THE PUBLIC SECTOR

The growth of the public sector in India has received extremely high complements from the circle of so-called friends of India - especially the Soviet revisionists. Professor R. Ulyanovsky, in an article in Pravda, August 4, 1970, writes that the state sector in India "is growing stronger and dominates in some branches. It plays an important part in reducing the power of the monopolies, weakening the position of foreign capital and narrowing the gap in the level of economic development in different parts of the country". Indian progressives, led by the C.P.I. revisionists, have been crying hoarse that, due to the growth of the public sector, independent industrialisation of India is on the march towards a successful culmination. It is necessary and of utmost importance to study this question to arrive at a few objective conclusions as to the true nature of this phenomenon in the Indian economy.

It must be stated, at the very outset, that the state sector is not a peculiar feature of the Indian acquisitive society. Intervention by the State in the production process of a country is a common characteristic of all capitalist countries. As a matter of fact, this has become absolutely necessary to preserve and strengthen capitalism itself. In the process, Britain had to nationalise its coal and steel industry. Galbraith, the ambassador of the U. S. in India, has written that the public sector in America is very much larger than in India. Therefore, the growth of the public sector, by itself, does not denote progressiveness of any State.

In the earliest days of indsustrial growth - i.e., more than 150 years ago - the first foremost economist, Adam Smith, had clearly forecast the necessity of State intervention in the interests of development of private capital itself. He had enunciated that the erection and maintenance of public works – which though in the highest degree advantageous to a great society are however of such a nature that the project could never repay the expense to any individual or small number of individuals and which therefore cannot be expected to be under taken by individuals - had to be done by the State directly and on its own responsibility so as to provide enough incentives for the growth of private investment.

F. Engels in his brilliant book, "Antiduhring", had stated that the growth of capitalist productive forces *"leads first to various forms of joint stock companies and later on, when even that method becomes insufficient, to the direct ownership and control of the means of production by the State, as the official representative of the capitalist society"*. He further stated that *"the more productive forces it takes as its property, the more it becomes the real collective body of all capitalists, the more citizens it exploits. The workers remain wage-earners, proletarians. The capitalist relationship is not abolished; it is rather pushed to an extreme"*.

Therefore, public sector, or the State's direct intervention in production is not a new feature. And it does not mean that establishment of the State sector is a progress towards establishment of socialism.

But then we are told that intervention by the States in underdeveloped countries, would play a progressive role since it helps mobilise the internal resources for independent development of industries, that is an instrument of anti-imperialism used mainly for growth of indigenous capitalism. If its character is really anti-imperialist then the State does play an extremely important, progressive, role. Thus, in an under-developed country, intervention by the State may be progressive if it enables the country to fight for, and consolidate, its independence **vis-a-vis** imperialism. But state capitalism, in alliance with foreign capital, becomes a pure and simple means of exploiting the people and endangers the very independence of the country. In such a situation, it can never play the role of an instrument of anti - imperialist and independent industrial growth.

Industrial Policy Resolution

The growth of the public sector in independent India had a base even before 1947, when the basis of state monopoly had already been laid by the British Government in the 20 odd ordnance factories managed by the Defence Ministry.

After independence was proclaimed, the industrial policy resolution announced by the Government in 1948 was forthright in its welcome of foreign capital. Moreover, Prime Minister Nehru's statement later, in clarification of the resolution, that there should be no discrimination against foreign capital laid the foundation for the policy to be implemented even in the public sector. This aspect of government policy should be constantly kept in mind when one

studies the future of the state sector in our country.

The Second Five Year Plan categorically stated that, in "a growing economy which gets increasingly diversified, there is scope for both the public and private sectors to expand simultaneously, but it is inevitable, **if development is to proceed at the pace envisaged and to contribute effectively that the public sector must grow not only absolutely but also relatively to the private sector"**.

