

SHRI RAM MEMORIAL LECTURES

S. G. BARVE

**OUR FOREIGN EXCHANGE CRISIS—
how, why and what next ?**

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PUNJAB & DELHI CHAMBER OF COMMERCE AND INDUSTRY, NEW DELHI

OUR FOREIGN EXCHANGE CRISIS

How, why and what next ?

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Shri R. L. Tuli, Chairman**

FOREWORD

I have great pleasure in introducing this booklet containing the text of Shri S.G. Barve's lecture on "Our Foreign Exchange Crisis ; How, Why and What next ?" in the series of Shri Ram Memorial Lectures. Shri Ram Lecture series was started by Punjab & Delhi Chamber of Commerce and Industry in 1964 to commemorate the memory of the pioneer industrialist, Sir Shri Ram.

India has been experiencing a difficult foreign exchange situation since the dawn of the planning era. The stresses caused by demands of a fast developing economy were further accentuated by the increasing requirements of imports of a defence oriented economy in the wake of unfortunate confrontation with our neighbours. The sudden stoppage of foreign aid in the last September brought the situation to a near crisis. It was, therefore, indeed opportune that Shri S.G. Barve decided to share his thoughts on the foreign exchange situation.

Shri Barve has dealt with the problem with a refreshing candour and rare frankness putting his finger on the malaise which affect the Indian economy. I am sure his views besides being read with interest will stimulate realistic discussion and it is with this hope that I commend Shri Barve's lecture to a wider audience.

New Delhi
16th May, 1966

R.L. TULI
Chairman

TALK BY
S. G. BARVE

I am indeed very happy to have been asked to deliver this year's talk in the Shri Ram Memorial Lecture Series.

I have had the good fortune of knowing Lala Shri Ram over a long period of time. Indeed I counted him among my best friends in Delhi and during the 15 years that I knew him, whenever I had occasion to come to Delhi, whomsoever else I may meet or not, Lalaji was the one person on whom I invariably called. Over years I had come to entertain a very high regard for Lalaji's judgments about men and matters. His range of interests was wide and comprehended all questions of public concern in the fields of agriculture, industry, finance and national affairs generally. He had an unerring judgment for sizing up men and affairs and many persons sponsored or hand-picked by him are today among the leading captains of industry or its high level technicians. Besides, he had an abiding concern for the welfare of the poorer sections of our community. With Lalaji's

passing away in 1963, I have a sense indeed of profound personal bereavement. For me a focus of great charm, enlightenment and personal nobility in Delhi has been extinguished.

Your Chamber of Commerce represents industry, trade and finance, in the Punjab and in Delhi. It is indeed befitting that you should have established an annual Memorial Lecture in the memory of Lala Shri Ram. He was the founder and the foremost exemplar of the vigorous, modern and progressive fabric of industry in this region which you, Gentlemen, represent.

Both industry and agriculture have evinced a remarkable vigour and enterprise in the Punjab over the recent years. Indeed, the energy, adaptability and practical wisdom with which Punjab faced and overcame its staggering difficulties following the partition of the country, are a matter of national pride to every Indian. Within such a short time, once again the economic fabric of the Punjab will be called upon to adjust itself to the exigencies of another re-definition of administrative boundaries. I have not the slightest doubt that this adjustment will also be made by the Punjabi industrialist with the same quickness and ease so that the momentum that economic advance in this entire region has gained, is not lost or reduced.

Apart from the Punjab, over the years, Delhi has also grown. Besides being the

capital of the country, Delhi is now a vigorous and expanding centre of industrial and commercial activity. Indeed, federal politics is by no means its sole or even the most important occupation.

