, after all their tall talks; and if India does not release coal and lose the game, the remaining steamer services too will have to be suspended by the first week of February, thus completing the transport break-down in this riverine district.

In conclusion, one latest phase of Pakistani propaganda may be mentioned. Thus, in some quarters it is being contended that gold price should be accepted as the basis for determination of the exchange ratio between the Indian and the Pakistani rupee.

The reasons are not far to seek. Gold and bullion prices are no longer indicative of commodity-price-parities, and cannot be accepted as the only determining factors for the simple reasons that

- (a) There is virtually no free international market in gold
- (b) There being no free international movement of gold, the special point theory does not hold good.
- (c) There is no international gold standard in operation.
- (d) In the two countries of India and Pakistan the absorption rate of gold vis-vis the floating stock is the principal determining factor as in the case of other commodities; and the discrepancies being too high, the bullion quotations cannot be accepted as the index of measuring price-parities between the two countries.

In India, the increasing tendency of speculative hoarding is also a factor of considerable significance.

Yours

Yours sincerely,

Sd/- P. Das Gupta.
Assistant Indian Government Trade
Commissioner.

To

G.C. Desai, Esquire, C.I.E., I.C.S.,
Secretary to the Government of India,
Ministry of Commerce,
New Delhi.

26
~~SECRET~~

Copy of letter No. 466, dated 30th January 1950, from P. Das Gupta, Esq., Asstt. I.G.T.C., Dacca, to C.G. Desai, Secretary, Ministry of Commerce, New Delhi.

—2—

In continuation of my D.O. No. 442, dated the 28th January 1950, I have further to inform you that since then I have had some discussions with my friend Hon'ble Mr. T. Ali, Revenue Minister, Government of East Bengal. In course of casual informal discussions, Mr. Ali raised the issue of the currency dispute and contended that India ought to have accepted the ratio of the Pakistan rupee, thereby allowing a free play of the economic forces and helping the two currencies to find out their natural rate of exchange. To disabuse his mind of an apparent confusion, I readily argued that the Reserve Bank of India, in refusing to transact in Pakistan rupee had only denied to participate in the questionable policy of maintaining an artificial and arbitrary ratio, as announced by the State Bank of Pakistan. In this matter, the Reserve Bank of India was within its rights inasmuch as the State Bank of Pakistan was within its rights in refusing to transact in the Indian rupee, even after having notified the official exchange ratio and the formal buying and selling quotations thereof. I further pointed out that the Reserve Bank, having permitted all other banks within its jurisdiction to transact in Pakistan currency at any exchange ratio they considered suitable, actually intended to allow the free play of economic forces to determine the natural exchange ratio. On the contrary, the State Bank of Pakistan assumed a questionable attitude by the legal imposition of an arbitrary exchange ratio on the banks within its jurisdiction, while itself refusing to transact in Indian rupee at its own declared ratio. I also pointed out that this latter action was virtually responsible for the deadlock in Inter-Dominion trade that ensued after the de-linking of the Pakistan rupee from the devalued sterling. In conclusion I contended that had the Pakistan authorities been sincere in allowing a free play of the economic forces to determine the natural ratio, the State Bank, in the same manner as the Reserve Bank did, should have allowed the commercial banks within its jurisdiction to transact at any ratio

they considered suitable instead of binding them legally to an arbitrary ratio. The very fact that the free market exchange rate was generally at par (except for the discount in either direction intended to cover the risk of transactions of an extra-legal nature), itself testified to the arbitrariness of the ratio declared by Pakistan. That none of the banks, having business in both Dominions, considered safe to transact in Indian currency at the ratio announced by Pakistan, though they were free to do so under the general permission of the Reserve Bank of India and consequently there ensued a complete deadlock in trade, further substantiated the position. The Hon'ble Minister could not find any other ground to pursue his contention, and disclosed that Hon'ble Mr. Golan Mohammad would be soon going to Delhi for a discussion in respect of all the relevant issues. I understand, Hon'ble Mr. Golan Mohammad has already arrived at Delhi and is having discussions with you. At this end, however, there is a suggestion current in certain quarters that Pakistan would soon be introducing a new name for the rupee. This does not, obviously, mean any thing except the appeasement of a popular sentiment.

Regarding jute, checked and finally authenticated figures of export via Chittagong have now been obtained from the Collector of Central Excise, Chittagong. It is now found that the actual performance had not been really so spectacular as it was given out to be. For instance, the Manager, E.B. Railway (Pakistan) gave out in a press-statement some time back that the shipment of jute via Chittagong exceeded 2,40,000 in December 1949, whereas the actual position now revealed by the Customs authorities put the figure at 1,92,394 bales only. For your information the detailed figures are appended below:

Export of Raw Jute Via Chittagong.

Month 1949-50	Bales
July - August	74,000
September	51,000
October	55,000
November	112,000

Export of Raw Jute Via Chittagong.....

Month 1949-50	Bales
December	192,000
July - December	<u>4,85,000 bales</u>

The above figures evidently indicate the frantic efforts made at this end and the fortuitous advantages of the winter season, which is nearing its end. Nonetheless, we must appreciate the fact that, compared to the figure for October, the actual shipment in December was more than 3 times as large. Even if we assume that the alternate sea-route, generally open during the winter only, accounted for 50 per cent of the increase; Chittagong has improved its shipment of raw jute very substantially. As I had reported long back an over-all average quantum of one lakh bales as monthly shipment via Chittagong, throughout the year would be quite a fair estimate. Of course, this would mean some restriction of the other goods traffic, both inward and outward. Yet this should be manageable within the existing capacity of the port, unless indeed the minimum requirement of 80,000 tons of coal have to be imported from remote countries and handled at Chittagong, which would palpably make things impossible.

The U.K., France, Italy and Poland continued to be the principal customers of Pakistan jute. The statement enclosed will show the detailed position.

Country of Final destination		November 1949	December	July to December 1949
		Bales	Bales	Bales
United Kingdom	...	26,667	52,231	1,37,183
France	...	7,818	14,123	62,507
Czechoslovakia	...	4,721	1,568	11,625
Italy	...	20,042	29,047	56,861
Norway	...	...	504	750
Austria	...	...	398	1,121
Sweden	...	2,201	7,476	12,393
Poland	...	8,366	15,865	38,024
Netherlands	...	5,578	4,922	14,813
China	...	2794	1,294	4,368
Australia	...	...	...	986
Denmark	...	...	1,092	2,962
Brazil	...	...	3,774	3,774
Egypt	...	728	3,663	5,119
Ireland	...	2,033	...	2,593
Greece	...	...	3,416	3,416
Chile	...	2,458	...	2,458
Uruguay	...	498	...	498
Yugoslavia	...	...	1,646	1,646
Spain	...	...	...	...
Switzerland	...	282	...	1,249
Russia	...	...	...	...
Peru	...	9,509	...	9,509
Hungary	...	...	392	392
Portugal	...	...	11,413	11,413
Portuguese(East Africa)	...	...	694	694
New Zealand	...	...	292	292
Total soft currency	...	93,665	1,53,720	3,86,556

EXPORT OF RAW JUTE VIA CHITTAGONG - CONTD.

Country of Final destination		November 1949	December 1949	July to December 1949
		Bales	Bales	Bales
Total soft currency	...	93,665	1,53,720	3,86,556
<u>Hard Currency countries -</u>				
Belgium	...	1,546	1,932	19,741
U.S.A.	...	767	8,372	12,927
Germany	...	3,214	6,222	18,419
Japan	...	538	...	6,166
Canada	...	67	806	1,443
Argentina	...	4,866	5,981	16,847
Total Hard currency	...	10,998	23,313	70,543
India	...	...	....	90
Total long jute	...	1,94,663	1,77,033	4,57,189
Total cuttings	..	6,849	15,361	27,961
Grand total (i.e. total raw Jute)a		1,11,512	1,92,394	4,86,169

803-227/50
Government of India.
Ministry of Commerce.

SECRET

New Delhi, the 25th January 1950.

A copy of the undermentioned papers is forwarded to :-

- | | | |
|------|------------------------------------------------------|--------------------------|
| (1) | H.M. | |
| (2) | P.S. to Deputy Prime Minister. | |
| (3) | P.S. to H.M. Transport. | |
| (4) | P.S. to H.M. Finance. | |
| (5) | Ministry of Finance (RD) | (Mr. K.R.K. Menon) |
| (6) | Ministry of Finance (RA) | (Mr. K.G. Ambegaokar) |
| (7) | Ministry of Agriculture | (Mr. K.L. Panjabi) |
| (8) | Ministry of Food | (Mr. R.L. Gupta) |
| (9) | Ministry of I. & S. | (Mr. S.A. Venkataraman) |
| (10) | Ministry of Transport | (Mr. Y.N. Sukthankar) |
| (11) | Secretary, Economic Committee | (Mr. P.C. Bhattacharyya) |
| (12) | Financial Commissioner, Blys. | (Mr. A.K. Chanda) |
| (13) | Chairman, I.J.M. Assn., Calcutta | (Mr. J.R. Walker) |
| (14) | Chairman of the Commissioner
for Port of Calcutta | (Mr. N.M. Ayyar) |
| (15) | Chief Controller of Exports | (Mr. L.K. Jha) |

for (C.C. Desai)
Secretary to the Government of India.

-
- (1) Copy of letter No. 357, dated 21.1.1950, from P. Das Gupta, Esq., Assistant L.G.T.C., Dacca (Eastern Pakistan), to C.C. Desai, Esq., Secretary, Ministry of Commerce, New Delhi.
- (11) Copy of SECRAPHONE MESSAGE No. 44029, dated 24.1.1950, from N.M. Ayyar, Esq., Chairman Calcutta Port Commissioners, to C.C. Desai, Esq., Secretary, Ministry of Commerce, New Delhi.
- (14) Copy of Secret Telegram No. 370, dt. 24.1.50, from P. Das Gupta, Dacca, to C.C. Desai, Esq., Ministry of Commerce.

- 82
- (1) Copy of Secret letter No. 367, dated 21.1.1950, from P. Das Gupta, Esq., Asstt. I.O.T.C., Dacca (Eastern Pakistan), to C.C. Desai, Esq., Secretary, Ministry Of Commerce, New Delhi.

In a telegram despatched a few days back, I intimated you about the tussle between the Jute Board and the District Magistrate, Khulna. As a matter of fact, the District Magistrate of M Khulna had refused to act upon the release order issued by the Chairman, Jute Board, and insisted on the procedural technicalities of having the order issued under the authority of the Chief Secretary, East Bengal. The steamer companies concerned, thus, found themselves fixed between the two horns of a dilemma and referred the matter back to the Jute Board. The latter, however, brought the matter to the notice of the Chief Secretary, who again sought specific instructions from Karachi. In the local official circle it was reported last evening, that Karachi had advised unconditional release of all the jute barges under reference and the necessary instruction was being issued to S.D.O. Khulna, by the Chief Secretary. If this information can be relied upon - and it appears quite probable - the barges may soon be expected to move out more freely. Yet, I would not entertain too much optimism. I had cautioned much earlier that things at this end had the appearance of a trick and we needed to proceed with extreme care. It is now nearly two weeks that Mr. Fareque assured immediate release of the detained jute consignments. Nonetheless, the actual performance here and the rate of receipts at our end are admittedly disappointing. And I hope, you have already realised the basis of my suspicion. Where sincerity is lacking, there are numerous ways to evade a promise. Coal position being desperate here, the authorities are being forced to release the detained barges. But even then, they will do it with utmost reluctance and only because of our firm attitude. As for myself, I am obviously not inclined to believe in their words. I would judge them only by their deeds. It is now palpable that

Pakistan.....

83

Pakistan had, with evident purposes, sponsored an inspired propaganda regarding release of jute, just to mislead us into a false belief and thereby to induce us to release coal. In fact, 'the Statesman' at our end did the propaganda, and it is not improbable that Mr. Waheb (a Muslim Youngman), who is the local representative of the paper, either worked upon insufficient information or connived at it. Be that as it may, we should refuse to discuss the question of coal supply before the last bale of detained jute has been unconditionally released, transported to India and actually received by our mills. Personally, I would not favour the idea of ~~xxx~~ releasing coal even then, simply because these five lakh bales would not solve our problem permanently. Selling out and exporting coal, when we presumably need to conserve our resources of this essential fuel and our own industries have none too plentiful supply of it, is evidently no profitable commercial proposition. In fact, all the Indian experts and economists, as also the 'Neegy Committee on Coal Mines' advocated the policy of careful conservation of this strategic mineral. The large-scale industrialization of the country, as envisaged in our development plans, would necessarily result in a manifold increase in coal consumption within India, and this would itself justify utmost economy in the use of coal and an austere policy in the exploitation of our mines. The natural resources in alternate fuels like petrol being too meagre compared to our requirements, careful austerity in the use of coal would appear almost imperative. It should, accordingly, be conceded that India, in the true sense of the term and consistent to her national interests, cannot be deemed to possess any exportable surplus of coal; and this particular commodity could hardly be considered as an usual item in the category of our exports. We could agree to supply coal to Pakistan only as a special case, and such special preference would not be justified unless Pakistan made it possible for our industries to freely buy from her markets their requirements of jute, cotton and hides and skins at prices competitive and reasonably cheap. It cannot obviously be our contention ~~that~~

that Pakistan should devalue her rupee. But she must cut down her export prices to an extent sufficient to assure that the present cost-structure of our industries would not suffer inflationary disturbance any further. This might, of course, mean extreme privation to her agricultural population and may sharply rebound on the average standard of living, which is admittedly too low. But in case, it is not deemed possible to resort to such price-cuts to neutralise the effects of an artificial exchange ratio, the only alternative would be to accept devaluation. Unless Pakistan agrees to either method of reasonable adjustment, she would continue to remain a closed market for us, wherein we could neither buy our requirements nor sell our manufactures. In a position like this, there would be little justification for supplying coal to them, simply because they might release the jute in transit or our pre-devaluation purchases and thus refrain from a highly improper action.

However, the coal position here is worsening every day, with the consequence that the production units are being more seriously affected. Smaller units are suspending operation, while bigger ones are carrying on precariously on a much reduced scale; and that too, on the hope, that coal from India would be available within a few days. Messrs. Kumudini Welfare Trust Ltd. at Narayanganj, the largest of the pucca baling houses, now operating under the direct control of the Jute Board, have coal in their stock, only for two days more, it is reported to-day. What will happen next seem unknown as the local Govt. are admittedly not in a position to replenish stock. Requisition of private stocks have already raised a clamour and the total claims that the Government may have to pay by way of compensation to the brick-fields is estimated at Rs. 12 lakhs (rupees twelve lakhs).

I am furnishing herein below a list of the flats belonging to the Bengal Steam Navigation Co. Ltd. and now detained at different stations in East Bengal:

- | | | |
|--------------|----------------|---------------|
| (1) Eton, | (2) Willemsen, | (3) Grief, |
| (4) Falkirk, | (5) Watford, | (6) Peterhead |
| (7) Cork, | (8) Ardsneath, | (9) Rugby |

- 4
- | | |
|------------------|------------------|
| (10) Dunis, | (11) Leith, |
| (12) Pebbles | (12) Portsmouth, |
| (14) Berthwick, | (15) Lerette, |
| (16) Winchester, | (17) Glasgow, |
| (18) RM Derby, | (19) Aberdeen, |
| (20) Manchester, | (21) Plymouth, |
| (22) Chester, | (23) Fulmouth, |
| (24) Farfore, | (25) Epsom, |
| (26) Feway, | (27) Cardiff, |
| (28) Caithness, | (29) Dumblane, |
| (30) Montrose, | (31) Belfast. |

~~(32)~~

Of the above 9, 14 and 15 are expected to be allowed to move out in a day or two, if they are not already on the move. As to others, nothing definite is known besides that these are not reported to moving yet. As to the flats belonging to the I.G.N. and R.S.N. a few have already moved out and a few others are expected to follow soon.

- (11) Copy of SECRETPHONE MESSAGE No. 44029, dated 24.1.1960, from N.M. Ayyar, Esquire, Chairman of the Commissioners for Port of Calcutta, to C.G. Desai, Esquire, Secretary to the Government of India, Ministry of Commerce, New Delhi.

12 steamers and 11 flats have arrived up-to-date bringing in all fifty two thousand four hundred and sixty three tea chests and one hundred thousand one hundred maunds of jute from Assam and sixty seven thousand two hundred and four maunds of Pakistan jute (.)

2 steamers and 4 flats with two thousand five hundred tons of coal allowed so far to proceed to East Bengal for movement of detained cargoes (.)

3 steamers and 2 flats with jute tea wax allowed to leave Dhubri Ghat on 21st January for Calcutta via Pakistan as an experiment (.)

Reference shortage of petrol for sugarcane movement by North Bihar (.) First consignment is reported to have reached Gorakhpur on 17th instant (.) Other wagons on their way (.) Basu, O.T. Railway, Gorakhpur, states that position has improved (.) Further details awaited from him (.) Instructions issued to expedite generally movement of tank wagons from Assam to O.T. Railway (.) Ministry concerned may be advised accordingly.

(115)

CCB No. 670

O.T.P.

Telegram

SECRET

From
To

DYHICOMIND, DACCA.
FOREIGN, NEW DELHI.

DTO JAN 24 NIL
DTR JAN 241825

IMMEDIATE

No. 370. Secret. From Das Gupta for Desai Ministry of
Commerce.

I.G.M. and R.S.M. suspended some* of their
passenger steamer services within East Bengal curtailed
even* more with effect from Monday 23rd. Dacca Express
from Narayanganj to GUALANDU connecting Dacca Mail to
Sealdah suspended and one mixed service only maintained.
Letter follows.

*by ch

Ministry of Commerce.

New Delhi, the 20th January, 1950.

A copy of the undermentioned paper is forwarded to :-

- (1) H.M.
- (2) P.S. to Deputy Prime Minister.
- (3) P.S. to H.M. Transport.
- (4) P.S. to H.M. Finance.
- (5) Ministry of Finance (R.D.) (Mr. K.R.K. Menon)
- (6) Ministry of Finance (E.A.) (Mr. K.G. Ambegaokar)
- (7) Ministry of Agriculture (Mr. K.L. Panjabi)
- (8) Ministry of Food (Mr. R.L. Gupta)
- (9) Ministry of I. & S. (Mr. S.A. Venkataraman)
- (10) Ministry of Transport (Mr. Y.N. Sukthankar)
- (11) Secretary, Economic Committee (Mr. P.C. Bhattacharyya)
- (12) Financial Commissioner, Railways (Mr. A.K. Chanda)
- (13) Chairman, Indian Jute Mills Association, Calcutta. (Mr. J.R. Walker)
- (14) Chairman of the Commissioners for Port of Calcutta. (Mr. N.M. Ayyar)
- (15) Chief Controller of Exports (Mr. L.K. Jha)

21.1.50
for (C.C. Desai)
Secretary to the Government of India.

D.O. Letter No. 212, dated the 14th January 1950 (with enclosures), from Shri P. Das Gupta, Assistant Indian Government Trade Commissioner in East Pakistan, Dacca, to Shri C.C. Desai, Secretary to the Government of India, Ministry of Commerce, New Delhi.

Assistant Indian Government
Trade Commissioner, in
East Pakistan, Dacca.

Dated, the 14th January 1950.

Dear Mr. Desai,

I would avail of this opportunity to invite your attention to certain news items published in the Statesman during the last few days. These evidently convey the false impression that the entire 5 lac bales claimed as our pre-devaulation purchases have been checked and permitted for transport to Indian destinations by the Pakistan authorities. This would be an undue exaggeration of facts and even lead to over-optimistic assessment of the situation. In my report dated the 12th instant, I had mentioned some of the barges and had given my estimate of the total quantity. The Jute Board, in a statement issued last evening substantiated my estimate. For your information, I am quoting the statement at length, which reads as follows: "A recent report published in the Calcutta issue of the Statesman, which attributed to the chairman of the Jute Board a statement to the effect that five lakh bales of jute purchased by India were pending release is not true. The fact is that, after examining individual cases, a substantial portion of the jute loaded in boats has already been released, but this does not amount to more than 80 (eighty) thousand bales. The balance of the jute loaded in boats and claimed to be stored in godowns but purchased with funds brought before devaulation the board has asked all the shippers to furnish the requisite proof. The Jute Board's stand on the issue has not changed and if the shippers had furnished the necessary proof when asked for, the jute now released would have left Pakistan much earlier".

As to the B.A.S. Company's barges released so far, I have already furnished you the list obtained from the Agent of the company. The names of other released flats belonging to I.G.N. & R.S. N. are noted below :-

Name of Flat.	Station where they <u>were hauled up.</u>
1. Tandala	Khulna
2. Zumani	
3. Bawali	
4. Tupland	
5. Regani	
6. Nakalen	Sharihabari
7. Deopani	Serajganj
8. Tomluk	Guolundo
9. Naldim	
10. Rajnagar	Narayanganj
11. Bangaon	Chandpur
12. Nurna	Rajshahi
13. Behar	Bhairabi
14. Rampur	
15. Tyron	

So far as it is possible, the names of the jute flats above and the names communicated earlier have been varified from the office of the shipping companies and these should not be mistaken as being the names of the steamers towing the barges. Coal ration of the steamers should be strictly on the basis of their actual consumption requirement for a return trip. It would have been better if, instead of launches, small crude oil crafts could be despatched to carry the released barges to India, so as to assure against any possible ~~xxx~~ smuggling of coal. I have despatched a cypher telegram this night, which will speak for itself. In fact, the suspension of coal supply from India became effective only from the 4th or 5th of this month. This is because, despatches prior to the 22nd were being actually received at this end early in the first week of January. To-day is the 14th instant; but within this 10 days coal position has become acute. As reported earlier, stocks of individual firms were being requisitioned from the beginning of the second week. But such stocks available on requisition are also very meagre and the water supply and the sewage pumping stations are being maintained on a precarious supply. Kusthia Cotton Mills had no coal, and day before yesterday coal stocks of the Gopalpur Sugar Mill was requisitioned and 500 (five hundred) tons allotted to Mohini, because their mill

engaged much larger number of workers than the sugar mill. The position of the Dhakeswari group of mills is equally bad, and the authorities have ordered that all individual stocks held in Narayanganj should be immediately surrendered to Dhakeswari turbine. Secretary of the Dhakeswari mills saw me to-day and told that even with this requisitioned stock they could not carry on for more than 10 (ten) days. He has accordingly, notified all consumers and factory workers that the mill may have to be closed down for fuel shortage without any further notice (and this is because a 10 day's notice is necessary under law.). The provincial authorities admit their helplessness. Just to keep the rails going some how, with mixed fuel of coal and wood, the entire 'Bhawal garh' (the famous shall forest of Bhawal), the only source of wood fuel, has been requisitioned by this Government. You will remember that Mr. Faroque in his Calcutta meeting told you that they had stocks for one month and a half. That was also my idea then. But now it is found that the position is much worse than assumed by us. And I see no way how they could continue beyond the end of this month at the most. Now for them the most critical hour has arrived. I don't know, what would be the attitude of the Government of India. But I am inclined to the view that at this moment we should be firm in our attitude. Obviously, the Jute Board's statement above is a face saving polish, while they are, in fact, yielding to our pressure. Yet this face-saving has a lot of political significance. In my estimate, everything here would collapse by the end of this month, unless coal is obtained or it can be entirely substituted by wood, which I do not think practical or technically feasible. You have actually stopped coal supply only for the last 10 or 12 days of this month and the situation has turned so bad already.

Besides, in shaping our policy we must also remember that if we show softness this time, we can never expect to hang them on coal any more in the future. This is simply because they will take the full lesson of it, this time, and shall build up, at all costs, a minimum of six month's reserve to tide over any emergency. This is a very significant point and would deserve

serious consideration. If we relax now, I am afraid, we lose a special weapon in our armoury. If you decide to be firm at all costs, we may get our jute and have them in our grip too. Be that as it may, smuggling should be stopped in any case, and for that we may ban the movement of all river crafts between India and East Bengal. For passenger traffic, only the train services from Sealdah should suffice. Of course, the I.G.N. and R.S.N. Companies will be affected and they will be forced to suspend their passenger services within East Bengal. But that would be politically helpful to us inasmuch as the crisis, thus, developed would completely disgrace the present Government and might usher into a new and more sensible regime. In any case, I am not sure about Pakistan's attitude. Our goodwill, they mistake as our weakness. Our reasonableness, they misinterpret as a mere hoax. We must have ^a showdown with them, not because we like, but because we cannot avoid it; and the present occasion is possibly the most opportune. In the long term interest of the country we should, if so necessary, discount the difficulties of our jute mills for the time being.

Two enclosures are forwarded herewith for your kind perusal and information.

Yours sincerely,

Sl/- P.Das Gupta,
Asstt. Indian Government Trade
Commissioner.

To
C.C. Densi, Esquire, C.I.E., I.C.S.,
Secretary to the Govt. of India,
Ministry of Commerce,
New Delhi.

Messrs. Hardoe Glass Works,
Tikatuly, Dacca.

Where as it appears from a reliable information that you have got a huge stock of steam coal in and attached to your factory which it is in the interest of the public services indispensably necessary to freeze. It is, therefore, ordered that the entire stock of the coal now lying in your stock are forbidden to be used, sold and otherwise disposed of by you without any specific

== : 5 : ==

specific order from me with effect from today, the 9th January, 1950.

Sd/- District Magistrate,
Dacca,
9.1.50

They had a stock of 300 tons of this 100 tons have been allocated to the Water Works and 100 tons to the Dacca Electric Supply, which belongs to a company incorporated in India, the managing agent being ^{the} Octavias Steel Ltd. Dalhousie Sq. Calcutta. Similar notices have been served on many others.

Sd/- P. Das Gupta.

No. A/569/50/2

Jute Board,
Narayanganj

Dated the 9th Jan. 1950.

To

The Joint Agent,
I.G.N. & R.S.N.,
Narayanganj.

Dear Sir,

With reference to the meeting that you had with the Jute Board on the 9th January, 1950, in connection with the release of flats carrying jute from East Bengal to India, would you kindly arrange to obtain from the shippers certificates for consideration and approval of the Board that the money paid for the jute was received by them prior to the 22nd September, 1949. On receipt of these certificates the Board would then consider the release of these flats or the individual consignments loaded in these flats. The names of flats are as follows.

- | | |
|-------------|-------------|
| 1. Purneah | 10. Rakti |
| 2. Badiyar | 11. Rannati |
| 3. Dhumlam | 12. Nepaul |
| 4. Ragha | 13. Palkot |
| 5. Jamtara | 14. Rampali |
| 6. Raniganj | 15. Bhandi. |
| 7. Katla | |
| 8. Nagar | |
| 9. Lungleh | |

P.T.O.

914

== : 6 : ==

2. In addition to the above certificate the jute that has been loaded from the 25th October 1949, certified invoices for the same have to be produced by the shippers to ensure that minimum prices as laid down by the Government in their ordinance have been maintained.

Yours faithfully,

S/- S.H. Qureshi.

Secretary
Jute Board.

.....

SECRET 92

P. 552-200/1/100
GOVERNMENT OF INDIA.
MINISTRY OF COMMERCE.

New Delhi, the 17th January 1960.

A copy of the undermentioned paper is forwarded to :-

- | | | |
|------|--------------------------------------------------|--------------------------|
| (1) | H.M. | |
| (2) | P.S. to Dy. Prime Minister. | |
| (3) | P.S. to H.M. Transport. | |
| (4) | P.S. to H.M. Finance. | |
| (5) | Ministry of Finance (RD) | (Mr. K.R.K. Menon) |
| (6) | Ministry of Finance (RA) | (Mr. K.G. Ambekar) |
| (7) | Ministry of Agriculture | (Mr. K.L. Panjabi) |
| (8) | Ministry of Food | (Mr. R.L. Gupta) |
| (9) | Ministry of I. & S. | (Mr. S.A. Venkataraman) |
| (10) | Ministry of Transport | (Mr. Y.N. Sakhankar) |
| (11) | Secretary, Economic Committee | (Mr. P.C. Bhattacharyya) |
| (12) | Financial Commissioner, Mys. | (Mr. A.K. Chanda) |
| (13) | Chairman, I.J.M. Assn., Calcutta | (Mr. J.R. Walker) |
| (14) | Chairman, Commissioners for
Port of Calcutta. | (Mr. H.M. Ayyar) |
| (15) | Chief Controller of Exports | (Mr. L.K. Jha) |
| (16) | Mr. B.N. Bhakravarti, Calcutta. | |

for (G.C. Desai)
Secretary to the Government of India.

Extract from secret letter No. 15-ATG(4)/50-170, dated 12th January 1960, from Shri P. Das Gupta, Asstt. I.C.T.C. Secy, to Shri C.C. Desai, Secretary, Ministry of Commerce, New Delhi.

Extract from secret letter No. 15-ATC(8)/50-170, dated 12th January 1960, from Shri P. Das Gupta, Asstt. Indian Govt. Trade Commissioner, Dacca (Eastern Pakistan), to Shri C.C. Desai, Secretary to the Government of India, Ministry of Commerce, New Delhi.

Subject:- Latest position of the jute market in East Bengal.

In continuation of my letter No. 15-ATC(4)/50-83, dated January 9, 1960, I beg to address you on the above subject and to submit the following for your information and necessary action.

1. In pursuance of their usual policy, the Jute Board issued a statement in contradiction of the news published in a section of the Indian press. In course of the press note issued by the Jute Board it is stated that "certain incorrect statements have been appearing in sections of the Indian press in connection with visits of the Chairman, Jute Board to Delhi and Calcutta. These visits were for personal reasons, although during his stay both in Delhi and Calcutta, the Chairman has had some informal talks with the officials of the Government of India and representatives of the Indian Jute Mills Association. No information of any nature was given to the press and the news appearing in the press have been of speculative nature and exaggerated. The position of the Jute Board in regard to release of jute detained in East Bengal for proof of payment remains as before. The Board has been willing to examine and release jute in accordance with the procedure laid down by the Board from its very inception, which unfortunately was not

followed by.....

followed by shippers or consignees and hence the delay in the release of jute".

Obviously, the above statement is a face-saving explanation. The legalistic standpoint that the jute consignments were not frozen, obstructed or deliberately prevented from movement, but were delayed in course of the usual Customs checking and allied formalities, for which the responsibility was no less on the shippers themselves, would evidently enable the Government of Pakistan to avoid the allegation of any violation of the Barcelona Convention. I had occasions to note much earlier in my reports that the Government of Pakistan, while apparently avoiding any violation of international law, would always seek to interfere with the Inter-Dominion trade, simply by putting up administrative barricades and practical impediments, under various pretences of technical difficulties. The situation at this end had almost the appearance of the Berlin Blockade, which the Russian authorities subsequently sought to explain as an organisational breakdown of the transport system. In dealing with Pakistan, we must obviously be prepared for such emergencies, which while precipitating a virtual breakdown of trade relations, may not have, on strictly legalistic interpretation, the appearance of violation of the Inter-Dominion trade agreements.

However, in continuation of my telegram despatched to-day, I am in a position to report on authentic grounds that the Jute Board, in logical pursuance of its standpoint, has certified individual cases of jute shipment, and has permitted the navigation companies to renew the movement of some of their barges, long detained on the way at Khulna. The barges detained at Barisal have been likewise advised to proceed to Khulna for Customs checking. In pursuance of this, the navigation companies have scheduled a number of their launches and have ordered them to proceed to Khulna and to carry onward the released barges en-route to Indian destinations. So far as information could be gathered, 9 (nine) barges, (marginally noted) belonging to R.A.S. Company have been permitted to move on. On average, these barges contain 3,000 (three thousand) bales of jute each, - their total load being thus about 27,000 bales. Three steamers have been scheduled to carry on these barges, and of them s.s. Norway and s.s. New Zealand left Narayanganj for Khulna yesterday, while s.s. India is reported to have been ordered to proceed to the same place from Calcutta. Besides, 15 (fifteen) barges belonging to I.G.N. and R.S.N. Co. have also been permitted to move. Their total carrying load is 2,02,800 maunds or 40,560 bales of jute. Thus, so far, the total customs release at this end only covers 67,560 (40,560 + 27,000) bales of jute. More barges are expected to be released soon. But it is not sure as yet if all the detained barges will be allowed to proceed to Indian destinations or the new method would prove to be a mere token gesture, just to induce us to review our coal supply policy. Lest any further complication should arise in the process, I am inclined to the view that we should stick to an unconditional release of our jute and should refuse to discuss the coal supply position until the bulk of the detained barges has been released and returned at their Indian destinations. In fact, Pakistan's unconvincing pretext (politically a face-saving plea) that the barges were not hauled up and as such the question of release did not arise, these being merely delayed in course of Customs checking, should presumably release us from the corresponding obligation of supplying coal as per Hon'ble Minister's latest statement on the floor of the Parliament. In that case, it may be possible for us to use their own plea against them, if and when necessary.

1. Caithness
2. Fowey
3. Cardiff
4. Leretto
5. Dumblane
6. Montrase
7. Rugby
8. Epsom
9. Belfast

Market reaction, at this end, has been as expected. The declining trend of prices seems to have been halted since yesterday afternoon, though of course, varieties like x-bottom, for which India is the only buyer, is still quoted downward. Obviously, on the release of all 5,00,000 bales of pre-devaluation purchases, the market would come to bear a more encouraging psychological mood and there may be a consequent toning up of the prices, though not to the same extent as before. The reasons is obvious. Foreign buying had declined sharply and is likely to decline further in the coming months. Moreover, after the selected varieties have been substantially disposed of, the vast residue of Bottoms, X-bottoms and Mixed lots should be a real problem with Pakistan, unless they either devalue their currency or agree to reduce the official minima sufficiently to enable us to buy in Pakistan despite the currency ratio. Thus the problem at this end will not be solved.

On our side, however, the receipt of the five lakh bales detained so long, would materially strengthen the mill position. But it is difficult to visualize the position of the mills vis-a-vis their total supply, actual and potential, of jute both Indian and Pakistani, to appraise if they could be expected to carry on till the beginning of the next crop year without any further regular purchase of jute in Pakistan. So far as bottoms and X-bottoms are concerned, their smuggling to India is likely to increase in future, unless the Jute Board seriously intends to buy up the entire crop, which again is very unlikely. In any case, Indian mills could not be expected to buy jute in Pakistan at the existing uneconomic rates. Even if they could, it would not have been advisable to allow them to do so, simply because of the currency ratio and Pakistan's intention to seal us jute without buying anything from us, and thereby to earn an overall favourable balance at our cost. Similarly, it would be a difficult proposition for us to buy so huge quantities of raw materials from a hard currency area and to sell the manufactures thereof to soft currency countries. In the long run, we would simply lose much of our foreign markets in jute goods, and might even face difficulties in maintaining our own acreages of jute, the cultivation of which has recently been extended at a considerable cost. I am, therefore, of the opinion that it would be all the more convenient for us to force a final showdown at this stage. There is no denying the fact that even after the jute barges are released, the principal issue remains. Pakistan authorities have always been reluctant to sincerely work out the Inter-Dominion trade agreements. If they have not legally violated them, they have persistently obstructed their fulfilment in various administrative pretences, and have virtually rendered all those agreements into mere dead letters. On our part, therefore, we could hardly agree to what practically proved to be an one-way goods traffic, without having uncomfortable consequences on our balance of payments position. Besides, with the operation of exchange control on either side, the movement of miscellaneous capital (such as rentals on account of Zamindari rights of the evacuee Hindus, business profits and company dividends) would come to be more seriously restricted in future, with further turning of the Inter-Dominion payments account against us. All these embarrassing prospects would possibly demand a more determined attitude at this stage. Evidently my suggestion is that we should continue to deny Pakistan the supply of coal, unless she either finds her way to devalue her currency at par with India or agrees to a new barter system of trade. If, thus, the issue is forced to its logical end, it may not be too much to expect far-reaching political changes in East Bengal, the present coterie of the supporters of the Karachi regime being ousted by others more reasonable in their attitude as towards India.

Nonetheless.....

Nonetheless, it may not be conventional propriety to ~~simply~~ deny the supply of coal to Pakistan straight away, as it may impart a semblance of truth to the allegation of unilateral annulment of the Inter-Dominion trade agreements from our side and might even lead to the counter charge of economic sanction. But it should be quite feasible, both legally and otherwise, to impose a prohibitive export duty on Indian coal (as has been done in the case of mustard oil), provided, of course, we have not committed ourselves to another country in respect of coal supply under the existing bilateral agreements and have not to encroach upon third party interests unduly. In case we happen to have committed ourselves to third parties, it may be necessary to resort to the plea of coal shortage, wagon difficulties and custom's cheating and the like. This would mean forcing up the crisis at this end, demanding an immediate solution of the following major issues :

- (a) How to dispose of the residual stock of jute (estimated at about 50 per cent of the 1949-50 crop), for which there is no large-scale buyer except India.
- (b) If the Jute Board cannot buy up the entire crop, for obvious reasons, how the official floor prices could be maintained any longer, with India off the market and the foreigners not interested in inferior qualities, that constitute the major part of the crop.
- (c) How Pakistan could manage the jute affair, with so large a carry-over of the current year's crop at the beginning of the next crop year.
- (d) How East Pakistan could manage with coal imported from Poland or South Africa, which would practically exhaust the present capacity of the Chittagong port.
- (e) How could East Pakistan maintain her industrial and economic activities with so uncertain coal supply position.
- (f) How could Pakistan maintain her currency in the face of a persistent deficit international payments position.

2. Coal position: The coal position at this end has obviously deteriorated. The goods trains that are still being maintained on the Marayanganj - Chittagong life-line of East Bengal are running with fewer wagons, as the use of coal and wood fuel do not yield the necessary steam-pressure to run the usual number of wagons. Nonetheless, the authorities are endeavouring to maintain the essential services (such as Dacca Electric Supply, Water Works, etc.) at all costs, and since yesterday coal stocks of private industries are being requisitioned. But this would mean closure of industries and the consequent unemployment, though the Hindu factory-owners can, for some time, be compelled to sustain some loss and pay their workers even without work. Nonetheless, it shows the increasingly tight position at this end. In this respect, if we could stick to our position, I have reasons to believe that the Pakistan authorities would either come down or would face a complete complete collapse of the economic fabric of East Bengal.

3. Free Market Exchange Rate :

The free market exchange rate has gone substantially against Pakistan in relation to sterling and dollar. While earlier jute export contracts were stipulated at the rate

of £1 = Rs. 9/1/- (Pakistan), for the last few days sterling seems to be in demand at the high rate of Rs. 10/8/- (Pakistan) = £1. In the market there are buyers even at Rs. 11 per £1. Equally for dollar, there are buyers at Rs. 4/4/- to Rs. 4/6/- (Pakistan) for \$1. This might be due to the whispering campaign of devaluation and the consequent flight of big capital, which I had noted in earlier reports.

The free market ratio between the two rupees remains virtually at par, there being little of commercial payments. But recently, there seems to have been some flight of capital from India to Pakistan. Thus, the sale of ~~xxxx~~ Adamjee Jute Mill and another large oil mill belonging to another Muslim gentleman, who has preferred to liquidate his assets in India and to evacuate to East Bengal, have released some capital at our end. The total amount involved is estimated at 75 lakhs of rupees, and the entire amount is now in the process of transfer. The Major part of the transfer is reported to have been arranged with Messrs. Toolaram Bachraj, who has demanded a discount of Rs. 5,25,000. That is against rupees seventyfive lakhs received in India, he would pay to the parties concerned in East Bengal Rs. 5,25,000 less, which would be his net profit in the transaction. This is likely to be mistakenly interpreted as a discount of Rs. 7 per cent on the Indian rupee or in other words a free market exchange ratio of Rs. 100 (Indian) = Rs. 93 (Pakistan). But in fact, it only indicates that allegedly frightened capital would tend to trickle through all exchange restrictions even at substantial losses. That no reverse movement of capital could have taken place now at the above ratio clearly shows its unreality. Moreover, the creditor at the Pakistan end loses substantially, while the debtor at the Indian end makes a clear profit, without there being any prospect of reverse transaction wherein Pakistan rupee could obtain a similar premium on exchange into Indian rupees. Besides, the Government of Pakistan having declared illegal any transaction below the official rate of Rs. 100 (Pak) = Rs. 144 (Indian), the usual discount of one or two rupee either way may well be recognized as the charges for undertaking the risks involved.

98

Copy of letter No. 7/8/50, dated 17th January 1950, from R.L. Gupta, Esquire, Secretary to the Government of India, Ministry of Food, Jammagar House, New Delhi, to C.C. Desai, Esquire, Secretary to the Government of India, Ministry of Commerce, New Delhi.

Please refer to your D.O. letters No. 80-Secy/50 dated 18th January and No. 87-Secy/50 dated 15th January 1950 regarding the use of DW bags instead of B twill bags for bagging foodgrains. We are considering the question from all aspects and I hope to let you have our final views in the matter within two or three days. I doubt if it ~~ix~~ will really be a saving to use DW bags exclusively for bagging foodgrains landed at the ports. We have already agreed to use DW bags for bagging foodgrains landed at Cochin and Madras ports. We have also advised the Provincial Governments to use DW bags and to reduce their indents as far as possible. Copies of letters sent to Provincial Governments are enclosed.

No. 147-Secy/50.-17
Government of India.
Ministry of Commerce.

New Delhi, the 18th January 1950.

Copy forwarded to :-

- (1) Chairman, Indian Jute Mills Association (Mr. J.R. Walker)
- (2) P.S. to Deputy Prime Minister.

for (C.C. Desai)
Secretary to the Government of India.

99
No. PD.II-252
GOVERNMENT OF INDIA
MINISTRY OF FOOD

NEW DELHI, THE

17th JANUARY 1950.

From

K.R.Damle Esqr., I.C.S.,
Joint Secretary to the Government of India,
Ministry of Food, NEW DELHI.

To

All Provinces and States.

SUBJECT :- GUNNIES REQUIRED FOR INTERNAL PROCUREMENT OF
FOODGRAINS :-

Dear Sir,

I am directed to invite a reference to this Ministry's letter of even number dated the 8th December, 1949 and to state that in view of the present restricted supplies of jute goods, the necessity of curtailing internal consumption, and difficulties in procurement of particular size and type of bags, it has been suggested that instead of B Twill bags only being used for packing foodgrains, D.W. bags may be used as far as possible for internal procurement of foodgrains within the provinces/states. D.W. bags (40" x 28" x 21b) are slightly smaller and lighter than B Twill bags (44" x 26 1/2" x 2 1/2lb) but as the internally procured grains will in most cases move over

99/A

-2-

comparatively small distances within the province, the use of DW bags is expected to give satisfactory results.

Under the circumstances, it will be appreciated if it is stated in your indents that D.W.bags would also be acceptable.

Yours faithfully,

K.R. Damle

(K.R. DAMLE)
JOINT SECRETARY TO THE GOVERNMENT OF INDIA.

103

No.P & D/II/252-
Government of India.
Ministry of Food.

New Delhi, the 5th December, 1949.

From

R.L.Gupta, Esqr., I.C.S.,
Secretary to the Government of India.

To

All Provinces and States.

Dear Sir,

I am to invite your attention to the decision taken at the Rabi Conference held at New Delhi in May 1947 that the Administrations needing gunny bags for their procurement would place indents on the Ministry of Industry and Supply which will be sponsored by the Ministry of Food. This arrangement of purchases through the Ministry of Industry & Supply who have a centralised purchase organisation for jute goods, was decided with a view to avoid markets being disturbed and prices raised as a result of spasmodic purchases by different administrations, often for immediate delivery. Indents in accordance with this decision were received only from some of the Administrations from which it appears that other Administrations continued to make arrangements for their requirements otherwise. The need for a coordinated policy in respect of purchase of gunny bags has now become imperative on account of the shortage of supply of raw jute from Pakistan. The Administrations should therefore not only make no purchases other than through the Ministry of Industry & Supply but should indicate their requirements well in advance to enable the Ministry of Industry and Supply to make purchases without disturbing markets. In this connection attention is also invited to letter No. JST/46/A dated 21st November, 1949 from the Ministry of Industry & Supply to all Provincial and State Governments detailing the procedure to be followed by Provincial and State Governments in respect of their requirements of jute goods.

2. The supplies of jute goods available at present are very restricted and this position is likely to continue for some time. At the same time it is necessary that the maximum quantities are made available for export. With short supplies and need for export, it is incumbent on the consumers in India to curtail the internal consumption to the maximum extent possible, by exercising utmost economy in the use of new gunny bags. Ways and means should be devised whereby new gunnies in which imported foodgrains are supplied by the Central Government are collected back and again put into use for procurement purposes. Arrangements should also be made for the gunnies to be returned by the Ration Shops in ration towns, so that they can be used over again.

3. Special care will have to be taken to ensure that second hand gunny bags do not carry infestation which might have been present in the old grain to the newly bagged grain. To eliminate this risk, the old gunny bags have to be fumigated with ethylene dichloride - carbon - tetrachloride mixture. Stocks of this fumigant are available with the Imperial Chemical Industries (India) Ltd. and indents may be placed directly on them as and when required. Advisory note No. 11 on the use of

this.....

this fumigant is enclosed for ready reference. Unless the fumigation is done thoroughly and under proper supervision, there will be grave risk of deterioration and loss of grain. There for it is suggested that arrangements should be made for the fumigation and redistribution of bags in larger centres where adequate staff is employed and where facilities for proper fumigation may exist.

4. The Administrations are requested to review their gunny requirements in the light of the above and place indents only when necessary and where indents have been placed to reduce the indented quantity as much as possible. The Ministry of Industry & Supply is being advised that indents from Provincial Governments and Administrations should be accepted only when they are sponsored by the Ministry of Food.

Yours faithfully,

(R. L. Gupta)
Secretary to the Government of India.

"7.12.49".
C plus.

GOVERNMENT OF INDIA.
MINISTRY OF FOOD.

DIRECTORATE
OF
STORAGE

ADVISORY NOTE NO. 11.

FUMIGATION OF GRAIN BY ETHYLENE DICHLORIDE
CARBON TETRACHLORIDE MIXTURE.

--oo:0:op--

In spite of all the care that one may take to prevent grain from insect attack, it invariably gets infested and then deteriorates. Fumigation is the only method to destroy insects in grain. There are a number of effective fumigants such as Cyanogas or Hydrocyanic acid gas, Carbon bisulphide, Methyl bromide, Ethylene dischloride Carbon tetrachloride mixture but the dangers involved in the case of all except the last one preclude their general use under the existing storage conditions in India. Ethylene dischloride Carbon tetrachloride mixture is available in ready form and is safe to handle with reasonable care. All kinds of grain such as wheat, paddy, rice, pulses, barley jowar and any other millet can be fumigated by it. It should NOT however be used in fumigating the flour products such as atta, maida or sugi. It is non-inflamable and does not leave any residual effect on the grain. It destroys all the adult insects and their larvae and has also some effect on the eggs. The vapours of this fumigant are three times heavier than air and when it is poured from the top they reach the bottom filling the entire space. The Ministry of Food has been recommending this fumigant and are themselves using large quantities in the Central Government Depots. Many provincial and state governments have also adopted its use. It can be used for fumigating grain in bulk or bags, seed grain or grain for consumption and empty infested bags. Since no elaborate equipment is required and the procedure is simple, the trade, the private stockist, the cultivator and even the housewife can use it with a little care.

2. Fumigation of grain in bulk : The grain may be in khattis or tin bins. The dose should be 40 lbs. for 1,000 maunds of grain. The fumigant should be measured out in a petrol tin or any other container with a narrow mouth and poured over the grain and the cover closed tightly, plastering the edges so as to ensure that the vapours do not escape. The cover should be opened after 24 hours if the quantities are small or after 48 hours if the quantities are large and free aeration allowed for about 24 hours so that vapours may diffuse out. In case the grain is not required for immediate use, there is no harm if the container is kept closed, the grain remaining exposed to the vapours as it will not be adversely affected.