The areas in which the public sector will grow, and grow faster than the private sector, were clearly enunciated in the Industrial Policy Resolution of April 13, 1956, where it was promised that :

> *In the first category will be industries the future development of which will be the exclusive responsibility of the State. The second category will consist of industries, which will be progressively State-owned and in which the State will therefore* **generally take the initiative in establishing new undertakings,** *but in which private enterprise will also be expected to supplement the effort of the State. The third category will include all the remaining industries, and their future development will, in general, be left to the initiative and enterprise of the private sector.*
>
> *Industries in the first category have been listed in Schedule A of this resolution.* **All new units in these industries where their establishment in the private sector has already been approved will be set up only by the State.** *This does not preclude the expansion of the existing privately owned units, or the possibility of the State securing the co-operation of private enterprise in the establishment of new units when the national interests so require. Railways and air transport, arms and ammunition, and atomic energy will, however, be developed as Central Goverment monopolies. Whenever co-operation with private enterprise is necessary, the State will ensure, either through majority participation in the capital or otherwise, that it has the requisite powers to guide the policy and control the operations of the undertaking.*

Industries in the second category will be those listed in Schedule B. With a view to accelerating their future development, **the State will increasingly establish new under - takings** *in these industries. At the same time, private enterprise will also have the opportunity to develop in this field, either on its own or with State participation".*

It is now 15 years since the resolution was passed by the highest body of people's representatives - the Parliament. Now we should study the results and see whether my contention that the public sector has become, and is becoming, more and more a base for private capital and much more so for foreign capital is true. In my opinion, it can as well be said that this resolution does not exist since it was stealthily thrown into the dustbin even before the ink with which it was written was dry. Let us now examine a few cases to concretise the above criticism.

COAL : Coal and lignite was one of the industries in Schedule A – i.e., those industries whose "further development will be the exclusive responsibility of the State". Let us now see how this particular resolve has been implemented. Instead of my enumerating the facts, I feel it would be better to hear straight from the horse's mouth : the Estimates Committee of Parliament in its report in 1962-63 gives the following facts.

"The industrial policy resolution of 1956 listed coal in schedule 'A', thus **envisaging** *that its* **future development was to be the exclusive responsibility of the State."** (Page 1).

"The industrial policy resolution of 1956 envisaged that **'all new units'** *in the coal industry are to be set up only by the State. This does not, however, preclude the expansion of the privately owned units".*

"The Second Five Year Plan clearly contemplated that ......the private sector should raise its share of additional 10 million tonnes **from their existing workings and immediately contiguous areas."** (Page 2)

"The committee were informed that since the middle of 1956, the Central Government had given its approval to the private sector of the coal industry to develop new areas in 49 cases in various states." (Page 2).

"It is, however, seen that out of the 49 areas referred to above, 25 are contiguous and **24 non-contiguous.** *The representative of the ministry explained during evidence that Government* **took a pragmatic view** *of the Industrial Policy Resolution and* **interpreted it rather liberally."** (Page 3).

"The committee note that in the Second Five Year Plan, it had been specifically stated that "in future, the policy of retaining all new undertakings in coal in the public sector **should be more strictly followed** *... The expansion of production by the establishment of new collieries will be under taken* **wholly** *in the public sector'. The committee feel that the present policy of Government in allowing non-contiguous areas to the private sector is strictly* **not in consonance** *with the Industrial Policy Resolution and the decision contained in the Second Five Year Plan. The rather liberal interpretation of the Industrial Policy Resolution ..... is* **not conducive** *to the proper development of industry."* (page 3).

Now it is clear that, in 1956 itself, the Government had started condoning the growing encroachment by the private sector into spheres reserved for the public sector by the Industrial Policy Resolution of 1956.

OIL : This is a field in which the Soviet Union has played an important role **as a catalyst** for foreign oil companies to enter the public sector. This is a field in which the Soviet Union and the foreign oil companies seem to be playing a role more and more complementary to each other. With the increase in aid to this sector from the Soviet Union there has been an increasing penetration of foreign oil companies into the public sector in this industry. The co-operation between the public sector and the foreign oil companies should have put the Soviet Union to shame for having been used by the comprador bourgeoisie to play the role of improving relations between the foreign oil companies and the public sector. Here, too, the Government of India put the industrial policy resolution into cold storage, and allowed the foreign oil companies not only to establish their branches of refineries in India but also to expand their production.

But the country is being told that, other than the private refineries which were already established in 1956, every *new* development in the oil sector is progressing only under the public sector. This is not quite true. After the three public sector refineries established with Soviet and Rumanian help, oil has come almost entirely in the fold of the so-called joint sector - collaboration between public sector and foreign private capital, with complete domination by foreign finance.