2. As the subject-matter of my talk this evening, I have preferred to elect a specific and topical issue rather than traversing the field of generalities relating to economic development or national affairs. After 15 years of planning, I believe there is a broad national consensus regarding objectives and approaches. In a gathering of this level of enlightenment, one may safely take a number of things for granted. For instance, that we have to bring about a whole-sale economic transformation in this country to solve the basic problem of India's poverty ; that for economic development we rely upon both the activities of the Public Sector and the Private Sector ; that economic progress necessarily involves our borrowing both equipment and technology from the advanced countries of the world ; that the pace of our development depends upon the resources which we can mobilise for investment ; and that these resources are too small and too difficult to raise within an economy at our level of national poverty—all these features are manifest and hardly need to be dwelt upon. We have completed 15 years of planning and are just entering into the first year of our Fourth Plan period. We are now up against some very complex and refractory issues in the unfolding of the developmental process. It

is necessary that our public discussions are now conducted with reference to specific issues and at a level of comprehension and maturity to correspond with the hard options and the difficult terrain that we face. Slogans, cliches and pious platitudes cannot plumb the depth and complexities of our problems any longer.

3. Over the last 15 years there has been a sizeable growth of industrial capacity in our country. Apart from the growth in consumption goods there has been a considerable development of heavy industry and machine-making capability. Of course, there are still many gaps and deficiencies. These would not have greatly mattered and we could have confidently waited for the steady unfolding of the process, if the situation held out the promise of smooth and unhampered consummation. Unfortunately it does not and hence there is need for a critical reappraisal and stock-taking.

Today, industrial growth is stalled and stymied. Large proportions of capacity are lying idle for want of industrial raw materials which have to be imported. Machineries and equipment are out of commission for want of spares and components. The industrial scene is indeed riddled with many distortions, huddles and tangles.

Some deep-seated disharmonies and malformations have been exposed by the current stranglehold of industrial growth. We are

realising now what indeed should have been manifest all along, namely, that the rate of our growth and indeed the entire dynamics of our development is decisively determined by the state of our balance of trade. During the first six or seven years of our development, we could draw upon the large foreign exchange balances accumulated during the war out of the hardships and privations of the people of our country. Once these were drawn down, we came up short against the stark reality that we are not paying our way currently in terms of the balance of trade and that the pace of our development is governed by the ease or difficulty with which we can borrow from other countries to make up the trade deficits we are running.

4. We talk today of 'a crisis' in foreign exchange. It is necessary to recall that while the situation has presently reached the nadir of distress, we have been all along living under the menacing shadow of a foreign exchange squeeze more or less continuously for almost 8 or 9 years. Since 1957-58, when the first crisis of foreign exchange overtook us, the trade imbalance has continued chronically and indeed deepened with years. This gap was covered up only by the 'foreign assistance' we were able to procure.

It is also necessary to recall that even so, our national economy had been over taken by a foreign exchange crisis about this time last year, that is to say, months before the Pakistan confrontation of September last and

the freezing of promised foreign assistance that followed thereafter. It is also important to note that while the Chinese aggression of 1962 and the subsequent intensification in our defence preparedness intensified the strain on our foreign exchange resources, the parlous position relating to foreign exchange had obtained even previous to this. While recognising that the defence step up of three years ago and the foreign aid freeze of recent months were supererogatory aggravations, it is necessary to be clear in our minds that the malaise has existed independently of them all along.

5 There is one other aspect of the matter that I would like to refer to in passing. It is a matter of national shame that we have not been able to attain self-reliance in respect of food so far. Our dependence on food imports has continued and indeed the countrywide drought this year has forced us to rely on imports of American surplus grains to an unprecedented extent. Fortunately for us, these American surpluses in food grains come under the special PL 480 arrangements and their incidence on foreign exchange is limited to the cost of shipping and such other incidentals. Obviously, self-reliance in food is of the highest national importance. Indeed it is one of the major objectives of our national policy to attain such self-reliance over the next 4 or 5 years. In this discussion, however, I do not have to take specific note of our dependence on food imports. The imbalance of trade that I will speak of

exists independently of the food deficit which fortunately for us under PL 480 does not impinge on our foreign exchange balances. Attainment of national self-reliance, of course, envisages the wiping out of the food deficit as well as bringing under control the rest of the trade balance.