3. Fumigation of grain bags : The godown or room should have a ceiling to prevent the vapours from escaping. All the windows and doors except one should be closed and any chinks plastered over with mud or pasted with paper. The dose is 20 lbs. for 1,000 cft. of space. The liquid should be measured out in 3 or 4 petrol tins and the operators should simultaneously pour out from the top of the stacks at different points and rush out of the room open door which should then be closed. The liquid soon vapourises and the vapours penetrate the grain and kill the insects. After exposure from 36 to 48 hours depending on the season, the longer period being allowed during the wet weather, the doors and windows should be opened from outside and free aeration allowed from 6 to 8 hours when the vapours will have escaped. The workers can then enter.

4. Fumigation of stacks under gasproof covers : It very often happens that neither bulk bins nor airtight godowns are available. Under these circumstances fumigation of infested grain bags should be carried out under covers made out of gasproof material. If absolutely gasproof material is not available, fumigation can be done under waterproof tarpaulins.....

tarpaulins and a commercial kill of 70 to 75 percent obtained. The bags should be arranged in a stack of suitable size depending on the size of the cover or the number of tarpaulins available. Any stack from 100 to 1500 bags can be fumigated at a time. The top surface of the cover should be provided with one to four openings (about 6" diameter) depending on its size. The openings should have flaps or should be fitted with leather tubes 9" long and 4" diameter. The requisite dose should be poured through these openings and they should be closed. The lower edges of the cover should be plastered over with mud so as to prevent the vapours from leaking out. In case water-proof tarpaulins are used the fumigant should be introduced from the place where they overlap at the top. After 48 hours the lower edges of the cover or tarpaulins should be lifted to allow the vapours to diffuse out. Four to six hours later the covers should be removed.

5. Fumigation of used bags : Empty used bags are often a source of infestation to the sound grain. As soon as grain is filled in these bags it gets infested and the insects multiply. To disinfect used bags, they should be made into rolls of 20 and put in a tin bin or any airtight room and the dose at the rate of 20 lbs. for 1,000 cft. of space should be given. In rooms it is better to arrange these rolls of bags on shelves. The rest of the procedure of making the rooms airtight and exposure period etc. is the same as given in para 3 above.

6. Fumigation of seed grain : Seed grain can also be treated by this fumigant. The grain should be stored in tin bins with closed fitting covers. The dose of 40 lbs. for 1,000 maunds of grain should be used. After introducing the fumigant the cover of the bin should be closed and the edges plastered over with mud. It may be opened when the seed is required for use. Concentration of the fumigant

vapours.....

vapours or exposure of the grain to them for long periods will not affect the viability of the seed. There is, however, no objection to open the cover after 48 hours, allow the vapours to escape and then to close it.

7. Household storage : The grain should be stored in small metal bins with close fitting covers. If insects are seen, the liquid should be poured at the rate of 1 oz. per maund of grain and the cover closed and edges plastered over with mud. After 24 hours the cover should be opened and the vapours allowed to escape. The smell of the fumigant disappears in about six hours and the grain is fit for food.

8. Availability and cost : This fumigant is sold in the market under two names i.e. Chlorasol and Killoptera. At present Killoptera can be had from the nearest branch of M/s. Imperial Chemical Industries Ltd. at Rs. 178/- per cwt. in bulk. *Calcutta / Bombay / Madras*

9. Precautions : The fumigant should be kept in a cool place under lock and key. The operators should avoid exposure to concentrations of the vapour. The liquid should be poured over the grain as quickly as possible with the operator's face in the direction of wind. After pouring the fumigant the cover or the door should be closed at once. It must be remembered that Ethylene dischloride Carbon tetrachloride mixture can also prove dangerous if handled negligently and therefore care should be taken while using it.

10. This note is intended to acquaint all those interested in grain conservation with this simple method of destroying insects. For any other information reference may be made to the Director of Storage, Ministry of Food, Government of India.

New Delhi.
18th September, 1948.

K.R. Sontakay
DIRECTOR OF STORAGE.

Committee Circular

103

PRIVATE & CONFIDENTIAL
FOR THE USE OF COMMITTEE MEMBERS ONLY

C. C. No.

10th January, 1950.

Dear Sir, Please find with the Hon'ble
Member 1st Division, 10th January 1950.

Enclosed for the Hon'ble Member are my notes on
the subject of the 1st Division, 10th January 1950.

I am, Sir, very sorry to hear of the death of
the Hon'ble Member, 1st Division, 10th January 1950.

(Signature)
Secretary to the Committee

NATIONAL ARCHIVES OF INDIA

[illegible]

Assam, Cooch Bihar, North Bengal and North Bihar, it was estimated in total that there remained about 10 lakhs bales still to be moved; and the rate of movement - depending upon existing rail facilities - was disappointingly low and certainly such that if not vastly improved upon would witness a closure of the mills. For some considerable time now that angle of things had been discussed and re-discussed; and the emphasis time and time again had been, expeditious movement of jute to the mills. Despite all this no concrete evidence of improvement had been witnessed. On the railways own figures of arrivals in Calcutta as supplied to the Association, only some 23 lakhs maunds had been received over a period of 9 weeks ended 31st December last.

In the present circumstances it was unthinkable that there should be jute in the country available for the mills but because of rail considerations not moved to the mills; and the urgent and imperative need of over-riding railway in the interest of the mills.

Full consideration on the subject had been made and well considered; but it was found; but if no better solution for the movement of jute to the mills, the prospects were not bright.

It was then suggested that in the provinces so that the movement of jute to the mills could be expedited, the social activities curtailed if not eradicated. It was suggested that if no such measures might validly exist in the provinces; that was a matter which could satisfactorily be dealt with. However, it was stated in the present state of affairs, the Government had no power to prevent and control the movement of jute to the mills who might wish to hoard jute.

It was then suggested that the continuance of the movement of jute to the mills and the rail movements

being so organised that it would reach the mills not in due course but quickly, preferably by early April at the latest. On that too depended an assessment of production levels with its effects upon India's exports targets and the resultant exchange, especially dollars.

Concurrence was expressed in the view that the main dependence in the movement of the Assam Jute should be on the railways; but the assistance which might be afforded by the steamer companies in river movements should not be disregarded. An attempt was being made to agree with the Pakistan authorities on a method of sealing the boats so that examination and/or detention of the boats whilst in Pakistan waters would be entirely eliminated. It took between 4/5 days for steamers to move through these Pakistan's waters in the transport of jute to Calcutta; and if some procedure for the regularised movement of jute could be devised so as to leave the risks of loss at the minimum, then work in these waters should progress. This also afforded a possibility of a direct - apparently much needed - to the railways not only over the Assam link but also at Monihari Ghat in that of Assam Jute should move under such a procedure as the one being visualised, similar action with other jute could be taken.

(3) Black Marketing.

In so far as jute is concerned that is non-existent. Mills are prohibited from buying jute except under the directions of the Assam Jute Control Board. It is to which all jute on offer is given a licence which directs it to the mill. After consideration is given to mill with 1000 bales of cotton, average in raw jute stocks; and the operation of the mill should witness a good and by the time of the mill, the operation not only in amount but in variety type is secured.

65

In jute goods black-market operations are still in existence. They have been considerably curbed and checked by various ad hoc actions of the Jute Controller; and slowly perhaps but surely the most effective checks are being applied.

(4.) Government purchases.

The waste both in jute and in money under the procedure followed in Government purchases was pointed out to the Hon'ble Mr. Patil. In commercial circles a D.W. flour bag was deemed as suitable as a B. Twill; and even in Government circles there was seemingly a blind belief in line with the foregoing for not all Government take B. Twills. It is even doubted if the carding machine would know the difference between the two bags; and with the extent of the Government orders on hand or proposed, a switch to D.W. flour would cost Government one crore of rupees and would give approximately 1000 tons of raw jute for the D.W. flour not taken by Government for B. Twill.

Mr. Patil, in his observations, nothing in a definite way to the effect that the Government should do this.

Such a large scale action of inspection by Government of the waste in which they were thus involved was also raised. It was pointed out that the jute goods from the mills which they took will be of the required article and they have been dealing with it all along without complaint of any measurable size.

It was also pointed out that they are such that they are not likely to be inspected and are such that they are not likely to be inspected. The Government maintain a large stock of jute goods for the production of these mills.

It was also pointed out that they are such that they are not likely to be inspected and are such that they are not likely to be inspected. The Government maintain a large stock of jute goods for the production of these mills. It was also pointed out that they are such that they are not likely to be inspected and are such that they are not likely to be inspected. The Government maintain a large stock of jute goods for the production of these mills. It was also pointed out that they are such that they are not likely to be inspected and are such that they are not likely to be inspected. The Government maintain a large stock of jute goods for the production of these mills.

surveyors under the system operated by the Bengal Chamber of Commerce to meet commercial purposes and needs (an inexpensive expeditious system already utilised by Government in matters of oilseeds exports); and (iii) dispense altogether with agents - the Provincial Governments are in this more principally in mind - and buy direct from the mills.

(5) General situation in Calcutta.

Whilst labour conditions in the jute mills were without complaint and quite satisfactory, still they could not be expected to remain unaffected by the increasing degree of general lawlessness and indiscipline in the Calcutta industrial area. Several instances of this were cited; but the Chairman felt that from other quarters as also in an independent assessment of the situation, the Hon'ble Mr. Patel would obtain a correct appreciation of the position. His purpose in mentioning the position was merely to stress how unhealthy were the conditions and how difficult it might be to keep the jute mill labour unaffected were these allowed to continue unchecked.

106

Copy of letter No. 15-ATC(4)/50-83 dated the 9th January, 1950, from the Assistant Indian Government Trade Commissioner, 8, Gopikrishna Lane, P.O. Wari, Dacca (East Pakistan), to the Secretary to the Government of India, Ministry of Commerce, New Delhi.

SUBJECT: Latest position of the jute market
in East Bengal.

In continuation of my letter No. 15-ATC(4)/50-54 dated the 5th January 1950, I have the honour to address you, on the above subject and to submit the following for the favour of your information and necessary action:

1. Jute market: The condition of the jute market continues unchanged except that the prospect of an early inter-Dominion settlement being now reckoned with cautious reserve and the earlier optimism yielding gradually to a positive feeling of disappointment, the depressing tendencies are gaining strength. While the arrivals are steady and the sellers resistance still obtains to a measure, the price-curve is below the official floor. Buyers' operation has declined very considerably and the market, being deprived of genuine consumption demand on any large scale, has lost the fervour that it had lately acquired. It had been reported earlier that much of the apparent activity was induced by an artificial short-circuit baler-dealer business, sponsored by the farm-price support policy of the Jute Board and its financial counterpart - The National Bank of Pakistan. Nonetheless, it was apparent from the beginning that such artificial boom conditions could not be expected/

expected to last long, unless the condition was rendered favourable for her biggest customer, India, to re-enter the Pakistan Jute market and thus offer the essential buyers' support. The only alternative to this was for the State of Pakistan, directly or indirectly, to buy up the entire crop except the relatively smaller percentage of Tossa and Superior white jute that might be exported abroad through the Port of Chittagong. The latter proposition not only involved serious risk for a new State with limited resources, but was gigantic in its physical implications and the practical difficulties were conceded to be almost deterrent. In the initial stage, however, the cumulative pressure of deferred foreign demands encouraged the Jute Board in its activities. Still, the greater support was rendered by the speculative elements, who readily hinged their activities on the uncertain but apparently promising compromise of the inter-dominion trade dispute with India, under compulsion of circumstances, being forced to re-enter the East Bengal market. Presumably, the Government of Pakistan as well counted much on the latter prospect in formulating her new jute policy. Yet, as I had suspected earlier, the jute policy of the Central Government of Pakistan was designed not so much to offer a real solution to the question of disposal of the principal cash crop of the Province, as to offer a measured relief to the distressed cultivators and thereby to blunt the spear-head of political agitation. It must necessarily be conceded that, to some extent, this avowed purpose has succeeded inasmuch as the artificial boom phase of the market, short-lived though, has resulted in a substantial shifting of the burden from the growers

to the chain of the intermediaries - the village beparis, the dealers, the balers and the speculators. Nevertheless, as I had prognosticated earlier, the tough of the problem would have to be faced in the tertiary phase that seem to have just ensued. Not only foreign buying has abated after the initial rush and, on a fair compilation, very little of overseas demand could be expected to have remained still uncovered. The superior qualities have also been mostly sold out by the growers. This is evident from a rough classification of the new arrivals from the interior, Bottoms, Cross Bottoms and low grade Mixed Lots constituting the bulk, for which again there seems to be hardly any buyer except India. Thus, while the market remains featureless, dull and extremely inactive (the Jute Board's artificial momentum having exhausted itself), all the middlemen, including the nominated buyers appear to have been caught in a trap. Their purchases were mostly conducted in the upward phase of the market, and now the price-position having deteriorated sharply, they are facing a disastrous loss; and there are reasons to believe that but for their resistance, the price-curve would have completely collapsed under the impact of the renewed deadlock. The operation of the baling houses has also declined substantially. It has been possible, of course with some difficulty, to collect confidential information regarding the baling operations of Messrs. Kumudini Trust Ltd. - the largest baling house working under direct control of the Jute Board. Figures appended below would clearly reveal the trend.

FIGURE OF ACTUAL BALING AT
THE KUMUDINI TRUST LIMITED

Firm on whose account baling was done.	Quantity Baled. during the week ending	
	December 31, 1949 Bales.	January 7, 1950 Bales.
Messrs Ispahani Ltd.	10,855	6,266
Amin Jute Baling Co. Ltd.	4,344	2,965
Chittagong Jute Baling and Shipping Co. Ltd.	2,584	1,624
Eastern Jute Baling Co. Ltd.	1,451	1,030
Total	19,234	11,885

If the condition of Messrs Kumudini Trust Ltd. (the largest pucca baling house in East Bengal) may be taken as a typical instance, it is obvious from the above figures that baling operation has already declined by as much as 37 percent. In fact, the coal position of the firm is serious, though they are known to have just obtained a consignment of 150 tons from Government reserve. But the position of others is definitely much worse, and in consequence it would be no exaggeration to assume that by the first week of January, the quantum of pucca baling in East Bengal had declined by 40 percent of the end-December figure. This is also reflected in the actual export figure of some of the eminent shippers, whose case may be accepted as indicative of the general trend.

EXPORT VIA CHITTAGONG.

Shipper	Export during the week ending	
	December 31, 1949. Bales.	January 7, 1950. Bales.
Messrs Ispahani Ltd.	10,344	6,980
Amin Jute Baling Co. Ltd.	3,776	2,377
Chittagong Jute Baling and Shipping Co. Ltd.	2,665	1,574
Eastern Jute Baling Ltd.	1,241	820
Total	18,026	11,751

With further deterioration in coal position by the end of the current week baling and as such, export is apprehended to decline very sharply, causing aggravation of the crisis.

2. Inter-Dominion Negotiations:

It is now understood that considerable negotiations passed between the Governments of India and Pakistan on a secretariat level, with little tangible result. While Mr. Feroque (Chairman, Jute Board and Secretary, Commerce Ministry) categorically declined that instructions had been issued from Karachi for immediate release of Indian jute in transit through East Bengal, the local official circle denies the receipt of any such instructions. This peculiarly intriguing position is clearly substantiated by the fact that none of the seized jute barges are reported to be actually on move and the steamer companies at this end confirm no change of the situation. Thus, Mr. Feroques statement (reported from Calcutta on January 5, 1950) strangely contradicts facts of the case at this end. Unless there are reasons to suspect that there was, in the latest negotiations, an attempt to play a nasty trick on India by falsely inducing the authorities at our end to believe that the disputed consignments of jute had actually been released and hence the embargo on coal could be lifted, it would appear quite plausible to assume that Mr. Feroque has actually failed to influence the decision of his Government in a manner expected. The dilatory tactics indulged in by the Pakistan Government is also evident from the statement issued last evening by the Government of East Bengal. It will be recalled that to avoid complication of contravention of the Barcelona Convention, Pakistan had sought to argue that the detention of Indian jute in transit was due to customs investigation to check the suspected smuggling/

105/A

smuggling of arms. This was rather a silly pretence indeed and, I had reported earlier, that the authorities here were fabricating a new story to justify their unconventional action. It is significant to note that the story that I had communicated earlier has now been issued under the authority of the East Bengal Government. Thus, the East Bengal Government, in course of a press note issued last evening stated that "A random check by Pakistan customs authorities of the quality of jute in transit from Assam to Calcutta has shown that the India-bound fibre is in many cases of East Bengal origin". Besides it is further argued that, "there has been a four hundred percent increase in the quantity of jute which passed through Khulna between September to December 1949, in transit from Assam to Calcutta as compared with figures for the same period last year." The Press Note repudiates the Indian press report of "alleged detention in East Bengal of Assam jute" and blames the Assam Customs authorities for their failure to furnish the requisite customs documents, resulting in delay. The same press note further alleges that, "as to the bonafides of this transit traffic could have justified a bale to bale check. But nevertheless, the Pakistan Customs authorities had decided to confine themselves to a rough and ready check of the jute in transit to expeditiously deal with the India bound cargoes. With this end in view the Collector of Customs was due to have flown to Khulana yesterday to personally supervise the arrangements for the clearance of those consignments in respect of which complete documents had been received from the Indian Customs. In accordance with procedure prescribed under the provisions of the Inter-Dominion Agreement relating to transit traffic, cargoes entering/

cargoes entering East Bengal in transit from India to India requires to be covered by Customs Form 'Appendix Second from the Indian Customs. Vessels carrying jute from Assam have not been carrying these documents from the Assam Customs although no intimation had been

given to the Customs authorities in East Bengal of the Indian Customs intention to unilaterally abandon this procedure. On demand from the Pakistan Customs authorities, Appendix Two documents have been supplied recording some of the consignments only recently. These documents on examination have, however, been found to contain material discrepancies. The total absence of the presence of discrepancies in the requisite documents authorising the grant of transit facilities cannot be lightly overlooked by the Customs authorities in view of the serious and concerted efforts being made by powerful interest outside this province to smuggle jute from East Bengal to India, especially since the devaluation of the Indian Rupee.

"The Customs authorities, as also the Provincial Government, are further clearly bound to attach importance to such statistical facts as the increase of 400%, as compared with the same period last year, in the quantity of jute which passed through Khulna from September to December, 1949 in transit from Assam to Calcutta, particularly when they are taken in conjunction with the persistent and convincing reports of the loading by vessels bound to Calcutta from Assam, while actually in transit, of East Bengal Jute.

"In actual fact, a random check of the quality of the jute carried by certain vessels coming from Assam has shown that the fibre is of East Bengal origin. To give a few examples, the M.Vs "Juvaraj", "Bengal", and the flats "Dacca", "Hijli", "Lebong" and "Bhimani"

were found to be carrying jute entirely of East Bengal origin. The entire flat "Bhimani", in particular, was loaded with 3,000 bales of tossa quality jute, although this quality forms only negligible fraction of Assam's small jute production."

The Press Note maintained that "the discovery that vessels engaged in the transit traffic from Assam were carrying jute which could only have been grown in East Bengal naturally gave rise to very grave suspicions as to the bonafides of this traffic, and the Customs authorities would clearly be justified in ordering a bale to bale check of any consignment of jute from Assam passing through East Bengal."

"In order, however, to provide some relief to consigners, although the initial fault for the delay so far lies with the Assam Customs for failing to furnish the requisite "appendix 11" Documents to cover consignments, the Customs Authorities have decided as far as possible, not to insist on a bale to bale check but to confine themselves to a rough and ready check, and have deputed special staff for this purpose, so that checking of the cargoes in transit may be completed as expeditiously as possible. With this end in view, the Collector of Customs is flying to Khulna on January 8 personally to supervise arrangements for the expeditious clearance of these consignments of Assam jute in respect of which complete documents have been received from the Indian Customs authorities."

The above statement would, however, help in proper assessment of the real attitude of the Government of Pakistan. Though their pretences are rather too thin to cover up their actions and to give them any semblance of justice, they would, nonetheless, play for time with the obvious intention of

of further embarrassing the position of our mills. As an after-thought, they are seeking to question the origin of the jute on the frail grounds of quality and quantity. Inasmuch as smuggling could not be checked and detected while in its process, Pakistan's latest pretences would ^{deserve} no serious attention. We have the rightful ownership of the jute consignments under reference, and it is ludicrous to suggest that the actual origin of jute as between the contiguous parts of India and East Bengal could be determined on the basis of quality. Quantity as well should be no criteria of judgement, and even if the entire jute in transit could not be claimed to be of Indian origin these can well be claimed as pre-devaluation deliveries on our side of the Assam border. Nonetheless, it is all the more significant to note that nothing has been said in the official press note about the 500,000 bales of jute, now mostly in barges, and signifying our pre-devaluation purchases. All these seem to indicate that we need to be extremely cautious in our deal with Pakistan, and their words and professions must be carefully scrutinized, lest we are led into a nasty trick. For the sake of safety it would probably be more judicious to insist on unconditional release of our jute and to agree to discuss the question of coal supply only when our mills have actually received their consignments of 'Pakistan jute.

At this stage, the question naturally arises that while the coal position in East Bengal is so precarious, what could be the plausible reason for Pakistan still indulging in the delaying tactics with regard to the jute barges. I have tried to assess the official attitude at this end, and

p.t.o...

and their approach seems quite realistic. While it is apprehended that India, though agreeing to supply coal after the release of the jute under dispute, could well stop it after a month or so. But with the additional 5 lakh bales, Indian mills could manage to carry till June, 1950 - the beginning of the new crop year - when it will be impossible for Pakistan to maintain the jute market, having to carry over a colossal stock from the current year. Accordingly, it is virtually acknowledged that unless India can be induced to purchase Pakistan jute freely, the real problem at this end will not be solved, and for Pakistan a more serious crisis would be inevitable. Moreover, the coal crisis is considered to be only a fact of the real multi-facet issue and it is argued that no temporary patch up would work well; and even if India would supply coal without taking jute from her, East Bengal will be maintained on a short-ration near crisis footing. It is, therefore, argued that the real solution must be more comprehensive; but as to its nature, nothing definite is expressed, though in certain quarters the inclination is in favour of devaluation.

In the meantime, the symptoms of a fresh trouble seem to be ailing the jute market in East Bengal. During the last fortnight there have been many cases of fire in jute godowns at Narayanganj, the principal market. The last and the biggest incident was the fire in the godown of the Kamala Jute Company, a nominated buyer appointed by the Jute Board. It would not be unfair to suspect sinister brain in the back of these incidents. In any case, it is reported that many of the nominated buyers drew liberally on the financial advances obtained from the

National Bank of Pakistan and certain other banks.

In many instances, the quantity of jute actually bought and held in the godown was fraudulently inflated and thus, in connivance with the inspectors of the Jute Board, much more money than due on hypothecation was drawn from the National Bank. In certain other instances inferior qualities bought at lower prices were held in the godown, while money was drawn from the Bank on the basis of false vouchers showing higher qualities bought at higher prices. According to the contract with the Jute Board, the nominated buyer was responsible both for weight and quality, and it is not unlikely that frauds have been perpetrated on either account, bottoms and x-bottoms having been vouched as Tossa and Superior White Jut. Now, reselling the stock to the Jute Board would obviously expose the trick, while disposal in the open market would mean a terrible loss. In a situation like this, the unscrupulous section of the trade would naturally report to the desperate methods of fire and destruction, themselves escaping with money and leaving the matter to be fought out between the bank and the insurance company concerned. The British fire insurance companies are contemplating to suspend their business in respect of jute godowns in East Bengal. In most of the cases, it will be noted, the jute dealers are not even the owners of the godown, that is usually hired from a third party.

3. Coal Situation:

Obviously the coal situation has deteriorated further. That the position of the Dacca Electric Supply is extremely tight is evident from the fact that, in addition to the suspension of the street, cinema and shop lightings, domestic supplies

in the city, except in a few small selected localities, are being regularly suspended for long hours every day. Yesterday (Sunday, the 8th January), I was invited by the authorities of the Dhakeswair Cotton Mills Ltd. to visit their mills. Naturally, I availed of the situation to personally investigate into their coal position. It needs be noted in this context that the Dhakeswari group of mills possess the largest electric turbine in the whole of this province. From this turbine, power is supplied not only to their own mills (Namely (1) Dhakeswari Cotton Mills No.1, (2) Dhakeswari Cotton Mills No. II (3) Adarsa Spining and Weaving Mills), but also to other concerns such as the Luximinarayan Cotton Mills, the Chittaranjan Cotton Mills and several of the jute baling houses. Thus, 60 percent of the industrial activities at Narayanganj virtually depends on the power supplied by the Dhakeswari turbine. Their coal consumption is estimated at 40 tons per day. But their actual reserve, as I saw it personally, would not exceed 400 tons, thereby lasting for about 10 days more. As I am told by the Managing Agents of the Company, the Government of East Bengal had already been approached for the supply of coal but the latter regretted their inability to help unless fresh consignments were received.

Official sources indicate that as per an earlier decision several trains had been suspended with effect from January 1, 1950, but actual details are not disclosed. The fuel position of the railways is admitted to be precarious and the prospect of a break-down by the end of this week is not ruled out. It is, of course, difficult to assess the quantity of coal recently received from India (presumably despatches prior to December 23, arriving at destination in the last week). Nonetheless, it is apprehended in knowledgeable quarters that...

that unless coal is received within the next ten days or a fortnight a serious overall crisis would engulf the entire province of East Bengal, and this may usher in unexpected political changes in Pakistan.

4. Condition in the Chittagong port:-

It is now reliably understood from official sources that the rate of clearance of ships at the port of Chittagong has not improved substantially. The following figures (obtained from official sources) would reveal the actual position.

Month.	Rate of clearance at the <u>Port of Chittagong.</u>	
	No. of ships reporting.	Average duration of detention of ships for clearance.
<u>1947</u>		
August	10	Not known.
September	7	"
October	8	"
November	9	"
December	14	"
<u>1948.</u>		
January	26	"
February	20	"
March	16	"
April	16	"
May	16	"
June	14	"
July	18	"
August	23	18 days.
September	17	10 days.
October	19	12 days.
November	18	13.4 days.
December	25	12.3 days.

Rate of clearance at the
Port of Chittagong.....Contd.

Month.	No. of ships reporting.	Average duration of detention of ships for clearance.
<u>1949.</u>		
January.	18	12 days.
February.	18	Not known.
March.	23	20.8 days.
April.	20	23.2 days.
May.	20	30.5 days.
June.	16	21.3 days.
July.	21	24.6 days.
August.	15	20.16 days.
September.	13	19 days.
October.	16	26 days.
November.	17	Not known.

Thus, it will be seen that since June, 1949, while the number of ships reporting has not increased, the average period of detention has increased very considerably. The actual position is further indicated from the following list of ships reporting outside the jetty area of the port awaiting allotment of berth.

Name of the ship.	Date of arrival.	Tonnage	Cargo.
1. S.S. Ideorel	14-10-49	5,400	Miscellaneous
2. Star of Egypt	15-10-49	5,300	"
3. Miroff Zord.	25-11-49	6,400	Cement
4. Ruby Stone	26-11-49	6,000	Salt
5. Schewar	14-12-49	6,000	Machinery
6. King Stephens	17-12-49	7,000	Food
7. Reyer.	19-12-49	Not known.	Not known.
8. Union Banker	20-10-49	2,500	Food
9. Begum	23-12-49	7,000	Salt
10. Al Hussan	25-12-49	7,000	Food

Name of the ship.	Date of arrival.	Tonnage.	Cargo.
11. Maw Pasha	26-12-49	8,000	Miscellaneous.
12. Hady Country	28-12-49	500	"
13. S.S. Carribon country.	29-12-49	Not known.	
14. Eurovins	30-12-49	Not known.	
15. Carribetta	31-12-49	Not known.	

Thus, on the first day of January, 1950, no less than 15 (fifteen) ships were awaiting clearance outside the jetties, that were occupied by ships of earlier arrival and few more were expected to arrive within a week.

---O---

N. 582-247/50.
Government of India.
Ministry of Commerce.

New Delhi, the 18th January 1950.

Copy forwarded to :-

- | | |
|----------------------------------------------------------|----------------------------|
| (1) H.M. | |
| (2) ✓ P.S. to Deputy Prime Minister. | |
| (3) P.S. to H.M. Transport. | |
| (4) P.S. to H.M. Finance. | |
| (5) Ministry of Finance (H.D.) | (Mr. K.R.K. Menon) |
| (6) Ministry of Finance (H.A.) | (Mr. K.R. Subramanian) |
| (7) Ministry of Agriculture | (Mr. K.R. Panjabi) |
| (8) Ministry of Food | (Mr. R.L. Gupta) |
| (9) Ministry of I. & S. | (Mr. S.A. Venkataraman) |
| (10) Ministry of Transport | (Mr. Y.N. Sathyanarayanan) |
| (11) Secretary, Economic Committee | (Mr. P.C. Mukherjee) |
| (12) Financial Commissioner, Mys. | (Mr. A.K. Chanda) |
| (13) Chairman, I.J.N.A.S.M., Calcutta. | (Mr. J.R. Walker) |
| (14) Chairman of the Commissioners for Port of Calcutta. | (Mr. H.M. Ayer) |
| (15) Chief Controller of Exports | (Mr. K.K. Jha) |

M. K. Bhatnagar
for (G.O. Desai)
Secretary to the Government of India.

N. 211 - July 150
Government of India.
Ministry of Commerce.

New Delhi, the 7th January 1950.

A copy of the undermentioned paper is forwarded to :-

- | | | |
|------|--------------------------------------------------------|--------------------------|
| (1) | H.M. | |
| (2) | P.S. to Deputy Prime Minister. | |
| (3) | P.S. to H.M. Transport. | |
| (4) | P.S. to H.M. Finance. | |
| (5) | Ministry of Finance (RD) | (Mr. K.R.K. Menon) |
| (6) | Ministry of Finance (RA) | (Mr. K.G. Ambegaekar) |
| (7) | Ministry of Agriculture | (Mr. K.L. Panjabi) |
| (8) | Ministry of Food | (Mr. R.L. Gupta) |
| (9) | Ministry of I. & S | (Mr. S.A. Venkataraman) |
| (10) | Ministry of Transport | (Mr. Y.N. Sukthankar) |
| (11) | Secy., Economic Committee. | (Mr. P.C. Bhattacharyya) |
| (12) | Financial Commissioner, Rlys., | (Mr. A.K. Chanda) |
| (13) | Chairman, I.J.H. Assn., Calcutta. | (Mr. J.R. Walker) |
| (14) | Chairman of the Commissioners for
Port of Calcutta. | (Mr. N.M. Ayyar) |
| (15) | Chief Controller of Exports | (Mr. L.K. Jha) |
| (16) | Mr. B.N. Chakravarti, Calcutta. | |

for (C.C. Desai)
Secretary to the Government of India.

Letter No. 15-ATC(4)/49-1, dt. 2.1.50 from Mr. P. Das
Gupta, Asstt. I.G.T.C., Dacca to C.C. Desai, Esq., Secretary to
the Government of India, Ministry of Commerce, New Delhi.

Copy of letter No. 15-ATG(4)/49-1 dated 2nd January 1949 from Mr. P. DAS Gupta, Assistant Indian Government Trade Commissioner in Eastern Pakistan, Dacca to G.G. Desai, Esq., ICS, Secretary to the Government of India, Ministry of Commerce, New Delhi.

Subject:- LATEST POSITION IN THE JUTE MARKET OF EAST BENGAL.

In continuation of my letter No. 15-ATG(4)/49-4287, dated the 26th December 1948, on the above subject, I have the honour to submit the following for the favour of your information:

(1) Since the new deadlock created by the suspension of coal supplies, the local jute market has apparently suffered a shock. Due to the intervention of consecutive holidays, the position still remains somewhat fluid and the cumulative influence on the market cannot be studied in its inner perspectives. Nonetheless, a feeling of shakiness has apparently overtaken the market. The price-curve that a few days back, either stood firmly on the floor or a little above it, has definitely swamped down considerably below the official minima. In the mofussil markets the White Northern Cross Bottom is quoted between Rs.14 and Rs.15 a maund and other superior varieties are quoted between Rs.15 and Rs.17. A. Narayanan all prices are, on average, Rs.3 below the official floor. Before the final disruption of inter-Dominion trade, the market was generally Rs. 2 above the floor, thus there being a loss of Rs. 5 per maund in course of the last one week. Had holidays not intervened, the selling pressure would have taken down the prices much lower, specially because of improved arrivals from the interior. It should, however, be noted that the present prices are rather nominal, there being still a degree of sellers' resistance on account of the Government's farm-price-support policy, and the growers and bharis being induced to believe that the Jute Board would ultimately buy up all jute. The average speculator is still inclined to believe that something would come out of the Colombo Conference and either Pakistan would devalue or some sort of a compromise formula would be evolved enabling them to sell their stocks to India. The Chairman (Mr. Faruque) and the member (Mr. Ispahani) being out of the station the Jute Board remains practically inactive and the middlemen stockists readily discount the prospect of the Government buying up the entire remaining crop of jute in East Bengal. The nominated buyers have very considerably reduced their purchases. While many have practically stopped buying, others who are trading primarily with the funds supplied by the National Bank of Pakistan have reduced the volume of their daily transactions to less than 50 per cent in course of the last few days. On the one hand, they are counting on further lapse in prices and on the other they are feeling uncertain about their own position inasmuch as the Jute Board, they apprehend, is not likely to buy up all their stocks. Deterioration of the coal supply position has affected the muga baling houses. Though utmost austerity is being observed in the use of coal, and the baling presses are being fed by a mixed fuel of wood and coal, the present scale of baling operations, it is generally apprehended, cannot be maintained for more than another week. Accordingly, the shippers of jute are publicly expressing their misgivings and are awaiting, with utmost suspense, the results of inter-Dominion talks proposed to be held at Delhi.

(2) Coal position: In the meantime, the coal position here has become unexpectedly tight. At the beginning, I had assumed that with the reserve stocks properly re-allocated and austerity measures introduced, East

Bengal could continue for one month and a half. But it now appears that the actual position is worse than imagined. A number of local trains have been suspended and several other trains have been put off the schedule, principal passenger trains and like specials being accorded the highest priority. The use of wood fuel in locomotives has proved a failure, even on short runs. Due to insufficient steam pressure the average speed is found to fall below 15 (fifteen) miles per hour, with frequent breakdown of the engine. Even on a short run between Dacca and Narayanganj (a distance of ten miles) repeated break-down of engines are being reported for the last two days. The position, thus, looks grave and if things continue as such for about another ten days the entire railway transport system would presumably suffer complete disorganisation. The inland navigation companies like Messrs. India General Navigation and Rly. Co. Ltd. and River Steam Navigation Co. Ltd. are still continuing. Apparently they have stocks to carry on for another two or three weeks. Some of their small ferries can be run on crude oil. But these would not be serviceable in carrying jute to Chittagong along the sea-coast route. I had a discussion with some of the responsible officers of these companies and they argue that as they have their own collieries in India, they should be able to bring coal for their own consumption when needed. It is, therefore, necessary to keep a watch on them so as to prevent them from lifting coal from India for servicing in Pakistan. Indian and foreign ships plying between India and Pakistan ports should not as well be allowed to have a ration of coal more than what is needed for a single return trip.

In the capital city of Dacca, use of coal is being rigidly controlled. While no permits for coal are being issued for domestic consumption, the industrial supply of electricity has been strictly rationed. Cinemas houses, and shop supplies are cut off at 6 P.M., the market being thus forced to close down right from the evening. The street lights are also not burning except in one or two principal roads, the city thus assuming the ghastly appearance of a virtually black-out. To-day, Pakistan Observer (the only English daily of East Bengal) has warned its readers that due to restriction of the industrial use of electricity, it may not be possible to print the requisite copies of the paper and to supply them in time. Though on this side, frantic efforts are being made to procure coal from South Africa, nothing substantial is reported as yet. In the meantime some stocks (probably of Indian coal) are being shipped from Karachi to Chittagong and foreign ships scheduled to call at Chittagong are being instructed to carry coal as ballast, irrespective of cost. Nevertheless, the overall situation at this end looks grave for all practical purposes and the erstwhile Pakistani enthusiasts are beginning to betray a sense of defeatism. The same degree of defeatism is also apparent in the high official circles, though they are generally reluctant to discuss the pros and cons of the issue. I am inclined to believe that it is time for us to take a firm and determined stand. It appears to me that if the proposed inter-Dominion trade talks are postponed for another week, things would grow worse here and Pakistan might be more agreeable to yield. Specifically, we should deny to have any conference with Pakistan until and unless all the jute barges are released and our pre-devaluation purchases are delivered and received in India. This should be made a condition apriori of our discussions, which we may insist, should include the key question of exchange ratio of the two rupees.

In this context, I would beg leave to submit that I am not quite sure if our coal supply policy in the past has been sufficiently consistent. Thus, if it is accepted that in our long-term interests Pakistan, even at normal times, should be kept on a short ration of coal, particularly when it was

apparent that from the very beginning Pakistan was pursuing a resilient policy even in trade matters and were not co-operating to fulfil their part of the commodity exchange agreements, it would have been advisable to so adjust our coal supplies as not to allow East Bengal to build up any reserve stock whatsoever. Coal, for instance, is not only an essential industrial fuel. It is also a strategic material inasmuch as in a riverine country like East Bengal, motor transports are ineffective and no large-scale military transposition is possible except with the help of railways and inland steamer services. While, I have reasons to suspect that Pakistan's coal requisition was placed at a figure higher than its current running consumption, there had been excess supply to East Bengal during the period July-October, 1949. The following figures received from the office of the Coal Commissioner, Calcutta, may be helpful in appraising the actual position:

Month 1949	Allocation Tons	Despatches Tons	Balance Tons
July	85,800	82,742	-3,058
August	82,367	1,01,633	+ 19,266
September	80,820	67,347	- 13,473
October	80,356	91,647	+ 11,291
	<hr/>	<hr/>	<hr/>
	3,29,343	3,43,369	+ 14,026 Excess

The November figures are not yet available. But during July-October 1949, an excess of 14,026 tons has been supplied to East Bengal. Besides, it is reported that, in addition to coal, 30 wagons of charcoal per day were being supplied to West Pakistan from India. These were being used in substitute of petrol for service motor vehicles and I am not sure if these have now been stopped. Moreover, it should be noted, that the total minimum consumption requirement of coal in East Bengal is estimated at 80,000 tons. As against this the normal total capacity of the Chittagong Port may be assessed at 70,000 tons for summer months and 1,00,000 tons for winter months. Thus if 80,000 tons of coal have to be handled at the port, all other trade movements via Chittagong would be virtually impossible. This makes import of foreign coal through Chittagong an absurd proposal under the existing circumstances.

Continued4

3. Growing sense of defeatism :

With the cessation of coal supply and the consequent difficulties a sense of defeatism is growing among the officials here. Some months ago the Pak-Russian trade talks were being enthusiastically banked upon. But now that it has been definitely known that nothing tangible came out of these deliberations and the Russian deligation broke off and returned, a feeling of disillusionment has been caused. Moreover, simultaneous deterioration of Indo-Pak and Pak-Afghan relations is seriously weakening the popular confidence in the present leadership. India's recognition of Peoples Republic of China under Mao-Tse Tung is considered here as a timely gesture to Russia, the entire situation thus being twisted against Pakistan by India's tactful manoeuvring. The local papers particularly Pakistan Observer, are now emphasising the need for Indo-Pakistan co-operation through the medium of special articles. They are quoting foreign journals like the Economist (London) and the Washington Post and indirectly suggesting the possibility of Anglo-U.S. mediation in the Kashmir affair. All these may well be interpreted as signs of defeatism on the part of those, who until yesterday, had been roaring against India with plea and without plea.

4. Political atmosphere within the province :

Within East Bengal itself, the political influence of the Premier, Mr. Nurul Amin and his party is waning sharply. New alignments are gaining in strength and growing disaffection against the present leadership is weakening the morale of the people. While the Page incident is considered as another tactless step on the part of the authorities, the attitude against the Central Government of Pakistan is visibly stiffening. The latest report reveals that at the Conference of the Provincial Premiers recently held in Karachi, the East Bengal Premier has agreed to the proposal for creation of Central Police Service to man superior services in the provinces. The Pakistan Observer (Mr. Hamidul Haq Choudhury's paper) openly asserts that the proposal is in contravention of the present Government of India Act as adapted by Pakistan and "this decision is certain to be seriously opposed by the members of the Constituent Assembly, especially by the East Bengal members inasmuch as the East Bengal Muslim Assembly Party in their last meeting expressed themselves strongly against any such move". The policy of the authorities to suppress the Awami League and the arrest under the Public Safety Act of such persons as Messrs. Mazibur Rahman, Samsul Haw M.L.A. and Maulana Abdul Hamid Khan Bhasani are likely to cause serious defection in the present official party in the Assembly. In knowledgeable quarters it is even argued that if things go far enough, section 93 may be introduced. Mr. Hamidul Haq Choudhury is active again and it seems that he is awaiting a chance to come out in public as a full-fledged opposition leader. The provincial Muslim League Committee suffers a sharp cleavage and the feeling against the interference of the Centre in provincial administration has abundantly gained in momentum. The demand for withdrawal of Jute Ordinance promulgated by the Centre and for leaving the entire matter to the Province is being voiced openly by the majority of the Muslim Leaguers. All these are calculated to strengthen the hands of Mr. Hamidul Haq Choudhury, who is considered to be the ablest and the most intelligent of all the provincial leaders.

119

5. Attitude of the Hindu Minorities:

It is ~~not~~ significant to note that the morale of the Hindu minorities have toned up as a reaction to India's stiff attitude to Pakistan. They argue that the supply of canal water to West Punjab should also be stopped, leading to a complete precipitation of the issue just to have a final show-down. They suggest that Indian leadership should not budge an inch unless Pakistan surrenders unconditionally on trade matters. The majority of the Hindu businessmen here, though suffering personal loss of business, are distinctly of the opinion that if India tightens her attitude and ~~sticks~~ sticks to it, Pakistan would climb down and would even devalue her currency, inasmuch as the adverse balance payments, loss of revenue, deflation and the consequent increase in unemployment and under-employment are sharply corroding the country's economy. Government's failure to proceed with their development projects are also being sharply criticised and adding strength to the opposition.

6. Activities at Chittagong port during December, 1949 :

Reports obtained from the office of the Traffic Manager, E.B. Railway indicate substantial increase in the volume of trade passing through the port of Chittagong during December, 1949. The total tonnage handled in the month amounted to 108,200 tons, consisting of 49,500 tons of exports and 59,700 tons of imports. This represents an increase of 28 per cent over the tonnage handled in the previous month and 100 per cent over the tonnage handled in December, 1948. Jute exports touched the record figure of 2,42,000 bales against 1,71,000 bales in November 1949 and 1,00,000 bales in December 1948. The principal commodities dealt with during the month were as follows :

Exports

Jute ----- 44,000 tons
Tea ----- 4,300 tons

Imports

Foodgrains----- 15,200 tons
Salt ----- 13,000 tons

Evidently this performance has been possible due to alternate winter route via the sea-coast and the possibility of loading and unloading of ships in the mid-sea beyond the jetties. Even now, top priority is being given to the trains and steamers carrying exports to Chittagong and in fact, jute trains are being rushed to the port. In view of this, it appears all the more plausible that to interfere with the operation of the baling presses at this end, we should continue to cut off coal supply to East Bengal for some time more. If supplies are obtained from South Africa and other European sources, the cost would be prohibitive and actual deliveries cannot be received before the end of January and early February. But by that time the rolling in the sea-coast would begin to get serious, rendering passage and mid-sea loading increasingly impossible. I am, accordingly, of the view that unless there is the impending danger of an immediate break-down of our jute mills for shortage of jute, we should better postpone discussions with Pakistan till the end of Colombo Conference and thus precipitate a final show-down in the cold war of nerves. It is not unlikely that Pakistan would now premise all co-operation. But in view of the past experiences, it would

hardly be safe to take them at their professions. In the past they have definitely belied their words, and any concession on our part at this nick moment would again be misinterpreted by them as our weakness and the present leadership would lose no time to capitalise such gestures to strengthen their political position.

In case, a compromise is considered immediately essential and unavoidable in the interest of our mills, I would suggest a complete barter of commodities without leaving any deficit balance of payment on our own side of the account. Our jute purchases are heavy. Nonetheless we may offer such essential items to East Pakistan as coal, salt, sugar (at special ex-mill price), mill cloth, handloom cloth, yarn, matches, vegetable oils, vanaspati, indigenous drugs, quinine and other chemicals and iron and steel, etc. Pakistan have been re-orienting her external trade. Thus she had been importing salt from Aden, yarn and cloth from U.K., Vanaspati from Holland and matches from Poland and Finland, while we could offer them equivalent qualities at cheaper rates. In any case a price-parity should be determined and our trade with Pakistan should be so adjusted as to completely equate both the sides of the account, leaving no balance of payments. This would be an additional pressure on Pakistan currency, virtually forcing them ultimately to accept devaluation. In the past we had imposed similar quota restrictions in respect of our trade with Japan. Export of Indian cotton was equated against import of Japanese textiles. It would be advisable to deal with Pakistan on the basis of similar principles and to prevent her from earning a net favourable balance in international visible payments account at our cost. To some extent, this would also mean pricing down of her exports to India and pricing up of her imports from India.

If, however, the issue is raised at the Colombo Conference, we should be able to challenge Pakistan's position in the sterling bloc as she claims her currency to be a hard one. Her economic policy may as well be interpreted as a violation of the very basic principles of Commonwealth integrity and it may not be possible to bring upon her a cumulative pressure from the Dominion countries, though Britain may remain passive for other political reasons.

121
SECRET.

Copy of Report on the position in East Bengal arising from the stoppage of coal supply from India- from the Secretary Indian High Commissioner, Dacca dated 21.12.49

The Dacca Electric Supply Co's monthly consumption is 800 tons of coal of which it has got only about three weeks' stock. The Company has been incorporated in India and its Managing Agents are Messrs. Octavins Steel & Co. Ltd. of Calcutta.

By an order of the District Magistrate of Dacca the lighting of all street lamps and cinema houses has been suspended at Dacca from 5.30 p.m. to midnight with effect from yesterday. All shops and industrial concerns have also come under the same ban. Other consumers of electricity in clubs, libraries and hotels and in private houses have been requested to manage with the minimum of number of lights possible during the same "peak hours".

The Pak Aviation and the works and Buildings Department have promised to land 1000 tons of coal each to the Dacca Electric Supply Co. to meet its immediate requirements.

Electric lighting of the military area and of the aviation area of the Dacca city has been taken over by a stand-by diesel oil engine run by the military authorities.

A ship carrying about 4000 tons of coal is reported to have arrived at the Chittagong Port from Poland, but the distribution of this coal is estimated to take about a month's time.

The IGW & MSH Steamer Co. in East Bengal is reported to have at present only three weeks' stock of coal.

Mr. G. Faruque, Chairman, accompanied by the other Members of the Jute Board has gone to Karachi to take instructions from the Centre regarding the situation arising from the stoppage of coal from India.

122
Secret

Copy of letter dated the 24th December, 1949, from the Assistant Indian Government Trade Commissioner in Eastern Pakistan, S, Gopikrishna Lane, P.O. Wari, Dacca, to the Secretary to the Government of India, Ministry of Commerce, New Delhi.

SUBJECT: Latest position of jute market in East Bengal.