On this question, too, it is better to allow the *Estimates Committee of Parliament* to give a few details. The Estimates Committee in its 34 th Report (1962-63) has the following to report:

> *"The Industrial Policy Resolution of April 1956 specified that the future development of mineral oil, will be the* **exclusive responsibility** *of the State".*
>
> *Yet "the laying and operation of the crude oil pipeline was the responsibility of the Oil India Ltd., in which the Government of India and Burma Oil Company had an equal partnership in the ratio of 50 : 50."* (Page 8).
>
> *" .... The Committee was informed that crude oil was supplied by the Oil India Ltd., a company in which the Government of India holds 50 per cent shares. The crude oil produced by this Company is sold only to two customers - viz., Government of India for the use of Indian Refineries Ltd. (2.75 million tonnes) and Assam Refineries (0.25 million tonnes) - making a total of 3 million tonnes in all. Clause 8 of the agreement entered into between the Oil India Ltd., and the Government on July 27, 1961, which provides the formula for pricing of crude oil applied to both the customers is given below:*
>
> *(1) The price of crude oil would be based upon the C.I.F. price of the Middle - East crude oil of equivalent quality at Calcutta.*
>
> *(2) On this C.I.F. price of the Middle-East crude is a certain discount to be given by the Oil India Ltd.*

> *(3) The discount is to be so calculated that it would give Oil India Ltd. a net return of 10.8 per cent of its paid up capital (which is Rs. 28 crores) after payment of all taxes including taxes payable on dividends.* (Pages 13-14).
>
> *........ It was stated that at present the Indian Refineries Ltd. was paying a* provisional price of Rs. 72.79 per tonne *for its supplies of crude oil. Since this price formula, referred to above was based on a total off take of 3 million tonnes .... and the actual offtake was only 5 lakh tonnes, for proportionately higher price would have to be paid to the oil in order to ensure a minimum dividend of 9 per cent.* (Page 14)
>
> *"It will be seen that, even at present, Indian Refineries Ltd. is paying about Rs. 84 per tonne (including Rs. 12 of sales tax per tonne) for the indigenous crude oil compared to about Rs. 71 to 74 per tonne paid by the refineries in the private sector for the crude oil imported by them* (Page 15).

EXCELLENT CONDITIONS FOR SUCCESS OF PUBLIC SECTOR

In another report - the 28th report of the year 1962-63 the Estimates Committee, dealing with Indian Oil Company's marketing facilities, reports about certain arrangements made with the foreign oil companies which resulted in a loss to the public sector company but benefited the foreign company. It reports that since the Indian Oil Company had no marketing facilites,

> *"The company had entered into product exchange arrangements with the other oil companies in the private sector." [The Indian Oil Company' "was marketing approximately 75 per cent of its production through other oil companies under the product exchange arrangements. These products were made available to the other oil companies on outright sale purchase basis.* **Similar reciprocal facilities were not stated to be available to Indian oil companies from the other oil**

companies *or their refineries and the issue was at present under discussion* (Page 20).

"It is further stated that, on the product exchange transactions, the Indian Oil Company **loses all the profit margin** *provided on the Damle Committee's cost 'build-up' ...... The Indian Oil Company* **earns no profitt** *from the sale of products, of the Nunmati refinery, to other oil companies under the product exchange arrangements .... The Indian Oil Company is not getting reciprocal facilities to obtain the products from these private sector companies or their refineries.*

Therefore the committee **calls for an "examination"** *and* **revision** *as early as possible" of the existing arrangements, and* **"that the terms of such arrangements should be drafted** *in such a way as are capable of being worked to* **mutual advantage** *of the parties concerned."* (page 20).

"In this connection (sale of the imported Soviet oil) it has been stated that as soon as supplies of H.S.D. landed for the first time from Russia on Indian Oil Company's account in August, 1961 **the foreign oil companies** *realised that, in the absence of retail outlets, the Indian Oil Company could sell only to bulk consumers like D.G.S. & D. State Transport undertakings, etc. In a bid to retain their business, they* **quoted special lower rates** *to the State Transport undertakings. To secure business,* **the Indian Oil Company, in its turn, had to enter into contracts at comparative terms,** *which resulted in securing the business* **at very uneconomical rates** (Page 22).

This particular instance is enough to show how the foreign monopolies are occupying the summits in the public sector to reap profits as in the case of partnership of Burma Oil Company, in Oil India Ltd., in the case of product exchange arrangements between Indian Oil Company and other foreign oil companies; and further, as in the case of sale of imported Soviet oil, due to undercutting of prices. In all cases, the public sector, instead of curbing the monopoly designs for super profits, has played into their hands.