6. There is a gap of 450 to 500 crores of rupees between the current level of our exports and our imports. This is eked out with the foreign assistance of this order which has been coming in. When the foreign assistance prospect darkens or when the pipeline narrows or gets choked, as happened during recent months, difficulties arise and our economy suffocates.

If you analyse our imports and exports you will find that our import of machineries, etc., is of the same order of Rs. 450 to Rs. 500 crores per year. In broad terms this means that the import of machineries and equipment that we require for completing the industrial infra-structure can be sustained only by a corresponding level of foreign assistance.

Foreign assistance is, of course, overwhelmingly in the form of loans. We have to pay interest on these and repayments fall due. The servicing of the foreign loan calls for an increase in our export potential for earning the necessary foreign exchange. If the new industries that we have set up had been able

to develop an export potential adequate to service the loans as we went along, there need have been no difficulty.

This has, however, not happened for various reasons. For one thing, a good deal of the production from the growth of industry is pre-empted by the requirements of our large, sheltered, expanding domestic market. For various reasons we suffer from the handicap of high costs and many of our industrial products are priced out of the international market. In fact, not only has the new industrial development not been able to put forth an adequate export potentiality to service the foreign loans ; a considerable fresh burden has been thrown on the balance of trade by the requirements for industrial raw materials and spares and components, which has grown with the growth of the new industries.

It is in this situation that we have to consider how our policies and programmes should be so devised that we are not repeatedly reduced to the pathetic position of seeking to be baled out of a persistent trade imbalance by international first aid measures.

7. Even a superficial look at the items entering our imports and exports will bring out the following important facts. For our exports we still rely in the main on the traditional items. Jute, tea, cotton textiles, agricultural products, ores, hides and skins account for the bulk. We have not been able to develop more than a modest export

potentiality so far in respect of engineering goods and other products of modern industry. On the import side also, there is hardly any fat or margin left for slashing. The bulk is accounted for by petroleum products, steel, non-ferrous metals, sulphur, spares and components and machinery—all items indispensable for their different reasons.

While everything must be done to promote exports, it is evident enough that the bulk of our exports are relatively inelastic. Likewise, everything possible must be done to reduce our imports—by import substitution of non-ferrous metal uses, the indigenous manufacture of components, spares and machineries wherever feasible and so forth: On the export side, the exports of iron ore and certain other promising commodities must be pressed on to the limit. It is clear, however, that notwithstanding every effort to expand exports and reduce imports, there would still be a substantial gap in the balance of trade for some years to come, which we must reckon with. This gap has to be bridged by foreign assistance.

8. We might reasonably reckon on the fact that there will always be a certain amount of foreign assistance going for a country like India to pick up in the inter-national credit market. Apart from any motivation on the part of advanced countries deliberately to help industrialise less advanced countries like ours—and let us gratefully acknowledge the humanity underlying such motivation

wherever it exists—such countries are always anxious to sell their products abroad, more especially in a potentially vast and promising market like the Indian. The pressures of export interests are always operative ; in countries of the communist bloc political motivations reinforce the humanitarian motivations, although the commercial pressures do not operate as in countries of private enterprise. Suppliers' credits, credits by international agencies, Government to Government credits, a moderate flow of foreign capital eligible on terms acceptable to us, are available for backing up the inherent export drives within the advanced economies. So long as we narrow down our trade balance to such limits that the gap can be comfortably bridged over by the flow of international credit, we would have won for ourselves the necessary room for play and manoeuvre. It is when our gap becomes so large and urgent that a diminution of foreign assistance threatens to suffocate the economy, that we incur the risk of pressures, direct or indirect, on our economic freedom. In short, we must use foreign assistance as a stick while we stand firmly on our own legs and not as a crutch.