In continuation of my two telegrams despatched today, I beg to submit the following for the favour of your information:

(a) As reported earlier, the jute market was tending to weaken from the beginning of this week. The pressure of foreign purchases was definitely slackening and foreign enquiries were becoming hesitant. Yesterday the principal market at Narayanganj closed Rs.2 lower. From knowledgeable official and trade quarters, I gather the impression that the expected foreign requirements have been largely bought out from the market and the little remaining could not be expected to maintain the statutory prices. The intervening Christmas holidays has been an additional cause. I am extremely gratified to note that very timely action has been taken at our end, and the cancellation of booking, presumably intended to stop the supply of coal, has practically caused a confusion in the market at this end. To-day, prices have declined sharply and at the time of preparing this report (6 P.M. on Saturday the 24th instant) the principal market at Narayanganj had practically collapsed in a confusion. Though prices were being quoted nominally Rs. 3 to Rs.4 below the floor, all the big buyers and balers (including Messrs. Balli Bros.) were going out of the market and were refusing to buy. Only Messrs. Ispahani and Messrs. R. Sin & Co. (Mg. Agents Messrs. Dada Ltd.) were doing some business and purchasing about 50 percent less than their usual daily quotas. The reaction of the Jute Board is not yet available. Nonetheless, Mr. Ispahani's (Member Jute Board) opinion is that the market could not be maintained and the prices would soon collapse. He is, of course, of the opinion that the puccah balers could continue baling for some days with their existing stock of coal. But he agrees that the existing stock could not last more than a fortnight or so, unless Railway reserve stocks were diverted to the baling houses.

Both in the railways and baling houses attempts are being made to use wood as fuel to conserve coal. But this again is not likely to be very much effective. And I have reasons to anticipate a collapse of the jute market into a position analogous to the previous stalemate. Hand presses for kutchha baling may come to be utilized more fully. But this as well is not likely to prove much effective either. However, it is yet to be seen, how far the Jute Board can maintain the price position as also the short-circuit baler-dealer's business in this altered situation.

On our side, to ensure against any smuggling of coal, it will possibly be necessary to keep a very

careful/

-2-

careful watch on the inland navigation companies, most of whom have their head offices in Calcutta and have their services plying between the two Dominions. In my opinion, these steamer services should not be allowed to carry any surplus of coal, even for their own consumption, inasmuch as the Pakistan authorities, in dire distress, may requisition their stocks even at the cost of suspending some services. If so necessary, the steamers, while starting from our end of their service-route should be supplied a ration just enough for their journey to their destination in Pakistan and back.

DV/3-1.

Endorsement No.4238 from the Assistant Indian
Government Trade Commissioner, P.O. Wari, 8, Gopi-
krishna Lane, Newrah, to the Secretary to the Government
of India, Ministry of Commerce, New Delhi.

More Agents appointed by the Government for
purchasing Jute.

The following more firms have associated them-
selves with the Government Jute Purchasing Scheme and
have, therefore, been appointed as Agents by the
Government, states a Press Note issued on December 23,
by the Jute Board, Government of Pakistan:-

1. Messrs. S.K. Labu Meah,
2. Messrs Mandal and Company,
3. Messrs K.S. Zaman and Company.
4. Messrs Sayed Afsaruddin and Company.
5. Messrs Pabna Jute Merchant Associations,
C/O M. Amjad Hossain, Secretary,
6. Messrs Md. Syed Hossain and Bros.
7. Messrs Pakistan Jute Suppliers,
8. Messrs Md. Rukshad Ali, B.A.,
9. Messrs Paker M. Rahman,
10. Messrs East Pakistan Jute Baling Co.,
11. Messrs A.K. Khan & Company.
12. Messrs Machertien & Company.
13. Messrs Jessore Commercial and Industrial
Organisation Ltd.,
14. Messrs. Lt. A.K.M. Hoque.

DV/3-1.

SECRET

125

Copy of letter No.15-ATC(4)/49-4247 dated the 26th December, 1949, from the Assistant Indian Government Trade Commissioner in Eastern Pakistan, 8, Gopikrishna Lane, P.O. Wari, Dacca, to the Secretary to the Government of India, Ministry of Commerce, New Delhi.

SUBJECT: Latest position of the jute market in East Bengal.

In continuation of my letter No.4244 dated the 24th December 1949, on the above subject, I have further to submit the following for the favour of your information:

(1) As reported earlier the jute market at Narayanganj closed in a confusion on the last Saturday. The undertone of the market had been weak for the last ten days, foreign enquiries being less enthusiastic. But as indicated in my letter quoted above, the market at this end was caught up in a confusion immediately on the information about India's action, virtually completing the rupture of inter-Dominion trade relations. The speculators too appear extremely shaky as the prospect of an early settlement of the deadlock according to their calculation, seems to have receded further. Moreover, many of them had purchased jute during the first week of December at prices that would not enable them to re-sell the stock to the Jute Board without a loss. Today, however, the market remained closed. To-morrow also has been declared as a Government holiday on account of the Independence of Indonesia and the jute market may take advantage of the holiday to partially recover the shock. The entire business circle here is eagerly awaiting news from Karachi, in the hope that some solution would be found out; the arbitration proposal, it is reported, is not likely to be much favoured in the official circle unless in the last resort. The Jute Board remains significantly silent and say that, decision regarding the quantum of jute held-up under their orders, if any, will be taken in Karachi. In the meantime, pressure is being brought upon the shipping companies to unload the barges detained at Chandpur, Khulna and Daulatpur. Previously too similar pressure was put upon these companies and their management effectively withstood. This time as well, the pressure is not likely to prove more effective.

Towards the close of the last working day, a confusion ensued in the market, even the nominated buyers refusing to take delivery of the jute on offer. Nonetheless, the real position can be reviewed only when the market re-opens on Wednesday. It seems almost certain that the speculative elements, who have been operating with their own funds and building up stocks at this end, would now be off the market. This would obviously reduce very substantially the quantum of business, and the short circuit baler-dealer trade cannot be maintained unless the Jute Board undertakes to buy up the entire remaining crop at the cost of State finances. Evidently, this would be a gigantic task and extremely difficult too. Yet, in her fanatic stubbornness and dire desperation the possibility of Pakistan taking this extreme step cannot be completely ruled out. But in such a case, the Government of Pakistan would appear to be undertaking complete regimentation of

the/

the different phases of the jute trade, from growing of the crop to its marketing and shipping. Such a feature of State-trading imposed on the world supply of an essential industrial raw material would, presumably, strengthen our move towards international cartelization of the jute industry.

2. Then, as I had indicated in a much earlier report, Pakistan is understood to be negotiating with South Africa to lift the economic sanction, provided a trade pact could be stipulated on convenient terms. I am not sure if South Africa, a traditional market for B-Twills, would be much interested in jute. Nevertheless, she might well seize the opportunity and offer coal to Pakistan on some convenient terms, just for political reasons, as the majority of Indians in South Africa, whose cause we have sought to uphold, happen to be Muslims by religion. Of course, by such action Pakistan would expose herself to grave resentment from the Indian Muslims in South Africa. Yet, necessity knows no virtue, and for Pakistan, South Africa is obviously the nearest source of coal besides India.

3. It is interesting to find that Pakistan is gradually straying out of the Commonwealth. The latest popular move is to secure immediate annulment of Imperial Preference. It is doubtful if the Central Government of Pakistan have taken up the issue on an official level as yet. Nonetheless, the move is gaining popularity and all the important papers like the Pakistan Observer and the Karachi Commerce are expressly in favour of immediate abnegation of the Imperial Preference Agreement with U.K. By her currency policy, Pakistan has already violated the rules of game as a member of the Sterling block, and by annulment of the Imperial Preferences, she would be further estranging herself from the common link of the Commonwealth countries. In the circumstances, it would evidently be pertinent on our part to challenge her position within the sterling block, as otherwise both from the point of allied currency and co-operative trade policy, the very concept of the sterling block as against the other currency blocs, would be bereft of its meaning and utility. News from London (published here) also indicate that the whole matter is likely to come up before the Colombo Conference, and it would be incumbent on us to plead and press our case effectively.

4. As the initial step of relation, Pakistan has imposed export duty on fresh fish. In course of an official notification, it is stated that India, in contravention of the terms of the Inter-Dominion Commodity Agreement imposed export duties on mustard oil and black pepper and thereby released Pakistan from the responsibility of supplying such items as fish and bamboo free of duty.

5. Regarding the interference of Assam jute in course of transportation through East Bengal, the explanation that a thorough search of the barges was necessary to stop smuggling of arms is not considered satisfactory in the local official circles. The officials of the East Bengal Government seem to have discovered a more ingenious story inasmuch as they are seeking to defend their case alleging that the jute in question is Pakistan jute, only fraudulently and falsely shown as booked from stations/

-3-

stations in Assam. Their argument is that, in connivance of the staff of the steamer company at stations in Assam, false booking receipts were obtained, while the jute consignments were actually loaded at intermediate stations within East Bengal. But this sounds a fantastic fabrication and a convenient after-thought, specially because not a single case of such fraudulent booking was detected at the time of actual loading of the consignments under reference.

DV/3-1.

IMMEDIATE
SECRET

128

SECRAPHONE MESSAGE.

No. 44016
Date 14.1.1960 (2220-2229) B (2240-2244)
From REGCOMDIS, CALCUTTA.
To SUPLIND, NEW DELHI.

3----

From AYYAR CHAIRMAN CALCUTTA PORT COMMISSIONERS TO
DESAI MINISTRY OF COMMERCE NEW DELHI REPEAT A.K. CHANDA
FINANCIAL COMMISSIONER RAILWAYS AGAIN REPEAT TO BHATTACHARYA
SECRETARY ECONOMIC COMMITTEE OF THE CABINET MINISTRY OF
FINANCE (.) To be delivered at residences of the Officers(.)
Following information supplied by Steamer Companies today
regarding release of flats etc. by Pakistan (.)

The following Steamers and flats were cleared by
Customs and D.A.B. at Khulna on 13th instant and sailed
by 6 A.M.

UP

DOWN

"GHILZAI" (C.S.D.) "SKISTANI" (Tea special) with flats
"KORAH" and "RANGAFULLA" (Assam Jute)(.)
Ordered to sail by midnight 13th instant (.)
"GADARI" (C.S.D.) "MONGOLIAN" (Single)(Tea & general) (.)
"PEGU" (Tea and general) with flats (.)
"HARIANA" & "AZAMGARH" (Assam Jute) (.)
"AINAK" (Tea & general) with flat (.)
"AKHKAURA" & "ROORKEE" (Assam Jute)(.)
"UZBEG" (Tea & general) with flat (.)
"RANIKHET" (Assam Jute) (.)

Steamers cleared by Customs and D.A.B. and which
should sail sometime today 14th instant - "GALIANA", "KABULI"
"MULTANI", "PARACHA" (.)

Flats likely to be cleared today for stowage by
the above Steamers - India to India "RAGHAMPUR", "GOPALPUR",
"BAITARANI", "PALTA" (.)

Pakistan to India (Released by Jute Board) -
"REJANG" "ZUMANI" "TAPLOW" "TANDALA" (.)

I have.....

I have agreed to 3 flats commencing loading 1800 tons of coal immediately to speed up turn round of movements of detained flats between Calcutta and East Pakistan (.) These flats will not be permitted to move until the number of vessels arrives in Calcutta with detained cargoes is sufficient to justify the release of the quantity of coal involved in terms of the formula referred to in my Socraphone Message of yesterday (.) Land Customs warned not to permit movement of the 3 flats proposed to be loaded with coal without my permission (.)

GOVERNMENT OF INDIA.
MINISTRY OF COMMERCE.

New Delhi, the 16th January 1950.

Copy forwarded to :-

- (1) H.M.
- (2) ✓ P.S. to Deputy Prime Minister.
- (3) Ministry of Finance (RD) (Mr. K.R.K. Menon)
- (4) Ministry of Finance (EA) (Mr. K.M. Ambegaekar)
- (5) Ministry of Agriculture (Mr. K.L. Panjabi)
- (6) Ministry of Food (Mr. R.L. Gupta)
- (7) Ministry of I . & S. (Mr. S.A. Venkataraman)
- (8) Ministry of Transport (Mr. Y.N. Sukthankar)
- (9) Ministry of Defence (Mr. H.M. Patel)
- (10) Ministry of Home Affairs (Mr. H.V.R. Iengar)
- (11) Financial Representative
(Ministry of Finance) (Mr. C.D. Deshmukh)
- (12) P.M.'s Secretariat (Mr. N.R. Pillai)

for (C.C. Desai)
Secretary to the Government of India.

TELEPHONE MESSAGE.

IMMEDIATE

130

No. 44015
Date 14.1.1950 (2215-2230)
From Regensburg, Calcutta.
To Suplind, New Delhi.

From AYXAR CHAIRMAN CALCUTTA PORT COMMISSIONERS TO DESAI
MINISTRY OF COMMERCE NEW DELHI REPEAT A.K. CHANDA FINANCIAL
COMMISSIONER RAILWAYS AGAIN REPEAT TO BHATTACHARYA SECRETARY
ECONOMIC COMMITTEE OF THE CABINET MINISTRY OF FINANCE (.) To be
delivered at the residences of the officers (.) Following brief
appreciation of the movements of traffic by Assam Railway Link
upto 15th (.) All figures in B.G. Wagons (.) From Assam and North
Bengal Tea eightyfour, miscellaneous goods twentytwo, tobacco
eighteen, railway sleepers fortytwo, oranges sixteen, parcel
twelve, jute twentyfive, petrol 15 tank wagons (.) To Assam and
North Bengal total number of wagons 690 which includes Assam
Railway, Darjeeling Himalaya Railway and public coal 349, tea
garden fertilizers 131, Burmah S&K Oil Company Burmah Shell stores
twenty, tea garden stores fortyfive, Assam Government civil
supplies one hundred, railway material fortyfive (.)

Copy forwarded to :-

- | | | |
|------|------------------------------------------------------|-------------------------|
| (1) | H.M. | |
| (2) | P.S. to Deputy Prime Minister. | |
| (3) | Ministry of Finance (R.D.) | (Mr. K.R.K. Menon) |
| (4) | Ministry of Finance (R.A.) | (Mr. K.G. Ambegaokar) |
| (5) | Ministry of Agriculture | (Mr. K.L. Panjabi) |
| (6) | Ministry of Food | (Mr. R.L. Gupta) |
| (7) | Ministry of I. & S. | (Mr. S.A. Venkataraman) |
| (8) | Ministry of Transport | (Mr. I.N. Sukthankar) |
| (9) | Ministry of Defence | (Mr. H.M. Patel) |
| (10) | Ministry of Home Affairs | (Mr. H.V.R. Iengar) |
| (11) | Financial Representative, }
(Ministry of Finance) | (Mr. C.D. Deshmukh) |
| (12) | Prime Minister's Secretariat | (Mr. N.R. Pillai) |

u. n. 496 - 20415 - 14.1.1950 - 18/1/50.

for (C.G. Desai)
Secretary to the Government of India.

VH 12-1 131
MOST IMMEDIATE

MINISTRY OF COMMERCE.

Mr. Walker and Mr. Sutherland wrang me up this morning from Calcutte and said that they have received a telegram from Mr. Faruque intimating that up to now 360,000 maunds or 72,000 bales of Pakistan jute purchased by India pre-devaluation had already been released and that barges duly sealed had been allowed to go. Other cases are being handled expeditiously.

18 Jan
(C.C.Desai).
Secretary.
11. 1. 50.

H.M.
→ P.S. to Deputy P.M.
S.M. Finance.
Shri C.D. Deshmukh.
Secy. Economic Committee.

02 - May 1950 - H.M. 11/1/50

132

No. 247-20/1150
GOVERNMENT OF INDIA
MINISTRY OF COMMERCE

1950
New Delhi, the 7th January 1950.

A copy of the undermentioned paper is forwarded to:-

- (1) H.M.
- (2) P.S. to Deputy Prime Minister.
- (3) P.S. to H.M. Transport.
- (4) P.S. to H.M. Finance.
- (5) Ministry of Finance (R.D.) (Mr. K.R.K. Menon)
- (6) Ministry of Finance (E.A.) (Mr. K.G. Ambegaekar)
- (7) Ministry of Agriculture (Mr. K.L. Panjabi)
- (8) Ministry of Food (Mr. R.L. Gupta)
- (9) Ministry of I & S (Mr. S.A. Vekhataraman)
- (10) Ministry of Transport (Mr. Y.W. Sukthankar)
- (11) Secretary, Economic Committee (Mr. P.C. Bhattacharyya)
- (12) Financial Commissioner, Rlys (Mr. A.K. Chanda)
- (13) Chairman, I.J.M. Association, Calcutta. (Mr. J.R. Walker)
- (14) Chairman of the Commissioners for Port of Calcutta. (Mr. H.M. Ayyar)
- (15) Chief Controller of Exports (Mr. L.K. Jha)
- (16) Mr. B.W. Chakravarti, Calcutta.

for (C.C. Desai)
Secretary to the Government of India.

Copy of letter No. 15-ATC(4)/50-54 dated 5th January, 1950 from Mr. P. Das Gupta, Assistant Indian Government Trade Commissioner in Eastern Pakistan, Dacca to C.C. Desai, Esq., ICS., Secretary to the Government of India, Ministry of Commerce, New Delhi.

Subject:- LATEST POSITION OF JUTE MARKET IN EAST BENGAL.

In continuation of my letter No. 15-ATC(4)/50-1, dated January 2, 1950, on the above subject, I have further to submit the following for the favour of your information and necessary action.

1. **Jute Market:** Regarding the local jute market there is nothing much significant to note except that activities have declined further since it was reported last and the market is again beginning to assume a deserted outlook. The limited purchases still being continued are related only to Tossa and white superior varieties. But while arrivals from the interior have improved since the middle of December, 1949, the superior qualities are considered to cover not more than 15 per cent, 40 percent being Cross Bottom and the remainder classified under the group "Mixed lots". The market is anxiously awaiting news regarding the prospect of an inter-Dominion compromise. It is, however, conceded in knowledgeable quarters that the market cannot possibly be pulled up any more unless there is some sort of a compromise with India, inasmuch as for the major part of the new arrivals such as Cross Bottom and District Bottom, there is no other buyer in the world except India. In the meanwhile, both Mr. Faroque and Mr. Ispahani being away to Karachi, the Jute Board does not appear to have any activity whatsoever, nor the

National Bank of Pakistan is known to be entertaining any fresh application for financial accommodation. For reasons of the tightened coal position, the baling presses have been constrained to reduce their operation quite substantially (by more than 30 percent) and for the last two days only 25 to 30 jute wagons (instead of 50 wagons) are being despatched daily to Chittagong for shipment. It has been possible for me to confidentially enquire about the coal position of the Kumudini Trust Ltd., the principal pucca baling house working under the direction and control of the Jute Board. The company has the largest baling press, with a total capacity of 3,000 (three thousand) bales per day. But from the information, I could gather, it appears that its coal position is precarious, and even with partial use of wood fuel, is not likely to last for more than a week. Apparently, the Jute Board's instruction is to continue so long as the coal reserve lasts and to take advantage of the winter weather for export via Chittagong.

2. As reported earlier, the coal position is critical and has deteriorated further. I have reasons to believe that some of the goods trains have already been suspended and by the middle of the next week the entire transport system, both railway and steamer, is likely to suffer serious disorganization and deadlock. The local Railway authorities virtually admit of the serious position. According to official sources, the consumption requirement of coal of the East Pakistan Railway alone is estimated at 45,000 (fortyfive thousand) tons per month and with utmost care and austerity cannot be reduced below 40,000 tons a month. The monthly consumption of the inland steamer services is similarly estimated at the net figure of 20,000 (twenty thousand) tons, the miscellaneous industrial units such as the Dacca Electric Supply (others except the Pahartali Power Station, Chittagong, being small units run on diesel oil) and the textile mills and other factories requiring a minimum supply of 15,000 (fifteen thousand) tons, thereby making a total of 75,000 (seventy five thousand) tons of minimum essential consumption requirement of coal 2 per month as against the normal consumption of 80,000 to 82,000 tons. Evidently without the execution of long-term development plans, it would be impossible for the port of Chittagong to handle this colossal extra load, along with the usual import-export freights. Difficulties in this respect would be all the more pronounced with the increasing pressure on the Chittagong port, due to the deadlock in inter-Dominion land and river-borne trade and the consequent changes in the directional and distributional pattern of East Pakistan's external trade.

As anticipated earlier, the propaganda that coal may be obtained from South Africa, Poland and other European countries is not being viewed with sincere enthusiasm in the local official circles. Irrespective of cost and the question of shipping, the only prospect that Karachi announcement held out yesterday was that the first consignment of coal from Poland was likely to be received at Karachi by the middle of February, 1950. The news is considered disappointing here, inasmuch as the condition at this end is critical and emergent and would not stand any delay. Responsible officers of the I.G.N. and R.S.N. companies (the two principal inland river service companies) disclose that their stock could not last beyond another seven days at the best and unless despatches are obtained immediately, their services will have to be closed down. The position of the Railways is nothing better and I understand, that in case the prospects of an inter-Dominion compromise do not materialise immediately, 50 percent of the regular services will have to be suspended by the next week

132

SECRET

No. 247-20/1150-
GOVERNMENT OF INDIA
MINISTRY OF COMMERCE

1950

New Delhi, the 7th January 1950.

A copy of the undermentioned paper is forwarded to:-

- (1) H.M.
- (2) P.S. to Deputy Prime Minister.
- (3) P.S. to H.M. Transport.
- (4) P.S. to H.M. Finance.
- (5) Ministry of Finance (R.D.) (Mr. K.R.K. Menon)
- (6) Ministry of Finance (E.A.) (Mr. K.G. Ambegaekar)
- (7) Ministry of Agriculture (Mr. K.L. Panjabi)
- (8) Ministry of Food (Mr. R.L. Gupta)
- (9) Ministry of I & S (Mr. S.A. Vhakaraman)
- (10) Ministry of Transport (Mr. Y.W. Sukthankar)
- (11) Secretary, Economic Committee (Mr. P.C. Bhattacharyya)
- (12) Financial Commissioner, Rlys (Mr. A.K. Chanda)
- (13) Chairman, I.J.M. Association, Calcutta. (Mr. J.R. Walker)
- (14) Chairman of the Commissioners for Port of Calcutta. (Mr. N.M. Ayyar)
- (15) Chief Controller of Exports (Mr. L.K. Jha)
- (16) Mr. B.W. Chakravarti, Calcutta.

for (C.C. Desai)
Secretary to the Government of India.

Copy of letter No. 15-ATC(4)/50-54 dated 5th January, 1950 from Mr. P. Das Gupta, Assistant Indian Government Trade Commissioner in Eastern Pakistan, Dacca to C.C. Desai, Esq., ICS., Secretary to the Government of India, Ministry of Commerce, New Delhi.

Subject:- LATEST POSITION OF JUTE MARKET IN EAST BENGAL.

In continuation of my letter No. 15-ATC(4)/50-1, dated January 2, 1950, on the above subject, I have further to submit the following for the favour of your information and necessary action.

1. Jute Market: Regarding the local jute market there is nothing much significant to note except that activities have declined further since it was reported last and the market is again beginning to assume a deserted outlook. The limited purchases still being continued are related only to Tossa and white superior varieties. But while arrivals from the interior have improved since the middle of December, 1949, the superior qualities are considered to cover not more than 15 percent, 40 percent being Cross Bottom and the remainder classified under the group "Mixed lots". The market is anxiously awaiting news regarding the prospect of an inter-Dominion compromise. It is, however, conceded in knowledgeable quarters that the market cannot possibly be pulled up any more unless there is some sort of a compromise with India, inasmuch as for the major part of the new arrivals such as Cross Bottom and District Bottom, there is no other buyer in the world except India. In the meanwhile, both Mr. Faroque and Mr. Ispahani being away to Karachi, the Jute Board does not appear to have any activity whatsoever, nor the

National Bank of Pakistan is known to be entertaining any fresh application for financial accommodation. For reasons of the tightened coal position, the baling presses have been constrained to reduce their operation quite substantially (by more than 30 percent) and for the last two days only 25 to 30 jute wagons (instead of 50 wagons) are being despatched daily to Chittagong for shipment. It has been possible for me to confidentially enquire about the coal position of the Kusudini Trust Ltd., the principal pucca baling house working under the direction and control of the Jute Board. The company has the largest baling press, with a total capacity of 3,000 (three thousand) bales per day. But from the information, I could gather, it appears that its coal position is precarious, and even with partial use of wood fuel, is not likely to last for more than a week. Apparently, the Jute Board's instruction is to continue so long as the coal reserve lasts and to take advantage of the winter weather for export via Chittagong.

2. As reported earlier, the coal position is critical and has deteriorated further. I have reasons to believe that some of the goods trains have already been suspended and by the middle of the next week the entire transport system, both railway and steamer, is likely to suffer serious disorganization and deadlock. The local Railway authorities virtually admit of the serious position. According to official sources, the consumption requirement of coal of the East Pakistan Railway alone is estimated at 45,000 (fortyfive thousand) tons per month and with utmost care and austerity cannot be reduced below 40,000 tons a month. The monthly consumption of the inland steamer services is similarly estimated at the net figure of 20,000 (twenty thousand) tons, the miscellaneous industrial units such as the Dacca Electric Supply (others except the Pahartali Power Station, Chittagong, being small units run on diesel oil) and the textile mills and other factories requiring a minimum supply of 15,000 (fifteen thousand) tons, thereby making a total of 75,000 (seventy five thousand) tons of minimum essential consumption requirement of coal per month as against the normal consumption of 80,000 to 82,000 tons. Evidently without the execution of long-term development plans, it would be impossible for the port of Chittagong to handle this colossal extra load, along with the usual import-export freights. Difficulties in this respect would be all the more pronounced with the increasing pressure on the Chittagong port, due to the deadlock in inter-Dominion land and river-borne trade and the consequent changes in the directional and distributional pattern of East Pakistan's external trade.

As anticipated earlier, the propaganda that coal may be obtained from South Africa, Poland and other European countries is not being viewed with sincere enthusiasm in the local official circle. Irrespective of cost and the question of shipping, the only prospect that Karachi announcement held out yesterday was that the first consignment of coal from Poland was likely to be received at Karachi by the middle of February, 1950. The news is considered disappointing here, inasmuch as the condition at this end is critical and emergent and would not stand any delay. Responsible officers of the I.G.N. and R.S.N. companies (the two principal inland river service companies) disclose that their stock could not last beyond another seven days at the best and unless despatches are obtained immediately, their services will have to be closed down. The position of the Railways is nothing better and I understand, that in case the prospects of an inter-Dominion compromise do not materialise immediately, 50 percent of the regular services will have to be suspended by the next week.

and even then the essential minimum services would not be maintained beyond two weeks after that. Yesterday, the Secretary of the Chittagong Electric Supply Company came down from Calcutta and saw me at my office. He complained that due to the difficulty of railway transport he was not being able to move and distribute the stock of diesel oil and as such their power supplies at Rajshahi, Narayanganj and Faridpur may have to be curtailed soon.

It may further be noted that in course of a recent discussion MR. S.A. Suhrawardy, General Manager, East Pakistan Railways indicated that "inadequacy of workshop facilities and the precarious position with regard to Coal supplies" was threatening the entire transport system. It is further stated that for the broad gauge rolling stocks and locomotive servicing the East Pakistan Railway has to depend on the workshop facilities at Kancherapara in West Bengal. In the same context, it is also admitted that the facilities available at Saidpur and Chittagong workshops are far too inadequate and below the standard required. The lack of adequate coal supply has, it is reported, already rendered inoperative a number of old and rather over-aged engines.

3. Pakistan-United Kingdom Trade:

The figures appended below indicate the actual position of Pakistan's trade with the United Kingdom, during the month of November 1949.

<u>COMMODITIES.</u>		<u>Imports into Pakistan</u>
		Value (£)
1. Cotton yarn and manufactures		357,000
2. Wollen yarn and manufactures		45,000
3. Iron and steel		217,000
4. Non-ferrous metal		119,000
5. Chemicals, drugs, etc.		179,000
6. Vehicles		440,000
7. Electricals		155,000
8. Machinery Electrical		388,000
9. Machinery (other sorts)		15,000
10. Prime Movers		53,000
11. Textile machinery		50,000
Total :-		£ 20,18,000

REPORTS FROM PAKISTAN

<u>Commodity</u>	<u>Value (£)</u>
1. Raw jute	220,000
2. Cotton, raw and waste	42,000
3. Raw wool	115,000
4. Hides and skins	7,000
5. Tea	486,000
Total £	870,000

VISIBLE TRADE BALANCE
WITH UNITED KINGDOM (NOVEMBER, 1949)

Imports from the United Kingdom	=	£ 2,018,000
Exports to the United Kingdom	=	£ 870,000
<hr/>		
Net deficit in November 1949	=	£ 1,148,000
<hr/>		

As to the political condition, it seems apparent that Mr. Hamidul Huq Choudhury is gathering strength. Only the other day his supplementary question on the floor of the Pak Constituent Assembly definitely embarrassed the Pakistan Commerce Minister who virtually refused to disclose the foreign trade position since September 1949. At this end, the Premier, Mr. Nurul Amins latest statement commenting on the Hindu Mahasabha cry for Akhand Bharat seems to reveal a fear-complex.



COMMERCE SECRETARY,
GOVT. OF INDIA

136
No 33 Sec/50
MINISTRY OF COMMERCE,
New Delhi, the 5th January 1980.

My dear Panjabi,

I told you yesterday that Patil had written to the Bombay Government saying that the programme of increasing production of jute and cotton was to be carried out in a manner not affecting the increased food production. A copy of the letter written by him is herewith enclosed. Unless we have the magic wand, I do not see how jute and cotton cultivation could be increased to the extent desired not only without affecting expansion of foodgrains, but even retaining the present production of foodgrains. The relative priority between the three has got to be determined. The earlier we get Government orders on the subject, the better.

2. D.L.Mazumdar met me yesterday and told me that he and the Fiscal Commission met the Ministers of the West Bengal Government recently in Calcutta. In the meeting Dr. Roy, the West Bengal Premier, told the Fiscal Commission that he had received three different letters from the same Ministry, viz: the Ministry of Agriculture, asking him to increase foodgrains, to increase jute and to increase fodder. He referred to the action of the Government of India with an air of contempt. He said that there was no fallowland in Bengal and that all the three crops could not be increased simultaneously. If one crop was increased, the other must suffer, but apparently, he said, that this was not realised in Delhi. Personally, I feel sympathy for Dr. Roy. No amount of fertilisers, double-crop and other devices can give us the jute in the quantity that we want in Bengal, and we must face the fact that expansion of jute must be at the expense of paddy. This applies to acreage, but of course the ultimate criterion will be the relative prices of jute and foodgrains. I was told that an attempt would be made by Dr. P.C.Ghosh to get procurement prices of paddy raised, and if

this is permitted, all hopes of expansion of jute would be dashed to pieces. I am passing on this information to you for what it is worth. We have to be alert in view of the paramount need to step up the cultivation of jute very substantially in areas from where it can be brought into Calcutta cheaply and easily, in soils which are suitable for jute cultivation and at prices which will eliminate competition from foodgrains.

Yours sincerely,

(C.C.Desai)

K. L. Panjabi, Esq., ICS,
Secretary, Ministry of Agriculture,
New Delhi.

Copy forwarded to all Economic Secretaries,
Shri C.D.Deshmukh, Shri N.R.Pillai and Shri V.Shankar;
P.S. to Dy.P.M. for information.

Desai
(C.C.Desai)

Extract from letter No. F.1-7/49GMF(Co) dated
7th December 1949 from Mr. R.K. Patil, Food Commissioner
to the Government of India to Mr. Mohite.

"It has been decided that the programme of
increasing production of jute and cotton will be
carried out in a manner which will not affect
increased food production. I should like you to
bear this in mind, and immediately bring to my
notice any case, with details, where the contrary
is likely to happen."

SECRET

No. 16 Sec/50 136
MINISTRY OF COMMERCE,
New Delhi, the 3rd January 1960.

My dear Datar Singh,

During the last four days I have been having practically non-stop discussions with two representatives of the Pakistan Government associated with their Jute Board. The discussions have made one clear impression on my mind. The impression is that Pakistan is practically mortgaging all her jute crop to foreign countries so as to sever trade relations with India, to create difficulties for the Indian jute mill industry, to establish competing industry in other countries and to secure some foreign exchange through processing on their behalf in foreign countries. The fact that we have not accepted their exchange ratio and thus created a certain amount of deadlock in the trade has accentuated this tendency on their part. The lesson to us is obvious. If we are not to be faced with a crisis in the jute industry next year, we must find the entire raw material for the industry from within the country. Our annual requirements are 60 lakhs bales, and unfortunately in the jute year 1960-61 we will not have a single ounce of jute as carry-over from 1949-50. I do not want to build up any reserve at the end of 1960-61, but I do want to see that the industry will have sufficient raw material to work full-time throughout the year 1960-61. This means that we must have 60 lakhs bales of fibre for processing and manufacture in 1960-61. At one time we were prepared to risk with a production of 45 lakhs bales, but today I am convinced that if we do so, we shall be taking an undue risk not only with insufficient production in the jute mills, fall in the foreign exchange, fall in the income-tax receipts, but what is worse - a delicate labour situation. I feel, therefore, that a production of 60 lakhs fibre made up of jute, mesta and binli in the year 1960-61 is essential for the security of our economy and indeed for the security of our state. Jute cannot be had anywhere in the world. The same desperate position does not affect or apply to any other agricultural crop, be it cotton, be it sugarcane, be it groundnuts or be it foodgrains. So far Govt. has taken the decision that jute seed being available, we must grow 45 lakhs bales of jute in 1960. This has been treated

as the target. From now onwards, it must be regarded as the minimum for production and as there is always a little gap between the target and the reality, it is up to us to see that a sufficient margin is left so that the actual production is not one bale less than 45 lakhs in regard to jute and 15 lakhs in regard to mesta. I am emphasising this point as I read the other day that in one of the speeches made by you, you said that we were hoping to produce 40 lakhs bales of jute in India. I hope you will be good enough to confirm that in 1960 we shall get not less than 45 lakhs bales of jute and 15 lakhs bales of mesta and himli, the total being 60 lakhs. If this production requires diversion of land from foodgrains to jute, that situation has got to be faced. I know that these views are shared by the Ministry of Industry and Supply as also by the Ministry of Finance, and therefore, if the Ministry of Agriculture desire that a specific directive to this effect should be obtained from the Cabinet, we would be prepared to submit a paper so that there should be no manner of doubt as to the policy to be adopted.

2. The next point is that we must not only grow the jute required but we must also have the jute of the right quality. In an emergency we can use any jute in our mills, but to maintain our competitive position in the world markets, we must grow the jute of the same variety as we used to import from East Bengal, and as the variety which the other jute manufacturing industries in U.K., France, Italy and Belgium will get from Pakistan. At the same time, the Indian Jutes Mills Association will go on with their plans of research to ensure that coloured jute grown in India is so decolourised as to match the Pakistan jute without weakening tensile strength of the fibre. It would help us if we could get from you a rough breakdown of the different varieties of jute which we might expect in 1960 out of this target of 45 lakhs bales. The specification should be in such terms as Tessa, Jat Bottom, Middle Bottom, Cross Bottom etc., Our notification giving the maximum prices of raw jute might serve as a guide for the specification of these varieties.

3. The third point is that from now onwards we must plan

our transport arrangements in the areas where this jute will be grown so that the jute flows into Calcutta as easily and uninterruptedly as the raw jute from eastern Bengal used to flow into Calcutta by the riverways which is a natural advantage enjoyed by eastern Bengal. We do not want a situation to arise in which we may have jute in India but which we may not be able to get into Calcutta without special arrangements and spread over an inconveniently long period. These difficulties and handicaps experienced this year should serve as a useful guide and tell us from now as to where the scope for improvement exists and how the transport should be coordinated to the production of jute.

4. I am conscious of the fact that you are fully familiar with these problems, but I thought that I might put them down on paper so that a note could be prepared not only for the information of Government but also of the public, and particularly of the industry which is vitally concerned in the plans being made by us in this behalf. I hope that your plans for the appointment of a whole-time Jute Commissioner are going forward, and that we shall have an officer who will pay undivided attention to this most important problem in our economy.

5. I am sending a copy of this letter to Panjabi, Bhattacharyya, Venkataraman and other Economic Secretaries.

Yours sincerely,

(C.C. Desai).

Sardar Datar Singh,
Ministry of Agriculture, New Delhi.

Copy to :

- (1) Mr. K.R.K. Menon, Ministry of Finance (RD)
- (2) Mr. K.G. Ambekar, Ministry of Finance (MA).
- (3) Mr. S.A. Venkataraman, Ministry of Industry & Supply.
- (4) Mr. K.R. Desai, Ministry of Food.
- (5) Mr. K.L. Panjabi, Ministry of Agriculture.
- (6) Mr. A.K. Chanda, Financial Commissioner Railways.
- (7) Mr. P.C. Bhattacharyya, Economic Committee.

Copy also to :

- (1) Mr. C.D. Deshmukh.
- (2) Mr. N.R. Pillai.
- (3) K.M.

3.1.50.

P.S. Desai

119-244/50

10/1/50

Secret

(Ministry of Commerce)

**

A copy of telegram dated 24th from our Assistant Trade Commissioner in Dacca is forwarded herewith for information.

PS to Dy Sec (Mr Shankar)

(C.C.Desai)

25. 12. 49.

** "Within few hours jute market has declined sharply. India's action has seriously affected market. Foreign enquiries suddenly being held back nervously. Business reduced by 50% in one day and many understand that buyers and balers stopped purchase. Nervous confusion in jute trade at Narayan Gunj."

142
No: 5020 Dg 149 A 24/12/4

With the compliments of -

Mr. C.C.Desai ICS.,
Secretary,
Ministry of Commerce,
New Delhi.

23-12
2
To

V. Shankar Esqr., ICS.,
P.S. to Hon'ble the
Deputy Prime Minister,
New Delhi.

143

Copy of letter dated 20th December 1949, from J.J.B. Sutherland, Esquire, Indian Jute Mills Association, Royal Exchange, P.B. No. 280, Calcutta, to C.C. Desai, Esquire, Secretary to the Government of India, Ministry of Commerce, New Delhi.

We have had conversations with the steamer interests concerning those matters about which you spoke to us on Sunday; and they have agreed not to book any more jute merittime and have sent flats to Benihari to assist in the ferry movement there. I sent you a telegram saying that a lapse of four days should be allowed before arrival there.

They have confirmed that the hold up in flats is directed solely and exclusively to jute and when the idea of their concentrating on the movement of other materials from Assam was mentioned, they pointed out that apart from jute there was little else. Apart from a small amount - about 3% of the crop it is estimated - most of the tea crop is out. It is in the upward direction that the main effects will be felt; for there are now concentrations upon the movement of all the tea garden stores and fertilizers (about 1,500 tons of it) to the gardens in preparation for the new season. Furthermore, the Assam Oil Company's main dependence for the transport of their stores, supplies, etc., from here is on the steamer component. They reckon that of the imported stores about 750 tons a month in movement is involved; and that figure can be doubled when regard is paid to the transport from here of their indigenous purchases. The only thing left would be rail and that would involve 75 B.G. wagons monthly going to Assam. As far as their products are concerned, these find their markets in India and transport from source by the steamer and other interests does not enter Pakistan. Finally there does move also from here to Assam by the steamers about 5000 tons monthly of foodstuffs.

As far as could be gathered from tea interests, these interruptions in movements will be of hardship but not

144

vital unless of course the period for which in being were great.

It was clear from discussions with the steamer interests that they would fully co-operate with Government ~~XXXXXXXXXXXXXXX~~ and with us in all matters; and just as the rumour had reached you that they were not working 100% with us, so too are they accused by Pakistan. Coal stoppages would have serious effects upon their internal transport movements in Pakistan and whilst Poland coal had reached Chittagong, the quantity was not such they thought as could bridge the loss from India. Whilst not if it they thought would be used for the railways in such an event, a degree of priority would be theirs; and they considered that they would be entirely subject to control and direction by the Pakistan Government in the event of coal stoppages.

The legal position in the question of freedom of the sea has attracted the attention of their solicitors who confirm as ill all the actions of the State and regarding to their legal advisers have no power to do any acts. They consider too in all of this that insufficient publicity has been given to Pakistan's "gangster" tactics and whilst certainly our own lines of trying to give publicity to the matter could be to their mind a right step, still it could not be nearly so effective in their view as a press release by the Govt. of India. In this they visualise your having a press conference so that the publicity would be world wide. We are quite willing to make as big a stink as possible through the press but have not done so because we thought that it would make negotiations more difficult; and at the present stage we of course would not do anything in this way except with your consent either in a general way or specific in the case of each statement whichever you thought best. To them it is of significance that whilst asked orally to unload and refusing to do so unless ordered in writing with a specific and precise reference to the powers under

which that order was issued, there has been no such order received yet. The whole legal aspects of this have had your attention we feel as also the powers that are Pakistan's under the Customs Act apart from what the Board might or might not do. We would like however to have your re-actions to the idea of press publicity.

We are pushing ahead with our notices under section 80 of the Civil Procedure Code; and we hope to see Counsel today. Also all attempts with the Board to obtain release are being redoubled; and I am getting together a comprehensive documentation of the steps taken up to date but that may take some little time to complete and send to you as a reference to the Pakistan companies for copies of their correspondence etc., may be necessary.



116
New Delhi.

22
23rd December, 1949.

My dear Sardarji,

I enclose herewith a draft copy of the statement which I propose to make tomorrow in the House. I shall be grateful if you will kindly go through it and make such suggestions or ~~any~~ alteration as you may consider fit.

Yours sincerely,

Keneog

(K. C. Neogy)

The Hon'ble
Sardar Vallabhbhai Patel,
Deputy Prime Minister,
New Delhi.

(47)

CONSTITUENT ASSEMBLY OF INDIA (LEGISLATIVE).

.....

(Short Notice Question by Shri H.V. Kamath regarding detention of jute by Pakistan).

(To be answered on the 24th December 1949).

QUESTION.

Will the Honourable Minister of Commerce be pleased to state:

(a) whether it is a fact that the Pakistan Government have held up a very large quantity of raw jute purchased in Pakistan on behalf of Indian firms, and laid on barges and bound for India; if so, how much and when;

(b) whether it is a fact that the Pakistan Government have held up a considerable quantity of raw jute in transit from one part of India to another through Pakistan territory; if so, how much, when and where;

(c) the circumstances leading to the hold up in either case; and

(d) whether Government have taken, or propose to take action in the matter?

ANSWER.

HON'BLE SHRI K.C. NEOGY.

With your permission, Sir, I should like to take this opportunity of making a statement explaining in some detail the latest developments in our trade and commercial relations with Pakistan. The House is aware that these have been based on a series of Trade Agreements, the last of which was entered into in June 1949. These Agreements proceeded on a recognition by both countries of the importance of continuing arrangements regarding the supply by each country of the requirements of the other and to do all that is necessary for the purpose. Thus, under the 1949 Agreement, which is valid for the period July 1949 to June 1950, Pakistan agreed to make available to India four million bales of raw jute and 450,000 bales of cotton, while India was to make available to Pakistan 150,000 bales of cotton textiles, 80,000 tons of steel and 2 million tons of coal. I have mentioned only the principal commodities. I should add in this connection that India is herself an importer of large quantities of steel from the hard currency countries; nevertheless we agreed to supply steel to Pakistan in order to preserve as far as possible the traditional pattern of trade.

148

2

Soon after the 1949 Trade Agreement was signed, it became clear that Pakistan was not serious about implementing it. For instance, far from helping the import of cotton textiles from India into Pakistan, they actually took measures to restrict this trade. It is stated in the Agreement that the import of Indian textiles into Pakistan was governed by Open General Licence. But the Indian textiles were frozen on arrival while textiles from other countries were allowed to be sold freely. Thus there was positive discrimination against Indian textiles - a discrimination which they continued to maintain in spite of representations. Towards the end of September we were suddenly informed that the O.G.L. for the import of several commodities from India including textiles was ^{had been} suspended temporarily. This was followed by a proposal to cancel the O. G.L. for mill-made textiles from all countries including India. Not only were our protests ignored, but Pakistan went a step further. On the 12th November Pakistan published by notification a list of countries from which no import of textiles would be allowed. India was included in this list. The Inter-Dominion Agreement for free movement of certain types of handloom cloth was never implemented by them, although we on our part continued to import handloom cloth from East Bengal.

149

3

In spite of the difficulties over textiles, India continued to buy jute in the normal way and there were no difficulties to start with. I should explain at this stage that it has always been the custom for Indian buyers to purchase jute through agents whom they finance. As a rule the agents pay for the jute on the spot in Pakistan. In this way as much as 12 lakhs of bales of raw jute had been purchased in Pakistan by the middle of September. Since then, Indian buyers have found it virtually impossible to make fresh purchases of Pakistan jute owing to its high cost. Meanwhile the movement of jute already purchased began to be interfered with. These difficulties became even more acute after the establishment of the Pakistan Jute Board. This body has not only fixed minimum prices but is also exercising certain checks on exports of raw jute. Under their orders as much as 5 lakh bales out of the 12 lakh bales ~~xxx~~ purchased by India have been held up in Pakistan. All this jute is clearly Indian property, having been paid for long before the Jute Board had been established.

A large portion of this jute has been passed by the Pakistan customs; the Pakistan export duty has been paid and the jute has actually been loaded in barges and flats. The hold up of this jute is thus inexplicable and clearly indefensible.

Repeated attempts were made by the Indian buyers and their agents to get this jute released. Claims were made to the Jute Board, both verbally and in writing. The steamer companies produced before the Jute Board evidence regarding dates of ~~xxx~~ loading. All this produced no result except admissions in principle by the Jute Board that the jute which is Indian property would be released. To find out what precisely had to be done to secure the release of this jute, the Indian Jute Mills Association sent a representative

151

to discuss the matter with the Board, but his visit proved equally fruitless. It became clearer every day that the formalities regarding proof of transactions. were only being used as a pretext to detain the jute. Numerous buyers who were naturally anxious to comply with all necessary formalities individually approached the Jute Board and other authorities for clarification and advice about the action expected of them, but none of them was given any clear ideas about the precise formalities to be complied with or the nature of the proof of payments, contracts etc. which they had to produce to the Jute Board. Others wrote to the Jute Board on these matters, but their letters were left unanswered. All this time the jute had been deteriorating. The Government of India, therefore, brought these facts to the notice of the Pakistan Government and requested them to release the jute immediately, and to facilitate a quick decision even went to the length of offering arbitration to settle outstanding claims on either side. But the reply from Pakistan was that the proposal for arbitration is premature, that the reasons for the detention of jute had been misrepresented to us, ^{that} flat detention

152

detention of jute was ^{actually} a nuisance to Pakistan, and that Indian buyers had failed to take advantage of ^{their} such simple and easy procedure for making claims. These statements are completely at variance with the facts which I have already described.

The value of the Indian owned jute lying in Pakistan for over three months runs into crores of rupees.

When this money is locked up, when the jute is lying exposed and is deteriorating and losing value every day, it cannot be seriously suggested that the owners have failed to make their claims, or that the procedure is easy and simple as ^{represented by Pakistan} claimed to them. The inference is irresistible that the procedure if any, is really designed to hold up all movements of jute.

P.T.O.

153

The detention and obstruction to movement of jute is not confined to Pakistan-grown jute bought by Indian nationals. Such ^{has} obstruction of late^s been extended to Indian jute in transit from Assam through Pakistan to Calcutta. A number of barges and flats loaded with Assam jute are also being held up at various points in Pakistan. To our knowledge there are about thirty of them, carrying nearly a hundred thousand bales. The detention of Pakistan jute bought by Indian nationals, taken together with the obstruction to the movement of Indian jute in transit through Pakistan can lead only to one conclusion, ^{namely,} that Pakistan is deliberately denying jute to Indian jute mills with a view to exercising economic pressure on the industry. There have been many other cases of hold up of transit goods, particularly of railway stores required for the Assam Railway Link.