9. Let us be clear, however, what we exactly mean by self-reliance. By self-reliance we do not mean self-sufficiency or economic autarky or isolationism. No country in the world, not even the richest and the most advanced, is fully self-sufficient. It would be uneconomic and ridiculous to try and replace every import by an indigenous

substitute regardless of cost. 'Growing grapes in Scotland' can never be a part of economic wisdom. By self-reliance we mean that we want to develop our human and natural resources to the full and be able to purchase our necessary imports out of what we would export to the rest of the world. During the interval, while we are developing, we must import a good deal of machinery and equipment from elsewhere. We must so regulate our development that the trade gap which will currently need to be bridged over by foreign assistance is no more than what can be procured with ease in the international credit market, without the slightest jeopardy to our economic independence and freedom to develop as we wish.

10. The point for consideration is whether given the inexorable logic of the situation—viz., our relatively inelastic exports and imports and the persistent tendency of our trade gap to pierce the limits of international credit available without pressures or strings—whether we have been observing the rigorous disciplines predicated by it. And even if we have failed hereinbefore, what can we do hereafter to remedy the situation?

I must make it clear at once that there is no single dramatic solution to the problem. There is no sensational nostrum or cure that could just conjure away our trade deficit in this intervening period. There are, however, a large number of issues in respect of which more disciplined and discriminating policies

would need to be taken if we are to bring the trade gap under control and recapture our freedom and initiative. The present crisis has been built up cumulatively over a number of years as the result of failures and deficiencies in several fields. Its cure can be obtained not at once but growingly over a period of time by their rectification at numerous points and levels. Some of the measures will bring in immediate relief; some others have a longer period of gestation and it is only after some time that they would fetch in their rewards. Above all, the remedies are to be procured not by heroic flourishes or merely by patriotic slogans but by patiently, skillfully and vigorously labouring at the correct solutions.

11. A positive and purposeful industrial licensing policy is an essential prerequisite for working towards a tolerable balance of trade position. As at present, there is no adequate follow-up for implementation of licensed capacities. The non-realisation of a large volume of licensed capacity is directly responsible for many of the shortages with which the economy is plagued at the moment, for instance, cement, fertilisers, aluminium. Some of the shortfalls, as for instance, in fertilisers, have an enormous significance for the balance of trade position.

In general, on account of this lack of punch and purposefulness in the licensing policy, the growth of final product industries has been far more ready and forthcoming than

that of intermediate products feeding them. Thus, while paper plants have been coming up, paper pulp projects have failed to materialise adequately to sustain the paper production. Rayon spinning has expanded, but rayon pulp has lagged behind. Caustic soda, alloy steels, newsprints, drug and pharmaceutical intermediates have failed to develop adequately while the final product capacities have grown resulting in a pressure on imports. It should be possible for a positive licensing policy, adequately backed up by supporting measures in the field of fiscal policy and price control and by linkage of production of the intermediates with the licensing of capacity for the final products, to force entrepreneurship to take the rough with the smooth and ensure that industrial growth does not jeopardise the trade balance.

12. The failure to realise capacities, including those in the public sector, of certain critical commodities has a profound significance on the aggravation of our trade deficit. Thus, for instance, the delay in achieving additional production of a million tonnes of steel by one year means an outgoing of the order of a hundred crores per year in foreign exchange. Delays in the implementation of the fertilizer manufacturing programme have been of profound significance in adding to our foreign exchange liabilities. The delays in the copper project at Khetri, in the exploitation of the Amjore pyrite deposits, in the exploitation of indigenous possibilities of zinc have all contributed significantly to enhanc-

ing our foreign exchange liabilities for the import of non-ferrous metals and sulphur. On the other hand, for instance, the development of a substantial indigenous petroleum industry and of petroleum refining capacity over the last 8 years has materially helped in reducing the foreign exchange outgo and in strengthening our self-reliance. Indeed, the whole of our industrial programme since the Second Plan Period aims principally at achieving such import replacement. The programme also involves a high content of foreign exchange outlay. That is why the proper selection of the projects and their timely commissioning is so overwhelmingly important for the economy.

13. Another important field in which radical reorientation of outlook is necessary is the field of foreign collaboration and consultancy.