The supply of jute by Pakistan to India, and of coal by India to Pakistan are among the cardinal features of the trade agreement. India has throughout consistently fulfilled her obligation of supplying coal. Pakistan, on the other hand, far from facilitating the supply of jute is deliberately obstructing such supply to India.

The Trade Agreement, which both countries accepted only a few months ago as the basis of their mutual commercial relations, is thus being honoured by Pakistan only to the extent of receiving in

full their monthly quota of coal. Some days ago we pointed out to the Pakistan Government that unless there is reciprocity we shall have to reconsider our attitude to the agreement itself. The Pakistan Government in their reply have argued that the only obstacle in the way of the fulfilment of the agreement is India's failure to recognize their rate of exchange. This is not understandable at all. If Pakistan wishes to maintain a certain rate of exchange with other currencies, it is obviously her business to buy and sell other currencies at that rate. But, even the Pakistan State Bank does not buy or sell Indian rupees. On the other hand, banks and individuals are prevented from doing so except at the rate of exchange notified by Pakistan. Apparently, no one is able to do business on these terms. In this connection, honourable members will recall that for some time after devaluation, trade continued between the two countries, although on a reduced scale, until the Pakistan rupee came to be quoted at par with or even below the Indian rupee. It was then that the Pakistan Government issued orders prohibiting their banks to buy or sell Indian rupees except at the rate of exchange ~~sufficient~~ notified by them. Any impediment in trade and commerce on account of exchange difficulties is therefore due to Pakistan's own regulations. Banks in India are free to buy or sell Pakistan rupees, without restriction.

We had on more than one occasion in the past suggested a Customs Union or other similar arrangements with Pakistan but there has been no response whatever. A formal and duly ratified Agreement which had resulted from my personal discussions with the Pakistan Finance Minister ~~and~~ in March last contemplated a conference to be held soon ^{as} as possible to find ways and means of relaxing import and export regulations to encourage and expand trade between the two countries. No conference has however yet been held. It has been postponed on some ground or other advanced by the Pakistan Government. Meanwhile, we have tried to discharge our obligations under the Trade Agreement. But the operation of the Trade Agreement amounts now only to the export of coal from India. There is no other trade between the two countries. On the other hand an enormous quantity of jute purchased and paid for by our nationals is being deliberately detained. The Government of India decided not to allow this situation to continue indefinitely. A telegram was therefore sent to Pakistan on the 20th of this month in which the offer of arbitration was reiterated and Pakistan requested immediately to release all our raw jute. Till yesterday morning we had no reply. We were, therefore, compelled ~~to~~ to suspend temporarily despatches of coal to Pakistan from yesterday and we have informed the Pakistan Government accordingly. We have also informed the Pakistan Government that as soon as resumption of trade is rendered possible by them by the release of raw jute, we shall be prepared not only to resume supplies of coal but even to make up the short supplies.

I hope, Sir, that in the circumstances stated by me, the Government will have the fullest support of the House in the action taken by them.

L. O. No. 157 38-64/48-com

Government of India
Ministry of Agriculture
New Delhi, the 18th December 1949.

My dear Shankar,

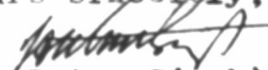
When I saw the Hon'ble Deputy Prime Minister last time, I promised to keep him informed as to the position of increased production of cotton and jute. Since you are away and I am to go out tomorrow, returning on the 3rd January next, I am writing to apprise you of the position so that you may kindly place it before him at his leisure.

2. I have returned only on the 15th instant after visiting all the jute-growing areas, viz. West Bengal, Bihar, Assam, Orissa, Tripura and Cochin Bihar and holding personal discussions with the Hon'ble Ministers of Agriculture, Chief Commissioners and other officers concerned, as a result of which we have chalked out unanimous schemes for the increased production of jute, which will not in any way affect the food production, but the object will be achieved either by double-cropping of existing paddy lands or by exploiting the waste lands unfit for food production.

3. As you are aware, after the partition we had only 16 lakh bales out of a total production of 64 lakh bales for the undivided India. In 1948-49 we increased it to 21 lakh bales, during 1949-50 we hope to get about 28 lakh bales, and during 1950-51 the target is 40 lakh bales. With this production and the increased production of other fibres like Mesta and Sunn Hemp, the position will be all right. In any case, it is hoped that the increased jute production plans will make India self-sufficient during 1951-52.

4. Herewith I am sending you a copy of the detailed proceedings of the meetings held at various places together with my estimates of the cost of the schemes for the increased jute production and other details. Similar schemes in respect of cotton will be chalked out and communicated to you.

Yours sincerely,


(Datar Singh)

Shri.V.Shankar, ICS
Private Secretary
to H.M.
Ministry of Home-Affairs

/ Encl.

158

INCREASED PRODUCTION OF JUTE IN INDIA.

LIST OF CONTENTS.

	Pages:
1. Statement of Financial Implications.	I
2. Amount to be paid to the Provincial Governments for increased production of jute.	2-3
3. Amount to be spent through the Indian Central Jute Committee..	4
4. Loans to be given to the various Provinces in connection with increased production of jute.	5
5. Statement on the increased production of jute.	6-7
6. Memorandum of discussions with the different jute growing provinces.	
(i) Bihar	8-9
(ii) West Bengal	10-11
(iii) Orissa	12-14
(iv) Cooch Behar	15
(v) Assam	16-18
(vi) Tripura	19-20
7. Proceedings of the conference between the I.J.M.A. and Sardar Datar Singh, Additional Secretary to the Govt. of India, Ministry of Agriculture, held on the 14th December, 1949.	21

Statement of financial implication.

1

Increased expenditure to be incurred during 1950-51 for increasing jute production in Indian Union.

Province	Money to be paid to province	Money to be loaned to province	Money to be spent through I.C.J.C.	TOTAL
West Bengal	138750/-	50000/-	56624/-	235374/-
Bihar	124000/-	100000/-	30928/-	254928/-
Assam	85000/-	280000/-	25398/-	370398/-
Orissa	98111/-	100000/-	-	198111/-
Cooch Behar	-	-	5232/-	5232/-
U.P.	90000/-	-	-	90000/-
Travancore	30000/-	-	-	30000/-
At the centre	-	-	491476/-	491476/-
TOTAL	Rs 565861/-	Rs 520000/-	Rs 589658/-	Rs 1675519/-

Pay and allowances and contingencies of Jute Commissioner and staff.

1. Jute Commissioner and his staff - pay and allowances etc.

Rs. 66,000/-

2. Contingencies:-

(a) Including expenditure on additional labour for increased acreage in Bihar.

Rs. 134000/-

(b) Construction of temporary colony for labour imported from outside.

Rs. 300000/-

Total pay and allowances and contingencies.

Rs. 90000/-

Grand total

Rs. 21,75,519/-

Increased Production of Jute in the Indian Union.Provision for 1950-51Amount to be paid to
Provincial Govts.West Bengal.Subsidy for distribution of
3000 tons of Fertilizers

... 1,38,750/-

1,38,750/-BiharDemonstration and propaganda
1200 plots.

... 24,000/-

Plant protection scheme
(It is suggested that this may
be merged with the central
scheme)

... 1,00,000/-

1,24,000/-Orissa.Pay of Officer

Jute Development Officer -

	<u>Present Staff</u>	<u>Proposed Staff</u>	<u>Provision from 1.1.50 to 28.2.50</u>	<u>For 1950-51</u>
Jute Development Officer -	-	1	400/-	2,430/-
Leave salary	-	-	-	<u>200/-</u>
				2,630/-
<u>Pay of Establishment</u>				
Jute Supervisor	- 1	1	340/-	2,150/-
Jute Overseer	- 6	9	1,579/-	9,492/-
Fieldmen Demonstrator	- 24	36	2,256/-	13,536/-
Senior Clerk	- 1	1	280/-	884/-
Junior Clerk	- 1	1	100/-	604/-
Peons	- 2	3	108/-	660/-
Leave salary	- -	-	100/-	500/-
	<u>35</u>	<u>51</u>	<u>4,762/-</u>	<u>27,826/-</u>

Allowance

T.A.

2,000/- 10,000/-

Dearness Allowance

1,624/- 9,744/-
3,624/- 19,744/-Contingencies

Stationery & Forms

- 600/-

Subsidy on the sale of
jute seeds (50% subsidy)

22,500/-

Subsidy on the sale of mesta
seeds (25% subsidy).9,375/-

Demonstration and propaganda
200 plots

5,000/-

Hotweather charges

150/-

Mis. contingency

1,500/-

Total- 39,125/-

GRAND TOTAL- 98,111/-

Assam

Demonstration 500 plots

25,000/-

Subsidy on sale of Jute seeds

60,000/-

Total- 85,000/-

United Provinces

Subsidy on 3000 mds. of jute seeds
@ Rs.30/- per mds.

90,000/-

Travancore

Subsidy on 1000 mds. of jute seeds
@ Rs.30/- per md.

30,000/-

1,20,000/-

TOTAL- 5,65,861/-

162-
Increased Production of Jute in the Indian Union.

Provision for 1950-51

Amount to be spent by I.C.J.C.

West Bengal

Pay of 21 Field Asstt. @ Rs.125/- p.m.
for 8 months and @ Rs.120/- for 4 months

Rs. 31,080/-

Office rent for above

3,024/-

Furniture and Signboard for above

2,520/-

Rs. 36,624/-

Bihar.

Pay of 23 12 Field Asstts. @ Rs.125/- p.m.
for 8 months and @ Rs.120/- for 4 months

17,760/-

Office rent for above

1,728/-

Furniture & Signboard for above

1,440/-

Rs. 20,928/-

Assam.

Pay of 1 Inspector @ 160/- p.m.

1,920/-

T.F.A. & Dearness Allowance

600/-

Travelling Allowance

1,800/-

Pay of 12 Field Asstts. @ Rs.125/- p.m.
for 8 months @ Rs.120/- p.m. for 4 months.

17,760/-

Office rent for above

1,728/-

Furniture & signboards for Inspector
& F.A's.

1,590/-

Rs. 25,598/-

Cooch Behar

Pay of 3 Field Asstts. @ Rs.125/- p.m.
for 8 months & @ Rs.120/- for 4 months.

4,440/-

Office rent for above.

432/-

Furniture & signboard for above

360/-

Rs. 5,232/-

Expenditure at the centre

1) Central Plant Protection Scheme

Rs. 269790/-

2) Seed Multiplication Farm

136826/-

3) Premium paid to registered growers
for 5000 mds. jute seeds.

50000/-

4) One clerk @ Rs.55-3-85-EB-4-125-5-130
plus allowance

1380/-

5) One Senior clerk @ Rs.80-5-120-EB-8-200-10/2-220
plus allowance

1680/-

6) 2 Peons @ 30-2-35 plus allowance

1800/-

Subsidy on 3000 mds. of Mesta seeds
to be supplied to Madras, Bombay, C.P. etc.

30000/-

Total: 491476

Grand total 5796581/-

103

-5-

Loans to be given to various provinces. Loans when recovered will be credited to the Central Government.

During 1949-50

West Bengal

1. For the excavation of retting tanks ... Rs. 60,000/-

Bihar

For improving retting tanks ... Rs. 1,00,000/-

Orissa

Loan for improving retting tanks ... Rs. 1,00,000/-

Assam

1. Loan for excavating of retting tanks ... Rs. 1,00,000/-

2. Loan for 200-acre jute seed multiplication Farm ... Rs. 1,00,000/-

3. Loan for provinces share of subsidy on sale of jute seeds ... Rs. 60,000/-

Rs. 2,60,000

Grand total Rs. 5,20,000/-

**Statement on the increased production
(Additional) of Jute in 1950-51.**

It is expected that the following increase in jute

average may be effected in 1950-51.

Province	Preliminary Forecast	I.C.J.C. estimates	Figures of Survey parties	Agreed additional average. 1950-51
Bihar	1,52,000	259488	375579	1,00,000
Orissa	23,000	37500	51285	50,000
Assam	2,13,000	272500	285750	1,00,000
Cooch Behar	36755	38985	40463	20,000
Travancore	-	-	-	10,000
U.P.	-	-	-	40,000
Total				3,20,000

The average yield is expected to be 2.5 bales per acre. Next year, therefore, we may expect an output of about 8.0 lakhs bales. In addition to this another 30,000 Bales can be expected as a result of the operation of Plant Protection Scheme. The total production therefore comes to 8.3 lakhs bales.

Bihar is prepared to put another lakh of acres under Jute if proper labour arrangements for the cultivation of Jute are made by the centre which means another 2.5 lakh bale

The Agricultural Department of the West Bengal Government suggested that further expansion of jute cultivation in the province cannot be taken up as they have reached the maximum of double cropping and any further expansions will be at the cost of paddy and unless Government of India are prepared to compensate them by guaranteeing supply of cereals, jute cultivation will not be increased. Although they do not want any expansion in jute cultivation, some increase is very likely to take place on account of the prevailing high prices of jute which is estimated the 50,000 acres provided West Bengal does not interfere with normal

165

increased acreage and this will give us another increase of 1.1 lakh bales.

The total production in 1960-61 may be estimated as follows:-

Bihar, Orissa, U.P., Assam	....	83	Lakh bales
Travancore, Cochin, Bihar			
Crop saved by adopting Plant Protection methods	....	0.3	" "
West Bengal		1.1	" "
		<u>9.7</u>	<u>" "</u>
Additional acreage from Bihar if labour can be provided.	...	2.5	" "
		<u>12.2</u>	<u>Lakh bales</u>

The total cost of 9.7 lakhs of bales may be calculated to be 14.5 crores of rupees.

NATIONAL ARCHIVES OF INDIA

166 2-9-8

Memorandum of discussions held on the 6th December, 1949
to consider measures to stimulate jute cultivation.

Present:-

1. Sir Datar Singh
2. Mr. G.K. Raman, I.C.S., Food Production & Development Commissioner.
3. Mr. Q. Kuda, Secretary to the Govt. of Bihar, Development Department.
4. Dr. J.S. Patel, Director of Agriculture, Bihar.
5. Mr. B.C. Khandu, Agricultural Research Institute.
6. Mr. Kamalleshwari Prasad Yadav, M.L.A.

M/s. N.P. Sinha, Statistician, Revenue Department and Ram Kedar Singh, S.P. and Controller, Anti-Smuggling Force were also called in for discussion.

The following conclusions were reached:-

- (i) The forecast of acreage under jute for 1949-50 may be taken as 3,34,759 acres.
- (ii) An increased acreage of about 1 lakh of acres could be effected by double cropping without taking the area from food provided arrangements to solve the labour difficulty in the Purnea district are made; and provided, price parity with paddy is maintained at, say, one maund of jute to 2½ maunds of paddy, a further increase by another lac acres may be attained.
- (iii) Seed: No assistance required.
- (iv) Betting Tanks: Provision should be made for, say, a sum of Rs.1 lakh to be given as loan, interest free for 3 years.
- (v) Demonstration and Propaganda: Provision on Rs.30,000/- should be made for making 1,200 demonstrations for the use of fertilizers (calculated at the rate of one for every 300 acres). This sum should meet the cost of manure and incidentals. No provision for staff should be necessary, as the work should be possible to be managed by the development staff of the I.C.J.C. and the staff of the Agriculture Department.
- (vi) A plant Protection Scheme estimated to cost about Rs.1 lakh per annum and covering 30 to 40 thousand acres is considered necessary. This is expected to procure an extra yield of 30,000 to 40,000 maunds of jute. The Director of Agriculture, Bihar will submit his scheme before the 10th instant.
- (vii) No necessity for seed multiplication farms, and provided a premium of Rs.10/- over market price is given to the registered

growers, this should serve as sufficient inducement for procurement of seeds.

(viii) There should be only one purchasing organisation for purchase of seed for other provinces, preferably operated by the Centre.

(ix) The Marketing Section of the I.C.J.C. should organise purchasing agents in those areas of Bihar where there are difficulties in marketing jute.

(x) Wagons in adequate numbers should be made available for transport of jute to Calcutta throughout the season.

(xi) In order to induce the cultivator to extend Jute cultivation and to give him confidence, there should be a public announcement by the Central Government that in the event of the prices falling or becoming unremunerative, they would guarantee a minimum fair price to the cultivator, for atleast 2 seasons, till he can switch over to other cultivation.

Sd/- C.K. Raman,
Food Production & Development Commr.

Government of Bihar
Appointment Department
(Office of the Food Production & Development Commr.).

Memo No. 327 F.P.D.C.
Patna, the 6th December, 1949.

Copy forwarded to Sir Datar Singh, Vice-Chairman, I.C.A.R.
(with one spare copy)

Mr. Gopal Kuma, Development Secretary
Dr. J.C.Patel, Director of Agriculture,
Bihar.

Sd/- C.K. Raman
Food Production & Development Commr.

168

-10-

Memorandum of discussion held on the 7th of December, 1949 at 3 p.m. in Writers' Buildings to consider the question of Jute cultivation in West Bengal in the coming year.

Present

H.M. Agriculture
Sir Datar Singh
Mr. B.C.Kundu
Secretary, Agriculture Dept.
Director of Agriculture,
Deputy Secretary, Agriculture Dept.
Asstt. Director of Agriculture.

The following decisions were arrived at:-

- 1) The final estimate of jute acreage of the Agriculture Department, West Bengal, namely, 3,69,740 acres for 1949-50 for the Province was accepted.
- 2) It was stated that as according to West Bengal's estimates the maximum possible double-cropping for jute was 85,000 acres in the Jalpaiguri District, in Raiganj Sub-Division of West Dinajpur and in the Baraset and Basirhat Sub-Divisions of 24 Parganas District, and as our estimate of double-cropped area for jute in 1949-50 was already 85,100 acres, there was no further scope for extending jute cultivation on 'aman' lands as an earlier crop. As regards extension of jute on waste lands, West Bengal estimated that 12000 acres of waste lands had been already so used and unless large scale reclamation could be taken up with tractors there was very little scope in this direction also. Sir Datar Singh pointed out that such reclamation would really be a long-term measure and could not be taken into account for our immediate purpose.

The position, therefore, was that if West Bengal was expected to increase jute acreage any further it could be only done at the expense of 'aus'. As was pointed out by H.M. Agriculture, 'aus' has lost to jute considerably in recent years as is indicated by the fact that 'aus' acreage has gone down from 16 lakhs in 1944 to 12 lakhs in the present year.

In these circumstances it was pointed out to Sir Datar Singh that further cultivation of jute in the Province would be taken up only if the Government of India prepared to compensate us by guaranteeing supply of cereals to that extent.

- 3) No assistance was required by this Province in the matter of supply of jute seeds. It was explained that we were growing seeds in our forest areas as well as by one or two large cultivators.
- 4) Provision should be made for a sum of Rs.60,000 for excavation of retting tanks in new paddy areas if extension was decided upon on the above terms. The money would be available as an interest-free loan repayable in 3 years.
- 5) As regards fertilisers, West Bengal's estimate of requirement was about 3000 tons but it was stressed that a subsidy of 25% would be required for its distribution. H.M. Agriculture stated that the Provincial Government would be prepared to share the cost of this subsidy with the Government of India on a 50-50 basis, as it was considered that the cultivators would not be prepared to accept the fertilisers without such a subsidy.
- 6) No special arrangements were considered to be necessary in West Bengal for demonstration and propaganda.
- 7) The Indian Central Jute Committee was already running a plant protection unit for jute and West Bengal did not require any

further...

169

further facilities in this matter.

8) This province was not going in for a jute seed multiplication farm as had been originally proposed. Instead, quality seeds were being reared in the forest areas and multiplied through some selected growers. The province desired to participate in the general scheme of obtaining the premium of ten rupees per maund over the market price of jute seeds for quality seeds thus grown and multiplied as per decision of the Indian Central Jute Committee at its last meeting.

9) Sir Datar Singh pointed out that about 9000 mds. of jute seeds might be required for use in other Provinces and States and required whether any special measures were required to safeguard the local demand. As it was found that this quantity was only a small fraction of our total jute seed consumption, there was no apprehension of this demand affecting our local supplies. The province would however be informed of the requirements for the rest of India from time to time.

10) No difficulty was anticipated in this province regarding marketing arrangements for jute.

11) Wagons in adequate quantities and in good time should be made available for movement of jute, particularly on the B & T.Rly throughout the season.

12) West Bengal endorsed the view which had been expressed by Bihar that in order to induce the cultivators to extend jute cultivation and to give them confidence, there should be a public announcement by the Centre that in the event of jute prices falling or becoming unremunerative, the Government of India would guarantee a minimum fair price to cultivator for at least two seasons until he could switch over to other crops.

13) It was explained to Sir Datar Singh that although the Jute Regulation Act had not been formally repealed in the Province, the provisions of the Act were not in fact enforced. The reason why this Govt. had hesitated about formally repealing this Act was that there might be a large scale land-slide at the cost of cereal cultivation.

Sd/- P.M.Das Gupta.
for Secretary,
Agriculture, Forests and Finance Dept.

No. 8987(4) dt. 7.12.49

To
Sardar Datar Singh, Additional Secy to the Govt. of
India, Ministry of Agriculture & Vice Chairman,
I.C.A.R.

190

- 12 -

**Minutes of discussion held on the 8th December
1949 to consider measure to increase jute
production in Orissa.**

Present:-

Hon'ble Sri N. Kanungo, Minister of Development
Sardar Datar Singh
Dr. B.C. Kundu, Central Jute Research Institute.
Dr. H.B. Mohanty, Secretary, Development.
Sri H.H. U.N. Nath, Additional Secretary, Development.
Sri R.P. Padhi, Director of Agriculture.
Dr. H.K. Nandy, Deputy Director of Agriculture.

The following conclusions were reached :-

1. The final forecast for acreage under jute for 1949-50 is 51,286 acres.
2. It is proposed to bring in additional 50,000 acres under jute in 1950-51 by double cropping provided suitable irrigation facilities, seeds, fertilisers, retting tanks and adequate development staff are provided. The acreage under jute should be increased without in any way affecting food production.
3. Seed - Besides the seed that will be locally available 1500 maunds of seed will have to be imported. It is proposed to make the seed available at 50 per cent subsidy to the growers. The subsidy will be shared half and half by the province and the Central Govt.
4. Retting Tanks - Provision should be made for a sum of Rs.1 lakh to be given as loan free of interest and recoverable in 3 years for excavating retting tanks. The details of the scheme will be worked out later but on an average one tank would suffice for 3 to 4 acres of land under jute.
5. Demonstration - A sum of Rs.5000/- will be provided by the Central Govt. for this purpose. The demonstration plots will be laid out for line sowing and utilisation of fertilisers. Details of the scheme will be worked out later. Manures to these demonstration plots will be supplied free of cost. Some wheel hoes will be made available by the I.C.J.C. for use in these demonstration plots.
6. Staff - The following staff was agreed to -
 - (i) One jute Development Officer in Class II of the Provincial Service in the scale of Rs.200-700.
 - (ii) One Supervisor as at present on Rs.155/- P.M.

- (iii) Nine overseers including the six that are there at present.
- (iv) 36 field-men including the 24 that are working at present.
- (v) 2 clerks, one junior and one senior.
- (vi) 3 peons.

The full cost of staff including the Dearness Allowance and Travelling Allowance will be met by the Central Govt.

7. Plant Protection Scheme - The Plant Protection Scheme will be taken up by the I.C.J.C. with the help of the development staff noted above. The necessary appliances will be supplied by the I.C.J.C.
8. Seed Multiplication Farm - The Provincial Government have agreed to make available 300 acres of land and meet the capital expenditure on temporary huts etc. for the farm. The scheme will, however, be run by the I.C.J.C.
9. Registered growers - A premium of Rs.10/- per maund over the market price should be given to the registered growers, which would serve as sufficient inducement to grow quality seeds.
10. Wagon facilities - The difficulty experienced in the past are no longer there and sufficient wagons are being made available by the railway administration for transport of jute. In case of difficulty the Provincial Government would move the Central Govt. for helping in the supply of wagons and other transport facilities.
11. Irrigation - Every effort will be made to make available the same facilities as in last year and to extend them as far as possible.
12. Fertilisers - 800 tons of ammonium sulphate in 1 Cwt. bags would be required. No subsidy should be given on fertilisers. A list of sub.dealers through whom the fertilisers should be made available to the growers will be drawn up by the Director of Agriculture.
13. Quick disposal of the crop - Every effort should be made to ensure that the growers get a fair price for the crop as otherwise the production would not increase. For the quick disposal of the crop it would be necessary to open purchasing centres at important places in the jute growing areas. The Indian Jute

Mills Association as well as the I.C.J.C. would be prepared to give all possible help in this matter.

14. Increased production of Mesta - Increased production of Mesta for Orissa was also considered. This year an area of 4000 acres has been under Mesta. In 1950 it was proposed to increase the area to 10,000 acres for which seeds will have to be supplied by the Central Govt.

The seeds for the additional acreage will amount to 2500 maunds. The seeds will be supplied on the same basis as in the case of jute.

15. Guarantee of minimum price - In order to induce the cultivator to expand jute cultivation and to inspire greater confidence among the jute growers, the Central Government should make a public announcement that in the event of the price of jute falling or becoming unremunerative, they should guarantee a minimum fair price to the cultivator for at least 2 seasons till he can switch over to other crops.

Sd/- H.B. Mohanty
8.12.49.

173

-15-

Memorandum of discussions held on the 9th December 1949 to consider measures to stimulate jute cultivation.

Present

1. Sardar Datar Singh
2. Mr. V.I.Nanjappa, I.C.S., Chief Commissioner, Cooh Behar
3. Dr. B.C.Kundu, Director, Jute Agricultural Research.

The following conclusions were reached :-

- (1) The forecast of acreage under jute in Cooh Behar for 1949-50 may be taken as 40,463 acres.
- (2) Regarding the increased acreage in 1950-51, the estimate will be given in the near future.
- (3) SEED :- The requirement of seed will be given and the principle will be the same as adopted in other deficit provinces, that is, 50% subsidy to the cultivators for growing jute for the first time on 25:25 basis, i.e. 25% from the Centre and 25% from the State.
- (4) SEEDLING TANKS :- No help for the moment required.
- (5) DEMONSTRATION & PROPAGANDA : If the area is to be considerably increased, it will be necessary to double the staff from three Fieldmen to six Fieldmen. The Siliguri Inspector will supervise in close cooperation of the Agriculture Department of Cooh Behar as at present.
- (6) PLANT PROTECTION SCHEME : It should be included in the all-India Scheme.
- (7) Registered growers will be able to supply the improved seed provided a premium of Rs 10/- over the market price is given to the registered growers.
- (8) Not being a deficit area, seed deficit does not arise.
- (9) No special difficulty is being felt for marketing, but if difficulty arises, they will write to the Indian Central Jute Committee for organising the marketing of jute.
- (10) Wagons in adequate number should be made available for the transport of jute to Calcutta throughout the season.
- (11) In order to induce the cultivators to extend Jute cultivation and to give him confidence, there should be a public announcement by the Central Government that in the event of the prices falling or becoming unremunerative, they would guarantee a minimum fair price to the cultivator, for at least 2 seasons till he can switch over to other cultivation.
- (12) RESIDENTIALISATION : The exact requirement will be given later but the subsidy will be on the same basis as in West Bengal.
- (13) NESTA : 1000 acres should be introduced for which the supply of seed will be required.

Sd/ V.I.Nanjappa.

124 -16-

Memorandum of the discussions held on the 11th December 1949 at 11 a.m. in the Constitution Hall, Shillong, to consider the question of increasing the jute cultivation in Assam during the coming year.

Present:-

1. The Hon'ble Minister for Agriculture
2. Sardar Datar Singh
3. Dr. B. C. Kundu,
4. Deputy Secretary, Agriculture,
5. Director of Agriculture,
6. Junior Conservator of Forests.,
7. Under Secretary, Revenue.

Discussing the point regarding the area under jute and its prospect of extension in Assam, Sardar Datar Singh urged that there should be proper survey of land especially double cropped and waste lands, he was told that this work was already being undertaken by the Food Commissioner. It was assured by Assam Government officers that they expected the results within 3 to 4 months. It was accepted that 2,58,700 acres would be the correct estimate of jute acreage in Assam. It was agreed to bring under cultivation additional 1 lakh acres under jute next year in the following manner.

(a) By new settlements in grazing reserves etc., 20,000 acres increase, 7.5 % of present acres, i.e. 19,000 acres (c) By demonstration and propaganda, 5% i.e., 13,000 acres, (d) The balance of approximately 50,000 acres by double cropping in the main jute growing districts.

Sardar Datar Singh also stressed that there should be some sort of inducement to the cultivators for double cropping besides whatever could be had from settlement of wastelands. It was pointed out by the Hon'ble Minister for Agriculture that so far as settlement of wasteland was concerned, it would take a long time in view of the complications involved in the process but that everything possible would be done to lay great emphasis on the question of double-cropping. It was also agreed that condition should be made in the annual leased area that the area which are suitable for double cropping (paddy & jute) must be brought under jute.

It was mentioned by H.M. Agriculture that large areas of forest lands could be brought under jute cultivation provided bulldozers and tractors were made available to this province. Sardar Datar Singh

promised to place the matter with the Central Government for consideration.

Regarding jute seeds it was mentioned that all seed requirement would be available in Assam and that no seed from outside would be necessary.

Regarding Subsidy on seed, it was pointed out by Sardar Datar Singh that some provinces suggested to give subsidy on a 50-50 basis, i.e., the provincial Government to bear 25% and the Centre 25%. Hon'ble Minister Agriculture said that this Government would be agreeable if Assam's share of subsidy would be given by the Centre as a loan. Sardar Datar Singh agreed to place this matter with the Central Government for an interest free loan.

Regarding Retting Tanks it was agreed that provision should be made for a sum of one lakh for excavating retting tanks to be given as loan interest-free recoverable in 3 years.

Propaganda and Administration:- It was pointed out by Dr. Kundu that at present there were 2 Inspectors and 21 field-men. It was decided to provide 1 more Inspector for Cachar district and 12/ more Field Assistant. On being represented by the Director of Agriculture that he knew practically nothing about the operations of this staff, it was assured by Sardar Datar Singh that henceforth necessary steps would be taken to see that this staff were made to work in close co-operation with the Director of Agriculture and that even their appointments, promotion, increment etc. would depend on the report of the Director of Agriculture.

It was also decided to have 500 Demonstration plots and for these 25,000/- would be provided by the Centre.

Plant Protection Scheme.- It was agreed that Assam need the help of this scheme to have its men trained in the matter.

Seed Multiplication Farms;- It was agreed that the Agriculture Department of this province would require a interest free loan of one lakh for the seed Multiplication Farm of 300 acres at Barapatta and also that a premium of Rs.10/- over the market price per maund be given to the registered growers of the province by the Centre.

It was agreed that the Agriculture Department would purchase

the seed themselves and the share of subsidy of the Centre would be paid.

Nucleus Seed for registered growers and for Demonstrations plots would be supplied by the Indian Jute Research Institute.

Regarding Marketing facilities it was agreed that it would be helpful to Assam if the Central Jute Committee (Marketing Section) will organise marketing of jute from these areas where marketing difficulties were present.

Railway wagons and steamer flats in adequate number should be made available throughout the season for movement of jute.

It was decided that to induce the cultivators to extend jute cultivation there should be public announcement by the Centre that in the event of jute prices falling or becoming unremunerative the Government of India would guarantee a minimum fair price to cultivator for at least two seasons until he could switch over to other crops.

Hon'ble Minister Agriculture said that weeding was the most important job, he would be glad if the Centre help the province by training its men in weeding. Sardar Datar Singh agreed to see to this.

Sd/-

Hon'ble Minister,
Agriculture, Assam.

Sd/-

Deputy Secretary to the
Government of Assam, Agriculture
Department, Shillong.

179

Memorandum of discussion held on the 13th December, 1949 at 10 A.M. at Sree Mahal Guest House to consider the question of expansion of jute cultivation in Tripura in the coming year.

Present

1. Mr. R.K. Ray, ICS, Chief Commissioner,
2. Sir Datar Singh, Additional Secy., Ministry of Agri. G. of India
3. Dr. B.G. Kundu, Director of Jute Research Institute
4. Kumar M.L. Dev Barma, Secy., Department of Agriculture
5. Col. Jivan Singh
6. Mr. U. Sarker, Director of Agriculture.

The following decisions were arrived at :-

1. The final estimate of the jute acreage for the year 1949-50 is 13,000 acres.
2. No regular survey report is available. Out of an area of 4,100 sq. miles less than 700 miles are under regular settlement. Further increase in jute production depends on the improvement of transport facilities and also on the decision whether the border area where paddy is produced at the present moment and is taken away mostly by the Pakistani (Firatia, i.e. having right to cultivate lands in the State) should be changed over to jute or not. If these decisions are made then another 25,000 acres of lands can be brought under jute cultivation. Otherwise normal additional area can be expected to be 1000 to 2000 acres.
3. In case the border area is to be changed to jute the seed has to be procured from outside as Tripura does not produce enough seed for her present requirement and every year some seed is brought from Pakistan. The seed has to be supplied to the new areas at half price.
4. Netting Tanks - Interest-free loan will be required and will be paid by the policy of the Government of India as to how much area they want to bring under jute in this Province.
5. Demonstration Farms - Eight Demonstration Farms each in one Division will be required. Fertilisers and seeds will be supplied free of cost to the cultivators in whose lands the farms will be laid out. Each farm will have an area of one third of an acre.
6. Staff - There are at present two field assistants under the development scheme of the Indian Central Jute Committee in ~~xxxxxx~~ and ten field men under the Provincial Govt. No further staff will be required unless the Province is asked to grow jute on the border. If the latter decision is taken, one supervisor and two more field assistants will be given.
7. Plant Protection Work : The Indian Central Jute Committee is already running a Plant Protection Scheme for jute and the same scheme will operate in this Province.
8. Seed Multiplication Farm : No Seed Multiplication Farm is required.
9. Registered Growers : It has been suggested that improved seeds will be grown through the help of selected Registered Growers. The Province desire to participate in a General Scheme of obtaining the premium of Rs 10/- per maund over the market price for jute seeds thus grown and multiply as per decision of the Indian Central Jute Committee at its last meeting.
10. Wagon Facilities - No jute can be taken by rail as they all run through Pakistan. Facilities will have to be provided for the transport of jute to Calcutta by Air. Such an arrangement also can only operate for areas connected by road at present with Agartala.

178

-20-

10. **Wagon Facilities** - No jute can be taken by Rail as they all run through Pakistan. Facilities will have to be provided for the transport of jute to Calcutta by Air. Such an arrangement can also can only operate for areas connected by road at present with Agartala.
11. **Irrigation Facilities** - No facilities are required.
12. **Fertilizer** - On account of transport difficulty there is no possibility of getting fertilizer from Calcutta.
13. **Quick disposal of crop** - Already discussed under item No.10 Unless the assurance of quick disposal is given there is no possibility of expansion of jute cultivation in this Province.
14. **Guarantee of a Fair Price** - The Province of Tripura expressed the view in order to induce the Cultivator to extend jute cultivation and to give them confidence, there should be a public announcement by the Government that in the event of jute prices falling down or becoming unremunerative the Govt. of India would guarantee a minimum fair price to Cultivator for at least two seasons unless they could switch over to other crops.

Sd/-

Chief Commissioner
Tripura.

- 26 - 124

Proceedings of the conference between the I.J.M.A. and Sardar Datar Singh, Addl., Secretary to the Govt. of India, Ministry of Agriculture, held on the 14th December, 1949.

Present:-

1. Sardar Datar Singh
2. Mr. James Walker
3. Mr. I.G. Kennedy
4. Mr. Okely
5. Mr. Bush
6. Sutherland.

Messrs. Kennedy and Walker explained that their stocks of jute were very low and therefore they could not put more finished goods in the market over and above what is controlled by the Govt. of India. They added that their all-told stocks are as stated below :-

Stock on 1st December	...	8 lakhs bales
Bought in India but not received		8 " "
Purchased from India 15 lakhs bales, estimated balance.	...	13 " "
Smuggled	...	3 " "
To get from Pakistan already purchased	...	5.8 " "
		<hr/> 37.8 lakhs bales.

This total of 37.8 lakhs will be hardly sufficient for seven months up to May, 1950. After that, there will be no raw jute in stock. Consequently, it is very necessary for jute to move very quickly to Calcutta.

Sir Datar Singh explained that he had been trying with the Railway authorities and he had visited various places to study the bottleneck. According to the information, the bottleneck was at Maniherighat where owing to the acute shortage of flats and steamer and due to difficulties of loading and unloading, the Railway could not clear more than 80 wagons a day, including the crossing of the river.

The shipping companies (Mr. Okely) pointed out that he would be prepared to bring the jute direct from Maniherighat to Calcutta by river provided the Railway brought the jute wagon up to the river siding and accepted through booking rail-cum-steamer. The Shipping Companies, however, were not prepared to do merely the crossing as suggested by the Railway because thereby their flats would be detained considerably long and it would not be a paying proposition for them.

Sir Datar Singh informed them that he will put himself in touch with the O.T. Railway authorities and bring the shipping and the railway people together so that they can discuss their terms and come to a working agreement. It was explained that if this arrangement of through booking (railcum-steamer) was established the bottleneck at Manihari or Maniherighat will be removed and jute will move by two routes, - one through entirely by rail, O.T. & I.E. Ry., and the other through O.T. Ry cum-steamer, and with these two routes working, all the jute (about 6 lakhs of bales) will be regularly flowing to Calcutta.

The I.J.M.A. representatives agreed that if this arrangement were put through, their difficulty will be solved for the time being.

I got in touch with the Chief Operating Officer, EIR (Mr. Mathur) about the direct booking of jute railway-cum-steamer by the I.G. & R.S.N. Company and he told me that as jute will be coming to Maniherighat from O.T. Ry., they have no concern thereof with. Thereupon I got in touch with Mr. Basu, Traffic Manager, O.T.R., Gorakhpur, and arrangements have been made that a representatives of the Co., aforesaid will meet him at Gorakhpur on the 17th instant and settle the terms. 14.12.49.

No. 12712-244/49
GOVERNMENT OF INDIA.
MINISTRY OF COMMERCE.

New Delhi, the 22nd December 1949.

A copy of the undermentioned paper is forwarded

to :-

- (1) H.M.
- (2) P.S. to Deputy Prime Minister
- (3) Secretary Industry & Supply (Mr. Venkataraman)
- (4) Secretary Economic Committee (Mr. Bhattacharyya)

for Secretary to the Government of India.

Telegram No. ASL 44596, dated 21.12.49 from
Mr. Macfarquhar, Ministry of Commerce, Karachi (Pakistan),
to C.C. Desai, Esquire, Secretary to the Government of
India, Ministry of Commerce, New Delhi.

East Bengal government report refusal by East
Indian Railway to book gunnies purchased in Calcutta by
East Bengal Sugar Mills although custom duty paid stop
Ban reported to be at your instance stop Would appreciate
immediate release stop

102
No. 12678-207/47.

**GOVERNMENT OF INDIA
MINISTRY OF COMMERCE.**

New Delhi, 21st December 1949.

A copy of the undermentioned paper is forwarded

to:-

- (1) H.M.
- (2) P.S. to Deputy Prime Minister.
- (3) Ministry of Finance (R.D) (Mr. K.R.K. Menon)
- (4) Ministry of Finance (R.A) (Mr. K.G. Ambekar)
- (5) Ministry of Agriculture (Mr. K.L. Panja M)
- (6) Ministry of Food (Mr. R.L. Gupta)
- (7) Ministry of I & S (Mr. S.A. Venkataraman)
- (8) Secy., Economic Committee (Mr. P.C. Bhattacharyya)
- (9) Financial Commissioner, Mys., (Mr. A.K. Chanda)
- (10) Mr. Y.N. Sukthankar,
Secretary,
Ministry of Transport,
New Delhi.

W. D. Desai
for (G.C. Desai)
Secretary.

Copy of letter No. 15475(4)/49-4115 dated 19th December 1949 from Mr. P. Das Gupta, Assistant Indian Govt. Trade Commissioner, Basse to G.C. Desai, Esq., ICS., Secretary to the Government of India, Ministry of Commerce, New Delhi.

SECRET

Copy of letter No. 15-ATC(4)/49-4151 dated 19th December 1949 from Mr. P. Das Gupta, Assistant Indian Government Trade Commissioner, Dacca to C.C. Desai, Esq., Secretary to the Govt. of India, Ministry of Commerce, New Delhi.

Subject:- Latest position in the jute trade of East Bengal.

In continuation of my letter No. 4113, dated December 14, 1949, I have the honour to address you on the above subject and to submit the following for the favour of your information:

1. As yet the local jute market continues unchanged.

The superior Tossa quality (locally known as Bogi) is selling at premium and the prices ranges between Rs.28 to Rs.30 per maund. Other qualities too are generally on the floor, with slight irregular movements up and down - the range of fluctuation being confined within a small margin of annas 8 to Re.1 per maund. The overall under-tone in the market is specifically weaker than in the last week, foreign enquiries being less enthusiastic. Nonetheless, a considerable volume of internal business is being conducted on the assurance from the Jute Board that in case the nominated agents could not sell their stocks, the entire volume would be lifted by the National Bank of Pakistan and the agents would have no risk. Obviously, thus, the purchases effected above or at the fixed prices would leave no margin if re-sold to the authorities and the agents would suffer some loss on account of incidentals and overhead charges. This consciousness has brought some uneasiness in the market and the major part of the business is confined between the agents and the local baling houses. Nevertheless, the speculators are banking on the assumption that India could not do without Pakistan jute and by the end of January the position would be absurd at our end and some sort of a compromise must have to be found out. This would evidently bring the speculators large windfall profits. Foreign interests having curbed down after the first flush, the speculative element encouraged by the assurances from the Jute Board seems to be the principal factor of sustenance. However, the under-tone is growing palpably weaker, and this may be explained on the following grounds:

(a) Growing hesitancy of the foreign buyer and no fresh large-scale contract in the current week.

(b) The Jute Boards denial to release pre-devaluation purchases by the Indian mills, which might ultimately cause a rupture of political relations between the two Dominions and bring to naught the usual anticipation of the speculators.

(c) The hope of Pakistan devaluing her currency having receded, the ultimate solution of the problem would be difficult for Pakistan.

(d) At the end of the game, the National Bank of Pakistan may not come to the rescue of the stockists as readily as they now promise to do and the dealers may be faced with a heavy load of blocked assets.

(e) If the present impasse is pushed on to the beginning of the next season, Pakistan's position would be difficult. India, it is generally assumed, could produce 40 lakh bales in the next season and with Pakistan's minimum of 40 lakh bales, the total output could exceed the likely overall world demand and this would cause a debacle in agricultural prices.

(f) The x-bottom variety of jute, which constitutes above 35 per cent of the total jute crop of East Bengal could be sold only to India - there being no other buyer in the world, for the quality. The latest arrivals are substantially of this quality and it is difficult to see how the Jute Board could dispose of this.

(g) In certain knowledgeable quarters it is apprehended that the Jute Board is just playing a trick. While they are now selling their best qualities to the foreigners, they have pushed up the market temporarily with the help of the speculative elements. The main purpose is to gain time and to relieve the cultivators and in the next step, the issue would be between the authorities and the nominated buyers, which would be politically easier to tackle. At the same time, substantial relief having been secured through foreign buying and smuggling to India, Pakistan could expect to strengthen her bargaining position vis-a-vis India. Nonetheless, the battle has to be fought finally and India could

be expected to buy at higher prices only if there would be sufficient world demand for jute fabrics at the correspondingly higher prices. The latter consumption is conceded to be extremely doubtful.

2. Last evening I had along discussion with Mr. Boulding, Agent, Landale & Clark, who is looking after their business in East Bengal. His view is that the total Pakistan crop this year would exceed 50 lakh bales and the total foreign off-take could not exceed 18 lakh bales. He agreed with me that foreign interests had somewhat curbed down lately. He also pointed out that even at present the market had recovered only to the extent of 50 per cent of the normal and most of the apparent activity was due to business between the dealers and the balers in Pakistan. Without the support of genuine purchases from outside, this artificial short-circuit business could not be maintained for long, but Mr. Boulding regretted that the Jute Board was fanatically refusing to discuss these vital issues. Referring to the jute consignments frozen in barges, Mr. Boulding is definitely of the opinion that these would not deteriorate in quality, particularly during the winter months. He was rather sure about the purchases of the European mills; but agreed that some consignments belonging to the Marwari merchants and containing higher percentage of moisture ~~x~~ might deteriorate to some extent.

3. However, I am inclined to believe that total foreign off-take of jute (excluding consumption by India) during the current season (July-June 1949-50) may roughly be estimated at 16 lakh bales. On the basis of this assumption, the actual allocation may be calculated as shown below:

July-November 1949
(Actual shipments)

Export from Calcutta (July-October)	-- 3,90,000 bales
Export via Calcutta in bond (July-October)	-- 81,000 bales
Export via Chittagong	-- 3,15,101 ¹ / ₂ bales
Total	7,86,101 bales

165

Export via Chittagong

July-September	--	91,101 bales
October	--	54,000 bales
November	--	1,70,000 bales
Total		3,15,000 bales

Thus, of the total requirement of 16 lakh bales, about 8 lakh bales have been supplied. Since devaluation fresh sales of Pakistan could not have exceeded 3 lakh bales and allowance may be made for Pakistan's probable future sales of another 5 lakh bales, bringing the total foreign off-take to 16 lakh bales. This means that Pakistan would have a carry-over stock of 20 lakh bales at the minimum only to be deducted by smuggling. It is also to be noted that the free market exchange rate of the two rupees being virtually at par (with occasional discounts of -/8/- to Re.1 on either side), there would be an increased incentive to smuggling.

Contd. 5

4. On our side it can be hardly ignored that the mill position is becoming increasingly difficult and before the end of January, it would be necessary to force a showdown. So far as the currency question is concerned, Pakistan is sticking to her decision with an unusual degree of fanaticism, on grounds of sheer prestige. In reasonable quarters, it is, however, conceded that devaluation at the moment would cause a debacle both with the Central and Provincial Ministries of Pakistan and the earlier decision could not be reversed without a face-saving formula. But I am afraid, on our side as well, it appears as if matters have been allowed to drift along too far and I am definitely of the view that it is just the time for us to take some initiative to finally precipitate the issue. In trade matters Pakistan have all along been expressly reluctant to work up the terms of the Inter-Dominion Commodity Agreements. While they had agreed to freely license the import of handloom textiles from India, they have in fact refused licences to the applicants at this end. Some parties were even penalised or prosecuted on the ground of unauthorised import of Indian handloom fabrics. Since devaluation, they have cancelled the O.G.L. directly affecting the trade with India and have specifically notified that for import of mill-made textiles from India licences will not be issued till June 1950 (relevant notification forwarded to the Ministry earlier). Above all they have not hesitated to freeze our pre-devaluation purchases.....

purchases of jute. It is now palpably evident that the authorities in Pakistan are trying to change the very pattern and distribution of their foreign trade, to be independent of their relations with India as far as practicable; and in the fact, it may well be construed that they are doing this even without indirect help and assistance. For instance, East Bengal's ability to export jute primarily depends on their capacity for pucca baling and the movement over rails. All the pucca bales here are run on steam power and if we would just stop our supply of coal on some plea or other, baling operations could not be continued for more than a fortnight. Railing would also become impossible after a month and a total major crisis would precipitate at this end. They might of course, bring coal from other countries. But that would mean exorbitant cost and delay. The time factor would operate heavily against Pakistan and if the baling operations are dislocated at this nick moment by stopping the supply of coal, all hopes of foreign exports through Chittagong would be dashed to the ground. The jute market will heavily swamp down and their total economy will be involved ~~in~~ in a major crisis. This we may expect, will hasten a solution. On our side it may not be quite appropriate to raise the Inter-Dominion currency issue at the Ceylon Conference due to be held early in January. But if we precipitate a crisis at this end, I believe, Pakistan would be forced to raise the issue at the Conference and we may be able to successfully argue

our case questioning Pakistan's role in the sterling block, while she virtually claims to be a hard currency country. We may also plead that our coal position is not secure and we must have the right to feed our own industries before we can allow export of so essential a fuel item. In the meantime, we should proceed with a long-term plan to form an international cartel of jute industries, for which a scheme has been submitted separately. Of course, our attempts at self-sufficiency in Jute is likely to increase our crop output very substantially. Yet, I am inclined to believe, we shall have to depend on Pakistan jute for some years to come. Moreover, our self-sufficiency along with Pakistan's usual production would create a glut in the world raw jute market and it might be difficult for us to maintain our jute acreage without placing an import duty on Pakistan jute, amounting to the vicious principle of agricultural protectionism. Accordingly, it would be more assuring for us to cartelise and to introduce some sort of international bulk buying of jute like that of bulk cotton purchases through the Liverpool Cotton Association. Of course, Pakistan's assertion that they would restrict their jute production to 15 lakh bales only would be apparently suicidal. Primarily this would create a crisis in agricultural economy, inasmuch as it would not be easy to substitute jute with some other cash crop suitable to the climate and the soil. On the other hand, over-production of rice would again raise the difficult problem of maintaining fair and economic price of the crop. But it seems that in the top political circles here, things have not been studied in their long-range perspectives and opinions are mostly hinged on easy sentiments.

No. 1265-20/125. 187
GOVERNMENT OF INDIA.
MINISTRY OF COMMERCE.

New Delhi, the

December 1949.

A copy of the undermentioned paper is forwarded

to :-

- (1) H.M.
- (2) P.S. to Deputy Prime Minister.
- (3) Ministry of Finance (R & B) (Mr. K.R.K. Menon)
- (4) Ministry of Finance (E.A.) (Mr. K.G. Ambegaokar)
- (5) Ministry of Agriculture (Mr. K.L. Panjabi)
- (6) Ministry of Food (Mr. R.L. Gupta)
- (7) Ministry of I. & S. (Mr. S.A. Venkataraman)
- (8) Secretary Economic Committee (Mr. P.O. Bhattacharyya)
- (9) Financial Commissioner Rlys. (Mr. A.K. Chanda)
- (10) Secretary Transport (Mr. Y.N. Sukthankar).

W. Walker
for (C.C. Desai)
Secretary to the Government of India.

Copy of telegram from J.J. Sutherland, Esq., Secretary,
Indian Jute Mills Association, Calcutta, to C.C. Desai,
Esquire, Secretary to the Government of India, Ministry
of Commerce, New Delhi.

CONFIRMATION TELEPHONE CONVERSATION THIS MORNING WE
FEEL IMMEDIATE BAN SHOULD BE IMPOSED ON RAW JUTE EXPORTS
BY CUSTOMS AND ONLY THOSE EXPORTS TO AMERICA AND RUSSIA
PERMITTED ON SPECIFIC ALLOCATIONS THROUGH DUTTAS OFFICE
COLLABORATING WITH WALKER STOP SHIPMENTS FOR WHICH
PERMITS ISSUED BUT NOT YET EXPORTED SHOULD NOT BE ALLOWED
AND CONVERSATIONS WITH NIVEN CONCERNING JUTE TO THE
UNITED KINGDOM REVEA IS NOT UNDULY WORRIED EFFECTS SUCH
ACTION REMAINING BALANCE INDIAN JUTE PURCHASES STOP
WRITING LETTER ON CONVERSATIONS WITH STEAMER INTERESTS
WHO HAVE STOPPED BOOKING JUTE AND HAVE SENT PLATS TO
MONIHARI ASSIST FERRY MOVEMENTS ARRIVING THERE FOUR DAYS
HENCE.

124
No. 12651-24/149.

GOVERNMENT OF INDIA
MINISTRY OF COMMERCE.

New Delhi, 28th December 1949.

A copy of the undermentioned paper is forwarded

to:-

- (1) H.M.
- (2) P.S. to Deputy Prime Minister.
- (3) Ministry of Finance (S&E) (Mr. K.R.K. Menon)
- (4) Ministry of Finance (E.A) (Mr. K.G. Ambegachar)
- (5) Ministry of Agriculture (Mr. K.L. Panjabi)
- (6) Ministry of Food (MR. R.L. Gupta)
- (7) Ministry of I & S (Mr. S.A. Venkataraman)
- (8) Secy., Economic Committee (Mr. P.C. Bhattacharyya)
- (9) Financial Commissioner, Rlys., (Mr. A.K. Chanda)
- (10) Mr. J.R. Walker, Chairman, Indian Jute Mills Association, Calcutta.
- (11) Mr. J.N. Dutta, Deputy Chief Controller of Imports, Calcutta.
- (12) Mr. A.K. Roy, J.S. Finance (IAS)
- (13) P.S. to H.M. Finance.

for (G.S. Dandi)
Secretary.

Copy of letter No. 4116 dated 14th December 1949
from P. Das Gupta, Esq., Assistant Indian Government Trade
Commissioner, Baku to G.S. Dandi, Esq., Secretary to the
Government of India, Ministry of Commerce, New Delhi.

22

190
Copy of a Secret letter No. 4116 dated 14th December 1949 from Assistant Indian Government Trade Commissioner in Eastern Pakistan, Dacca to the Secretary to the Government of India, Ministry of Commerce, New Delhi.

Subject:- Address at a Press Conference by Mr. G. Faruque, Chairman, Jute Board On December 8, 1949.

I have the honour to address you on the above subject and to submit the following for the favour of your information:-

1. In course of a recent statement Mr. Faruque, Chairman, Jute Board said that to work out the scheme of the Jute Board in detail, particularly in rural areas, three Regional Commissioners and two Liaison Officers had been appointed.

These officers constitute a machinery under the direct control of the Central Government of Pakistan functioning independently of the Provincial Directorate of Jute Prices. They have been charged with the responsibility of constantly watching the condition of the jute market in the mofussil centres, with particular relevance to price and movement of jute. They are also to serve as the medium to propagate the correct interpretation of the official policy in order to guide the cultivators and to save them from being duped by the middlemen.

2. Mr. Faruque, along with other members of the Board, paid a visit to Khulna, Chalmugria and Chandpur to see for themselves how purchases were going on in the interior and how far Government directions given in this connection were acted upon. It is reported that during this visit, Mr. Faruque particularly enquired into the complaints received by the Board from the members of the public alleging that the prices obtaining in the rural markets were substantially below the official floor. On this point Mr. Faruque observed that "the selling prices of jute in all places he visited went much above the minimum prices fixed by the Government overnight". The word "Overnight" used in the context herein appears significant. It is an admission that the mofussil prices had not been quite satisfactory prior to his visit. In fact Mr. Faruque did not.

go into the interior of the country, where alone one can have a real idea as to the grower's price. Though there should be no denying of the fact that in course of the last 10 days or so, the jute market has come to enjoy what may well be termed a price-boom, the things are fluid as yet and it is difficult to assess with correctness how far the present phase would prove to be temporary or how far it would emerge into a new re-orientation of the jute trade in East Bengal. Nonetheless, it would not be wrong to assume that the grower's price is still below the floor, though at the pucca baling centre of Narayanganj the price-curve is on the floor and occasionally above by annas -/8/- to Re.1/- per maund.

3. Mr. Faroque further assured the audience that it had been arranged that some reputed firms would henceforth operate in full scale throughout the districts of Khulna and Jessore. These two districts have gained some notoriety for smuggling to India and Mr. Faroque's proposal may be interpreted as a means to counteract smuggling by the offer of competitive buying within the border districts through the Government agents. How far this would prove effective is reasonably doubted in as much as the free market exchange rate being at par, the Indian buyer just across the border can afford much higher value than the nominated buyer who is obliged to buy only at the official floor-prices. For instance, the minimum price for the District Bottom quality is fixed at Rs.21/- per maund in the baling centre and at (Rs.21 - Rs. 2½) Rs.18/8/- per maund in the mofussil. As against this the ready price offer on the Indian side of the border ranges from Rs.29/- to Rs.32/- per maund on the cash-on-spot basis. Thus even for the District Bottom the difference would be Rs.10/8/- (Rs.29 - Rs.18/8/) per maund which is evidently too tempting to the beparis (middlemen). Besides, when the middleman prefers to offer his stock to the Government agent, he is not paid cash on the spot and has to wait for 2 or 3 days and the actual payments made are usually subject to deductions for dhalda (moisture

content of the jute). Smuggling is, therefore, continuing on a very large scale as reported earlier, only intervened by the seasonal difficulties like water-logging of the interior. On the Sylhet border, it would be quite true to say, that jute is being freely smuggled into Assam and re-booked to Calcutta in bond through Pakistan. This jute in bond, while in the process of transshipment en route to Calcutta, is evidently interfered with by the Government of Pakistan. Strangely enough such consignments are allowed free entry into East Pakistan (East Bengal) but are hauled up and detained at the exit end of the route in clear contravention of international conventions. The amount of jute thus frozen is estimated at about 50,000 bales. In my report of December 4, it was stated that 3 barges detained at Khulna under orders of the Jute Board had been released requires a little amendment. While the statement is correct, it is now disclosed that the barges under reference carry jute in bond booked from Assam and held up for the last two months. As to the stocks of pre-devaluation purchases by the Indian mills within Pakistan and detained at different centres, the Jute Board's attitude remains virtually the same. They are agreeable to look into each particular case and issue release order on satisfaction that the full value thereof have been paid prior to devaluation - the onus of proving his case resting on the consignees. The procedure is considered to be complex and difficult and the Jute Board is reported not to have received any written request from the parties concerned.

4. As regards supply of jute to the foreign markets, Mr. Faroque said that purchases by foreign countries were continuing. "France for example", he continued, "had already purchased 30 to 40 thousand bales against their own allotted quotas and will like to purchase more. U.S.A. too is purchasing small quantity - and U.K., similarly has already bought one lakh bales and will purchase more in future. In addition, Germany, Czechoslovakia and all other countries whose quotas have been stopped by India are purchasing here direct".

5. In respect of handling capacity of the Chittagong Port,

191/1A
4 -
Mr. Faroque is of the opinion that it is possible, on average, to handle 10,000 bales a day at the port.

6. As to baling Mr. Faroque maintained that the outturn capacity of the pucca baling presses at Narayanganj had been fully exploited, and attempts were being made to do so in the mofussils as well. According to him, 8 to 9 thousand bales were being prepared daily at Narayanganj, although the target was to raise the production to 15 thousand bales a day. It will be recalled that 5 pucca presses were imported at Chittagong just a few months back (vide my previous reports). These are now proposed to be set up at suitable centres and from the beginning of the next crop season the total baling capacity should, thus, be substantially raised.

7. Referring to the arrangement for transport facilities in connection with jute trade, Mr. Faroque remarked that arrangements were being made with the railway authorities so that 150 wagons would be moving throughout the Province every day and thus, as much as 8 thousand bales would be moved per day from one place to another by rail alone. It is of interest to note that Mr. Faroque did not speak about the movement of wagons to Chittagong. As reported already, they are now moving 50 wagons for four days each week. It is, obvious, that during the winter season Pakistan authorities would make their best efforts to mobilize all their resources in an export drive, provided foreign demand persists.

But the movement of wagons to Chittagong is limited by the availability of wagon, dimension of the railway yardage connecting the port and the capacity of the single-line meter-gauge route, and in my opinion, it may be possible to run one jute special every day for six days in the week, leaving one day for return passage of the empty wagons and their re-distribution to the different centres for re-loading. But this would mean colossal wastage of wagon mileage run and the consequent loss of revenue due to large-scale movement of empty wagons. The present 4 days in a week arrangement seems plausible inasmuch as with quick handling the wagons, in most cases, can carry various loads from Chittagong and mid-stations to such important inland markets as Narayanganj, Dacca, Chandpur, Laksham, Comilla, Feni, Bhairab Bazar and Mymensingh.

Nonetheless, what Mr. Faroque meant in his statement is an overall movement of jute wagons within the whole of East Bengal, in between the inland stations themselves and between them and the port. Accordingly, 150 wagons is a very moderate figure and it is estimated that in normal busy season 250 to 300 jute wagons are kept moving in the province, beside the large scale movement of the barges now lying immobile at Khulna and Chandpur.

8. In his speech, Mr. Farouque made no reference to the schemes for establishing Jute Mills in East Bengal, about which much propaganda was made some months back, but nothing was being heard now-a-days. Some time back, a company was registered under the name of Messrs. Chittagong Jute Mills Ltd. and Hon'ble Mr. Hasan Ali, a provincial Minister was declared to be its patron. Enquiries reveal that nothing substantial has come out of the enterprise as yet. But in to-day's Pakistan Observer, it is more confirming to find the public notice quoted below:

'CHITTAGONG JUTE MILLS LTD.

It has come to my notice that my name has been associated with the above company as one of its patrons. I hereby declare that I have no knowledge of, or any connection whatsoever with it or any such company.

Sd/- Hasan Ali
Minister
Govt. of East Bengal.'

Nonetheless, Mr. Faroque hinted that attempts were being made to devise ways and means for the manufacture of jute products from the cotton looms, most of which were lying idle due to shortage of yarn. Such switching of cotton looms to jute fibre does not sound technically feasible. Moreover, spinning of jute is the difficult preliminary, which requires special equipments and the looms, even if technically adjusted, would be of no use without this. I had made enquiries and it is gathered that some experiments are being proposed to be made at the factory of Messrs. Adarsa Cotton Mills, belonging to the Dhakeswari Cotton Mills group. I had also a discussion with Dr. Azam, Director of Industries (Officiating), Government of East Bengal, who happens to be a particular friend of mine. He does not feel encouraged over the experiments either.

But he told that it may be possible to meet East Bengal's own requirements in jute textiles by resorting to handloom weaving provided it be possible to evolve a suitable type of jute Charka (spinning wheel), on which he was working at the present.

9. Referring to the appointment of agents, Mr. Faroque observed that so far 68 Jute Purchasing Agents (names forwarded separately) had been appointed and more applications were under consideration. "The target", he declared "is to have 400 agents in all throughout the province". This will not mean much simply because under the Jute Dealers Registration Act, no person or firm can carry on any business in jute unless he is registered. Technically, thus, all the registered firms still functioning locally could be regarded as Government agents and the real result would depend on the extent of financial accommodation provided to them by the State Bank.

10. In conclusion, Mr. Faroque said that recently the Secretary of the Indian Jute Mills Association met the members of the Board and discussed with them in detail about the formalities, which the Indian Jute buyers before devaluation would have to undergo for taking away those to Calcutta. He also regretted that so far no application had been received by the Board in this connection from the representatives of the Jute Mills Association. By this time, Mr. Sutherland of the Indian Jute Mills Association must have informed the Ministry about his discussions with the Board at Narayanganj.

Yours faithfully,

Sd/- P. Das Gupta.

(P. Das Gupta).
Asstt. Indian Government Trade
Commissioners.

193
No. 12653- Secy/In8,
GOVERNMENT OF INDIA
MINISTRY OF COMMERCE

New Delhi, 20th December 1948.

A copy of the undermentioned paper is forwarded

to:-

- (1) H.M.
- (2) P.S. to Deputy Prime Minister.
- (3) H.M. Finance.
- (4) Ministry of Finance (R&E) (Mr. K.R.K. Menon)
- (5) Ministry of Finance (E.A.) (Mr. K.G. Ambegacker)
- (6) Ministry of Agriculture (Mr. K.L. Panjabi)
- (7) Ministry of Food (Mr. R.L. Gupta)
- (8) Ministry of I & S (Mr. S.A. Venkataraman)
- (9) Secy., Economic Committee (Mr. P.C. Bhattacharyya)
- (10) Financial Commissioner, Rlys., (Mr. A.K. Chanda)
- (11) Mr. J.R. Walker, Chairman, Indian Jute Mills Association, Calcutta.
- (12) Mr. S.K. Chatterji,
West Bengal Government,
Calcutta.

W. H. D. L. L.
for (C.C. Desai)
Secretary

Copy of letter No. 4112 dated 14th December 1948
from Mr. P. Das Gupta, Assistant Indian Government Trade
Commissioner, Calcutta, to C.C. Desai, Esq., Secretary to
the Government of India, Ministry of Commerce, New Delhi

194

Copy of letter No. 4113 dated the 14th December, 1949, from the Assistant Indian Government Trade Commissioner, 8, Gopal Krishna Lane, P.O., Wari, Dacca (East Pakistan), to the Secretary to the Government of India, Ministry of Commerce, New Delhi.

Subject:- Latest position of the jute market in East Bengal.

In continuation of my letter No. 4087, dated December 12, 1949, I have the honour to address you on the above subject and to submit the following for the favour of your information:

1. The principal jute market at Narayanganj remains steady near about the official floor, with an undertone significantly weaker than in the last week-end. The mofussil markets also seem to have slightly slid down, after a rather sudden push up, particularly due to the Jute Board's visit to certain mofussil centres. This may be due to better arrivals both at the baling centre and the secondary markets from the beginning of this week. By the next week arrivals may be expected to improve further, with greater weakening of the tone of the market. But as yet, the market should be deemed as steady, interrupted with an irregular downward tendency. The first flush of foreign buying look abated somewhat and though purchases continue on a small and relatively restricted scale, the attitude of hesitancy is beginning to reappear. Dundee's imminent pricing up of her jute fabrics may offset her advantage over the Indian Mills, which was an obvious inducement to her to re-enter Pakistan market openly. Before long she may be facing some competition with us in the dollar markets and this may slacken her zeal in buying Tossa jute in Pakistan at a premium. If such probabilities materialise (that seem quite likely at the moment), foreign support of the local jute market may diminish with a consequent relapse of the price-curve.
2. Since my last report, Mr. Pandul Haq Chaudhury's resignation has been accepted and Hon'ble Mr. Afzal,

Minister-in-Charge of Civil Supplies has been allocated the Commerce and Industries portfolio. It is not clear if this is an interim arrangement, pending the selection of a suitable candidate. But at the moment no further addition to the Provincial Cabinet seems imminent. While on the surface placidity is being maintained in political circles, attempts at party re-grouping is continuing and Mr. Hamidul Haq Choudhury looks rather indecisive as to the future course of action. He may take some time to assess the local political weather before he takes a stand if he really chooses to do so. Besides, the presence of the three Central Government Ministers (Hon'ble Messrs. Shahabuddin, Fazlur Rahman and Malik) is weighing heavily against him.

3. Nonetheless, language controversy is generating considerable heat, specially among the students and it is not unlikely that the Central Government would concede on this point. During the last few days numerous meetings have been held in different educational institutions, including the University, demanding the province's right to cultivate its own mother tongue Bengali and opposing any inflection of the Urdu script. Obviously, this move is of considerable political importance and some local politicians are sponsoring and supporting it from behind the screen, without allowing themselves to be exposed just at the moment. In the mean time, Begum Shah Nawaz, member Pakistan Constituent Assembly, while presiding over a public meeting of the local women at Dacca, yesterday, assured her audience that "Bengali which is the mother tongue of the majority of Pakistanis must flourish side by side with Urdu". She further assuaged saying, "A day might come when I will also learn your sweet Bengali Language". The Provincial Government have also just issued a communique, which reads as follows:

194/13

"Government's attention has been drawn to attempts that are being made in certain quarters to excite the student community in Dacca by circulating false rumours that preparations are being made to impose the Arabic script on the Bengali language and that the Advisory Board of Education for Pakistan was meeting in Dacca for the purpose. This subject conference of the Board. There is no question whatever of imposing is not even to be discussed by the forth-coming any script. Whether Bengali should be written in its present script is a matter solely for the people of this province to decide of their own free choice. Government wish to warn the students not to be misled by such baseless rumours inspired by those who are seeking to exploit the student community for their own particular ends".

4. On the other hand, the East Bengal State Acquisition of Zamindari Bill now in its process through the provincial Assembly has evoked interesting debate. Some of the Muslim Leaguers was advocating a policy of acquisition without compensation, while some others argued that the rent-receiving interests were not entitled to any compensation but might claim rehabilitation assistance from the Government. At last, on the pleading of the Hon'ble Revenue Minister, the House seemed likely to accept the compensation clause as recommended by the Select Committee.

5. It is just announced from Karachi that on complete accounting Pakistan's total sea-borne trade (including trade with India) revealed an unfavourable balance of rupees two crores and forty-two lakhs during October, 1949, as against a deficit of over six crores in the month previous. Trade with hard currency areas, however, showed a favourable balance to the extent of about rupees forty lakhs. Statistics of the inter-Dominion trade sea-borne trade for the month of October revealed that India exported

194/C

- 4 -

to Pakistan goods worth about rupees ninety four lakhs more than they imported from Pakistan. The main items imported from India were cloth, piece-goods, tobacco, salt, provision and oilman's stores, metals, ores and coal. In the same month Pakistan exported about 5 lakh bales of jute to India by land worth about six crores of rupees.

It will, thus, be seen that despite the currency deadlock some amount of trade has continued between the two Dominions, though Pakistan is trying to change the pattern of her external trade to become independent of India.

6. The free market exchange rate continues virtually at par, occasionally transactions being sponsored from Calcutta, the Pakistan rupee being at a nominal discount. The volume of transaction is strictly limited and the Pakistan rupee may recover slightly if the jute market continues steady as at the present. In official circles here, the prospect of maintaining the Pakistan rupee at its present overvaluation is being regarded with increasing doubt, specially in the face of the emergence of an overall deficit in foreign trade balance. On our side the exact position does not seem clear, as we cannot fully account for the smuggled jute. But it appears certain that the money received even by the Muslim middlemen on account of the jute smuggled by them and paid for on our side of the border is not coming back to East Pakistan in its entirety and considerable portion are being maintained in India. To this extent there is a drainage of capital from this side, which has an weakening effect on Pakistan currency. The top officials, while readily reckoning the increasing pressure on currency due to the unfavourable balance of payments position, argue that devaluation at this stage would mean a debacle.

196

with the Central Cabinet of Pakistan, as the Premier. Hon'ble Mr. Liaquat Ali himself had made a political issue of it. Devaluation at the moment would, it is apprehended, cause a serious commotion, rendering awkward the position of the Premier himself. Hon'ble Mr. Fazlur Rahman is also a blined advocate of non-devaluation and accordingly, the knowledgeable quarters anticipate that Pakistan authorities may cling to their decision against all palpable odds until the position becomes impossible. the officials further argue that foreign trade deficits may be met by sterling releases at the cost of development projects and the winter drive in jute exports may also offer a breathing time, provided foreign purchases continue. Tomorrow, I shall meet the Hon'ble Commerce Minister and shall communicate his views later, if available.

THE BENGAL JUTE DEALERS ASSOCIATION.

Telephone : BANK 2523

Telegram : BEJUDA

No. L-172/40-50.

4, Commercial Buildings,
102-B, Netaji Subhash Road,

Calcutta 11th October, 1940

The Secretary,
Indian Jute Mills Association

Dear Sir,

Re : The Present Market Position.

Ref : Your letter No. 231-0 dated 11-10-40.

The Association thanks you for your letter for reference and in reply to which we beg to state as follows.

1. Our Association heartily appreciates the difficulties of our national Government as well as your Association in meeting the difficulties created by the present attitude of the Indian Government in jute industry. Our Association which has the same object in view, is also very anxious to work unitedly and determinedly to relieve the difficulties of the Government.

2. Our Association heartily appreciates the wise policy of our Government which they have taken for the loose jute to come from India for which the Mills have already paid for shipping and insurance in most instances such jute has already been delivered to the Mills at Calcutta. As mentioned in your letter, Central Government is not at all anxious for the jute which the Mills had already contracted for but they are anxious for the jute which is in transit and for the jute which is purchased before devaluation of Indian currency. As the representative of our Association has taken the view of Central & Provincial Government in the subject they have always advised the Association to transport the jute purchased before devaluation which our members have always followed. You know well that even after devaluation our members have shipped most of the jute which was purchased before devaluation.

Please Turn Over.

THE BENGAL JUTE DEALERS ASSOCIATION.

Telephone : BANK 2523
Telegram : BEJUDA

Page Two

4. Commercial Buildings
102-B, Netaji Subhash Road,

Calcutta

19

3. Our Association repudiates the unkind allegation made by your Chairman that some members of the Association have taken action which is against the interest of the country and the wishes of our Central Government. We can assure you that what our members have done and are well intentioned for the best of the country and consistent with the wishes of our Government. We are glad that your Chairman has made endeavours to facilitate the sellers and for which we thank him. Now we specifically point out that legally all the outstanding contracts have been null and void and yet our members to fulfil the aim of our Government and for the best of our country and Jute Mills tried and shipped most of the jute which was purchased before devaluation in order to keep the healthy atmosphere between the members of our Association ^{and} ~~to~~ to maintain the wishes of the Government. To avoid litigation it is but proper to declare the outstanding contracts null and void. Such action would help the wishes of the Government and the crisis of Justice.

4. The action taken by the members of the Association in declaring the outstanding contracts as null and void is fair and legal and is as per the wishes of our Government because Government doesnot want to purchase jute in India at such a high price by devaluing their currency and you are well aware that the jute purchased before devaluation most of it has already been shipped to you.

5. We note that your Chairman has written a personal letter to the Hon'ble the Finance Minister letting him know the difficulties of sellers but as the copy of the same was not forwarded to us we do not know in what words you represented our difficulties to the Hon'ble the Finance Minister but any way, we shall feel much obliged if you would take the trouble to

P. T. O.

THE BENGAL JUTE DEALERS ASSOCIATION.

Telephone : BANK 2523
Telegram : BEJU DA

Page three

4, Commercial Buildings
102-B, Netaji Subhash Road.

Calcutta

send us the copy of the reply received by you from the Hon'ble Finance Minister and a copy of the letter sent to him. You are advised to be regarding ex-gratia payment representing the entire freight and the higher Indian equivalent of the same export duty, which Indian Government are legally entitled to get the same for the jute shipped after consultation with an honest zeal to maintain the wishes of our Government and preserving the interest of the Jute Mills. Any way, our members will accept the payment either in a sum or our legal right or ex-gratia payment.

6. We know the rights of both sellers and buyers as clearly set forth in the contract and as per terms of the contract. We are also of opinion that under circumstances which have since arisen cancelling contracts stand null and void. We have been in every way co-operating with your Association for the fulfillment of the wishes of Government have shipped most of the jute after consultation of shipping companies jute we purchased before Government. We do not find any instance where we have gone against the wish of Government; on the other hand your insist not of having the outstanding contracts performed is likely to go against the Government. We under no circumstances can ask our members to deliver you jute by purchasing in Pakistan at high rate and exchange Indian currency, by devaluing the same value would go against prohibition and the interest of our members as well as our Government. We have fully considered the matter in our meetings and no action of ours is detrimental to India's vast jute trade and industry.

7. I am inclined to think that if in appreciation of the present altered circumstances and the difficulties rendering the performance of the outstanding contracts impossible and leading to frustration thereof you agree

S. M. .

THE BENGAL JUTE DEALERS ASSOCIATION.

Telephone : BANK 2523
Telegram : BEJUDA

Page Four

4, Commercial Buildings
102-B, Netaji Subhash Road,

Calcutta

19

With the withdrawal of our Association in treating the outstanding contracts as void and cancelled the prices of Pakistan jute is sure to come down and the Pakistan Government will be compelled to come to a fair understanding with the Government of India beneficial to the great jute industry. I can assure your Association that in that case the members of our Association will do everything in their power to co-operate with you by making fresh engagements for the welfare and development of the jute industry of India, when the normal and favourable situation will be created by the removal of the difficulties and the circumstances prejudicial to this industry.

We shall be very much pleased to meet your Chairman on any suitable date and at a place to be decided at the earliest opportunity when the representatives will discuss with your Chairman regarding the relation of the jute market position as suggested.

Yours faithfully,

Satyajit Sarangi
Secretary.

Copy to :-

1. Hon'ble Finance Minister of West Bengal
2. Hon'ble Finance Minister of West Bengal
3. Hon'ble Finance Minister of India.
4. Hon'ble Finance Minister of India.
5. Hon'ble Finance Minister of India.
6. Hon'ble Finance Minister of India.
7. Hon'ble Minister for Industries, Government of India.
8. Secretary, Calcutta Jute Dealers Association
9. Secretary, Bangladesh Jute Dealers Association.

1000.

199

- 2 -

MINISTRY OF COMMERCE

New Delhi,
10th December 1949.

Copy together with a copy of the telegram to which it refers is forwarded to :

- | | |
|--------------------------------|--------------------------|
| (1) Ministry of Finance (H.D.) | (Mr. K.R.K. Menon) |
| (2) Ministry of Finance (H.A.) | (Mr. K.G. Ambekar) |
| (3) Ministry of IAS | (Mr. S.A. Vankar) |
| (4) Ministry of Food | (Mr. R.L. Gupta) |
| (5) Ministry of Agriculture | (Mr. K.L. Panjabi) |
| (6) Ministry of Ryots | (Mr. A.K. Chandra) |
| (7) Secretary H.C. | (Mr. P.C. Chattopadhyay) |
| (8) P.S. to Dy. P.M. | |
| (9) P.S. to H.M. Finance. | |
| (10) P.S. to H.M. Commerce. | |

U. N. 12376-20/7/49 05. 10/12/49.

(C.C. Desai).
Secretary.

**GOVERNMENT OF INDIA
MINISTRY OF COMMERCE.**

200

New Delhi, the 7th December 1948.

From

**Secretary to the Government of India,
Ministry of Commerce.**

To

**Jute Board, Char House,
NARAYANGANJ (East Pakistan)**

**Reputed to: Deputy High Commissioner for India
in East Pakistan, Dacca**

TELEGRAM.

**12(100)TP(T) FOR FARUQUE FROM DESAI CONTINUATION MY
TELEGRAM NUMBER 12/100/TP(T) DECEMBER 1ST PRESUME SUTHERLAND
HAS SEEN YOU SINCE STOP I UNDERSTAND SIXTYFIVE FLATS
WHICH WERE LOADED AND ALL FORMALITIES IN RESPECT OF WHICH
WERE COMPLETED PRIOR REPEAT PRIOR TO 19TH SEPTEMBER ARE
STILL HELD UP STOP I FEEL VERY STRONGLY THAT THERE CAN BE
NO POSSIBLE DOUBT ABOUT BONAFIDES OF RAW JUTE WHICH WAS
ALREADY ON THE MOVE PRIOR TO DEVALUATION AND WOULD
THEREFORE SUGGEST THAT YOU MIGHT PERSONALLY INVESTIGATE
THESE CASES AND HAVE THEM RELEASED STOP THE FACT THAT
ALL FORMALITIES IN RESPECT OF THIS JUTE HAD BEEN COMPLETED
BEFORE DEVALUATION SHOULD I THINK ASSURE YOU THAT IT
CANNOT POSSIBLY CONFLICT WITH OR BE IN TENDRY TO CONTRAVENE
ANY OF THE POST-DEVALUATION REGULATIONS WHICH COULD NOT
HAVE BEEN FORESEEN AT THAT TIME STOP GRATEFUL FOR
URGENT REPLY**

RESTHAN

SECRET

SECRET

J U M A S S O

C A L C U T T A

FOR WALKER FROM DESAI FOLLOWING TELEGRAM RECEIVED FROM FARUQUE BEGINS I HAVE ALREADY SENT YOU TELEGRAM EVEN NUMBER DATED SECOND DECEMBER THROUGH DYHICOM DACCA GIVING DETAILS OF SUTHERLANDS VISIT STOP MAIN TROUBLE IS THAT SO FAR NEITHER FOR JUTE BOOKED BEFORE DEVALUATION NOR AFTER DEVALUATION ANY APPLICATIONS HAVE YET BEEN SUBMITTED AND AS A RESULT OF SUTHERLANDS VISIT WE THOUGHT THAT APPLICATIONS WOULD BE COMING IN BUT SO FAR NOTHING HAS HAPPENED STOP SUGGEST YOU ENQUIRE FROM LMA AS TO WHAT IS THE DELAY IN SUBMISSION OF APPLICATIONS STOP EVEN IN THE CASE OF JUTE BOOKED PRIOR TO NINETEENTH OF SEPTEMBER FOR SEVERAL COMBISMENT COVERING LARGE QUANTITIES OF JUTE THREE DOCUMENTS HAD NOT BEEN NEGOTIATED AND ARE STILL IN POSSESSION OF CONSIGNORS IN NARAYANGANJ STOP THESE CONSIGNORS HAVE NOW FORMALLY APPROACHED US ASKING THAT COMBISMENTS SHOULD BE BROUGHT BACK TO NARAYANGANJ TO BE TAKEN TO THEIR GODOWNS AS THEIR JUTE HAS NOT BEEN SOLD AND I HAD MENTIONED THIS FACT TO SUTHERLAND STOP WHERE DOCUMENTS ARE IN POSSESSION OF MILLS AND WHERE PROOF OF PAYMENT IS GIVEN THERE WOULD BE NO DELAY IN RELEASES STOP YOU HAVE MY ASSURANCE THAT I WOULD LOOK INTO EACH CASE PERSONALLY BUT THE MAIN THING IS THAT I MUST HAVE SOME CASES WHICH ARE NOT FORTHCOMING ENDS WHY IS THE COMPLAINING THAT SUBMISSION OF APPLICATIONS REGARDING JUTE SHIPPED BEFORE NINETEENTH SEPTEMBER BEING DELAYED STOP EVEN IF THEIR MOTIVES ARE DISHONEST WE MUST DO OUR BEST TO COMPLY WITH THEIR PROCEDURE AND GIVE THEM NO CHANCE OF COMPLAINING THAT WE ARE NOT FOLLOWING PRESCRIBED AND EXPLAINED PROCEDURE I WOULD ALSO WELCOME INFORMATION REGARDING OTHER JUTE ABOUT WHICH CONSIGNORS COMPLAINING AS NOT HAVING BEEN SOLD

RESTRAIN

P.T.O.

**GOVERNMENT OF INDIA
MINISTRY OF COMMERCE.**

200

New Delhi, the 7th December 1960.

From

Secretary to the Government of India,
Ministry of Commerce.

To

Jute Board, Char House,
NARAYANGANJ (East Pakistan)

Reputed to: Deputy High Commissioner for India
in East Pakistan, Dacca.

TELEGRAM

12(100)TP(T) FOR PARQUE FROM DEBRI CONTINUATION MY
TELEGRAM NUMBER 12/100/TPT DECEMBER 1ST PURSUE SUTHERLAND
HAS BEEN YOU SINCE STOP I UNDERSTAND SIXTYFIVE PLATS
WHICH WERE LOADED AND ALL FORMALITIES IN RESPECT OF WHICH
WERE COMPLETED PRIOR REPEAT PRIOR TO 15TH SEPTEMBER ARE
STILL HELD UP STOP I FEEL VERY STRONGLY THAT THERE CAN BE
NO POSSIBLE DOUBT ABOUT BONAFIDES OF RAW JUTE WHICH WAS
ALREADY ON THE MOVE PRIOR TO DEVALUATION AND WOULD
THEREFORE SUGGEST THAT YOU MIGHT PERSONALLY INVESTIGATE
THESE CASES AND HAVE THEM RELEASED STOP THE FACT THAT
ALL FORMALITIES IN RESPECT OF THIS JUTE HAD BEEN COMPLETED
BEFORE DEVALUATION SHOULD I THINK ASSURE YOU THAT IT
CANNOT POSSIBLY CONFLICT WITH OR BE IN TENDRED TO CONTRAVENE
ANY OF THE POST-DEVALUATION REGULATIONS WHICH COULD NOT
HAVE BEEN FORGOTTEN AT THAT TIME STOP GRATEFUL FOR
URGENT REPLY

RESTHMAN

MINISTRY OF COMMERCE

New Delhi,

19th December 1949.

Copy together with a copy of the telegram to which it refers is forwarded to :

- | | |
|--------------------------------|--------------------|
| (1) Ministry of Finance (H.D.) | (Mr. K.R.K. Karam) |
| (2) Ministry of Finance (H.A.) | (Mr. K.G. Ambekar) |
| (3) Ministry of MS | (Mr. S.A. Vankar) |
| (4) Ministry of Food | (Mr. R.L. Gupta) |
| (5) Ministry of Agriculture | (Mr. K.L. Panjabi) |
| (6) Ministry of Ryots. | (Mr. A.K. Chandra) |
| (7) Secretary H.C. | (Mr. P.C. Maitra) |
| (8) P.S. to Dy. P.M. | |
| (9) P.S. to H.M. Finance. | |
| (10) P.S. to H.M. Commerce. | |

V.O. No. 123K - 207/47 00-10/12/49.

(C.C. Desai).
Secretary.

GOVERNMENT OF INDIA
MINISTRY OF COMMERCE.

New Delhi, the 7th December 1948.

From

Secretary to the Government of India,
Ministry of Commerce.

To

Jute Board, Gray House,
KARAYANJANG (East Pakistan)

Reputed to: Deputy High Commissioner for India
in East Pakistan, Dacca.

TELEGRAM.

12(160)TF(T) FOR FARUQUE FROM DESAI CONTINUATION MY
TELEGRAM NUMBER 12/160/TF DECEMBER 1ST PREVIOUS SUTHERLAND
HAS SEEN YOU SINCE STOP I UNDERSTAND SIXTYFIVE FLATS
WHICH WERE LOADED AND ALL FORMALITIES IN RESPECT OF WHICH
WERE COMPLETED PRIOR REPEAT PRIOR TO 15TH SEPTEMBER ARE
STILL HELD UP STOP I FEEL VERY STRONGLY THAT THERE CAN BE
NO POSSIBLE DOUBT ABOUT BONAFIDES OF RAM JUTE WHICH WAS
ALREADY ON THE MOVE PRIOR TO DEVALUATION AND WOULD
THEREFORE SUGGEST THAT YOU MIGHT PERSONALLY INVESTIGATE
THESE CASES AND HAVE THEM RELEASED STOP THE FACT THAT
ALL FORMALITIES IN RESPECT OF THIS JUTE HAD BEEN COMPLETED
BEFORE DEVALUATION SHOULD I THINK ASSURE YOU THAT IT
CANNOT POSSIBLY CONFLICT WITH OR BE IN TENSION TO CONTRAVENE
ANY OF THE POST-DEVALUATION REGULATIONS WHICH COULD NOT
HAVE BEEN FORESEEN AT THAT TIME STOP GRATEFUL FOR
URGENT REPLY

RESTHAW

Copy of telegram dated 9th December 1949 from J.H. Dutta, Esq., Deputy Chief Controller of Imports & Exports, Calcutta to C.C. Desai, Esq., Secretary to the Government of India, Ministry of Commerce, New Delhi.

REFERENCE OUR TELEPHONE CONVERSATION THIS MORNING (.) HAVE MADE EXTENSIVE ENQUIRIES REGARDING FAIZUR RAHMAN (.) HE REACHED CALCUTTA AT 9-30 P M BY KLM PLANE ON WEDNESDAY SEVENTH (.) WAS HERE YESTERDAY AND HAS LEFT FOR DACCA THIS MORNING (.) HE MAY HAVE MADE SOME ENQUIRIES ABOUT RAW JUTE FROM ISPAHANIS HERE BUT NATURE AND RESULT OF HIS ENQUIRIES CANNOT BE ASCERTAINED (.) PARAGRAPH TWO (.) DETENTION OF FLATS IN KHULNA (PAK) (.) ORIGINALLY THERE WERE FORTYFIVE FLATS LOADED WITH PAKISTAN RAW JUTE DETAINED AT KHULNA BUT NUMBER WAS REDUCED TO THIRTYSIX AS A RESULT OF PAKISTAN OFFLOADING THE CARGO WHICH WAS INTENDED FOR TRANSIT THROUGH CALCUTTA (.) THESE THIRTYSIX FLATS LOADED WITH PAKISTAN JUTE AND CONSIGNED TO JUTE MILLS ARE STILL HELD UP AT KHULNA (.) JALAN STATED AT YESTERDAY'S MEETING THAT GIST OF SUTHERLAND'S DISCUSSION WITH JUTE BOARD HAD BEEN REPORTED IN DETAIL TO YOU AND THAT LJMA HAD MADE FURTHER APPROACH TO JUTE BOARD URGING THAT AT LEAST THOSE FLATS WHICH WERE LOADED BEFORE SEVENTEETH SEPTEMBER SHOULD BE RELEASED FORTHWITH AS JUTE CONTAINED IN THOSE FLATS HAD PATENTLY BEEN PURCHASED BEFORE DEVALUATION (.) HE HOWEVER SEES LITTLE PROSPECT OF ANYTHING COMING OUT UNLESS PRESSURE IS BROUGHT TO BEAR ON PAKISTAN FROM GOVERNMENT AS DETENTION APPEARS TO BE INTENTIONAL (.) PARAGRAPH THREE (.) DETENTION OF INDIAN JUTE IN TRANSIT THROUGH PAKISTAN (.) FIFTEEN FLATS LOADED WITH ASSAM JUTE WERE ORIGINALLY DETAINED AT GOALUNDO (PAKISTAN) (.) SUBSEQUENTLY FOUR OF THEM WERE RELEASED BUT WERE AGAIN HELD UP AT BARISAL WHILE ON THEIR WAY TO CALCUTTA (.) RIVER STEAM NAVIGATION COMPANIES ARE DISCUSSING QUESTION OF RELEASE OF THESE FIFTEEN FLATS WITH JUTE BOARD AT HARAYANGANJ TODAY (.) SHALL TELEGRAPH RESULT OF DISCUSSIONS TOMORROW (.) PARAGRAPH FOUR (.) TRANSPORT BOTTLENECKS OF INDIAN JUTE OVER RAILWAYS (.) THERE IS NO REPEAT NO DIFFICULTY ON BROAD GAUGE SECTION (.)

-2-

IN FACT R I RLYS HAVE OFFERED TO RUN ANOTHER JUTE TRAIN PROVIDED IJMA UNDERTAKES TO DISTRIBUTE WAGONS IN RESPECT OF MILLS (.) MATTER IS UNDER CONSIDERATION BY IJMA (.) ON METRE GAUGE SECTION ON O T RAILWAYS THERE IS A TEMPORARY SET BACK OWING TO OPERATIONAL DIFFICULTIES WHICH IT IS HOPED WILL BE SET RIGHT IN TWO TO THREE DAYS TIME (.) WITH THE OPENING OF ASSAM LINK FROM TODAY FURTHER IMPROVEMENT IS ANTICIPATED (.) AT YESTERDAY'S MEETING JALAN STATED THAT POSITION MIGHT BE WATCHED FOR A FEW DAYS AND THAT HE WOULD REPORT RESULT NEXT THURSDAY (.) CANNOT APPRECIATE WALKER RAISING ALARM SO SOON AFTER GOSSIPING JAM (.) PARAGRAPH FIVE (.) SMOUGLED JUTE FROM PAKISTAN (.) QUANTITIES MUST NECESSARILY BE SMALL OWING TO DIFFICULTIES OF ROAD COMMUNICATIONS AT THIS TIME OF YEAR AND TIGHTENING OF CONTROL BY PAKISTAN AT LAND FRONTIERS (.) PROSPECTS WILL IMPROVE AFTER A FORTNIGHT OF THREE WEEKS WHEN ROAD WOULD DRY UP (.) TRADE ESTIMATES THAT 3 (HALF 6) LAKHS BALES HAVE ALREADY ARRIVED AND THAT FURTHER 3 (HALF 6) LAKHS BALES WOULD ARRIVE BEFORE END JUNE.

No. 19310 - 207 127
GOVERNMENT OF INDIA.
MINISTRY OF COMMERCE.

New Delhi, 10th December 1949.

Copies to :-

All Economic Secretaries.

H.M.

P.S. to Dy. Prime Minister.

Cabinet Secretariat,
(Mr. Sharma Vire)

P.S. to H.M. Finance.

54/- C.C. Doshi.
Secretary.
10. 12. 49.



207
1, York Place,
New Delhi, 19th Dec., 1949.

Dear Shri Shankar,

My Honourable Minister has asked me to send you a copy of a tour note submitted by Sardar Datar Singh on the subject of increased production of jute in India, with a request that it may kindly be put up to the Honourable the Deputy Prime Minister.

With kind regards,

Yours sincerely,

S.K. Kirchandani
(S.K. Kirchandani)

Shri V. Shankar,
Private Secy. to the Hon'ble
Deputy Prime Minister,
New Delhi.

204
Ministry of Agriculture.

I returned yesterday from tour of Bihar, West Bengal, Orissa, Assam, Cooch Behar and Tripura. As a result of my personal discussions with the Hon'ble Ministers for Agriculture or the Chief Commissioner and their officers concerned with jute, it has been agreed that a total of 3,22,000 acres can be brought under jute without taking any areas from foodcrops. This can be done either by double-cropping or taking up wastelands not suitable for food crops. This additional area consists of 1 lakh acres in Bihar, 50,000 in Orissa, 1 lakh in Assam, 20,000 in Cooch Behar and 40,000 in U.P. and 10,000 in Travancore. This will give us increased production of 8 lakh bales. A scheme for plant protection, which is being put up, will add another 30,000 bales. Over and above this, the Government of Bihar is prepared to put 1 lakh acres under jute in Purnea district by double cropping provided the necessary labour arrangements can be made. I am looking into this matter and it will give up another 2½ lakh bales. We can expect another 1.5 lakh bales in the normal course under the stimulus of high prices. Taking all these together we can expect to increase our production by 12 lakh bales without affecting food production.

A detailed developmental programme for the purpose is being worked out.

Sd/- Datar Singh
16-12-1949

CONFIDENTIAL

No. 12490 - Secy 149

GOVERNMENT OF INDIA
MINISTRY OF COMMERCE

New Delhi, 15th December 1949.

A copy of the undermentioned paper is forwarded

to:-

- (1) H.M.
- (2) P.S. to Deputy Prime Minister.
- (3) P.S. to H.M. Finance.
- (4) Ministry of Finance (R&E) (Mr. K.R.K. Menon)
- (5) Ministry of Finance (E.A) (Mr. K.G. Ambegaokar)
- (6) Ministry of Agriculture (Mr. K.L. Panjabi)
- (7) Ministry of Food (Mr. R.L. Gupta)
- (8) Ministry of I & S (Mr. S.A. Venkataraman)
- (9) Secy., Economic Committee (Mr. P.C. Bhattacharyya)
- (10) Financial Commr. Rlys. (Mr. A.K. Chanda)
- (11) Mr. J.R. Walker, Chairman, Indian Jute Mills Association, Calcutta.

for (C.C. Desai)
Secretary.

Copy of letter No. 4087 dated 12th December 1949 from Mr. P. Das Gupta, Assistant Indian Government Trade Commissioner, Dacca (East Pakistan) to C.C. Desai, Esq., Secretary to the Government of India, Ministry of Commerce, New Delhi.

206

Copy of confidential letter No. 4087, dated the 12th December, 1949, from P. Das Gupta, Esquire, Assistant Indian Government Trade Commissioner, 8, Gopikrishna Lane, P. O. Wari, Dacca (East Pakistan), to the Secretary to the Government of India, Ministry of Commerce, New Delhi.

Subject:- Latest position in the Raw Jute Trade of East Bengal.

In continuation of my L.O. No. - dated, December 1, 1949, I have the honour to address you on the above subject and to submit the following for the favour of your kind perusal.