Over the last eight to ten years, there has undoubtedly been a facile over-readiness to go in for foreign collaborations. It is not merely a question of the royalty payments involved. Apart from the royalty payments, a foreign collaboration often involves whole-sale import of equipment and machineries, well defined and sliceable portions of which in many cases we could have made in the country. While this is a greater evil as compared to royalty payment, the still greater evil is the denial that such collaboration entails, to ourselves to develop indigenous technological capacity for the designing and erection of similar plants

in the future. Self-reliance has to be sought in depth. We have not only to establish capacity for additional production of different commodities ; we have to establish capacity for making the equipment and machinery for producing these commodities ; withal, we have to establish the technological ability to design and engineer the necessary machineries and equipment for the different processes of production.

Foreign collaborations for identical processes have been often allowed several times over, each applicant entering into a separate collaboration. Apart from the multiple foreign exchange payments, the varieties of specifications and designs thus imported make subsequent standardisation and Indianisation unattainable and entail a recurring outgo of foreign exchange in spares and components.

Incidentally, the bulk of private foreign capital investment that has come to the country has come in the shape of imports of machineries and equipment and very little as cash inflow.

While our licensing and control procedures no doubt erect many hurdles and obstructions, consume a lot of time and cause a lot of irritation, they nevertheless have failed to screen adequately and prevent such collaborations with their profoundly deleterious consequences, both proximate and long-term, on the trade balance and the objective of national self-reliance.

This is not to say that there is no need for foreign collaboration. Of course, there is. But it is necessary to be vigilant about where we should allow it. An obvious precept of economic wisdom in our situation would be "Forbid not where you must permit. Permit not where you must forbid". Yet I wonder whether quite often we have not been doing the exact opposite.

The Japanese have all along been quite ready and even eager to import newly discovered know-how and even the related equipment from abroad. 'Yes, the Japanese do import newly developed machinery from abroad', a keen Western observer remarked to me the other day, 'but they never do it more than once.'

We have now reached a stage in industrial development wherein these questions of consultancy, design engineering and development of indigenous technological know-how have assumed a critical importance, if our further progress is to be rapid and smooth.

After having acquired 3 steel plants on a turn-key basis, while it is important for our steel production that the Fourth Plant should be set up quickly, it is even more important for eventual self-reliance that in the process of setting it up, we develop indigenous technological capacity for designing and engineering as much of such a steel plant fabric as possible. We need many more fertilizer factories and, in fact, we will have to plan

for putting up a couple of new fertilizer factories every year as a routine measure to cope with the increased food requirements of our increasing population. It is vital, therefore, that we acquire as fast as we can, the technological capacity and process know-how to design, engineer and fabricate the equipment for putting up such fertilizer factories ourselves.

14. We have set up a large chain of national laboratories, amply housed, generously equipped with large complements of scientists and technicians. We have yet, however, to secure a sufficient impact of indigenous research on our industrial growth. The arrangements for translating results of indigenous research into commercially feasible propositions ready for adoption by industry and for designing and engineering the necessary processes for linking up research with its practical exploitation are still weak and insufficiently developed. Apart from research in national laboratories, the great store house of research and improvement is industry itself. How to inculcate into industry, long enured to a sheltered market, the consciousness for cost and continuous process research is yet another problem. Like industrial licensing, the problems of research and consultancy are subjects which would merit a separate study by themselves and I can do no more than merely highlight some of the contours.

15. Apart from these substantive mea-

asures of industrial policy and the timely accomplishment of industrial targets, there is one important issue which must be brought out. This is really a matter at the level of the mechanics of administration and if one is constrained to mention it, it is merely because there would seem to have been a persistent failure even at this elementary level. Obviously if the balance of payments position is so vital to our economy, one would have thought that there would be a careful and continuous tally and vigil over the current and prospective foreign exchange position. Yet it has to be recorded with regret that our foreign exchange management, even merely at this mechanical level, leaves a great deal to be desired.

It is necessary and ought to be possible to take a longer view in foreign exchange budgeting than is represented by the six monthly exercise of foreign exchange allocation resulting from the periodical declarations of import policy.