1. As apprehended the jute trade in East Bengal, favoured by a multiplicity of causes, both political and commercial, has just emerged into a new phase. During the week ending the December 10, 1949, the market toned up quite sharply and the floor-prices as determined by the Government of Pakistan have been advanced. Occasionally, the price in the principal baling centre (Barayanganj) is quoted -/2/- to Rs 1/- above the floor, and the special varieties like Bossi, in ready demand by Europe, are quoted at a premium of 1.5/- to 2.0/- — business in the best qualities of Bossi being thus transacted at 1.25/- to 1.30/- per pound. It may, however, be noted in this context that the Jute Board by its recent press note has introduced standard weights and measures and has prohibited any transaction on the basis of variable local weights that range from 80 tols to 82 tols per pound. While the list of nominated buyers has been added to by the appointment of a half of dozens new agents, it has been notified that no unregistered firm would be appointed as Government agent for buying or selling jute in East Bengal. In substance, the market has recovered considerably and it would be fairly correct to assume that the volume of business in the Raw Section of the chief baling centre at Barayanganj has recouped 50 per

cent.....

207

per cent of the normal trade. The undertone of the market continues strong and there is substantial buying pressure from the foreign interests like Britain, France and Italy. It will be recalled that early in November foreign buyers were requested to lift at least half of the quotas granted to them by the 31st December, failing which the Government of Pakistan threatened to cancel the unexecuted part of the quotas and to redistribute the same amongst other prospective buyers. It is also known that Pakistan had sent abroad trade delegations, particularly to negotiate sale of jute. This factor might have weighed to some extent with the foreign interests, most of whom were found not to have lifted the major part of their pre-devaluation quotas. But even then there was marked hesitation, until, at last, Dundee reversed its attitude and re-entered the Pakistan market openly, giving a lead to other European customers, just waiting in the queue and bidding some one to go first. Consequently, foreign buying alone could hardly have strengthened the market to the extent it has, and there are specific reasons to believe that the Indian mill interests have re-entered the market through their agents and are buying locally, in the hope that, some way or other, the currency deadlock will be resolved latest by the month of February, 1950. Internally too, the Government of Pakistan, in order to obviate any possible arraying of the political opposition consequent upon the forced resignation of Mr. Asadul Huque, and Mr. the Provincial Commerce Minister, have gone all out to pull up the jute market, at least, for the time being. While the three Ministers of the Central Government of Pakistan (Hon'ble Mr. Fazlur Rahman, Hon'ble Mr. M. Jinnah and Hon'ble Mr. Malik) are now on tour in East Bengal, trying to patch up the differences, so manifestly apparent, within the Provincial Muslim

Muslim League and the Provincial Ministry, the National Bank of Pakistan has been instructed to offer financial accommodations more liberally. It is now understood that in course of the last ten days another amount of Rs. 50 to Rs. 60 lakhs have either been advanced to the nominated buyers or accommodated for. It is also significant that for the first time three Indian firms (Marwaris) have been accommodated with funds (names marginally noted) and this may well serve as a timely bait to the Indian section of

1. Messrs. Foolaran Chandraj) the market, that was so) longer being harassed and) ousted. In the present) texture of the situation
2. Messrs. Kewal Jute Company,	
3. Messrs. Hazarus and Company,	

there are other factors too and the following may be of special interest :-

B. Increased interest by Foreign Countries :

While Duncree has entered the market quite freely, others like France and Italy are evincing added interest. Principal firms conducting the export trade (such as Gelli, Bhandari and Clark, Bonakanda, N. Sim and Isphani) have substantially increased their purchases. But arrivals do not show corresponding improvement due to water-logging condition of the countryside. As to the volume of smuggling across the border, it would be obviously hazardous to attempt any estimate. Nonetheless, it seems clear that smuggling has continued more freely than anticipated and this has considerably depleted the distressed stock with the poorer section of the cultivators, while the comparatively welloff farmer-traders have acquired substantial stocks apparently with a speculative purpose. But the principal buying centres have been spurred up mainly by the sudden change of Duncree's attitude. Enough to a limited extent, she had been buying all through, the latest reports indicate that she has considerably revised upward her price-offers. Even in

209

Even in the latter part of November, the local quotation ranged between £ 113 and £ 116. But now that the Dundee market has moved up and the Jute Controller having paid £ 120 for quality equal to good marks of Daisie 2/3, £ 115 for L.J.A., £ 123 for good Tossa 4 and £ 118 for the full group, it is evident that Pakistan market would react quickly. Visible trends would apply justify that Dundee, though underselling India in the international markets, would soon price up her fabric quotations, and this may push up the raw jute average to £ 120, with Tossa quoting about £ 125. In the circumstances, Pakistan market could not languish, particularly during the winter season that offers some good facilities for export through Chittagong.

3. Increasing interest of the Indian mills :

For some time, it has been palpable that while the Indian mills were technically in an overvalued position, their raw jute stock position was seriously difficult; and even assuming their pre-revolution purchases amounting to about 5 lakhs bales (still lying virtually frozen), the mill position was yet substantially uncovered. It is, therefore, widely assumed in the local commercial circle that India cannot but require jute in no distant future, and buying in the present market would bring the dealers a good margin. Further the strong rumour that Pakistan might be devaluing her currency soon, and at best, could not be expected to maintain her overvalued rupee beyond February, 1950, has added inspiration to the speculators, who are convinced that in case Pakistan would devalue at par with India, the price of jute in West Pakistan (East Bengal) will shoot up to Rs. 35/- and above, and the stock-holders would earn a windfall margin. In quarters close to the local official circle, it is also argued that something may come out of the Commonwealth Conference scheduled to be held in Ceylon in January, 1950.

It is further argued, presumably with substantial validity, that within the Indian Dominion itself the official price-ceiling and the Ordinance related thereto have virtually become dead letters. On our side of the border, I have reasons to believe, smuggled jute is being purchased freely at prices above the official ceiling, and the free market exchange rate being firmly at par, with Pakistan rupee as the weaker side, raw jute prices in India have a direct bearing on the market in East Bengal. The possibility of smuggling puts a further premium on the stocks held along Pakistan border for the simple reason that the export duty sale tax, amounting to a levy of Rs. 4/- per pound can be evaded. Besides all these factors directly relevant to the issue, it should now be admitted that Indian mills, through their agents or suppliers are re-entering the market and buying within East Pakistan. Evidently, necessity knows no virtue, and it is quite likely that despite Jute Board's attitude, they would be acquiring stocks at this end, specially emboldened by the belief that Pakistan's over all favourable balance of trade having been turned into a deficit she could not maintain her rupee long enough nor the International Monetary Fund could allow this.

4. Increased Facilities for Export :-

To avert the ugly prospect of being faced with a heavy carry-over of stocks in the beginning of the next season, Pakistan have earnestly avowed herself to the policy of "export jute at all costs". Mr. Jinnah's latest statement (copy enclosed) will substantiate it. But what is more interesting to note is that things are beginning to move at last. They are moving, since December 1, 1949, 4 jute special trains a week - each train consisting of 50 wagons and

and each wagon carrying on average 50 bales. Thus from the baling centres no less than 10,000 bales per week or 40,000 bales per month are being transhipped to Chittagong over the single line railway track. But winter has opened out a new river-route via Barisal and along the sea coast right up to the port. Large inland steamers of the I.C.S.B. and A.I. S.S. Companies are carrying jute loads direct to the port and loading of ships is being done at mid-stream. If this route is fully explored, it is quite possible to tranship an extra lot of one lakh bales per month during the winter season when the sea coast is safe for such plying of inland water vessels. In knowledgeable commercial circles it is opined that the sea route will remain open till the middle of March, with a brief interruption of the winter-rain season that does not generally last more than a fortnight. However, as long as this alternative route remains serviceable, that is during the months of December, January and February, it is quite possible to increase the volume of jute export via Chittagong to 1,50,000 or 1,00,000 bales per month, provided foreign interests in the jute trade are ready. Still, however, as soon as the summer monsoon sets in, the sea route will be closed unless a flotilla of ice-bearing barges can be provided for, and even then the rolling of the sea would render impossible any mid-stream loading of bales, while on the shore open yards could no longer be used for storing cargoes. It is noteworthy that during the last part of winter, the winter sea route was used with considerable results and the total export via Chittagong in the last month is provisionally estimated at over 1,50,000 bales. Most of these, however, were covered by pre-devaluation purchases. As regards post-devaluation purchases Mr. Veronique observed the other day that "France have already purchased 10 to 40 thousand bales against their own allotted quotas and

would like to purchase more, U.S.A. too is purchasing small quantities, and U.K. has purchased one lakh bales and is likely to purchase more. In addition to these, Germany, Czechoslovakia and all other countries whose quotas have been stopped by India are purchasing here direct. Lately, all these have proved to be true. Yet the pertinent question remains - how much all these foreign buying would amount to? And could this, India remaining aloof, solve Pakistan's problem of jute? The answer is obvious and simple. Up till now foreign purchases (excluding India) could not have exceeded a total of 1,00,000 bales. Dundee and others persisting in their purchases could not help Pakistan to dispose of more than another 5,00,000 bales at the most. The net result would have been a carry over of about 20,00,000 bales according to commercial circles. Even with the Jute Board expanding its activities through 68 purchasing agents and the National Bank of Pakistan liberally reorganizing finance, the real problem of disposal could not be solved and only the cultivators could be relieved with stocks being held by the middlemen. The real dispute will then arise between the stockists and the authorities. But it is argued that our businessmen have broken the cordon, we import for their own interests and mill agents are buying freely. If Indian interests are restrained sufficiently from buying directly in Pakistan market, the price-boom cannot be maintained long enough and the market would glide down in absence of adequate buying support. In speculative quarters it is argued that if Indian yarn and cloth can enter East Bengal via Hongkong (just to circumvent Pakistan's prohibition against direct import from India), Pakistan jute could well enter Calcutta via Akyab or some other foreign port nearby, circumventing the exchange trouble.

5. I am further inclined to believe that the Jute goods Export Prices Ordinance on our side is being circumvented by the mill-cum-shippers, some way or other. It is not unlikely that they have set up agencies in the U.S.A. and other dollar countries under names not easily detectable and are exporting jessien in excess of their genuine sale commitments, with the purpose of building up a ready speculative stock, on which they could earn larger profits in a short supply market. If this be true, it is natural for them to buy jute at Indian borders almost at any price, and consequently their agents are buying stocks in Pakistan too.

I am, therefore, confirmed in my belief that unless we can build up an international cartel controlling jute industry and trade of all the principal manufacturing countries like India, Britain and France, we can hardly expect to stabilize either the raw jute prices or the international market in jute fabrics. Our attitude will obviously be the major determining factor. Nonetheless, for the sake of security we should obviate the possibility of unilateral action by others like America and France. As desired by you, I have completed the scheme, and wished I could send it to-day. But my stenographer is working under undue pressure and could not finish typing, while Deputy High Commissioner has ordered that the Diplomatic bag to Delhi will run only twice a week. So, my scheme will reach you early next week.

SECRET

No. 12476-Secy/49. 214

**GOVERNMENT OF INDIA
MINISTRY OF COMMERCE.**

New Delhi, 15th December 1949.

A copy of the undermentioned paper is forwarded

to:-

- (1) H.M.
- (2) P.S. to Deputy Prime Minister.
- (3) P.S. to H.M. Finance.
- (4) Ministry of Finance (R&F) (Mr. K.R.K. Menon)
- (5) Ministry of Finance (R.A) (Mr. K.G. Ambegacker)
- (6) Ministry of Agriculture (Mr. K.L. Panjand)
- (7) Ministry of Food (Mr. R.L. Gupta)
- (8) Ministry of I & S (Mr. S.A. Venkataraman)
- (9) Secy., Economic Committee (Mr. P.C. Bhattacharyya)
- (10) Financial Commissioner, Rlys (Mr. A.K. Chanda)
- (11) Mr. J.R. Walker, Chairman, Indian Jute Mills Association, Calcutta.
- (12) Deputy Chief Controller of Imports, Calcutta.

W. N. S. for
for (C.C. Desai)
Secretary.

Copy of letter No. 4096 dated 12th December 1949 from Mr. P. Das Gupta, Assistant Indian Govt. Trade Commissioner in East Pakistan, Dacca to C.C. Desai, Esq., Secretary to the Government of India, Ministry of Commerce, New Delhi.

In connection with your note endorsed to this office under No. 4519-Secy/49 dated the 30th November, I am to submit that the report of Mr. Y.N. Sukthankar, Esq., I.C.S. that 51 wagons had moved from East Bengal to Calcutta during the period 1.11.49 to 20.11.49 does not contradict news at this end. In fact, the Customs cordon imposed by the Pakistan authorities have not worked so well as might be assumed and in fact, no less than 40,50,50 bales of jute was exported by Pakistan to India during October, 1949, over the land frontier, besides the amount smuggled without the knowledge of the authorities at this end.

The fact is that towards the beginning of October, the Government of Pakistan threw a cordon around the main inland belt of jute movement. The cordon was placed at Khulna, but the jute that had crossed beyond was not held back. Moreover, a notice was served on the shipping companies first and jute

wagons held above Rajbari and Serajgaj Bazar in East Pakistan were allowed to proceed as otherwise many of the wagons would have been uselessly held up at the east of the Pakistan railways. This opportunity was availed of by some of the corrupt officials of the local railways in collusion with the smugglers and it has now been detected that beyond the cordon line many empty wagons were fraudulently placed at the disposal of the smugglers and jute was allowed to be carried to India even without payment of the customs duties. For your information few instances of prosecution against official corruption are noted below:-

1. Golan Amba Khan - convicted to 2 years rigorous imprisonment for accepting bribe and allowing jute to pass on to India without customs duty while working as a customs Inspector at Darsana.
2. Two goods clerk of Sylhet Railway Station were prosecuted and sentenced to 6 months rigorous imprisonment for similar crimes.
3. In Bogra district, the Station Master of Tilukpur, one guard and one Marwari merchant were prosecuted and sentenced to one year rigorous imprisonment each for supplying empty wagons and thus helping smuggling of jute to India.

There are innumerable other instances and the fraudulent transport of jute over the railways still continues.

It is further to be noted that though fresh licences were not being issued except for coal, salt and certain chemicals, Pakistan had allowed in October some imports of the commodities covered by the Inter-Dominion Trade Agreement on the strength of pre-devaluation commitments of the local merchants and the consignments lying at the border were also being released gradually, the customs authorities, either allowing fraudulently or taking an x indemnity bond. A complete list of such imports from and exports to India during October, 1949 is enclosed. It is also true that many essential items like cloth and vegetable oil are still being smuggled into Pakistan by fraudulent avoidance

of our own customs cordon. On the other hand Pakistan is allowing such items as readymade garments, woolen goods, hosiery, tobacco manufactured and unmanufactured and a similar other miscellaneous items.

FOR THE MONTH OF OCTOBER, 1949

EXPORT

By Land.				By Sea.			
Sl. No.	Name of Commodities.	Units.	Quantity	Sl. No.	Name of Commodities	Units	Quantity
1.	Raw jute	bales	405050	1.	Raw Jute	bales	437
<u>Hides & Skins:-</u>							
(a)	Buff. hides	Pieces	333				
(b)	Cow hides	"	11694				
(c)	Skins, Goat	"	23210				
(d)	Skins, Sheep	"	2280				

IMPORT.

1. Chemicals:-				1. Cloths:-			
(a) Sulphuric Acid	Cwt.	62		(a) Mill made bales		4	
(b) Hydrochloric Acid	"	8		(b) Hand-loom "		5	
(c) Nitric Acid	"	17		2. Jute manufact.	Tons	1	
(d) Magnesium Sulp.	"	8		3. Washing soap	"	2	
Coal	Ton	6588					
Cloth :-							
(a) Mill made	bales	328					
(b) Hand loom	"	98					
4. Cotton Yarn	"	537					
5. Jute manufactures	Tons	118					
6. Myraballums	Cwt.	7					
7. Edible oils :-							
(a) Mustard oil	Tons	3181					
(b) Groundnut oil	"	42					
(c) Copra oil	"	23					
(d) Banashpati	"	7					
8. Paints & varnishes	Cwt.	1183					
9. Linseed oil	Ton	8					
10. Sea Salt	Mds.	49627					
11. Steel	Tons	2					
12. Pig Iron	"	48					
13. Tobacco	Lb.	41714					
14. Washing soap	Tons	1					
15. Hard Wood	"	66					

No. 12477 - 24/12/49

GOVERNMENT OF INDIA
MINISTRY OF COMMERCE.

New Delhi, 15th December 1949.

A copy of the undermentioned paper is forwarded

to:-

- (1) H.M.
- (2) P.S. to Deputy Prime Minister.
- (3) Ministry of Finance (E&E) (Mr. K.R.K. Menon)
- (4) Ministry of Finance (E.A.) (Mr. K.G. Ambekar)
- (5) Ministry of Agriculture (Mr. K.L. Panjabi)
- (6) Ministry of Food (Mr. R.L. Gupta)
- (7) Ministry of I & S (Mr. S.A. Venkataraman)
- (8) Secy., Economic Committee (Mr. P.C. Bhattacharyya)
- (9) Financial Commissioner, Rlys (Mr. A.K. Chanda)
- (10) Mr. P. Das Gupta, Assistant Indian Government Trade Commissioner, Dacca (East Pakistan) (By Bag)

for (C.C. Desai)
Secretary.

Copy of Confidential letter No. Nil dated 12th December 1949 from Mr. J.R. Walker, Chairman, Indian Jute Mills Association, Calcutta to C.C. Desai, Esq., Secretary to the Govt. of India, Ministry of Commerce, New Delhi.

You have been kept fully advised of the recent trends generally in Pakistan concerning jute by the copies given you of the reports I receive. They indicate that things are better there than they have been because of the export demand; and the combined with the activities of the cultivators directed more towards rice than jute, paint a more hopeful picture for Pakistan. As against that however there is this that by the acceptance of a figure of 50 lakhs bales for the crop - which makes us believe that if the Board take that, the trade's estimate of between 55/60 is not so far out - the foreign (other than Indian) demand cannot hope to result in other than some 30 lakhs bales being left on their hands (less of course what may by smuggling have additionally reached us here).

In one of my letters to you I passed certain remarks concerning the political position consequent upon the Board's activities and the policy of the Pakistan Central Government;

218

and you now are aware of the resignation of Hamidul Haq Chowdhury who was the Finance Commerce and Industries Minister in East Bengal. We have heard he was opposed to Government's non-devaluation policy which he maintained was against the interests of East Bengal or had been reached without due regard to their position; but on the other hand it seems there are other causes for we hear that the Pakistan Government have instituted an enquiry into his conduct as a Minister. One of his henchman, Bhuiya, who was given part of a pucca press house at Narayanganj (though he had no experience of the export trade) was recently censured by the Board for lack of progress. Another interesting sidelight on the political side of things has been gained from a personal letter which I have seen written by Currim (Pakistan's agent in jute mill machinery purchases who recently for that purpose visited the U.K.) in which he asserts that Pakistan are holding their own and that as a condition precedent to any discussion on jute prices, there must be first of all an acceptance by India of their currency. He gives the assurance that Pakistan will not budge a bit from the course they have taken. If one is to judge from the activities of the Board, from the staff and organisation set up by them, from the permanent measures taken to set up offices at Narayanganj, Pakistan regard these steps from a long term angle and not just measures to overcome or meet a temporary situation. We have had reports of a meeting at Chandpur in which a great deal of aggressiveness was shown by the Board in endeavours to stimulate activities in that station considered by the Board to be below what could be normally expected and in which no attempt was made to lessen or disguise threats by the Board in requisitioning, curtailing, and generally most drastically to deal with those who failed to make the grade.

You are aware from previous reports of the Board's decision to allow Rs. 2/8/- per maund lower as the accepted official rates for jute purchases away from baling stations; and notices have been posted up in various baling centres and also in several balers' premises making known the prices and asking the cultivators to look after their own interests in

that these prices are obtained. Intensive Government propaganda efforts through the foregoing aided by Special Officers in the districts as also by the Union Boards have made the cultivators pause in their selling activities especially when they hear of the better prices being paid at the main baling centres. Government propaganda agents have asked the cultivators not to sell as later on they will possibly get even better prices. A most disturbing feature in all of this recently has been a report that buying has been conducted on behalf of Calcutta mills. For the most part our information is that balers and merchants - the larger and more responsible elements I mean - have up to date been purchasing in order to meet pucca bale demands (i.e. overseas export) and very small quantities in addition so as to avoid the requisitioning of their premises. Purchases by one firm of unsuitable qualities and assortments for the foregoing policy and procedure led to enquiries which have shown that the intention is storage and shipment to Calcutta once conditions are normal. Since financial resources are considerably strained, it is believed that such action could not be possible except with the financial backing and support of mills. That is a further complication and headache to me in ways and means of counteracting this, as if I had not sufficient as it is.

As far as Pakistan's purchase scheme is concerned, this is believed to be working satisfactorily although to date only 15,000 maunds has been offered to and taken up by Government. The number of firms who have joined and are working in the scheme is not an item on which I can give reliable data although we do know that a great number of small Muslim firms have obtained financial assistance; but their purchases are in the main speculative.

Export enquiry has heightened and now America is in the market. They have purchased a few odd lots and still are interested; but they insist upon purchases in Pakistan rupees. France has taken at least 50,000 bales recently; and again still are interested. Prices paid are roughly on the basis of Rs.150

220

(Pakistan) for Export First and Rs.160 (Pakistan) for Mill First. High grade Jat Tossa and very superior grade White Jute are in steady demand by overseas markets and Dundee has paid Rs.195(Pakistan) for Dacca Tossa 4's: France for the same quality has paid over Rs.200 (Pakistan). All of these prices are F.A.S. Chittagong, and you will not have failed to notice from the recent reports in Capital that Dundee has advanced prices to the mills by £25 per ton. Accordingly except in so far as these markets have an imperative need for jute, the high prices will keep their demands on the low side.

Smuggling still goes on; but the extent of it is something on which we cannot report with any accuracy. There is no reason to doubt that the figures given previously will be very far out.

I make no attempt in any of these communications to give you a coloured or distorted picture. A report from one of my friends with large interests in Pakistan and who could not be said to be without interest in Pakistan's making progress in that his business gains take precedence in his mind over if not all then most others, ends by stating:-

"In conclusion I would like to state that there is no doubt that conditions in Pakistan have improved quite considerably. The cost of living & in other words the cost of rice - has come down and there is quite a steady business going on in jute at the main baling centres. The situation will now really depend on to what extent foreign markets continue buying although it is very difficult to see how the low qualities can be disposed of as the Jute Board so far have refused to buy "X" mark alone and want a reasonably high assortment."

I have written this late on Sunday before meeting those interests about which I spoke in my letter to you on 7th December. Later on this afternoon I am having a conference with several of them; and immediately thereafter I will get in touch with you either by 'phone or by letter.

- - - - -

THE JUTE BALERS' ASSOCIATION.

221

Bank 2891 & 2892.
Phone Nos. Cak 2387, 2388, 2389.
5, Royal Exchange Place,

Calcutta, 15th December, 1949.

Purely personal.

Respected Sardarji,

Sub:- Sounding the danger bell:
'SARDARJI METHOD' wanted
in Jute sphere.

As an honest citizen of India, I think it my duty to write you and appraise you of the critical and dangerous position which to-day exists in Jute and Jute Goods market causing huge loss in the Government revenues and universal black-marketing.

I am confident that if "Sardarji Method" as applied in the vast sphere of Indian States, is applied cautiously in this sphere, we are bound to succeed. But I regret to inform you that it is not applied efficiently at present and thus causing huge loss to our country.

My hands are tied and I am unable to give you detailed information in my this letter without causing serious loss, therefore request you to grant your precious ten minutes when I can come to you in Delhi or send your most confidential representative to me in Calcutta whom the present situation can be explained by me. In the proposed short interview with you I intend to inform you in nut shell the position of Jute trade since partition (as I was connected with some of the most important Jute Conferences held at Karachi, Delhi, Calcutta, Dacca and Chittagong) and the present dangerous situation and its remedy from my point of view.

As regards myself, I may inform you in short that I am a paid Secretary in one of the oldest and important Jute Associations. As I

22/11
Dated, 15th Dec: 1949.

Page TWO.

know of the things and call myself a true Indian citizen, it came to my mind that if I fail to sound the danger-bell to you, I would be guilty of not fulfilling my duty, and this thought has prompted me to write the above lines.

Hope to get an early call,

Yours respectfully,

Residential Address: |
26/1A, Armenian Street, |
3rd Floor, Calcutta. |
Tele.Add:- "JUTEHOUSE." |

S. Mehta
(SHREE CHAND MEHTA)

I left for Dacca in the morning and returned Calcutta in the evening of 10th Dec. 1949. As was expected my trip was without any results.

On my reaching Dacca I took the earliest opportunity to run to Jute Board's Office as to-morrow being Sunday, the work had to be finished to-day. There were two points on which discussion was necessary with the Board :

- (1) requisitioning of godowns for Mr.S.M.Hanif at our Press.
- (2) goods held up on way to India and/or despatch of goods contracted for but still lying undespatched.

On the first point I could get hold of Mr.Isphani and he informed me that requisitioning is preparatory to Messrs. S.M. Hanif's taking up baling at our Press and accordingly the question of fixation of rent did not arise as owners were to provide godown space to balers without any additional charges for baling. As regards our contention that the space is already under occupation by Mahabir Commercial, he told me that on getting information from Messrs. Hanif that he could not secure possession they would call upon Mahabir Commercial to surrender possession, failing which police force will be utilised to clear off the godowns. He told me that we were perfectly correct in terminating the agreement due to requisitioning by the State and there was no legal liability. An extra copy of our reply was handed to him which under his direction was given in the office, receipt of which was taken. Messrs. S.M.Hanif would utilise the Press to the maximum extent and he advised me to keep the Board informed every month about baling done by him. Messrs. Hanif would themselves contact us for baling business. It was expected that Hanif would not be able to utilise the Press to the maximum; that is why part of the godown space has been only requisitioned. He also advised us to undertake baling of our own reservation.

The second question received the coldest reception. Mr. Isphani asked me to see Mr. Hafiz Ibrahim, the third member of the Board, who being the person well versed in finance and accounts and get clarification from him. As was very well known, no member and staff was interested in this aspect. I could get a chance to talk with Mr.Ibrahim after waiting for three hours, and even afterwards the reply was curt. He informed me that a date would be fixed when accounts shall have to be produced to verify the facts stated in the application. On my further pursuing the matter he reluctantly replied that all contracts, sales, purchases, bank and buyers accounts would be examined. If subsequent payments have been received they must be at the official rate after devaluation of sterling. On my further questioning him as to how many applications have been received so far and how many certificates have been issued he felt irritated and hurriedly replied that about 100 and odd and all are under enquiry and called other waiters. On leaving him I however asked him as to when date fixation was to be expected he said 'within a week'. In the office I also gave additional copies of our letters of Orient and East Bengal and took their receipt.

I contacted Mr.Garsia, Pakistan Jute Association Secretary, and discussed with him about held-up cargo. He said that they want to mark time. However an application has been moved by Messrs. George Henderson and it is made an association test case. The accounts have as yet not been called up. After its disposal the Association would draw up its policy and advise members. We have also been enrolled as members.

Prices at Narayanganj of all varieties except Tossa is near-about the fixed ones and Tossa is quoted Rs.2/- to 3/- high. As reported by Garsia in mofussil too prices have a rising tendency and he is of the opinion that prices will not sag down now. He informed that agreements have been entered into with Italy and France for maximum supply for 5 years. Negotiations are going on

with Poland and other continental countries with similar guarantees. American enquiries have also begun with the result that prices of Tossa have gone up. With me in the plane was American Government's representative Mr. Priestly who inspected jute of Messrs. Thanmel Kammel and Moolchand Setia. Ludlow for American account is also expected to come up shortly in market. Quotas have been liberalised and unrestricted supply is now allowed to be exported. Railway transport and Chittagong port authorities are marvellously working. He has now revised his opinion that Pakistan would not now bow before India and it is India during slack season will come in Pakistan market. His conclusion is personal but it is problematic. "

SD. S.R. MOHTA.

SFM : N

Dec
14/12

222/1A
No. 12257-secy/ing.

Government of India.
Ministry of Commerce.

New Delhi, the 9th December, 1949.

A copy of the undermentioned paper is forwarded for information to :-

- (1) P.S. to H.M.
- (2) P.S. to Deputy Prime Minister.
- (3) P.S. to H.M. Finance.
- (4) P.S. to H.M. Industry and Supply.
- (5) Secretary Economic Committee.
- (6) Secretary, Ministry of Industry and Supply.

C.C. Dasal
(C.C. Dasal.)
Secretary to the Government of India.

Letter dated 4th December 1949, from Assistant Indian Government Trade Commissioner, S. Gopikrishna Lane, P.O. War, Dacca. (East Pakistan), to Secretary to the Government of India, Ministry of Commerce, New Delhi.

225
Copy of Secret B. letter dated the 4th December 1949, from Assistant Indian Government Trade Commissioner, S. Gopikrishna Iyengar, P.O., Warri, Dacca, (East Pakistan), to C.C. Nagai, Nagaire, Secretary to the Government of India, Ministry of Commerce, New Delhi.

Subject:- Latest position in the jute market of East Bengal.

I have the honour to address you on the above subject and to submit the following for your kind information :-

(a) Mr. Faruque, Chairman of the Pakistan Jute Board has just come out with a press statement, which is obviously motivated to counter the factual representations of the condition of the jute trade in East Bengal published in Indian papers. The Press Note issued by the Jute Board and published in the Pakistan Observer in its edition of December 2, 1949, ~~xxxxxxxx~~ reads as follows:

" The report published in the Indian press on November 30, in connection with the fall in jute prices in Pakistan is incorrect. There has been no sales made to France, nor has jute been sold in any part of East Bengal at Rs. 5 per maund. The firms who have associated themselves with Govt. and the Jute Board to work the scheme formulated by the Pakistan Government have all been functioning and there has been full co-operation both from the Government of East Bengal and the trade. The average of the whole province taking White jute and Tessa together is well above the minimum rate fixed by the Government which were published in their notification, dated October 5. The estimate of Rs. 10 per maund as the average price of Pakistan jute is, therefore, also wrong. It will thus be seen that report published in the Indian press from New Delhi sources, designed to serve a propagandist purpose has no basis, whatever, on fact." The above statement of Mr. Faruque, evidently a propaganda stunt, seems to have gone wide of its target. His assertion that the average price is well above the official floor is but an inept fiction, which would hardly deserve even the semblance of popular credence. My reports are based on facts that can be substantiated by price quotations collected and collated by the Directorate of Jute Prices of the Government of East Bengal.....

East Bengal. But in the present case, Mr. Faroque seems to have inadvertently led himself palpably into a delicate position inasmuch as the same issue of the Pakistan Observer, in which published his statement accorded publicity to the official quotations of jute for the last part of November. In strange contrast to Mr. Faroque's assertion, the official quotations issued by the Directorate of Jute Prices, Karayanganj, read as follows :

BALING CENTRES
(Price per standard maund)

Top	Middle	Mixed
No sale	Rs. 20/8	Rs. 16/- to Rs. 20/-
-do-	Rs. 19/8	Rs. 15/- to Rs. 19/-
-do-	Rs. 18/8	Rs. 14/- to Rs. 18/-

MOFUSSIL PRICES
(Price per standard maund)

Top	Middle	Mixed
No sale	No sale	Rs. 14/- to Rs. 19/-
-do-	-do-	Rs. 13/- to Rs. 18/-
-do-	-do-	Rs. 12/- to Rs. 17/-

The above quotations are concluded with the remark that, "The average prices for loose jute at baling centres and primary markets in East Bengal were nominal as the most of the markets were inactive". With some difficulty, however, I have been able to procure a copy of the above price quotations officially signed by the Special Officer, Jute Prices, Govt. of East Bengal. The mofussil prices, it should be noted here, are based on quotations received from the Metcha baling centres and other important purchasing centres in East Bengal. If the minimum price ruling at these places are officially quoted between Rs. 12 and Rs. 17, the growers' price in the villages may well be appraised to vary between Rs. 10 to Rs. 12 per maund, and in overall provincial average would appear to be substantially below the floor.

(b) Nonetheless, certain factors need be properly reckoned with. After the initial check on smuggling due to renewed tightening of the cordon, about a fortnight back, the official machinery is again becoming ineffective, and I entirely agree with Mr. Sutherland of I.J.M.A. (a copy of whose report has been forwarded to me),

when he remarks that the corruption of Pakistan's anti-smuggling vigilance has resulted in scheduled rates of bribe. Yet, there seem to be reasons to believe that the extent and volume of smuggling have declined substantially and shall remain so till the end of December. The causes are not far to seek. The inter-Dominion frontier-line along certain areas of Tipperah, Rajshahi, Jessore and Khulna have gained particular notoriety for smuggling. But the volume of smuggling obviously depended on the internal movement of jute from the interior towards the border-line, and there had thus been large scale diversion of jute traffic away from Narayanganj and other usually important baling centres and the secondary markets to places on the frontier line where new trade activities had developed on a large scale. However, since the middle of November such movements of the jute traffic has come to be restricted due to seasonal factors. East Bengal, it will be remembered, is a riverine province and the movement of agricultural commodities depend on the navigable condition of the numerous khals and canals. This year, it should further be noted, the flood water stood high late in the season and facilitated bulk movement of jute towards the border. From early November it began subsiding fast apace and by the end of the month many of the flood-season water routes had become impassable for the heavy and medium tonnage cargo boats, while on the other hand the alternative land routes had not become sufficiently dry for the carts to move. This condition of water-logging will continue till the middle of December, after which, of course, movement of jute from the interior will improve substantially, and with it the rate of smuggling. Yet, it is unhappy to note that this interim but temporary difficult position has caused a sense of nervousness in certain interested quarters on our side. As I had reported earlier, the average price of jute in the smuggling centres of East Bengal are relatively higher than in the interior. But as the rate of smuggling across the frontier had been falling off due to seasonal factors, the

buyers' prices on either side of the border had been increasing too. The additional factor, lately manifest, has been our strengthened currency position, which has, for the last few days practically reversed - the present free market rate being Rs. 95/- to Rs. 97/- Indian per hundred Pakistan rupee.

Another forceful factor has been the palpable flight from currency which is tending to further weaken the Pakistan rupee. Within the province of East Bengal itself, continued deadlock in trade and the increasing trends of deflation coupled with coincidental factors such as requisitioning of godowns at Narayanganj belonging to the Indian section of business, imminent enactment of the State Acquisition of Zamindari Bill, with its construction alleged to be specially directed against the minority interest, and lastly the current rumour about the possible extension of the Evacuee Property Ordinance to include the eastern wing of the Dominion within its administrative jurisdiction have conspired together to bring about a condition of confused uncertainty, that inevitably leads to an inordinately high liquidity preference. That a section of the Indian business in East Pakistan has been liquidating their investments for the last few months have been noted in earlier reports. But now this liquidity preference has evidently assumed a proportion dangerous to the internal stability of Pakistan's total economy. Even in the Muslim business circle grave doubts are being expressed as to the ability of Pakistan to maintain her currency at the present level of over-valuation. The talk of dollar devaluation in the American press has also added to the confusion and the developing fear-complex. In knowledgeable quarters it is rumoured that some of the Karachi merchants, including Mr. M. A. Isphahani, are already covering themselves against any possible loss due to devaluation of the Pakistani rupee by large-scale acquisition of sterling. While the exchange

banks are said to be cautiously keeping their rupee holdings at the minimum, even the indigenous bankers like the Muslim Commercial Bank and the Habibis are showing reluctance to carry the usual volume of rupee bills and are tending to hold sterling rather to sell it at the present official rate of exchange.

Now, reverting to our old theme, the declining rate of smuggling seems to have caused a feeling of serious anxiety in our mill circle. The increased demand for hessian, particularly from the hard currency area (though I have doubts if some of the mill-own-shipper interests have not established their own agencies in foreign countries in different names to avoid the control of jute-goods export prices, thereby increasing the speculative demand from the overseas markets in expectation of higher profits at the other end) and the internal condition of short supply is beginning to goad the Indian mills to acquire jute at all cost and at all prices, and it is not unlikely that some of them are buying above the ceiling prices now current in India. So long the Pakistan rupee enjoyed a premium in the free market, such price offers in India had had only indirect effect over the prices in Pakistan. But now the Pakistan rupee being firmly at par, and even suffering a discount in the free market, the buyers on the Indian side of the border can easily pay the minimum prices fixed by the Pakistan Government and can even afford to pay substantially higher than the floor-prices. For the last few days, this is reported to be happening quite frequently on our side of the border. Besides, the Jute Board is reported to have, at least, decided to release the detained consignments for export to India and three barges at Khulna are reported to have been permitted to resume their journey to Calcutta. The other day Mr. Sutherland came to Dacca and saw Mr. Faruque, and from quarters close to the Jute Board, it is reported, that the frozen stocks at this end will now be released as soon as individual cases have been gone through. Such immediate prospects are already tending to strengthen the undertone of the market. The toson

228

quality, substantially bought by Dundee, is already above the floor. Others are yet much below the minimum. But this condition may be further counter-acted by increased interest by foreign buyers such as France and Italy in no distant future. With the clearing up of the land routes, exporting will also increase. Yet, I am inclined to believe that with the release of the frozen stock, the demand for Pakistan currency will increase, and if the Indian section of the jute trade in Pakistan, despite their unhappy experiences are again tempted to enter the East Bengal market openly, the trade will be at once pulled up and the prices may go well above the minima. On the other hand, it is quite likely that Pakistan, adhering to her currency decision, will render it impossible for India to enter her market openly and in that case, no amount of overseas buying could possibly restore the normal health of the market and the National Bank of Pakistan will be faced with a financial burden not easy for her to shoulder or in the alternative the cultivators will face ruin.

(c) However, the price-position at this end still remains difficult and the overseas interests in Pakistan (even considering the Pak-France Agreement and the Pakistan's trade mission to Europe) are yet to assume such proportions as would help the Jute Board to break the ice and to restore the market to the normal degree of warmth and life.* Official figures

*It should be noted in this context for November shipment through Chittagong are being checked and that Messrs. Halli Bros., consolidated in my office and will be ready within 3 or 4 days.

R. Sin & Co., London. But the November performance is not likely to show any great improvement over the October actuals detailed belows

Export via Chittagong.
November Sales October Sales

	November Sales	October Sales
1. United Kingdom	14,101	11,438
2. France	14,573	14,538
3. Czechoslovakia	448	1,198
4. Italy	1,889	5,889
5. Austria	X	288

are continuing purchases, though on a limited scale, and to-day the price (white bottom) has gone up by Rs. 2/- from an average of Rs. 18 to Rs. 20 and the latest quotations are between Rs. 20 and Rs. 21 per md. — all at Narayanganj.

	<u>Export via Chittagong</u>	
	<u>September</u>	<u>October</u>
	<u>Rs.</u>	<u>Rs.</u>
6. Sweden	586	x
7. Poland	1,008	8,126
8. Netherlands	308	3,580
9. Denmark	282	1,495
10. Egypt	95	632
11. Ireland	x	680
12. Switzerland	x	967
13. Belgium	8,971	3,012
14. United States of America	772	502
15. Germany	2,095	2,450
16. Japan	269	11
17. Canada	39	32
	<hr/>	<hr/>
Total	47,723	54,779
	<hr/>	<hr/>

In this context, it may as well be noted that not less than three-fourths of the October exports were covered by pre-devaluation purchases, and the export through Chittagong has increased moderately in consequence of further decline in bonded exports through Calcutta. In December substantially higher exports may be anticipated; still, however, I am inclined to accept with reservation the current expectations of any remarkable performance, with the existing resources and equipments of the port.

(d) Nonetheless, it would hardly be safe to indulge in false equanimity, and the jute interests abroad are obviously getting restive though even now their attitude is generally guided by the expedient maxim of wait-and-see. The I.J.M.A. is with us and is likely to be so as we are practically fighting their battle. Yet I am not sure, if extensive influences, strengthened by the profit motive, may not, in near future, misguide some of the individual members, while the I.J.M.A. collectively retains its policy

unchanged. We would possibly do better to devote ourselves more seriously to this aspect of the problem. At this end there is a whisper that some of the I.J.M.A. members are agreeable to enter the market for fresh purchases provided the frozen stocks are released immediately and an export to India allowed freely. I would not believe it readily, nor would I dismiss summarily the possibility of profit motive twisting the policy and testing too much the loyalty of individual members to the I.J.M.A. However, you are obviously in better know of the things and I have only expressed my doubts casually. My doubts are confirmed by the wavering attitude of Dundee, and it may not be impossible that a section of the European in interests in the I.J.M.A. too would ultimately yield to political strings handled from unsuspected quarters.

(c) Lastly, I should point out that there is a tendency in the local official quarters to gloat over the falling price of rice. But it would be wrong to interpret the same as indicative of any easing of the situation. The overall shortage in the supply of rice continues, and in the major jute growing areas there are obvious signs of starvation and increasing hardship. Even of the urban population, the small salaried section alone are comparatively better off, while the vast population are being ground under extreme privation. Thus, it would be wrong to gloat over the falling price of rice as some of the Pakistan politicians are prone to do. In my opinion, the signs of deflation rather indicate the breakdown of the money mechanism of exchange, following upon a serious state of financial vacuum in the countryside and this will soon involve the entire economy of East Bengal

-2-

in a dangerous atrophy.

I have received a copy of the letter dated the 28th November 1948 addressed to you by Mr. Sutherland of I.J.M.A. and forwarded to me by your private secretary.

-3-

No.
GOVERNMENT OF INDIA,
MINISTRY OF COMMERCE.

New Delhi, the 8th December 1948.

INDIAN JUTE MILLS ASSOCIATION

Speech by the Chairman at the Special Meeting of members
on Friday the 25th November at
3 P.M.

Gentlemen,

This special meeting of members has been called for the purposes mentioned in the notice convening the meeting which I would ask, with your permission, should be taken as read. The items on the agenda are of great importance; and I am sure that before we turn to the formal proceedings, you would wish me to review developments since we last met, about two months ago, to consider the steps necessary to safeguard the industry's position consequent upon devaluation.

These two months have passed like a flash - at least so it has appeared to me - and during that period most of my time and energies have been centred upon a single objective, namely the manner in which the vast jute trade and industry of this country can best be made to serve the urgent and immediate needs of India at this time of economic crisis.

The Background.

In certain circles there appears to be an impression that policy dates no further back than the exchange ratio decisions of India and Pakistan; and in this there is a hint that our motives are not free from political bias. Nothing could be further from the truth.

Let me take you back to 1947 when in reviewing the events of that year, your then Chairman - Mr. M. P. Birla - spoke on the economic situation of this industry with great clarity. Partition brought with it, he said, a number of perplexities and difficulties; but since these were not confined to the economic field, since the two young Independent Nations were then finding their feet, Mr. Birla counselled the exercise by the jute industry of patience and tolerance and an avoidance of any precipitate action which might further enhance these problems. The indivisibility of the economies of East and West Bengal were stressed; a warning was however sounded that as industrialists we must expect Pakistan to develop her own jute mills; and as evidence of the determination of India to meet the increasing difficulties, which the imposition by Pakistan of an export duty on raw jute had just then given witness, he advocated amongst other things, immediate attention to the problem of increasing our jute crop. None the less he strongly urged a common jute policy between the two countries as possible of achievement and of material benefit to both countries.

Again in February of this year, Mr. Birla when reviewing the events of 1948 enquired (a) how long the industry could hope to continue struggling for jute in sufficient quantities to keep the mills functioning and (b) how long we could continue to pay Rs 45/- per maund for our essential vital raw commodity. His feelings were still then that a common jute policy could be evolved, but the urgency of the position was stressed.

In my speech to you on the 28th June, I declared that the scarcity of raw jute was the chief cause of the dangerous economic position in which the mills then found themselves. I appealed for a study and understanding of the position by those interested in jute cultivation. It was not so much, I stressed, a problem of what our prices for raw jute would be then or in the next few months but rather the long term one of whether we could continue to buy jute at high prices at all.

The twin objects of the policy then accepted by the mills - conservation of an extremely precious commodity and the control of its sales - were so grossly misrepresented and so completely misunderstood both here and in Pakistan that a public statement by me was essential. In an analysis of the position issued by me on the 30th August, I think I may rightly claim I there demonstrated, beyond all reasonable doubt, that the mills simply could not afford to return to normal working without being assured of adequate supplies of jute at reasonable rates.

These references are but fragmentary examples of the efforts we have made in recent years in demonstrating the complete inter-dependency of the mills in jute. Jute and jute manufacturers, we have continually stressed, must alike be reduced to price levels which in natural advantages will compete with international synthetic substitutes. One section of a closely linked world must not pass the responsibility for this situation to the other; the needs and interests of India and Pakistan in the attainment of that aim were not divergent but complementary. This is what we have been telling the world since 1947.

Devaluation, its cause and effects: dollar pools, their creation and extension; multilateral extension, their reasons and purposes; and everything else that tried to make up the complicated current picture of which the financial experts so freely speak. I really speak, I assure me, I am not ashamed to say, with the confidence of a first hand experience. I do not forget myself whether each understands the other's situation. All that I know is that in the jute mill industry, time, experience and knowledge has indisputably shown us that the world will not buy jute or jute goods at high prices. When world demand has risen for all other articles in our market and when our manufactures alone remain static, and our line in the amount consumed, it is not difficult to find the cause. Our prices are far too high. When they are analysed, the chief raw material - jute - accounts for over 70% of the costs of manufacture. It would be no finer feat of suicide to pay an additional 44% for that same commodity and still hope to continue to trade. Yet that is what we are forced to do in consequence of Pakistan's decision not to devalue the rupee, which decision I neither quarrel with nor question. Its effects upon our business are, however, matters of immediate and immediate concern; and the consequences are as outlined above, we respectfully claim the right and privilege of all buyers the world over to decline to do business at rates we cannot afford to pay.

Our aim and objective

Some people regard the threat of substitutes as a bogey, which they think we trot out to suit ourselves. Let me say the threat is real and substantial; and it is now at our very door. Cement manufacturers in India can import paper bags from abroad, pay Customs duties thereon and rail them to their sites, and yet the cost to them is cheaper than we can produce sacks in this country because of the fantastically high price of raw jute. At least one cement manufacturer in India owns a paper packing plant, all complete and with the machinery ready and able to manufacture bags for himself because of our uncompetitive rates.

Let me then reiterate the aims and objectives of our policy: they are to reduce the price of jute as also, and naturally, the price of our manufactures (to which we will contribute by rationalisation schemes and plans now well in hand) so that burlap or hessian and sackings together with all else that we manufacture in the jute mills will re-capture lost markets, gain fresh ones, and we once more put jute goods in the top position as the world's cheapest, most dependable, and most efficient packaging material.

In these aims, we have the full support of Government. They know how adversely a high duty can react to our detriment, but in the special circumstances of the recent devaluation, they agreed with our view that the duty must be enhanced to avoid inflation here. Further, in a phase of short supply it ensured that the maximum benefit would accrue to this country instead of going to swell the profits of dealers elsewhere. When more normal conditions return, when working time is stepped up to 48 hours and prices start to fall, I have the authority of Government to state that they will reduce to the present high level of duties on hessian as a measure of direct help to us in rehabilitating our products in the markets of the world. Already on the basis of recommendations made by us they have agreed to exempt from the high rates of duty, our webbing and jute carpet production.

We have a number of plans by which we hope to achieve this aim. I will not detain you with a detail of our research work, both in the field of applied science as in technology, nor with measures for the modernisation of our plant. Our immediate concern must be with the availability of raw price - both are inelastically linked - of our vital raw material. In seeking to achieve this we have no political objectives, nor are we concerned with rates of exchange as such. We are wholly and solely actuated by a real economic necessity. The price of jute is not economic and it is still far too high for our purposes and in the light of every known trend in business affairs. The Experts Promotion Committee - who cannot be accused of being partial towards us - say without equivocation in speaking of India's export trade generally :- "We must make it quite clear that a reduction in general prices is a condition precedent to successful exports. Without it all effort must be in vain". Gentlemen, will you please particularly mark these last eight words. We are absolutely dependent for our livelihood and continued well being upon successful exports. Without a general reduction in prices, I repeat, all effort must be in vain.