It is quite true that in our conditions, foreign exchange budgeting is a complicated exercise. Yet it is precisely because there are so many variables that it is necessary to attempt the best possible estimates from time to time and keep the whole frame under constant review. The pool of foreign exchange comprises 'free foreign exchange' and foreign exchange tied down to particular foreign currencies either because of barter deals or conditions governing particular foreign ex-

change credits. Then there is the further complication that a part of the foreign exchange is tied down to particular projects. Taking all these complications into account, there is nevertheless a degree of manoeuvrability which, I am not at all sure, we have been adequately exploiting. While credits from foreign countries get committed from time to time, there is a substantial 'pipeline' of such credits which, together with our own foreign exchange earnings, gives us a fair amount of room for play and to adjust in advance. It is necessary, among other things, to keep a running account of foreign exchange liabilities by way of maintenance imports that goes on accruing alongside of the licensing of new industrial capacity. The pluses and minuses resulting from every industrial project, and indeed every major act of industrial licensing, whether in the public or the private sector,---minuses, whether by way of import of industrial raw materials or spares and components of machinery for the equipments installed and pluses by way of import substitution—must be estimated, time-scheduled and continuously tallied and reckoned in. Supplemental to these arrangements, there will have to be a system of keeping a systematically of orders placed and deliveries expected against import licences issued, which does not exist at the moment. It is obvious that the authorities must keep themselves posted with the time-schedule of import maturities as distinguished from mere authorisations. We are now working on a very narrow margin of foreign exchange

balances. While the shadow of a foreign exchange squeeze has continually hung on the horizon for the last few years, the cloud has repeatedly precipitated into storms in the shape of foreign exchange crises which we have hitherto met by *ad hoc* emergency measures causing deep and grievous hurts to the economy. It is an elementary part of administrative wisdom to avoid such 'alarums and excursions' and to set up a system whereby a continuous exercise in foreign exchange budgeting, current and forward, is carried out and decisions taken and the position re-adjusted from time to time so as to prepare to meet contingencies in advance and before they actually overtake and overpower us.

A foreign exchange crisis is not an act of God that it should come upon us unpredictably like a failure of the monsoon !

16. One more aspect must be mentioned. Out of the foreign assistance available in prospect, we must make a continuous exercise as to the quantum that we would need for necessary imports of industrial raw materials, components and obligatory items, and the balance that we can allocate to the creation of new industrial capacities. Granting that the aid-giving nations have been showing particular preference for projecting their aid—incidentally, this is due as much to the prestige value of particular projects being financed by their aid as to the pressures of equipment and machinery ex-

porting interests within the donor countries— I am not at all sure that we have on our part been exerting ourselves sufficiently to influence the aid-flow into a pattern that we consider most beneficial to our economy. The absurdity and the economic waste of allowing a lot of capacity, a good deal of it installed with imported machineries and incurring loan-servicing liabilities payable in foreign exchange, to remain idle have not been sufficiently appreciated. To start with, we have not posted ourselves, as we always should, with a dependable framework of desirable allocations from our point of view as between maintenance requirements and creation of new capacities. In the result, in the quantum of the aid forthcoming, there has been a persistent imbalance in the aid allocations to these two components. As a consequence, especially when the squeeze came, in many cases, large volumes of production have had to be sacrificed for disproportionately small amounts of foreign exchange outlay on maintenance imports. I need not quote figures. I am quite sure, many of you are aware of numerous cases in which entire ships, so to say, have had to be sacrificed for ha'pennyworth of tar to be procured by way of maintenance imports.

I appreciate, of course, the need for building up more industrial capacity in the appropriate sectors to fill the gaps in our industrial infra-structure. However, a proper balance has to be struck all along and we have not furnished ourselves with the

basic tool necessary for taking the right decisions as we go along, namely current and forward foreign exchange budgeting, comprehending the incidence of all the factors bearing upon its pluses and minuses.

What would you think of a housewife who spent away all the family's monthly budget on acquiring a frig daire meat-box, kitchen ranges and other useful aids and gadgets leaving nothing in hand for the next day's milk for the children and vegetables for the family ?

17. I would say in conclusion that while our foreign exchange problem is complex and difficult, considerable easements can be procured and the position brought firmly under control by pre-planning and the adoption of appropriate policies and procedures. What is wanted above all is understanding, discipline and determination on the part of those charged with the concerned responsibilities. Ultimately, in this case, as on so many issues of national policy, we come up on the same bedrock of the strength and capacity of national leadership. Whether it is the question of framing and implementing a purposeful industrial policy, or of vigorously enforcing import substitution, or of mounting export performance drives in promising fields of export potentiality, or of timely and economical execution of public sector projects, the prime prerequisite is the same qualities of comprehension, courage and character on the part of the political archi-

pects of our national fortunes.

We are engaged on a task of monumental significance. It is the task of abolishing poverty and bringing freedom from want to 500 millions of our countrymen. Our economic life has stagnated over centuries. We have to transform the tenor and technology of our entire way of living. We have to do this without jeopardising our economic freedom.

This is perfectly possible if only we will.

18. In this business of building up a self-reliant economy and taking the country to the stage of self-sustained growth, we all have our parts to play. Businessmen and industrialists have indeed an important role to discharge in this great enterprise. Lala Shri Ram, whose memory we honour today, looked upon wealth as a trust. The means of production entrusted to the industrialists are held by them on behalf of society and ought to be employed so as to subserve its best interests. Businessmen and industrialists do not have to be apologetic so long as they are developing the country's resources for the good of its millions.

Other citizens also, in whatever walk of life their work lies, have equally an important trust to discharge. Those of us who happen to be placed in some position of responsibility in public life, whether in the legislatures or in the administration or in the press, have to

discharge our duty of vigilance and constructive self-analysis. The legend and the banners of freedom were carried aloft in the struggle before independence. In the years that followed, firm principles of national policy and of international posture have been enunciated. The work that remains to be done now is not spectacular. It is nevertheless vital and important in the task of national reconstruction. What is wanted now is skill, comprehension and disciplined enthusiasm to carry out the immense and abiding tasks of national re-generation.

Jai Hind

INAUGURAL SPEECH
BY
SHRI R. L. TULI
CHAIRMAN
PUNJAB & DELHI CHAMBER OF COMMERCE
AND INDUSTRY
NEW DELHI

Shri Barve and friends,

I have great pleasure in welcoming you to this third lecture in the Shri Ram Memorial Lecture series arranged under the auspices of the Punjab & Delhi Chamber of Commerce and Industry.

To us in Delhi, Lala Shri Ram represented our old heritage and culture. He was truly a fatherfigure to the younger generation of businessmen and business executives. The deep interest that he showed in the affairs of his friends and associates was a unique aspect of his personality, which endeared him to one and all, not only in Delhi, but all over India.

I had the privilege of coming into personal touch with Lalaji only after 1947. For some time we were together on the Board of Rehabilitation Housing Corporation when the Govt. of India had nominated him as Chairman. Although he had no financial interest

in the Corporation he went deep into every aspect of its working. This was no exception. He displayed similar attitude of *Nishkam Seva* in a number of institutions which he was called upon to guide in an honorary capacity.

As we meet this evening, I am reminded of the benign smile on his lips and the twinkle in his eyes, which he always had even while discussing matters of great moment. He was fond of explaining complex situations by simple homilies from our scriptures or incidents from his own life.

Brilliance and commonsense, combined in equal measures, enabled him to take a sober, and yet progressive view of life. Despite a humble beginning, he rose to the rank of one of the leading industrialists of India through hard work, keen foresight, and a deep human understanding. A large number of industrial and social institutions took birth under his initiative. He was equally interested in educational and research organisations. It is difficult to think of any sphere of constructive activity in which Lala Shri Ram did not show keen interest. On industrial organisation itself, there was hardly any modern technique of management which had not occurred to Lalaji and on which series of experiments had not been carried out by him.