The Exports Promotion Committee note that Indian prices are far too high being, generally speaking, four times what they were before the war. Raw jute prices in the season before the war were Rs 7/7/- per maund (middles) : we have fixed that today at Rs 38 per maund; that is to say they are more than five times higher. Our goods prices in the season before the war were Rs 10/4/- per 100 yds. 40" 10 oz. : we have fixed them today at Rs 55/- which is more than five times higher. The warning provided by these prices is plain for all to see.

In the particular section of the Promotion Committee's report devoted to our industry, it is correctly stated that unless some reasonable arrangement is made with Pakistan, "the future of the jute manufacturing industry is at stake". I think you will agree that we have done everything possible to convince Pakistan of the soundness of our views, but in almost every action has been if not to heighten prices, at least to maintain rates that are already too high. And we have been loath to ignore Pakistan's role in our industry, for one would never have agreed to as high a figure as Rs 50/- per maund for our raw jute. That represented the market rate at the 1946 devaluation and was the highest rate reached in the current 1946-50 season with the exception of certain small districts reached by one or two mills desperately short of raw material. If anything was ripe for devaluation last September, it was the price of raw jute. For ignoring the high and rising prices of goods, in which the mills did not participate, is a fact that many mills were then sitting at a loss and have never continued even to the present time.

I have heard our critics in the present situation described as still, uncomprehending and rigidular : in so far as these adjectives apply to our attitude to high prices for raw jute, they are correct, but not the position. Pakistan have declared what they should pay in prices should be : it requires only a very small number of arrangements to determine the effects of this upon the jute industry. At Pakistan's minimum prices - which I assume marked an effective scope for enhancement - I estimate a loss of about half of working, that without our making a return. They have our labour and expenditure in producing the goods, but for the retailer, the selling price of the goods would require to be about Rs 1/6/- per 100 yds. I have calculated that for such a price of about monthly would be made up to the extent of 1/6/- per 100 yds. levels. That is probably a conservative estimate of loss.

It has, however, been argued that the jute mills cause for lower prices for raw jute and our inability to meet or pay Pakistan's prices, falls to some of the vastity of our export duty levied on the manufactured goods. The first point seems in these contentions to be that to lower duty, if it cannot be reduced for wider reasons, will in effect hurt India's economy, could be utilized on a number of other commodities of the jute trade with Pakistan. I agree. For the present purpose, all the more other commodities which are sent into such a proposal; but I would stress the fact that the recently enhanced duty was imposed to help in the export of Indian goods. For the most part, however, it is exported by the two greatest quantities to Indian countries. As, however, the duty constitutes about 30% of the total production, it

234

The increase in duty amounts to Rs 270 per ton that is approximately Rs 10/- per maund. Were the whole of that duty applied to our raw jute consumption, the mills would still be obliged to pay to Pakistan over Rs 40 per maund for their jute landed in Calcutta. To derive the required revenue for that subsidy, the duty would therefore still require to remain at its admittedly very high level. Furthermore, in order that the mills might not be subject to loss in manufacturing, prices for goods would require to be enhanced; and quite naturally, the amounts payable to the Indian cultivator for his jute would require to be increased, for at least he could not be placed in a position inferior to that of the Pakistani cultivator. Whatever way you look at it, the result is therefore precisely the same: higher prices for raw jute, diminishing prices for manufactured goods in a diminishing market with consequential diminishing export revenue, making it necessary for the mills to pay still higher prices for raw jute with still lower returns to them.

Price and price alone is the hard core of all endeavours to resume inter-continental trade. We will buy the whole of the Pakistan crop now at the prices we have already notified; but our demand must be still lower prices. I repeat what I said on the 26th September in my speech to you all: let there be no reciprocity. It is a grievous loss of a glorious opportunity that we were not able to proceed together, for obviously we have given both of us our finest opportunity of re-establishing the supremacy of jute and jute goods which has been seriously undermined during and since the war years.

Our immediate position.

I have meant in my earlier remarks with the question of price, to refer to the present price of jute as still too high and to call for efforts to reduce it, not for our own gain or profit, but for the country may prosper and with it the export of the jute industry. The return to the cultivator and the price of jute for better quality with a smaller return for smaller quantities is in our view extremely serious. There is a very real price in any way except that it draws attention, a grave disservice would be done to our country and to the Indian cultivator and the merchants if we, him and the mill, the ultimate consumer. Under no circumstances can we or will we agree to pay for our jute more than those which at present it has got. Inflation has said that the minimum price will rise Rs 100 per maund in this season i.e. to the 30th June 1953. I can give no guarantee that our present high rate will continue as long as that; but we are guaranteed that if there is any revision it will be in a downward direction. I think it is right to try now to establish the cultivation in a fall in price which, however, may not be possible this year and which next year, if it does not, will be granted.

I am convinced that much - as we knew the country today - in the past an average jute yield of some 50 lakhs bales. I do not regard this figure as difficult or necessitating any very large sum for its actual accomplishment. Though we have been impressed with the efforts of the Indian Central Jute Committee and the various Governments, we think they ought to be supplemented in the

present crisis. Fresh effort should be concentrated upon an improvement in yield per acre. At present, it is miserably poor; and I am quite certain - and discussions with others have not shaken this - that by means and methods well within the capacity of the ryot, the acreage yield can be considerably raised. However, I am no scientist. I have suggested to Government, who have approved, that nothing but profit and advantage would accrue were some well known and recognised authority to be brought here to advise on the whole matter. We had hoped that Sir Frank Angledon of Cambridge University, and a world authority on agricultural science, would be able to pay us a visit but unfortunately he is so pre-occupied elsewhere that he cannot come. Our search for another authority still continues.

One of our difficulties with a large part of the Indian grown jute has been colour. Successful experiments some years ago in our laboratories have shown that its removal presents no insuperable difficulties from the scientific angle; and the ways, means and methods of progress have been programmed for large scale development, through the courtesy of Lansdowne Jute Mill. Chemical cost is negligible - less than 4 as. per md. - but there are other factors which must be carefully watched. Our Research Institute is busy with the problem now; and as soon as the results are available, they will be made known. By the foregoing means - and there is no good reason why they should not be - green stuff in bulk as they were in small scale development - the grey colour in much of the Indian grown jute can be removed with no detriment to its spinning qualities or its strength. This should assist us to have a much less expensive a sufficient quantity of white jute to export in bundles for export to countries where colour and tensile strength are of importance; and also, if successful, would mean us being dependent upon Pakistan for that particular quality of jute.

You will have observed, too, that my recent discussion as Jute Controller that I have succeeded in persuading the Argentine Government to accept baling, and that our own country's jute, even though this may mean that the cloth is darker than would be acceptable to the M.R. or the U.S.A. buyer. Thus there can be no reserve - for we are in experts to these markets - quantities of white jute which mills have in stock.

Our immediate problem, however, is transport; and I am disappointed that so much use has been made by the railways of Coimbatore to the aim at complete replacement of the mills situation. Our raw jute supply position, not only now but for the future, rests upon the railways performing their job. Our original plans discussed and agreed with the railway authorities have not been fully implemented; and the time has now come when we must depute someone specially to look after this work in the closest touch with the railways. Neither I nor the Association's secretarial staff have the time to devote to it nor can we reasonably expect the railways to concentrate in it to the exclusion of other problems. Approaches have been made to the I.C.J.C. to see if they can depute anyone for this work; and the matter is receiving their attention.

235

We are not allowing the matter to rest there and the Association will continue to do much to help in this most important task. Our man at Katihar maintains touch with the mills and O. & T. Railway officials, for the purpose of implementing our plan to have jute brought to the mills, but our scheme has been hampered by circumstances outside our control. We need a man with some knowledge of transportation matters who would be able rapidly to grasp the essentials of our problem and devote his whole time and attention to the ways by which our main object - jute to be sent direct to the mills - can be achieved. If any of you know of a man of this calibre, or can offer a man on loan to us for a month or two, I would be most grateful and you would aid, I am sure, see far better results than is now the case.

It is not perhaps an entirely fair comparison but it does indicate the state of transport when I inform you that in the six weeks ended 15th November, the mills had purchased just over 34 lakhs mds., whereas in the same period the railways carried less than 18 lakh mds. and the steamer companies over 84 lakh mds. The shortfall is over 124 lakh mds., which is the more serious when it is recalled that the purchases I have given are those only of the mills, whereas the amount of jute carried by the railways and the steamer companies is for all consignees, mills, Consign Bazar, Press houses, and otherwise. It is imperative that high level action be taken to accord to the mills first priority in jute movements; and the Association will not make representations until that is accomplished.

As at the 15th November we had in stock 7.12 lakh bales and I estimate we will consume in the second half of this month 14 lakh bales, making our stock at the 30th November about 5.62 lakh bales. Outstanding contracts from Pakistan were at the 15th November slightly over 5 lakh bales and we had received out of the Indian crop at that date almost 6 lakh bales, leaving therefore about 14 lakh bales still to come forward. Consequently therefore we have in hand or in sight a total of 344 lakh bales which should see us through to the beginning of the next jute season.

I would in this connection particularly wish to emphasize that our policy will be to ensure that mills work on a uniform basis. We cannot during this emergency allow any mill to close whilst others stand possessed of stocks of raw jute in excess of their requirements. It is of the essence however in any such scheme that individual mills should have operated to the best of their ability in the procurement of raw jute; and naturally, because of its all India aspects that policy of emphasis on far as possible universal continuity of work will apply to all jute mills in India whether members of our Association or not.

In our own raw jute position, in the demands made on us by the Government for supplies to the Argentine, in our keen desire to help our American friends, in our wish also to assist Government with bags for food, salt etc. - there are several factors demanding bold and resolute action. Nothing would be gained by temporising; and we have therefore decided to recommend to you an increase in our working hours. The resolution which shortly I will formally

Conclusion.

My review of the situation has necessarily been confined to broad and general terms. Before I conclude there are two points connected with our raw jute supplies from Pakistan on which I wish to say a word. We have not received from the Bengal Jute Dealers Association that degree of co-operation which we have the right to expect in the present emergency. Their actions have been based more on highly legalistic interpretations of the position than upon practical co-operation with us in tackling the problem of deliveries of raw jute from Pakistan against our contracts. Our examination of the position proceeds. But mills meantime have been advised, and this I here repeat, to take all action they can under their contracts to protect and defend their own individual position.

The other matter on which I would speak is the hold up of our flats at the Pakistan border; and our great difficulty here has been to try and discover what precisely it is that the Pakistan authorities would wish us to do before our jute can be allowed into India. That jute has been bought by us, been paid for, and all our Customs dues, formalities etc., completed. It is jute against contracts validly entered into prior to devaluation, and for which either we or our sellers have paid in full to the Pakistani cultivator or merchant. There is no valid reason for the detention of that jute; and through our sellers' organisations and through the Government of India, we have made approaches to the Pakistan Jute Board to try to obtain from them precise procedural rules to be observed by us or our sellers before we can take out our own jute from Pakistan. I am not without hope that the Pakistan Authorities will in the near future grant us the necessary permission to move not only the jute lying in the flats and detained at the borders, but also our other jute in Pakistan which still awaits despatch. The Pakistan Jute Board has only quite recently been constituted and has a number of our own and heavy responsibilities to shoulder. It is to be expected therefore that there will be delays. We have been as patient as possible but these delays, which have lasted about a month now, cannot be allowed indefinitely to continue in defiance of every known and recognised canon of international procedure; and the Government of India have been so informed by us.

I do not intend, gentlemen, further to occupy your time with detailed explanations of the two matters on our agenda. Our working hour programme of 42½ hours per week (applicable to all mills excepting only those with 220 looms and under and those situated outside Bengal) is a compromise reached after discussions with Government and the Labour; and under it no worker will receive less than he is at the present time receiving and about 40% (the piece rate workers) will earn more. There will be no reduction in the number of hands, as would have been the case had we adopted another proposal which was before us and urged by the Experts Promotion Committee, namely, concentration of production in the most efficient units.

The main plan of our two previous working time agreements remains unchanged, but for small alterations making for better and easier working and administration, which have been embodied in the proposed new Working Time Agreement. It asks that members for the next 5 years should continue to work as they have done in these past 10 years under a voluntary agreement for the regulation of production, and of hours of work; and from it flow all those other

vitaly connected matters which in the common interests of a strongly united body, the I.J.M.A. perform on behalf of members. The necessity for such an agreement is plain from what I have said before, and from the fact that India at the present time, to quote the Hon'ble Sardar Patel, is "faced with an economic situation without parallel in our history". Our agreement and our actions thereunder are in full accord with his appeal to the nation at the present time for clear cut policies and strong and determined action. In that appeal our Deputy Prime Minister asked that we should all have the fullest sense of a national emergency and should close our ranks in the presence of a common danger. In our agreement and in our actions thereunder, there is all the evidence needed of the clear realisation by the I.J.M.A. of what has thus been urged.

I have now pleasure, Gentlemen, in moving the first resolution for the consideration of the meeting :-

"That as on and from the 15th December 1943 the number of hours of work that signatories shall be entitled to work per week as provided for in clause 4 of the Working Time Agreement dated the 12th June 1944 shall be decreased to forty two and a half hours of work per week save in the case of signatories with registered establishments of firms not exceeding 220 who shall continue to be entitled to work not more than seventy two hours per week."

I would ask the Deputy Chairman to second that resolution.

The next resolution before the meeting I have now pleasure in moving as follows :-

1. That the regulations contained in the draft Working Time Agreement recommended by the Committee and circulated with Circular No. 410-D dated 19th November 1943 and copy of which is laid on the table and marked for identification by Mr. J. J. B. Sutherland, be and the same are hereby approved and adopted as Rules under Chapter XI of the Association's Rules to be embodied in Articles of Agreement to be signed by all members, and that the draft Working Time Agreement referred to in the aforesaid resolution be and the same is hereby approved for engrossment and signature by all members.
2. That any three members of the Association and the Chairman and the Secretary be authorised to give notice of partial alteration of the Rules made by the foregoing resolution, to the Registrar of Trade Unions, Bengal, within 15 days from the date of this meeting.

With the compliments of -

Mr. C.C.Desai, ICS.,
Secretary,
Ministry of Commerce,
New Delhi.

Mr. V. Shukla ICS.
P. Secy. Prime Minister,
New Delhi.
D.O. 12097 may 149. dt. 2/1/42

SECRET

Copy of letter No. 4032 dated 30th November 1949 from Sri P. Das Gupta, Assistant Indian Government Trade Commissioner in Eastern Pakistan, Dacca to C.C. Desai, Esq., Secretary to the Government of India, Ministry of Commerce, New Delhi.

Subject:- Latest position in the jute market of East Bengal.

In continuation of my letter No. 4028, dated November 29, 1949, on the above subject, I have further to submit the following for the favour of your information:

1. As had been emphasised in some of the earlier reports, it now seems almost sure that ever the question of jute and the exchange rate of the Pakistan rupee, a cabinet crisis in East Bengal is about to burst forth in course of a few days. From reports current in the political quarters close to the Provincial Ministry, it is gathered that Hon'ble Mr. Hamidul Huq Choudhury has tendered his resignation immediately on his return from Karachi last evening. His resignation does not seem to have been accepted as yet and as such no announcement has been made officially. Nonetheless, there are strong grounds to believe that his resignation is likely to be accepted. It is not even unlikely that a tribunal will be appointed to investigate into the allegations of anti-national activities brought against him. But from the emotional temperament evinced and the alignment of the local political parties, it seems more probable that some more of the Cabinet Ministers may prefer to resign along with Mr. Huq Choudhury, rendering a noble colour to the cause of their centemation. All these would evidently have a far-reaching influence on Indo-Pakistan economic relations, and especially on the jute trade. Mr. Huq Choudhury's party has been expressly contending that the non-devaluation decision of the Central Government and particularly their jute policy had brought upon the people of East Bengal untold miseries and unprecedented hardship. They are strongly of the opinion that the policy of the State must be so revised as to guarantee to the cultivator the pre-devaluation price of jute, which was just fair and economic. The recent fall in the price of rice, they further argue, is a danger to the grower, as in many cases the prevalent price is alleged to be uneconomic. Their line of centemation, in substance, is that stabilization of agricultural prices must be the prime consideration, and if devaluation is deemed essential to safeguard the position of the cultivator, it must be resorted to before it is too late. There are indeed, other complications too and Mr. Huq Choudhury seems to have incurred the displeasure of the Karachi authorities because of his zealous advocacy for a larger measure of provincial autonomy, which is evidently opposed to the Central Government's move for closer integration and concentration of political and economic power. His counter again at the introduction of Urdu as the State language of East Bengal, which though obtained popular support, was another cause of irritation to the higher authorities. However, it is certain that his downfall may signal a new phase in India-Pakistan relation. The market reaction is that his reasonable attitude to the Indian business section

29

was a great support to the jute trade, which was being largely controlled by several reputed Marwari firms of considerable resources. If Mr. Huq Choudhury is, at last, pushed off the board, Indian capital will probably be all the more shaken, and this coupled with other adverse factors operative in the situation could only help to depress the jute market further.

But from discussions in the active political circle here, I am impressed that the Cabinet crisis at this end may result in unpredictable consequences. It is not even unlikely that while Mr. Huq Choudhury is victimised in order to vindicate the prestige of the Central Government of Pakistan, the policy of devaluation as advocated by him would be accepted immediately with a view to relieve the situation here and to effectively counter the political opposition growing at this end.

Regarding the jute market at Narayanganj, there is hardly any new feature to report about, and the overall condition remains extremely dull. The mufussil market continues depressed, and distressed sales at considerably below the floor prices are reported. During the last three or four days greater emphasis is being placed on the anti-smuggling vigilance, and it may be due to the necessity of withholding stocks of jute as a preliminary step to devaluation. Smuggling of betelnut is also being guarded against with unusual caution.

No further money seems to have been advanced to the nominated buyers by the State Bank of Pakistan or the National Bank, which is just setting up an office here, to take up the administration of agricultural credit functions. But as yet, no shares of the National Bank of Pakistan appear to have been issued to the public and this institution may for all practical purposes, be regarded as a separate counter of the State Bank itself.

From information available, it appears that during the past one week not more than 130 jute wagons have actually been moved into the Chittagong port area. The total tonnage of jute thus carried could not be as heavy as Mr. Fareque would want us to believe. Neither are there signs of any palpable easing up of the congestion in the port area, where not more than 4 to 6 ships can be berthed, loaded and unloaded in course of seven working days. Nonetheless, efforts are being made to improve the situation, but the physical impediments are too obvious. The shortage of mechanical equipments and skilled stevedores servicing are important factors, while the transport facilities between the country and its only port cannot be improved except through long-term planning. I am, however, making further enquiries in the knowledgeable railway circles to pick up actual facts and figures and shall communicate them at the earliest.

gk
No 11932-Sub 849
Ministry of Commerce,

New Delhi, 30th November 19

With the compliments of -

C.C. Desai, Esq., I.C.S.,
Secretary,
Ministry of Commerce,
New Delhi.

P.C. to
Deputy Prime Minister.

2017
Copy of letter dated 28th Nov-amber from J.R. Walker, Esq.,
Chairman, Indian Jute Mills Association, Calcutta to C.C. Desai,
Esq., Secretary to the Government of India, Ministry of Commerce,
New Delhi.

I write this in continuation of previous reports on the situation in Pakistan with particular reference, however, to what I have quite recently heard concerning the activities of the Jute Board. The information comes from a source if not entirely disinterested then with no bias one way or the other and not such as would have been given, without a fairly shrewd assessment of the worth of it first made.

Our jute under detention seems to have been the subject of Karachi orders not to permit it to enter India which Faruque is determined to carry out to the letter. Whether it rots in the boats, whether they will seize it under some pretext or another or what they will do, are a few of the speculations raised by the attitude of the Faruque/Ispahani combine (for the third member of the Jute Board is described merely as a figure head) who, in a desire to prevent us getting our jute will defy every commercial code or procedure where it affects us in our relations with our sellers - which is understandable - or where it affects India and Pakistan in their Government and trade relations. Both of them say that Pakistan looks to them to be successful in the Ordinance scheme, whatever the cost; and as upon it depends Pakistan's rupee with which is related their feeling of our inability to work without their jute, they will, as part of their determination, ensure that we do not get the jute which is outstanding under pre-devaluation contracts. Faruque's expression of a wish to meet me - which I have never been made aware of except through second-hand media - in order to "settle everything", cannot be squared with the Karachi orders under which he is working and with his own ruthlessness and determination to push things through which has not endeared him to the local politicians and parties in East Bengal.

Evidently there is in plenty to demonstrate that everything is being geared up so that Chittagong Port can play a leading and vital part in the maximum export of jute overseas. Against that we have the reluctance of overseas buyers to enter into commitments because of the high price of Pakistan jute, and we cannot help to avoid this by permitting any drain of our own jute crop. Both Faruque and Ispahani heavily discount the effects upon overseas markets of the entrance into the jute business in Pakistan of those who are without substance and had interests in small ways of business entirely removed from the specialised jute market. Jute is still jute, according to them to be handled in a rough and ready bulk form, whereas we know that there are hundreds of refinements and many matters calling for specialised knowledge and experience. Contacts between the overseas markets and the new Government or quasi-Government entrants into the jute business will not be easy and will make buyers abroad rather chary, the more so when they have been - as we expect will result - badly bitten. Yet Pakistan's strength in this particular era in trade relationships, depends upon the foreign consumer and on heightened exports from Chittagong so these increases naturally, I think, must happen. So long, therefore, as they offer a hope of realisation, so long, therefore, I am sure, our jute be prevented - fair means or foul - from coming to us.

The political aspects are not without some interest; and the relations between Pakistan's Central and East Bengal Governments are increasingly strained. The provincial party makes no secret of a grave disappointment with the controlled prices; and growers previously instructed by wholesale pro-

gama.

from the East Bengal Government to hold out for higher prices have to be content with 50% less than before devaluation, in that the controlled prices and the realisations of the growers do not agree. Rice prices have fallen considerably and eased therefore a tension which might have witnessed the disappearance of the present provincial Government. By want of representation on the Jute Board, the East Bengal politicians realised that they had been deposed by the Central Government; and the authority wielded by Faruque - which he has little compunction in showing and developing - is great and makes things more bitter for the provincial party.

I had been previously convinced that Faruque was reasonable and helpful and that Ispahani alone in the Board constituted our most formidable opponent. I had thought that once Faruque had gained for himself a better appreciation of the raw jute side of things, there would be evidence at least of reasonableness. What I have said above puts a different complexion on things; and I have conflicting reports on whether it is Faruque or Ispahani who really constitutes the power and the drive in these affairs.

One further point concerns our raw jute stock position. I have had it said to me that Pakistan is waiting to know just exactly what our figures are; and from the press summaries and from my own speech released to the press, I was persuaded on the basis of several urgent representations made to me to delete all mention of the position. M.P. Birla writes me from Bombay advocating our keeping our raw jute stock position, the consumption etc. private and confidential; others say keep it at all costs from Pakistan's knowledge so that they can only guess; and so it goes on. My attitude to statistics on our trade, to all data and information which is general and not particular, is to give it to anyone that wants it. If you want to hold back data of that kind and make it effective, you would have to destroy all past records; for surely Pakistan is not deficient in arithmetical knowledge; and where are we to stop? Should our export figures not also be kept secret, should our statements of production be maintained as only the Association's knowledge; and should I therefore pass orders whereby the monthly summary of jute statistics issued by us should keep out of publication. Could I have Government's re-actions on this?

243
SECRET.

New Delhi, 30.11.49.

My dear Desai,

I am sending herewith a note which Ghanshyamdasji has sent to H.M. for his perusal. He has asked me to forward it to you after H.M. has seen. The note was sent to him by the Manager of his Jute Department in Pakistan.

Yours sincerely,

(V.SHANKAR).

C.C. Desai Esq., ICS,
Secretary to Govt. of India,
Ministry of Commerce,
NEW DELHI.

V.

PHONE: 46084-85

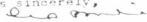
BIRLA HOUSE,
NEW DELHI.

20th November, 1948.

My dear Shankarji,

This report from the Manager of our Jute Department in Pakistan will interest you. After showing it to Sardarji it may be passed on to Mr. Desai asking him to return the same to me.

Yours sincerely,



Enc.

Shri V. Shankar, ICS,
New Delhi.

21/11/37 - 21/11/37 - 21/11/37

With the compliments of -

Mr. C.C. Desai, ICS.,
Secretary,
Ministry of Commerce,
New Delhi.

To ✓

P.S. to Hon'ble the Deputy
Prime Minister,
New Delhi.

As underlined (by Mr. Desai)

245/A

Copy of letter dated 25th November 1949, from Mr. J.J.B. Sutherland, C/o Indian Jute Mills Association, Calcutta, to Shri C.C.Desai, ICS, Secretary to the Government of India, New Delhi.

The notes sent you with my letter of the 18th November and the full detailed letter of the 19th November concerning Farrague's reply would have gone a long way to meet the points made in your secret letter of the 19th November (D.O.No.Secy/1544/49) to Walker's address. Our conversations with you last night and again this morning will have aided in all our endeavours to keep you constantly and promptly informed on all developments. These together with the telegram sent to you today provided the answers to the first and second paragraphs of your letter under acknowledgement. I take the other points seriatim.

SMUGGLING: The extent of this is considerable and the preventative measures of the Pakistan authorities have made no appreciable difference. (The reference to their preventing a considerable quantity from entrance into India must, we uncomfortably feel, have reference to our own jute detained at the border which is stated now to be as great as 10 lakh maunds) It comes to us as Indian jute and we have no ~~maxima~~ possible means of ascertaining the quantities involved; and varying are the estimates given from several sources. The cultivator is selling his jute in Pakistan at anything from Rs. 10 to Rs. 20 per maund whereas over the border he can get as much as Rs. 28. Customs Officers we hear are conniving; and their price for the "service" is Re.1 per maund. Tidy sums are involved on a border line which as we have said before defies policing in any adequate manner; and for Pakistan we regard the problem as insurmountable.

PURCHASING POLICY. We have heard that a number of firms have agreed to participate but we know of no big concern that is in the game apart from Ispahani and the Adamjee-owned R. Sim & Co. A determined drive against the Marwaris is practised; and the number left now doing business must be very few probably about two. It is said that about ten firms have received advances and the two biggest loans are to Ispahani and Adamjee.

246

We have no precise particulars about the other eight; for their names are unknown in the jute trade but report has it that most ~~of~~ if not all are Ispahani controlled or are his agents. The dangers of this in the conduct of business with overseas markets are evident; they can give little aid to the aims which Pakistan has in mind.

Requisitioning of godown space goes on apace and has been very extensively practised in Narayanganj; and even Civil Supplies godowns are being taken over to house jute. There is no doubt that at some centres the registered dealers- and others buying jute with their own money- are buying jute at much below the controlled prices; and there is no means of stopping it. The desire to sell is great; and the inability of the Board to prevent this happening has I believe caused quite a number of political storms and protests. At a few centres, however, and particularly at Narayanganj the prices for Jute Mossa are above the fixed rates which is attributed to Dundee's buying interest.

REMARKS: We have no figures of Chittagong exports and efforts made by us to secure them promptly have not so far succeeded. Pakistan jute through Calcutta in bond is a completely negligible amount as you will observe from the daily reports which I send you.

INTERNATIONAL ASAS: Dundee we know has entered the market: South America I have already reported on; but the interests of these have not extended beyond the limits previously stated. France, Italy, the Netherlands, Yugoslavia and Poland are showing interest; but nothing in amount or any definite buying is reported or known. America is not concerned; and that is confirmed by reports which we have received from that country indicating that the Pakistan prices are too high.

RELATIONS WITH THE BOARD: We have had no contacts with Faruque or with Ispahani but we have had it reported to us from one or two sources that Faruque is hurt about our not coming to meet.

them. The story given is that he had asked us to do so; and it may be that credence is sought to be given that by his sort of general instructions through the steamer companies - which were made known by these companies to the mills - that the mills should send their representatives to prove that the jute was theirs. That story of their having approached us for a meeting and we not responding has been given out by Faruque (and perhaps others) to several; but we have had no such request. Attempts also have been made - I think again consequent upon discussions which the parties in question have had with the authorities in Pakistan - to suggest to us that there is room for discussion; that the Indian Government wanted these discussions; but that the Indian Jute Mills Association have been the complete fly in the ointment and have scuppered the idea and refused to have any dealings maintaining a stiffnecked dictatorial attitude.

Our own view in all of this has been on several occasions expressed to you namely that there is little to discuss except the mechanics of how jute can be brought to the mills from Pakistan within the limits of our maximum prices; and we have also made that known to those who have been bringing us the Pakistan viewpoint as above recorded. Walker has made a particular point of this in his speech at the meeting today a copy of which I have sent to you. There are also other economic considerations which have been advanced to show how we can pay more for Pakistan jute; but the arguments there have been destroyed and are to be found in Walker's speech.

ISPAHANI: Walker does not consider that anything on the lines you have suggested in paragraph 8 of your letter should be practised; and generally his attitude is that nothing of great advantage would be achieved and much might be lost by our adopting any other attitude than that which at present obtains. From several quarters we have heard that the attitude of the Indian Government is in refreshing contrast to that of Pakistan especially in this matter of trade between the two countries.

INTER-DOMINION TALKS: We feel a heavy weight of responsibility in this matter posed as ^a query in paragraph 9 of your letter. Our thoughts have been indicated above; were the rate ~~xxxxxx~~

agreed to at the present (Pakistan stipulated) level it would not in the slightest improve our position vis-a-vis Pakistan and might in itself lead to a move on the part of the business community with pressure upon us to buy at higher rates. This we simply cannot afford to do not only from the economics of our own business but but from the angle of the jute merchants and cultivators ~~here~~ here. Already there have been signs of a hesitancy on the part of the brokers, dealers etc to offer us raw jute because of their sensing that perhaps something is on foot for a reconciliation of our trading differences with Pakistan; and that to their mind can mean only increased raw jute prices. We have given them the assurance that we will not pay more and that if there is to be any revision it will be in a downward direction. If we fail in that then our hopes of pushing forward to an era of reduced prices will be gone for ever and there will be a great and grave distrust of the mills and the prestige of the Indian Jute Mills Association will be completely lost so far as jute merchants go; and our dependency on them and their efforts is great. Accordingly whilst on the exchange matter the decision is yours, we point to the disadvantages.

We would be happy to visit Delhi for the purpose of helping in inter-dominion talks; but these from the point of view of jute would be merely a re-iteration by us of what consistently we have been saying for years now namely that prices must fall, that there can be no further breathing space in this for raw jute for we as an industry feel we have none; and that therefore our discussions would be as before mentioned, the mechanics of taking Pakistan jute to Calcutta at a cost to the mills of Rs. 36 or Rs.38 or Rs.40 dependent upon quality. Let a little while longer pass and especially let us have time to gauge the re-actions of Walker's speech today: we will then be in a better position to give you some indications of whether discussions could take place but in attitude we will not vary from what here is written.

No: Secy/49
Government of India
Ministry of Commerce .

New Delhi, the November 1949.

A copy of the undermentioned paper is forwarded

to:-

- (1) P.S to H.M.
- (2) P.S to Deputy Prime Minister
- (3) Ministry of Finance (Mr.Ambegaekar)
- (4) Ministry of Industry & Supply.
- (5) Dy C.C. Imports, Calcutta .

W. V. Desai
For (C.C.Desai)
Secretary to the Government of India .

PAPERS FORWARDED

Copy of letter No.15-ATC(4)/49-3258 dated 23/11/1949
from Shri P.Das Gupta, Asst. Indian Govt. Trade Commissioner
in Eastern Pakistan addressed to Secretary, Ministry of
Commerce, New Delhi.

Letter No. 15-ATC (4)/49-3258, dated 23.11.1949,
from Sri P. Das Gupta, M.A., F.R.S., Assistant Indian
Government Trade Commissioner in Eastern Pakistan, to
The Secretary to the Government of India, Ministry of
Commerce, New Delhi.

Subject:- Latest position in the jute market.

I have the honour to address you on the above
subject and to submit the following for your information :

1. There has been no significant change in the
jute market at Narayanangj and the condition in general
remains virtually inactive and paralyzed. As reported
earlier some activity on a limited scale was visible at
Narayanangj during the last week. But much of it was due
to the operation of the pucca baling houses on their own
account, and there being little genuine buying support
the market could not be pulled up. The nominated buyers
too appear hesitant in their attitude, and while many
of them are keeping themselves away from the market,
others are making only token purchases as they do not
feel secured under the control of the Jute Board. It is,
nonetheless, a genuine fact that even these nominated
buyers who had received financial aid from the State Bank

of Pakistan on recommendation of the Jute Board had never been agreeable to buy in the open market at the floor-prices as determined by the authorities. Their practice was to buy at the free rate of distressed selling and to account for at the inflated official rate. Further they had been indulging in unfair manipulations regarding the quality of jute. All these have naturally caused unhappy commotion and the cultivators are evincing an attitude of righteous grievance. But in most cases they are avenging by resorting to the old malpractice of watering, and the nominated buyers, being responsible for any loss in weightage till the raw jute purchased has been rendered into pacca bales and surrendered for final storage, are again feeling hesitant to continue operations. The net result is obvious enough and for the last two days, the market again appears to relapse into a state of complete demoralised inactivity.

2. It is significant to note in this context that the official reports of the Govt. of East Bengal are, at last, beginning to acknowledge the realities of the situation. For the first time since devaluation, it has been admitted that the moiffussil price of jute has dropped down as low as Rs. 10 a maund. The official quotations are quoted below:

	Price per standard maund.			
	Barayanganj		Mofussil market	
	Mid.	Mixed	Mid.	Mixed.
	Rs.	Rs.	Rs.	Rs.
Sup. Jat (white)	21	17	19	14
Sup. Dist. (white)	20	16	18	13
Northern white	17	13	15	11

Recent intensification of the anti-smuggling control has further debased the internal market and in the interior of the villages prices between Rs. 8 and Rs. 10 are not unusual. But by far a greater pressure on the market has been the direct result of the currency notification of the State Bank of Pakistan. The private hundi business has come to a dead stop, and the traders who supplied liquid finances at this end having been scared

252

-3-

away by the threat of penalty and imprisonment, the operators in the jute market are unable to obtain loans. Thus, the market is again tending to a complete standstill and no liveliness can be expected before exports to India are allowed freely by the Jute Board.

3. The Provincial Muslim League just held an emergency meeting of the working Committee and adopted a resolution recommending inclusion in the Jute Board of representatives of the growers and of the East Bengal Govt. A similar resolution was also adopted by the Muslim League Parliamentary Party of East Bengal. The East Bengal Congress Committee also did likewise and in a recent committee meeting deplored the pitiable plight of the jute growers in East Bengal and contended that the official floor prices were uneconomic.

4. It will, however, be noted that up till now the market condition appears to be quite in conformity to our anticipations and there is little to seriously worry about so far as this end of the thread is concerned. Nevertheless, we cannot remain oblivious to the urgency of the mill interests both in India as also in other principal manufacturing countries. On serious probing of the situation, it would be readily acknowledged that continued abstention from the market, though under compelling circumstances, may cause undue restiveness among certain overseas interests such as Britain and France, and the latter may be forced to revise their attitude and to re-enter the market in East Bengal despite price difficulties. It can hardly be denied that in the present battle over Pakistan jute, the interests of all the manufacturing countries are, more or less, synonymous to our own and their problems too are akin to our own domestic problems. Yet in the long-term interest of us all, I am rather inclined to believe, the present situation may well be availed of to sponsor an international cartel of the

jute industry. The countries that purchase jute only for their home consumption (Viz. Italy, Yugoslavia, Czechoslovakia and the U.S.A.) need not be bothered about. But those others, who happen to have a well-organized industry, substantially dependent on an export trade in jute manufactures should be brought within the control of one international body for fixing the purchase-prices of raw jute, for allotment of raw jute quotas as well as for determining the export prices of manufactures and the allotment of export quotas. Such a proposal, if successfully explored, should eliminate the possibility of competitive buying in Pakistan market. But at the same time, it will also eliminate any international competition in the manufactures in a buyers market and will, thus, go a long way to stabilise the jute industry in all important countries. It may as well save our most important export counter from uncertainties in future, and in fact; such international cartelization has operated successfully in the certain important trades like petroleum. If so desired by the Ministry, I shall always be ready to draw up the scheme in fuller details.

SECRET

NO: 11744-204/49
MINISTRY OF COMMERCE

New Delhi, 24th November, 1949.

Copy of the undermentioned paper forwarded to -

- (i) P.S. to H.M., Commerce.
- (ii) P.S. to Hon'ble Dy. Prime Minister
- (iii) P.S. to H.M., Finance.
- (iv) Secretary, Economic Committee of Cabinet.

for C.C. Desai
for (C.C. Desai)
24/11/1949

PAPER FORWARDED

Copy of letter No. 3239 dated 21/11/1949 from P. Das Gupta, Esq., Asst. Indian Govt. Trade Commissioner in East Pakistan, Dacca, addressed to C.C. Desai, Esq., I.C.S., Secretary, Ministry of Commerce, New Delhi.

Copy of Confidential letter No. 3239 dated 21st Nov. 1949 from Mr. P. Das Gupta, Assistant Indian Government Trade Commissioner in East Pakistan, 8, Gopikrishna Lane, P.O. Wari, Dacca, to C.C. Desai, Esq., Secretary to the Government of India, Ministry of Commerce, New Delhi.

Subject:- LATEST POSITION IN THE JUTE MARKET.

I have the honour to address you on the above subject and to submit the following:-

1. The market remains virtually unchanged since it was reported last.
2. Matters relating to foreign buying have been communicated in available details. The latest report indicates that France has bought about 20,000 bales since devaluation.
3. There is no improvement in the market prices. In the mofassil markets, however, prices seem to move downward, partly due to the lack of the usual buying support and partly due to the intensification of anti-smuggling vigilance at the land frontiers. In the localities where the new paddy crop has not been up to the expectation distressed selling of jute is more frequent, followed by further decline in prices. The news quoted below from Pakistan Observer, (a local English Daily) would speak for itself :-

**"Kishoreganj New
Jute Price Goes Down**

Alarming reports regarding the abnormal fall in the price of jute are daily coming from all parts of the sub-division. The other day jute was being sold at Karimganj Bazar at Rs.5/- per md. The average price of jute in the sub-division is Rs.10/- to Rs.12/-. It is reported that 80 per cent of jute has been sold off due to the financial stringency of the people".

(Pakistan Observer, November 20,
1949)

4. A few days back, a deputation on behalf of the Provincial Muslim League Working Committee waited upon the Chairman, Jute Board and insisted on the

25/8

inclusion in the Board, 2 representatives of the Jute Growers and 1 representative of the East Bengal Government. This afternoon, an emergent meeting of the Working Committee of the East Pakistan Provincial Muslim League will be held, primarily to consider the position in the Jute Market following the action of the Central Government. The general attitude of the people is openly critical about the Governmental action.

NEW DELHI, the 10th November 1949.

My dear Syama Prasad,

I am sending herewith a copy of a letter which Shankar has received from Walker. There is a great deal of force in what he says, namely, that it would look odd now that the industry and Government are working hand in hand that there should be this sort of litigation and, if we could settle the matter out of court, I think it would create a good psychological atmosphere. I should like to know what the facts are. In case this is the concern of the Commerce Ministry, perhaps you could ask one of your officers to ask Desai to furnish the required information to me.

Yours sincerely,

J. Vallabhbhai Patel

The Hon'ble
Dr. Syama Prasad Mookerji,
Minister for Industry & Supply,
NEW DELHI.

G.

INDIAN JUTE MILLS ASSOCIATION

TELEGRAPHIC ADDRESS:
JMASCO
TELEPHONE NOS.
BANK 6081, 6201, 6202
RESEARCH LABORATORIES
18, OLD COURT HOUSE STREET
TELEPHONE NO. B B 5419

ROYAL EXCHANGE
POST BOX NO. 280

CALCUTTA-1, 7th November

19 49

My dear Shanker,

It was a particular pleasure to meet and to talk to Sardar Patel; and I was sorry to read just before I left Delhi that for health reasons a break from work was needed. Yet I can well believe it to be necessary and can sympathise: please convey to him my best regards and wishes for a speedy restoration to good health.

In course of my discussions with Sardar Patel, I particularly drew his attention to the Calcutta High Court/^{CASE} pending between the Government and the members of the Indian Jute Mills Association. It deals with this very matter of the requisitioning of jute goods for the Argentine which was the foremost of our considerations in this time visiting Delhi. I extract the paragraph in Sutherland's letter of the 31st October to Roy which touches on this and send it to you for your perusal in order to put you in the picture as it were.

Now that Government and the jute mill industry have joined hands and got together in a far better way than ever before in order jointly to face and to overcome the crisis forced upon the country and the industry by Pakistan's decision, it would look strange if publicly we started to fight in the High Court. The issue hinges upon the custom of the trade in the matter of delivery orders issued by the mills; and frankly we have all eminent Counsel with us in saying that Government have little, if any, chance of winning the case. Not only is there loss of confidence engendered by Government and ourselves fighting a case against each other in the High Court; but to our mind a waste of money, time and effort which much more profitably could be employed in far better directions.

239

A line of action has been suggested for Government's consideration in the attachment; others might suggest themselves to you. The main thing seems to me to be that we should not relax any effort to arrive at some suitable solution and that our recourse to the High Court should be the very minimum necessary to conform to the legal niceties in all of this.

All that is needed to my mind is that some direction or indication should be given by Sardar Patel that attempts to reach an amicable mutually agreed settlement should be attempted; and then we could set the machinery in motion necessary to this end.

I do not like to add to already heavy burdens; we feel, however, that in all the considerations affecting the issue, action on the foregoing lines should be followed; and if in continuation of what already in private discussions has been mentioned to Sardar Patel, you could bring this to notice for suitable instructions, I would be most grateful.

Yours sincerely,

V. Shankar

V. Shankar, Esq., I.C.S.,
Private Secretary to Sardar Patel,

100-100-100

JS:K

Extract from Mr. Sutherland's letter of the 31st October
to Mr. A. K. Roy (Finance Ministry)

What I would like you to examine is the position in the Calcutta High Court case which is pending in which we are having a legal argument about the status of the Delivery Order. As I said we are very confident of winning the case which arises out of the action taken by Central Government in 1946 in the freezing and requisitioning of goods for the Argentine. Our claim is that the title in the goods has passed when a Delivery Order is issued so that the goods are not in the ownership of the mills but belong to the holder of that document. Government contest that; hence the High Court case. That very broadly summarises the position.

To our mind it is extremely regrettable that at the present stage of affairs and having regard to all that in mutual co-operation and help has been evidenced between us, there should be any waste of time, effort and money over that point. Our proposal is that Government should admit our contentions concerning the status of the Delivery Order and should agree therefore to pay to the holders thereof, the market rates ruling at the 12th December 1946. The fact that there was a case was news to you; and you promised to have the issues examined so that if possible we can discuss further when in Delhi on 1st November or the next day when we meet again.

266

MINISTRY OF COMMERCE

Recently Mr. Walker, Chairman and Mr. Sutherland, Secretary of the Indian Jute Mills Association, came up to Delhi and discussed with us the general position of the raw jute and the jute goods trade, with special reference to the Ordinance promulgated a few days ago by the Pakistan Government. The meeting on our side was attended by representatives of Commerce, Finance, Industry & Supply and Food Ministries, Secretary, Economic Committee of the Cabinet and officers of the Reserve Bank of India. Mr. Sutherland has prepared a note of discussion, a copy of which is herewith enclosed.

2. As regards the raw jute, it has already been agreed inter-ministerially that we should aim at self-sufficiency in jute by 1951 and that our production in 1950 should not be less than 45 lakhs bales. A paper embodying these proposals is expected to be placed before the Economic Committee of the Cabinet by the Ministry of Agriculture. When a decision has been made on the issue, it will be for the Ministry of Agriculture to consider the suggestion of the Indian Jute Mills Association that we might take the advice of an expert on the subject whose name was given to us at the conference but is not included in this note. The gentleman concerned is Professor of Agriculture in the University of Cambridge. He is apparently an expert on both jute cultivation and tea cultivation, and in that sense he would be doubly useful to us if his services could be had, say, for a period of three months.

3. As regards the position of the Indian jute mills industry the essence of the talks has been included in the paper which is being submitted by the Ministry of Commerce to the Economic Committee of the Cabinet so as to determine our policy in the present context. The main point is that our position for the present is comfortable and that it is not in our interest to initiate talks with Pakistan until Pakistan has found by experience the folly and the impracticability of her policy as illustrated by their recent Ordinance.

4. Attention is particularly invited to paragraph 5 where total revenue from export of jute and jute goods is estimated. It is 143.5 crores against our estimate before devaluation of 150 crores on account of jute goods and 8 crores on account of raw jute. On the basis of the present raw jute supplies we shall be down by something like 15 crores in our foreign exchange.

5. In other matters action is being taken either by CCI or by CCE or by JS(Finance)(IAC), as the case may be.

6. This note is circulated for the information of the Ministries concerned.

V. S. S.
(C. C. Bessal)
6. 11. 49.
Secretary.

- (1) Dept. of Revenue & Expenditure (Mr. K. S. K. Menon).
- (2) Dept. of Economic Affairs (Mr. Ambedkar).
- (3) Ministry of Industry & Supply (Mr. Venkateswami).
- (4) Ministry of Agriculture (Mr. Panjabi).
- (5) Ministry of Food (Mr. Gupta).
- (6) Financial Commissioner, Rlys (Mr. Chanda).
- (7) Secretary, Economic Committee (Mr. Bhattacharya).
- (8) Minister Cabinet Sectt. (Mr. Pharoa Vira).
- (9) P.S. to Deputy Prime Minister (Mr. Shankar).

Dy 11/139-204/47 dt. 7/11

Inf.M.A.

Brief notes on the Desai Conference of 3rd November:

(1) Jute Cultivation:

A detailed letter of 1st November from the Association to Mr. Desai was handed over.

Points emerging from discussion were these:-

(a) that India (the territories now known as such) had grown about 50 lakh bales in previous years - detailed figures in support were to be furnished by the Association since that was queried.

(b) that Government support should be confined to a general declaration of intention to make India self sufficient in Jute, since the full support and co-operation of the Mills in the purchase and utilisation of the crop had been obtained, and it would be the policy of Government - if need be by the imposition of an import duty or any other suitable means -

to secure an economic return to the cultivator; it particularly was stressed by the Association that no indication of minimum price should be given;

(c) that given suitable opportunity and timing, the cultivator should be conditioned to lower prices than those ruling; Rs.35 for "bottoms" was far too high in long term consideration and gradually and slowly that should be considerably reduced;

(d) that every consideration be given to the appointment of an expert Agricultural Scientist and Economist to advise on the problem; for vastly increasing acreage with low yields constituted an unacceptable means of progress.

Samples of Jute were shown to demonstrate how the Mills by scientific means could produce a white hessian Jute from the dark grey and/or red tinted Indian Jute.

2. Estimates of Available Jute:

Copy of the Association's estimate of the present position given in attachment.

General.....

264

General conclusion reached after discussion:-

(a) that protracted stoppages by the Mills was not feared

(b) that the Pakistan "headache" would be in February/
March when sowing of the new crop starts.

3. Movement of Jute from Pakistan.

(a) Present hold ups.

Letter of complaint to be submitted by the Association.
The special position of IMF Coys. was explained especially
regarding coal; and the possibility of the "alpha arrangement"
being resumed was to be re-examined.

(b) Hundi transactions.

Position in operation in this regard fully explained; the
extent would be small and could not jeopardise the Government
policy in avoiding buying pressure in Pakistan. Estimated
purchases under this head at most 4/5 lakhs bales and whilst a
stimulus given by a liberal export to Pakistan policy, there also
will be a flight of capital which could be assisted through jute.

(c) Estimated total receipts.

For the Jute year, it is estimated that some 80 lakhs
bales will flow to India comprising about 18 lakhs purchases plus
hundi and smuggled Jute of about eight lakh bales in total. That
should be regarded, however, as optimistic and success is
dependent on a number of unpredictable factors.

4. Pakistan's Jute Policy.

The feeling is that it will not efficiently work in that
commercial houses - whose consent in many cases was obtained
under duress - are asked first to finance purchases, assert and
bale the jute and then get 90% of the money given them by Govt.
It is based on the belief of larger purchases by foreign
consumers; that we held to be an entirely false assumption.

Indian Mills will not buy; and arrangements have been
made by us which we hope (confidently) will keep out the
biggest purchasers overseas.

Opinion was.....

Opinion was against a conference between the two nations at the present juncture regarded from the Jute angle.

We also raised the question of Jute goods to Pakistan; and the Government policy in prohibition of export to that country appreciated.

5. Estimated Total Revenue. (Jute year - 1949-50)

The value of exports of Jute goods and raw jute plus duty was estimated by us to be Rs. 143.5 crores.

6. General

(a) There are several points for Government's attention and consideration detailed in my letter of 31st October to Mr. A.K. Roy.

(b) Sales Tax.

Government were asked to give urgent attention to the settlement of the dispute between West Bengal Government, the Central Government, and the Mills on old orders.

As regards the future, the decision of the Constituent Assembly constituted the only means of action.

(c) Claims on behalf of requisitioned Mills.

Government were urged to refer all outstanding disputes to arbitration for early settlement.

(d) Stores and Machinery

A note by Mr. Crichton on the difficulties in getting our stores was left with Mr. Jha for consideration. A much more liberal policy was urged; and particularly in regard to pickers and bobbins was it stressed that a policy of non-license of imports was extremely detrimental to the Mills.

Concerning Capital Goods - in which are our labour-saving machinery and new improvements in production - the need for early decision and grant of licenses was stressed on two main grounds :-

- (i) the benefits to the industry here; and
- (ii) the delay in the procurement by Pakistan of her machinery.

(e) High Court Cases.

The point in this is given in my letter of 31st October

21st October to Mr. Roy and was particularly stressed for acceptance.

(f) Air Conditioning for Research Institute.

Mr. Birla's letter in this regard was given to Mr. Jha and no difficulty in meeting the position is anticipated.

7. Working hours.

The considerations governing these were fully explained; we will close down mills one week (ending 26th November) this month; and from 5th December will work continuously on a 40 hour week basis. Production under that arrangement should increase; and wherever possible mills will increase their bessemer production to the greatest extent practicable.

3d/-

3.11.1949.

...

Distribution :-

Mr. C.G. Desai.

Mr. L.K. Jha.

Mr. S. Chethalingam.

Mr. P.C. Bhattacharyya.

RAW JUTE POSITION

Figures in lakhs
of bales.

Stock at the end of September

6.98

Add (1) Undelivered balances; Pakistan 6.25

(2) Undelivered balances; India 2.18

8.41

15.39

Estimated crop from India

(including Bahsta Binali and
and possible smuggled
Pakistan Jute.)

34

Loss

(1) Exports 4

(2) Already
Purchased 4.98

8.98

25.14

40.53

40.53 estimated total jute divided by 4.11 average
monthly consumption = 9.9 months.

October, November,
December

3

January / June

6

9



No. 240-HMS (O)/49.

New Delhi,
October 31, 1949.

My dear Sardarji,

I am herewith enclosing
for your information extracts from the
report of the General Manager, East Indian
Railway, for the period 11th to the 20th
October, 1949.

Yours sincerely,

K. Santanam

(K. SANTANAM).

The Honourable Sardar Vallabhbhai Patel,
Acting Prime Minister of India,
New Delhi.

Extract from periodical D.O. report No. AC.48/4 dated the 27th October 1949, from the General Manager, East Indian Railway, Calcutta, to the Chief Commissioner, Railways, Ministry of Railways (Railway Board), New Delhi.

.....

Periodical d.o. report for the period from the 11th to the 20th October 1949.

.....

**

**

**

During this period the most important feature of operation which needs to be mentioned is the movement of jute traffic via Maniharighat. Special instructions were received from the Board to step up jute movement via this route as much as possible and immediate steps were taken to mobilise the entire flotilla available, the labour force was strengthened and night transshipment was introduced for which electric lighting of Sakrivalihat Yard was arranged by means of a portable electric lighting set. Wireless communication was also established between Maniharighat and Sakrivalihat.

The actual transshipment of jute during the period averaged 30 wagons per day.

Unfortunately however the removal of jute from sheds at Bossipore Road dropped off resulting in an accumulation of 1300 wagons of jute in Calcutta area on account of which we have been forced to restrict booking of jute from B.G. stations on the Sealdah and Howrah Divisions and limit jute booking via Maniharighat to 60 wagons a day. Every endeavour has been made to step up removals but so far our effort has been infructuous.

**

**

**

M. P. BIRLA

8, ROYAL EXCHANGE PLACE,
CALCUTTA.

31st October 1939

My dear Shankarji,

Thanks for your kind letter. Datar Singh when he was here last week discussed with me and our Chairman the whole jute supply position and I am, therefore, surprised how he says that we shall have sufficient jute in India to last until May. I also do not know what he means by saying that new crop which would be sown in January will be available to us. We have never heard of any jute sowing in the eastern part of India before March or April. As you know, jute requires a lot of rain both when it is in plant and afterwards for rotting purposes. Therefore, the earliest that we can expect jute from Bengal, Bihar or Assam is the middle of July. As regards the Travancore Jute, I have no idea when they have rains; but in any case that jute will be hardly 5000 to 10000 ~~tons~~ ^{tons} this year which is negligible.

We are greatly disappointed about the decision on Bharat Airways. However, it seems that nothing more could be done. Basant is now trying to find out if the Sky-masters could be sold in America.

With kind regards,

Yours sincerely,

Madhav Prasad

Syt. V. Shankar, I.C.S.,
New Delhi.

271
1441/secy/49.
Ministry of Commerce,
New Delhi,
27th October 1949.

My dear Walker,

144-10
I enclose herewith a copy of a reliable report received by us from Pakistan. I wonder whether there is any truth in this, and if so, to what extent co-operation is being offered by Indian firms in the implementation of the policy just announced by the Pakistan Government. In this crisis we must all stand together with a firm faith in the rightness of our cause and ⁱⁿ its ultimate success. I have no doubt that you share these sentiments and will do your best to have them communicated to appropriate quarters. You may show this letter to both Jagan and M.P. Birla.

Yours sincerely,

(C.C.Desai).

J.R. Walker Esqr.,
Chairman, Indian Jute Mills Association,
Calcutta.

Encl.

Copy forwarded to

- (1) Secretary, Economic Committee of the Cabinet,,
- (2) Private Secretary to the Hon'ble the Deputy Prime Minister

for information. This extract is from a report received from our Assistant Trade Commissioner in Dacca. The full report is attached herewith.

1622
27.10.49.

Copy of Confidential letter dated 20th October 1949
from P. Das Gupta, Esq., Assistant Indian Government
Trade Commissioner, 8, Gopikrisna Lane, P.O. Wari, Dacca,
(East Pakistan) to The Secretary to the Government of India,
Ministry of Commerce, New Delhi.

Para 1. Subject:- Latest position of the Jute Market.

I have the honour to address you on the above subject and to say that while the jute market continues to be in the same condition of virtual paralysis, the top level conference due to be held here on the 18th instant has been postponed till the 23rd of this month. It is gathered that in this Conference the Central Government of Pakistan will be represented by Hon'ble Mr. Liaquat Ali (Prime Minister), Hon'ble Mr. Golam Mohammed (Finance Minister) and Hon'ble Mr. Fazlur Rahman (Commerce Minister) and the Provincial Government will be represented principally by Hon'ble Mr. Nurul Amin (Premier), Hon'ble Mr. Afzal (Minister for Civil Supplies and Commerce), Chief Secretary to the Government of East Bengal and the Secretary, Department of Commerce.

Para 2

EXTRACT

In the meantime, jute politics seem to have entered upon a new phase. It had been reported earlier that undue pressure was being brought upon the Indian section of the local jute market. Such pressure, exerted both through official and non-official sources may not go entirely in vain. The possibility cannot be ruled out that some of the Indian firms (both Marwari and European) having considerable stake in East Bengal may find it convenient to associate themselves with the scheme of a Jute Syndicate, if sponsored by the Government of Pakistan. It is rumoured that such interests are already bargaining for terms and if monopoly rights are given these interests will undertake both financial and other responsibilities. I am keeping a watch over the matter, but it needs be watched from our end as well.

2274

Kindly issue the attached telegram
each
and send a copy to Private Secretary to the
Deputy Prime Minister and also to the Secretary
to the Government of India, Ministry of Food.

Personal Assistant to the
Hon. Dy. Prime Minister.

New Delhi, the 3rd November 1949.

To

The Superintendent,
Central Cypher Bureau,
External Affairs Ministry,
New Delhi.

Telegram

SECRET.

215

From: Foreign, New Delhi

To: Chief Secretary to the Govt. of U.P.
Chief Secretary to the Govt. of Bihar
Chief Secretary to the Govt. of West Bengal
Chief Secretary to the Govt. of Madras

I M M E D I A T E.

Following from Sardar Patel for

Pandit Govind Ballabh Pant
Shri Srikrishna Sinha
Dr Bidhan Roy
Shri Kumaraswami Raja

"Read in three parts".

Part I. In the present emergency created by shortage in supply of raw jute, it is necessary for us to regulate the production distribution and supply of jute manufactures so as to meet our international commitments and Governments own requirements. The matter is extremely urgent particularly in view of our agreement with Argentine Government for the supply of wheat in exchange for jute which requires almost immediate implementation. Will be grateful if the draft Ordinance given in Part II is issued by your Government not later than morning Saturday 5th November. Controller to be appointed by Provincial Government will naturally have to work in closest co-operation with the Industry. It will obviously be impracticable to have separate Controller for each province. It is therefore considered essential that the Chairman of I.J.M.A. Calcutta be appointed as Controller for all provinces and it is requested that draft notification given in Part III be issued simultaneously with the Ordinance. End of Part I.

Telegram

SECRET.

276

From: Foreign, New Delhi

To: Chief Secretary to the Govt. of U.P.
Chief Secretary to the Govt. of Bihar
Chief Secretary to the Govt. of West Bengal
Chief Secretary to the Govt. of Madras

I_M_M_E_D_I_A_T_E.

Following from Sardar Patel for

Pandit Govind Ballabh Pant
Shri Srikrishna Sinha
Dr. Bidhan Roy
Shri Kumaraswami Raja

"Read in three parts:

Part I. In the present emergency created by shortage in supply of raw jute, it is necessary for us to regulate the production distribution and supply of jute manufactures so as to meet our international commitments and Governments own requirements. The matter is extremely urgent particularly in view of our agreement with Argentine Government for the supply of wheat in exchange for jute which requires almost immediate implementation. Will be grateful if the draft Ordinance given in Part II is issued by your Government not later than morning Saturday 5th November. Controller to be appointed by Provincial Government will naturally have to work in closest co-operation with the Industry. It will obviously be impracticable to have separate Controller for each province. It is therefore considered essential that the Chairman of I.J.M.A. Calcutta be appointed as Controller for all provinces and it is requested that draft notification given in Part III be issued simultaneously with the Ordinance. End of Part I.

DRAFT TELEGRAM

Read in three parts (.)

Part I (.) In the present emergency created by shortage in supply of raw jute, it is necessary for us to regulate the production distribution and supply of jute manufactures so as to meet our international commitments and Governments own requirements (.) The matter is extremely urgent (.) Will be grateful if the draft Ordinance given in Part II is issued by your Government not later than morning Saturday 5th November (.) Controller to be appointed by Provincial Government will naturally have to work in closest co-operation with the Industry (.) It will obviously be impracticable to have separate Controller for each province (.) It is therefore considered essential that the Chairman of I.J.E.A. Calcutta be appointed as Controller for all provinces and it is requested that draft notification given in Part III be issued simultaneously with the Ordinance. End of Part I (.)

M. P. Birla.

IMPERIAL BANK BUILDING,
BOMBAY, I.

16th June 1949.

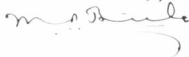
My dear Shankarji,

Many thanks for your letter of 14th.
I am glad to inform you that the meeting in
Calcutta went off quite satisfactorily and I
am enclosing herewith copy of the letter I
have sent to uncle yesterday.

I am greatly obliged to you for the
keen interest that you are taking in the
affairs of the jute industry.

With kind personal regards,

Yours sincerely,



Enclos:-

V. Shankar Esq., I. C. S.,
Private Secretary to
The Deputy Prime Minister,
Circuit House,
Dehradun.

Copy.

M. P. Birla.

c/o **BIRLA BROTHERS LIMITED**

HEAD OFFICE:-
8, ROYAL EXCHANGE PLACE,
CALCUTTA.

15th June 1949.

IMPERIAL BANK BUILDINGS,
BANK STREET, FORT,
BOMBAY.

My dear Uncle,

I am glad to inform you that the meeting was held in Calcutta yesterday at which Hon'ble Mr. Neogy, Mr. Desai, Dr. Roy and Mr. Sarkar were present and it was agreed to accept the Association's proposal for further curtailment of production by closing the entire industry for one week in each month beginning from July to December. This time, both Mr. Neogy and Dr. Roy fully realised the seriousness of the situation and informed Mr. Walker that the industry should take whatever action it thought necessary in its best interests. It was a pleasant surprise for all of us and I am told that the meeting terminated after half an hour's discussion only. Thus all the jute mills will remain closed for one week in each month beginning from July. This should stabilise the gunny prices and should bring about a sharp drop in raw jute. Today business has been done in Calcutta at Rs. 30/- per md. for Jat bottoms. Let us hope that the industry will stop incurring losses from September onward.

Yours affectionately,

Shri G. D. Birla,
New York.

77 NO: 3844- 24/4/49 280
GOVERNMENT OF INDIA
MINISTRY OF COMMERCE
New Delhi, 23rd April, 1949.

Copy of Secraphone Message from the Premier, West Bengal Government addressed to Secretary, Commerce Ministry, Govt. of India (No.44784 dated 22.4.49), forwarded to

- ✓(i) P.S. to Deputy Prime Minister
- (ii) P.S. to H.M., Finance,
- (iii) P.S. to H.M., Industry & Supply
- (iv) Secretary, Economic Committee of the Cabinet.
- (v) J.S. (Finance) - I&C Div. (Mr. A.K. Roy)

Hit. N. S. Roy
P. S. to Secretary,
Ministry of Commerce,
Govt. of India.

24/4
W. S. Roy
24/4
B.

24/4

SECRAPHONE MESSAGE

No. :- 44784.

Dated :- 22.4.49.

T.O.R. 1750-53.

From :- Regcomdis Calcutta.

To :- Suplind New Delhi.

IMMEDIATE (.) From PREMIER, WEST ~~INDIA~~ BENGAL (.)

Following for Mr. DESAI, Ministry of Commerce (.) Met representatives of Indian Jute Mills Association (.) They agreed your terms and ensure increased jute bag production which will absorb practically all labourers except 8,000 persons who will be given such help as prescribed by West Bengal Government (.) Under circumstances this Government accept proposition to curtail loomage by 12½ per cent (.)

287
Camp: Hotel Imperial,
New Delhi, 20th April 1949.

The Honourable Shri K. C. Neogy,
Minister for Commerce,
Government of India,
New Delhi.

Dear Sir,

I came back from the tour of East Bengal yesterday and read the communication received from Mr. Desai on the Jute Position, and discussed the Memorandum fully with my Committee and thought it desirable to come to Delhi at once to discuss the position with the Government of India, as I have a mandate from the Committee to act. As the matter is urgent and of a larger interest, I would request that a meeting with all the Ministers concerned, including the Finance Minister and the Deputy Prime Minister may be arranged.

Yours faithfully,
B.

78
D. No. Secy/453/49
MINISTRY OF COMMERCE

New Delhi, 16th April, 1949.

My dear Shankar,

2u
Yesterday you mentioned to me that H.M. was being pestered by people in connection with the orders passed by us on the jute industries representation. I enclose herewith a copy of the orders of the Government on the subject together with a copy of my letter to Chatterji, Secretary, Commerce Department, West Bengal Government for your information. I would be glad if these papers are placed before the Deputy Prime Minister for his kind perusal.

Yours sincerely,

Desai
(C.C. Desai)

V. Shankar, Esq., I.C.S.,
Private Secretary to Hon'ble the
Deputy Prime Minister,
No.1, Aurangzeb Road,
NEW DELHI.

Encl:

Air mail

243
Do No say/454/49
MINISTRY OF COMMERCE
New Delhi.

16th April, 1949.

My dear Chatterji,

With reference to our conversation this morning I enclose herewith a copy of the letter which we have addressed to the Indian Jute Mills Association on the subject of their proposal to curtail production to meet the present emergency. I would be glad to know what action the Association has taken on receipt of this letter and secondly whether there is any truth in the report current here that without waiting for orders from the Government of India, the Association has advised the Member-mills to curtail production of hassien cloth by 12½% without a corresponding increase in the production of secking or bagging. We would also like to know in due course what action the Association has taken on the various measures recommended to it in the Government orders. The orders of the Government of India are in conformity

-2-

with the conclusions reached between
H.M., Commerce, H.M., Industry & Supply
and Hon'ble the Premier, West Bengal
when he was in Delhi last week.

Yours sincerely,

(O.C. Desai)

S.K. Chatterji, Esq., I.C.S.,
Secretary to the West Bengal Government,
Department of Commerce & Industries,
CALCUTTA.

Encl:

284

No.3-(7)FT(E)/49.
Government of India.
Ministry of Commerce.

New Delhi, the 11th April 1949.

From

C.C. Desai, Esquire, CIE., ICS.,
Secretary to the Government of India.

To

Chairman,
Indian Jute Mills Association,
Calcutta.

Sir,

I am directed to refer to the Conference held in Delhi on the 8th instant where the proposals of the Indian Jute Mills Association for a curtailment of the production of jute goods for a period of approximately six months was discussed with representatives of the I.J.M.A. as well as others interested in the jute and jute goods trade and to say that the Government of India have given their most careful consideration to all the points made in the discussion as well as the memorandum submitted by the I.J.M.A. on that occasion.

2. According to the industry's own estimates, if full-time working continues throughout the next six months, the stock position would be 10.5 lakhs of bales on the 30th June 1949 and 2.0 lakh bales on the 30th September 1949. The views expressed in the Conference suggested that these estimates are on the whole conservative thus if the industry makes a determined effort, which it should, it should still be able to obtain 45 lakhs of bales from Pakistan before June 1949 as against the 43 lakhs of bales taken into account in their estimates. Indeed, the Government of India cannot help observing that since December, there have been signs that the industry has slackened its efforts to procure more raw jute from Pakistan, and while they can appreciate the difficulties of the industry in respect of hessians, whose price and demand seem to have somewhat receded, so far as raw jute required for sacking is concerned, the state of the demand as well as the willingness of foreign buyers to pay current prices are such that the industry should not have been deterred from following a policy of intensive procurement. In any event, as stated above, it seems even now possible for the industry to procure a total of 45 lakhs of bales from Pakistan which should bring the balance as at the end of June 1949 to the figure of 12.5 lakhs.

3. The estimated figure of arrivals during the period July-December 1949 also according to views expressed in the conference should be higher than the figure of 3 lakh bales taken into account by the industry. A larger crop in Pakistan along with a larger crop in India, particularly of the earlier varieties should, it is felt have the effect of increasing deliveries in the July-September period to a figure which should be distinctly higher than that taken into account by the I.J.M.A.

4. Government appreciate that anticipations of delivery in the July-September period made at this stage are liable to prove erroneous because of the many uncertainties involved particularly in regard to the policy which Pakistan may follow in respect of exports to India. The position in this respect

should be clearer in a months' time after discussions for the renewal of the commodities agreement with Pakistan x early in May. The point which is clear beyond doubt however is that no crisis in respect of raw jute stocks is anticipated during the months of April, May and June and that the stocks at the end of June should, be even on the I.J.M.A.'s estimates, not below 10.5 lakh bales and may even be as high as 12.5 lakh bales. The Government of India agree with the I.J.M.A. that these stocks can in no sense be said to be satisfactory, and may, if conditions after June do not continue to be as good as they are anticipated at present, subject the industry to the possibility of either curtailing production more drastically than proposed at present, or weaken its hands in respect of purchase of raw jute. While Government are fully conscious of the seriousness of either of these alternatives, they feel that the solution proposed by the industry - an immediate curtailment of production is by no means inescapable or a more preferable course of action. Representatives of the I.J.M.A. are themselves fully conscious of the fact that the long-term interests of the jute industry are being seriously jeopardised by the steady rise in the price of jute manufactures, whose main attractiveness as a packing material lay in their cheapness. The industry is aware of the growing competition on account of the substitutes particularly in the United States of America, where the use of paper as packing has made a phenomenal progress. Indeed one of the main arguments put forward by the industry in favour of its present proposals is that it might enable the industry to buy raw jute at lower prices and thus help in bringing down the prices of jute manufactures. Unfortunately it is by no means certain as to whether and to what extent the immediate curtailment of production would affect the price of raw jute in the next jute year. It is quite clear however that the immediate effect of such curtailment would be to raise prices, of manufactures and it is more than likely that a policy of restricted production, if continued over a period of six months, may take the prices to a new peak figure from which their decline may not be quite so certain or easy.

5. Government are vitally interested in the future of the industry which produces the most important item of the country's export trade. The suggestion was made during the discussions that the effect of a curtailment of production and the consequent stiffening of prices would be to stimulate buying particularly from the hard currency countries. The temporary advantage, if any, to the value of Indian exports cannot, however, outweigh the long-term considerations which made it desirable that the prices should gradually and steadily come down rather than go up or be subject to periodical fluctuations.

6. In any case the difficulty felt by the industry is in respect of hessian and not other varieties of jute products. Government are aware of the keen demand for other jute goods from overseas markets and the prices offered are attractive. In the circumstances Government see no reason why any action should be taken which might prejudice continued production of other jute goods, to the same indeed even increased extent.

7. Taking all these factors into consideration, Government feel that while the situation is one which need careful watching, it would not be desirable to embark upon a policy of curtailment of production immediately and that

the position in this respect should be kept under watch and reviewed afresh sometime early in June next. Meanwhile, action on the following points both by the industry and by Government should lead to an improvement in the position both in respect of supplies of raw jute and prices of jute manufacturers to an extent which may render the proposal to curtail production unnecessary even in the period July to September 1949. The measures are :-

(a) Intensification of procurement of available varieties of raw jute by the I.J.M.A. in Pakistan so as to bring up the total supplies from Pakistan to the minimum figure of 45 lakh bales.

(b) Such adjustment in production of hessian and sacking as may be possible without curtailment of total output by the adoption of the following steps:

(i) Redistribution of stocks of raw jute among the mills so that the quantity of raw jute for hessian production is equitably distributed.

(ii) Increasing the production of sacking relatively to the production of hessian by transferring labour as well as to the extent technically possible, machinery, from the production of hessian to the production of sacking. If necessary, sacking production can be maintained by working double shift so that there would be no question of putting labour on unemployment benefit.

(c) Further liberalisation of quotas of jute goods so that a firmer tone comes to the market not by curtailment of supply but by increase in demand.

7. Government feel that the measures outlined above may well suffice to tide the industry over the present crisis without any curtailment of production or the adoption of special measures regarding the labour force which the industry has in view, neither of which can be said to be in the long-term interests of the country or the industry. Should the position appear to be otherwise as a result of the review referred to above, Government would be prepared to consider a larger curtailment of production later over the July-September period than the 12½ per cent now proposed if circumstances so warrant.

8. As requested by the I.J.M.A., the decision of the Government is at the moment being communicated to the I.J.M.A. and is not being made public otherwise. At the same time, since the proposals made by the I.J.M.A. have already been publicised, it would be necessary to let the final position be known to the general public at a fairly early date. Government therefore propose to issue a press note as in the draft enclosed which will be released for issue on Saturday, the 16th April, 1949.

Yours faithfully,

Sd/-C.C. Desai.

Secretary-to-Government-of-India--

Secy. to the Govt. of India.

287
PRESS NOTE

The Jute industry's difficulty in maintaining production at the present level because of the paucity of raw materials was discussed by Government last week, with the representatives of the Indian Jute Mills Association, the Calcutta Jute Fabrics Shippers Association and the Raw Jute Trade. The Commerce Ministry, the Minister for Industry and Supply and the Agriculture Minister held the discussion. The Premier of West Bengal was also present.

While Government agree that the position of stocks is serious, they feel that it would not be desirable to embark upon a policy of curtailment of production immediately and that the position should be kept under watch and reviewed afresh some time early in June next. They have suggested to the Indian Jute Mills Association certain measures such as adjustment in production of hessian and sacking without curtailment of the total output by re-distribution of stocks of raw jute amongst mills so that the quantity of raw jute for hessian production is equitably distributed, and increasing the production of sacking relatively to the production of hessian.

Government feel that these and other measures proposed by them may well suffice to enable the industry to tide over the present crisis without any curtailment of production on the adoption of special measures regarding labour force which the industry has in view, neither of which can be said to be in the long-term interest of the country or the industry. Should the position appear to be otherwise as a result of the review referred to, Government would be prepared to consider curtailment of production later in the light of the facts then divulged.

188
11-4
208
Imperial Hotel,
New Delhi, 8th April 1949.

My dear Sardarji,

I just came here today to attend the Jute Conference which was called by the Government of India, and I tried to see you but because of your preoccupation and as I have to leave by tomorrow for Calcutta, it is not possible to have a conversation with you which I so much desire. I enclose herewith a copy of the Memorandum which has been submitted to the Indian Jute Mills Association, which today controls more than 17% of the jute business in the country, a copy of the letter in support of the said industry signed for the industry, which will represent the industry in the meeting of the country in which the report will be finally adopted; the said letter has been sent to the Director, in the Ministry of Industries, and the Ministry of the Revenue and Finance, and the Ministry, and until we can discuss the said industry, which is now standing at a very serious position, the industry feels - and we feel - that we will continue to remain at the mercy of the foreign Government in India, one of them whatever else they require for the industry. In this Memorandum, as well as in the letter the Chairman of the Indian Jute Mills Association has addressed today to the Honorable Sir H. C. Leoy, a copy of which I enclose, the matter has been fully dealt with. Therefore, I do not think I should take more of your time by repeating the matter over again. I am quite sure that taking everything into view, you will kindly take steps so that the industry is saved from the crisis which she is facing today. For your information, I would like to tell you that the jute industry in India is at present losing more than Rs. 1½ crores per month, which is affecting the national economy of the country and which will ultimately affect our taxation position too.

P.T.O.

With kindest regards,

Yours sincerely,



(H. D. Jalan).

The Honourable Sardar Vallabhbhai Patel,
Deputy Prime Minister of India,
New Delhi.

INDIAN JUTE MILLS ASSOCIATION

6th. April, 1949.

The Raw Jute Supply Position of the Jute Mill Industry.

PART I : THE SEASONAL STOCK POSITION.

The harvesting of the raw jute crop begins in the month of June and, after collection at upcountry baling stations, the jute is gradually shipped to Calcutta by rail or steamer. In normal years the first shipments of the crop to Calcutta arrive early in July and these are gradually augmented throughout August and September, reaching a peak in November and December. Thereafter the movement begins to diminish and little if any jute is normally moved during the months of April to June.

2. It follows that the jute mill industry must take steps to ensure that sufficient raw jute is acquired by it during the months of plentiful supply from October to January to keep it in full production until the new crop begins to move in the following September. It is the contention of the industry that, owing to the small carryforward of stocks at the end of the 1947/48 season and the very low yield of the 1948/49 crop, mills have been and will be unable to implement that policy. Previous experience has demonstrated that stocks at the end of the jute year in June should be in the region of 4 months' consumption, as a minimum. Figures for the period 1941-42 to 1947-48 are as follows:-

Opening Stock as at 1st July - (00,000 bales)

	1941	1942	1943	1944	1945	1946	1947	1948	
	<u>-42.</u>	<u>-43.</u>	<u>-44.</u>	<u>-45.</u>	<u>-46.</u>	<u>-47.</u>	<u>-48.</u>	<u>-49.</u>	
Equi-)	43.2	21.4	26.5	23.4	27.1	26.0	19.9	13.9	I.J.M.A.
valant)	8 mths	4 mths	5 mths	4 mths	5 mths	5 mths	4 mths	2 mths	Mills.
to									

The industry fears that, unless steps are taken now to conserve stocks, the industry will pass into the new season with less than two months' consumption and may be forced to close down during the lean months of July and August before the new crop begins to flow in. It is for this reason that the scheme of restricted production proposed below

has been put forward.

3. It will be observed from the figures of stocks indicated above that the year 1948/49 ended with a stock position representing only $2\frac{1}{2}$ months' consumption. Government may enquire why the mills now wished to restrict production if last year they managed to continue working despite a stock position as weak as that anticipated this year. There are two factors which will make the end of the present season a period of much greater difficulty than in 1948. In 1948 the position was saved by very heavy deliveries during July and August, the figures being 3,36,000 bales and 3,52,000 bales respectively, as compared with 2,33,000 bales in July and 1,93,000 bales in August of the previous year. This was due to the heavy flooding earlier in the year which damaged the crop and forced growers to cut it earlier than usual. It is unlikely that this fortunate combination of circumstances will recur. In the second place, the high prices realised for the 1948/49 crop and the scarcity of jute have involved the movement to Calcutta of large quantities of flood damaged material. The stocks held at the end of the present year will thus be both small and contain a great deal of damaged or inferior quality jute. Even if the jute were good it would be doubtful if the industry could keep going. In view of the inferior quality it is more than likely that the stocks will be quite insufficient.

PART II : THE RAW JUTE SUPPLY POSITION DURING 1948/49.

4. The supply position during the present year is the result of the combination of a small carryover at the end of the previous season and a disastrously short crop in East Bengal. Mills' stocks in Calcutta at the 1st July 1948 were at 14 lakh bales, the lowest on record. Originally, the Pakistan crop for 1948/49 was estimated to be 65 lakh bales. Subsequently, as a result of heavy rain damage, it was estimated that the yield would fall to 55 lakh bales. This was confirmed by the East Bengal Government's forecast of crop. By the Inter-Dominion Agreement, Pakistan guaranteed an amount of 60 lakh bales for supply to the Indian mills. It is now estimated that, as a

291

result of the smallness of the crop, not more than 43/44 lakh bales can be expected from this source.

5. The statistical position will be seen from the following table:-

TABLE I : Supply and demand position based on the estimate of a 55 lakh Pakistan crop.

<u>Supply.</u>	<u>Lakh bales.</u>	<u>Consumption.</u>	<u>Lakh bales.</u>
Estimated opening stocks on the 1st July 1948:		By Indian mills	62
(a) With mills in Calcutta	14	By outside mills & domestic consumption	3 65
(b) Other stocks	4 18	Estimated exports from Pakistan through Chittagong & Calcutta	13
Crop from the Indian Union	20	Estimated balance left for mills' stocks, exports and domestic consumption	15
Pakistan crop for 1948/49	55		—
	93		93

By the end of February 1949 considerable progress had been made by the industry in purchasing its requirements for the 1948/49 season and in building up stocks. At the 28th February total deliveries to the mills within the membership of the Indian Jute Mills Association for the period 1st July 1948/28th February 1949 were 47.1 lakh bales, of which 34.2 lakh bales were from Pakistan and 12.9 lakh bales from India. At the same date, undelivered balances representing jute contracted for but not delivered were 3.7 lakh bales and 2 lakh bales from Pakistan and India respectively. An approximate amount of 53.0 lakh bales, representing jute received or contracted for, was therefore in sight, though this does not necessarily mean that the whole of that will be delivered.

The Association has made widespread enquiries from all sections of the trade to ascertain how much more jute may be expected during the current season. It is estimated, as a result, that not more than a total of approximately 9 lakh bales and 2 lakh bales may still be expected from Pakistan and India, inclusive of outstanding purchases. In other words, the total anticipated supply for the industry is 44 lakh bales from Pakistan and 15 lakh bales from India. The statistical position of the jute crop for India and Pakistan will therefore be as follows:-

TABLE II

	<u>Supply</u>		<u>Consumption</u>	
	<u>Lakh bales</u>		<u>Lakh bales.</u>	
A Opening stocks on the 1st July 1948:			Consumption by jute mills:	
(a) with mills	14		(a) IJMA members	62.0
(b) other stocks	<u>4</u>	18	(b) Outside mills	<u>3.0</u> 65.0
B Receipts from Pakistan:			Domestic consumption	2.3
(a) Received upto the 28th February '49	34.2		Exported from India	<u>3.4</u>
(b) Outstanding contracts on 28-2-49 still to be delivered	3.7		Balance with jute mills on 30th June 1949	<u>2.0</u> 10.5
(c) Further anticipated arrivals	<u>5.3</u>	43.2		
C Receipts from Indian Union by IJMA mills:				
(a) upto 28-2-49	13			
(b) Further anticipated arrivals	<u>2</u>	15.0		
D Purchases made of Indian jute by outside mills and for exports & domestic consumption		<u>5.0</u>		
		31.2		<u>81.2</u>

7. At the 28th February 1949, stocks in the possession of the mills were 18.7 lakh bales. The position from now till the end of the year, if present rates of production are maintained and the deliveries anticipated come forward, is as follows:-

TABLE III: Working full time.

	<u>Supply</u>		<u>Consumption</u>	
	<u>Lakh bales.</u>		<u>Lakh bales.</u>	
Stocks as at the 28th February 1949	18.7		Estimated consumption:	
Anticipated deliveries:			March (less 10 days' holiday period)	3.49
From Pakistan	9.0		April/June	<u>15.72</u> 19.24
From India	<u>2.0</u>	11.0	Stocks as at the 30th June 1949	<u>10.5</u>
		<u>22.7</u>		<u>29.7</u>

8. Imports of jute into Calcutta are low during July, August and September, the first months of the new season's crop. The supply position during these vital months may be given as follows :-.

TABLE IV : Working full time.

<u>Supply</u>		<u>Consumption</u>	
	<u>Lakh bales</u>		<u>Lakh bales</u>
Opening stocks	10.5	Consumption for July/September	16.5
Arrivals during July/September		Stocks as at the 30th September 1949	2.0
	<u>2.0</u>		<u>2.0</u>
	<u>12.5</u>		<u>18.5</u>

Thus, at the end of September 1949, the mills may have less than half a month's stock of raw jute in their possession. When stocks fall to so low a figure particularly in a season when quantity has been notoriously deficient, it is doubtful whether in fact a great portion of this is usable for the reasons given in Section I.

9. The Association have most anxiously considered this situation in all its aspects, and, bearing all its possible repercussions in mind, they have decided that the risks which are involved in a depletion of stocks to the extent indicated are such that they cannot be accepted. The original proposal made by them to the Government of Bengal was that there should be a restriction of production arrived at by the sealing of 12½% of looms during the six months from the 1st April to the 30th September 1949. This proposal was not acceptable, however, by Government on grounds of labour conditions, and they put forward the proposal that there should be a closure of one week in each month. On the basis of this reduced production and if the deliveries anticipated are maintained, the position will be as follows :-

TABLE V:

Restricted working : Closure of one week per month (April/June).—

<u>Supply</u>		<u>Consumption</u>	
	<u>Lakh bales</u>		<u>Lakh bales</u>
Stocks as at the 30th February - 1949.	18.7	Estimated consumption: March (Less 10 days' holiday period).	3.49
Deliveries:		April/June	11.81 15.3
From Pakistan	9.0	Stocks as at the 30th June 1949	14.4 14.4
From India	9.0 11.0		
	<u>29.7</u>		<u>29.7</u>

TABLE VI : Normal working from 1st July to 30th September 1949.

<u>Supply.</u>		<u>Consumption</u>	
	<u>Lakh bales</u>		<u>Lakh bales</u>
Opening stocks	17.4	Consumption for July/September	16.5
Arrivals during July-September from new season's crop in Pakistan & India	9.0	Stocks as at the 30th September 1949	9.9
	<u>26.4</u>		<u>26.4</u>

It will be observed that in three weeks' closure during April and May/June, with a restriction on supply of 11.81 lakh bales, and at the rates of supply and delivery shown above, will require a stock as at 30th June of 11.81 lakh bales. Even when it is doubtful whether this will be the case, the situation of the position of the mills during July, August and September because of the low quality of jute available.

PART III : THE ECONOMIC POSITION OF THE INDUSTRY AND THE LABOUR SITUATION.

10. Since the beginning of the year, which witnessed a substantial fall in the price of certain categories of jute goods, it has been estimated that, by buying jute and selling goods simultaneously, the mills are losing not less than one and one half crores of rupees per month. The proposals for a closure will involve further substantial losses. Although it is the industry's earnest desire to minimise hardship to the workers involved in the restriction of production and embarrassment to the Government at a time which they recognise is difficult, they would, from considerations of their economic situation, have preferred to discharge the workers rendered redundant by their proposals. This course was not, however, acceptable to the Government of Bengal. In the opinion of the industry, the consequences of an unregulated closure are such that they must be avoided at all costs. They have therefore reluctantly agreed to the suggestion made by the Government of Bengal that the mills should close for one week in each of the months April/June, during which time the labour should receive involuntary unemployment pay, as recommended by the West Bengal Government and in accordance with the terms of the Tribunal Award. This agreement will cost the industry not less than Rs. 23 lakhs per month.

11. The Association consider that the industry's willingness to accept this additional heavy burden is complete and conclusive proof of their bona fides and the seriousness with which they regard the situation if no steps are now taken to conserve the consumption of jute.

PART IV : THE EXPORT MARKETS.

12. The industry's proposals have been criticised by other interests on various grounds. The industry realise better than anyone that a restriction in the output of a vital industry at the present time cannot be unaccompanied by losses both on the part of the mills and the national economy. They are of the opinion, however, that mitigating circumstances exist at present which will reduce the repercussions of a restriction on production and which will allow the industry's object to be attained without sacrifice in other directions.

13. In particular, attention has been drawn to the possible repercussions of a restriction on production on India's foreign trade and to -

- (a) the possible reduction in dollar earnings arising out of the Indian Jute export trade to the United States;
- (b) the reduction in earnings from supplies of jute manufactured goods to soft currency areas.

14. The following table shows an estimate of the movement of stocks, production and exports during the next six months under the Association's proposals:-

I. J. M. A. STOCKS OF MANUFACTURED GOODS. (000 tons).

	<u>Hessian.</u>	<u>Sacking.</u>	<u>Others.</u>	<u>Total.</u>
Stocks as at 31.3.49	48.5	49.3	2.5	100.3
Add <u>production</u> April-Sept '49	244.1	293.3	14.5	551.9
<u>Less</u> despatches April- Sept '49	184.8	257.2	9.8	451.8
Stocks at 30th Sept. 1949	107.8	85.4	7.2	200.4

15. As regards the question of dollar earnings and supplies to the United States, this mainly concerns the hessian situation. Stocks of hessian are at present sufficient and, while there will be a diminution in production during the next three months, it is not

considered that this will seriously affect the industry's capacity to meet all American demands and at the same time to maintain sufficient ready stocks of hessian. It should be remembered that from the end of February the heavy movement of hessian goods to the Argentine will come to an end and this alone will be sufficient to adjust the position.

16. As regards soft currency countries, recently strong pressure has been brought by the industry and shipping interests for a liberalisation of export quotas to soft currency countries. The industry does not think that the proposed restriction on production runs contrary to that desire. The industry does not foresee any difficulties in maintaining production at levels which will ensure to soft currency areas all the jute manufactured goods of the qualities which they require.

17. The Indian Jute Mills Association are confident that, by careful adjustment, these vital alterations in the raw jute position of the industry can be made without harming the foreign trade earnings of the industry.

PART V : CONCLUSION.

18. In conclusion the Association cannot too strongly emphasise the importance which they attach to the acceptance by the Central Government of the proposals which they now make. If accepted, the raw material position of the industry during the present year will be safeguarded, its situation, vis-a-vis the suppliers of jute in Pakistan, will be much strengthened, and with a reasonably successful crop next year there is every prospect of a reduction in the prices of raw jute in that season to a figure which more directly corresponds with the price which the main world markets are now prepared to pay.

19. If, on the other hand, the Central Government cannot agree to these proposals, the industry can visualise nothing but a period of the utmost difficulty ahead. The mills will be

reduced to a state of chaos, with intermittent stoppages affecting the whole industry, embittering labour relations and having the most serious economic and financial repercussions. Deprived of any stocks, the industry will be at the mercy of the foreign suppliers of raw jute with consequences which no one can yet satisfactorily forecast with precision, but which would certainly be ruinous to the position of the industry. Since the mills occupy a vital and dominating position in the whole industrial and economic fabric of Bengal the effects of such a situation on the life of the Province would have results which can only be contemplated with dismay and which must be avoided at all costs. Equally, as the most important contributor to the foreign trade of the country and in particular to its earnings of dollar exchange the repercussions of failure to reach agreement upon the wider aspects of the national economy would be scarcely less serious.

Hotel Imperial,
New Delhi, 8th April 1949.

Dear Mr. Neogy,

I was grateful to you and to Government for the opportunity you gave us of putting forward our views with regard to the position of the jute industry and in particular the jute mills in Bengal. At the same time, I was perturbed to think that sectional interests were allowed to express views unsupported by facts and figures such as we have tried to place before Government not only now but during the last few months. When Dr. Mookerjee was in Calcutta, we put forward a memorandum which supplemented a memorandum which had already been placed before the Government of West Bengal. The memorandum which we placed before the Government of West Bengal, I think, convinced the Provincial Government that the facts and figures which we had placed before them were correct. The supplementary statement which we gave to Dr. Mookerjee has not been challenged, and with the exception of the Gummy Trades Association, no other body has made a factual representation or memorandum to Government. The factual representation made to Government by the Gummy Trades Association supports the statements made by the Indian Jute Mills Association. I submit, Sir, that we are not an irresponsible body, but we are a body operating in India for the benefit of India, and whatever we put forward is put forward in all seriousness for the consideration of Government, and nothing that we say is designed to be of detriment to India. We have set forth, I submit, quite clearly the position as we see it so far as the raw jute supply position is concerned and so far as our export trade is concerned. I think we ~~are~~ have shown clearly that we would be in a position to meet the demands not only from the soft currency areas but also the hard currency areas. In the statement which we have presented

to you, at page 8 we have shown you what the stock position of gunny hessian on 30th September 1949 would be. It makes no provision for Government's demands, but if we take into consideration what Government's demands are likely to be in hessian and sacking, I am sure ~~that~~ you will agree that there are ample goods to meet all demands. It has been stated that our main consideration is to increase the price of ~~good~~ jute goods and that the object in doing so is to benefit a few who are interested in the jute industry, particularly the members of the Committee of the Indian Jute Mills Association. In this connection, I would like to say that before the Budget Session of the West Bengal Assembly, I appealed to the Honourable the Finance Minister, Mr. Nalini Ranjan Sarker, to stop the gunny phatka in the same way as he ~~did~~ had closed the jute phatka. Apart from that, as a Member of the Legislative Assembly of West Bengal, I asked the Honourable Minister to close the gunny phatka at the same time as he closed the jute phatka.

The particular points which we have tried to stress as an Association are that between now and the end of September there will be a famine period for the supply of raw jute and we will be at the complete mercy of a foreign Government for our supplies if we have insufficient stocks to hold out against demands ~~that~~ ^{which} we ^{just} ~~purchased~~ at high prices in order to keep the mills going. If we had sufficient stocks, say, five months' stock, which was the average stock held by the mills at the ^{of June each year} ~~of June each year~~ during the period 1941-47, we would be in a position to hold out until the increased crop, promised by Sir

Dattar Singh, from the Indian Union came on the market. When that happened, we could start to bargain to buy jute from Pakistan, a foreign country, at prices which would enable us to compete successfully in the world's markets. It has been stressed that we must do everything possible to meet the competition from substitutes. This is something which the Indian Jute Mills Association fully realises and that can only be done by reducing the prices of the raw material, the price of which is at present controlled by a foreign Government. At the present time, if we wanted to buy jute to make hessian quality, we would have to pay not less than Rs.47/8/-, and this is supported by the statement made this afternoon by Mr. Swales. Rs.47/8/- for hessian jute means a cost of Rs.1,330/- per ton for raw material, the cost of manufacturing hessian today at Rs.600/- per ton making a total of Rs.1,930/-, which means 70% for raw material and 30% for working costs. The yield today for hessian 40", 10 oz., is Rs.44/- per 100 yards, that is, Rs.1584/- per ton, which shows a loss of Rs.350/- per ton. The costs cannot come down because wages have been fixed by the Tribunal Award and nothing can materialise, as far as reduction in costs is concerned, till the mills are in a position to introduce labour saving machinery which they will not be able to do if they are asked to carry on working at a loss. So far as sacking is concerned, we have calculated that overhead the cost price for jute will be in the region of Rs.38/-, the warp quality of jute being of a high grade quality, practically equal to hessian grade, while the weft can be used from the low quality which today is stated to be somewhere in the region of Rs.34 to Rs.37/-. If our price of Rs.38/-

for jute for sacking goods is accepted, then the cost of the jute will be Rs.1064/- per ton, manufacturing costs Rs.350/-, making a total of Rs.1414/- as against an average yield for sacking goods today at Rs.1375/-, making a loss against sacking goods of Rs.39/-. The position, so far as we are concerned, is that between now and the end of September, there is going to be a shortage and we do not want to be held to ransom by a foreign Government, i.e., Pakistan, to buy jute which will be in short supply, in any case to keep us going at fancy prices. As I originally stated, if we had sufficient jute to keep going until the jute from the Indian Union was being marketed, we could bargain with Pakistan, which we are not able to do at present. While I have given a price of Rs.47/8/- for hessian quality jute, that is the present price at which we can buy, it would steadily rise because the quantity available is not sufficient for ~~the~~ our needs.

With regard to the American market, I have sufficient contacts to know that if prices are stabilised in this market, we will be able to sell all the hessian that America requires - and in America is included Canada - at whatever price hessian is stabilised. The present uncertainty about jute prices and the weakness of the mills, which was stressed by Mr. Jalan at the meeting today, makes the American buyer buy from hand to mouth. We are fully alive to the position of competition and in particular from paper, but we will not be able to meet that competition until the price of the raw material comes ~~down~~ down.

As I have pointed out, the price of the raw material is equal to 70% of the total costs, and the price at the moment is being dictated by a foreign Government, i.e., Pakistan. I am sure it is not in the interest of India that the jute mills should lose money to the extent of 1½ crores of rupees per month in order to give buyers, who are perfectly prepared to pay present prices or even higher prices, goods at lower prices and at the same time pay famine prices for raw material to another foreign Government. I cannot believe that it is in India's interest to do so. If Government kept out of it, the mills would close down until they had sufficient raw material to bargain in buying and create a position where they could bargain in selling in competition with all other packaging goods.

I trust that before Mr. Jalan and I leave for Calcutta tomorrow, we will have an opportunity of discussing this matter further with you, because it is not only in the interests of the jute industry we speak, but also in the interests of India as a whole.

Yours sincerely,

W. A. Dutt

The Honourable Mr. K. C. Neogy,
Commerce Minister to the Government of India,
New Delhi.