A pioneer in the industrial field, he gave new meanings to age-old concepts. It is only recently that the modern world is awakening to the concepts of social responsibilities of

business—responsibility towards workers, shareholders, consumers and the community. But looking back at the policies and practices that Lala Shri Ram introduced in his own concerns, one would clearly recognize the same philosophy derived from Gita's ideal of '*sarva bhut hite rata*' in actual operation over many decades. It was for this reason that Lalaji was held in high esteem by the Government, the public, his workers and his brother industrialists in the country. He had the extra-ordinary knack of picking up juniors with high potential and developing them under his personal tutelage. Most of such young men are now holding positions of high rank in his own group of companies or outside. We, in the Chamber, have good reason to be grateful to him. He was on the Chamber's Committee for over 22 years and continued to guide its activities, even long after retiring from the Committee.

Friends, our Guest Speaker this evening, Shri S.G. Barve, needs little introduction to Delhi audiences. After a brilliant academic career at the Bombay and the Cambridge Universities, he joined the Indian Civil Service in 1935. He occupied senior positions at Ahmedabad and Poona and in 1952 came to the Government of India as Joint Secretary, Economic Affairs, in the Ministry of Finance. During this period, among other things, he was closely associated with credit policies and measures of banking reform including the nationalisation of the Imperial Bank of India. Thereafter he was required to

deal with delicate problems on languages as Secretary of the Official Languages Commission.

In 1959, he led an Indian Delegation for discussing a World Bank Loan for the Koyna Hydro-Electric Project in Maharashtra. During his civil services, he has dealt with multifarious problems concerning national policy and administrative procedures.

In 1961, Shri Barve obtained a pre-mature retirement from the Indian Civil Service to enter public life. He continued to be the Chairman of the Maharashtra State Irrigation Commission as well as of the Industrial Development Board of Maharashtra. He was closely connected with social welfare work and special mention may be made of the work done by him in directing the flood relief operation at Poona in 1961.

In 1962, Shri Barve was elected to the Maharashtra Assembly and appointed Finance Minister to the Maharashtra Government. He later became the Minister for Industries and Electricity and continued in that capacity till April, 1965 when he was appointed a member of the Planning Commission.

Shri Barve, as Finance Minister of Maharashtra, took special interest in banking matters and, in fact, paved the way for a new thinking by emphasising the need for arranging term-lending on larger scale in India. His advice, I am happy to say, has been followed

by the banking industry with vigour.

From 1961, Shri Barve has been devoting himself to various causes and has acquired first-hand experience of day-to-day problems of the populace. The rare combination of an official career blended with political activity places him in advantageous position, since he can take a realistic view on pending questions, and can keep a harmonious balance between the administrative and elected authority.

The topic selected by Shri Barve is "Our Foreign Exchange Crisis How, Why and What next?" This subject is of great current interest and is engaging the attention of the Government of India, planners, industry and business. The crisis in the foreign exchange situation was brought up for discussion in a meeting held by the Chamber's Committee with Shri Barve in January 1966. A brief survey of the existing position and the possible remedies were discussed. I am happy to say that after this discussion at the Chamber's Committee level Shri Barve has decided to share his thoughts on this subject with the public. He recently spoke on it at a meeting in Madras. This topic has also been taken up at various other forums. The All-India Management Association in a Study Conference on the 'Challenge to Indian Management' held in March 1966 discussed the management of foreign exchange.

Foreign exchange crisis is one of the

symptoms of the malaise arising from failure of our economic policies and international trade. For solving the crisis we have to tackle all problems which affect our economy such as curbing inflation, increasing production, building up larger exports, restricting imports, attracting bigger foreign assistance and a large number of other problems. In short we must do everything to improve our development plans which should embody a judicious balance among wages and productivity, inputs and outputs, inventories and sales, investment and growth and all other key factors which can help us in implementing our plans for reaching the national goals of economic independence of the country and the individual.

This general statement merely indicates some of the desired ends. It does not point out the way for reaching them. It is to you, Sir, that we look for your considered views about the nature of our Foreign Exchange Crisis, how and why it has come about and what can be and is intended to be done to remedy the faults and to achieve our cherished goals.

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