Growing dependence on foreign oil companies for imported

crude even in the case of public sector projects, is having a destorting effect on our foreign exchange bill. Successive investigations made by the Shantilal Shah Committee and the Damle Committee have shown that we have been paying through our nose for our oil products because of our total dependence on a few international oil companies which dominate the world market. In an editorial on petroleum policy in the Economic Times on May 25, 1969, it is said that "In 1968-69, of the 16 million tonnes of crude processed indigenously, we imported as much as 10 million tonnes .... projections suggest that in the next 4 or 5 years the imports may be nearly two-thirds of the crude oil required". It is not only a question of excessive payments in foreign exchange. Much more, the oil policy of the Government of India, under the influence of the foreign oil companies, has completely discouraged the efficient use of our own raw materials such as coal on a priority basis resulting in underproduction of coal, closure of pits, and increasing unemployment. The dieselisation of railways and increased use of furnace oil in our industries is a case in point. Thus the concessions and incentives given to the oil companies clearly show that India, more than being an independent and sovereign nation, is much more a semi-colony.

Any number of examples can be given to show how the public sector has become a profitable pasture for the private sector at the cost of the nation. Instead of troubling the Court with innumerable examples, I would give only two to show how the private sector - especially the foreign private sector - is profiting directly from the public sector.

Loss to Public Sector, Profit to Private Sector

The U.P. Electricity Board suffered a loss of Rs. 103.57 lakhs during 1967-69 due to underassessment of charges for power supplied to the Hindustan Aluminium Company of Birlas - one of the biggest industrial giants in India built with U. S. funds - almost under the control of the Kaisers of America. Power minister, Narayan Dutt Tiwari, admitted in the State Assembly on July 13, 1971, that the State Electricity Board was suffering a loss of Rs. 2.5 to 3.0 crores a year because of the supply of power at concessional rates to Birla's Hindustan Aluminium Corporation. This American - owned firm is supplied power by the Electricity Board at a rate of 1.99 paise a unit, which is very much less than the cost of production itself.

The public sector company, Indian Drugs & Pharmaceuticals Ltd., sells bulk drugs to the predominantly foreign-owned drug industry in the private sector.The drug industry stamps tablets, packs and distributed these drugs, at rates of profits touching 2000 per cent of the *'production'* cost. I am putting *'production'* in inverted commas because it is not the drug companies that are producing this drugs. The Indian Drugs & Pharmaceuticals Ltd., is doing that in bulk form. All that the companies are doing is tableting, packing and distributing them. But we do not hear of the I.D.PL. insisting that the price of the finished drugs should bear a reasonable relation (say five times even) for the prices of the bulk formulations which I.D.P.L. is supplying to the drug companies. The information which has been provided in a Mainstream article, October 16, 1971, clearly indicates how Soviet help to the public sector industry is helping the foreign monopolies to reap exorbitantly high profits to the detriment of the Indian people.

Even so, the Soviet revisionists proclaim through their books, pamphlets, and the articles in their newspapers, that the aid from the socialist countries has undermined the former monopoly position of the imperialist powers in India! As I have quoted in the first paragraph of this chapter, the Soviet revisionists proclaim that the growth of the state sector in India has played an important part in reducing the power of the monopolies. How false the statement is can be seen from the above examples even though they are only few.

Joint Sector and Foreign Private Capital

This is not the end of the story. In the name of the joint sector, and establishing industries in the state sector, more and more foreign capital has acquired for its own benefit the scarce Indian capital, through the Government. The following few instances taken from the Annual Report on the Working of Industrial Commerical Undertakings of the Central Government, 1964-65, show how foreign and Indian monopolies have with vigour occupied positions of strength in the public sector to use it for their own benefit as against national interest.

Engineers India Ltd. was incorporated on March 15, 1965, in collaboration with Bechtel Corporation for providing engineering, technical, and consultancy services for petroleum products, development of oilfields, pipelines, petrochemical facilities, fertiliser projects, and designing and constructing general engineering, mining and other allied products. Of the shares of this company 50 per cent are held by the Government of India and 49 per cent by the foreign company.

The Indian Oil Croporation which was set up by amalgamating the two public sector companies, the Indian Refineries Ltd. and the Indian Oil Company Ltd., has set up one plant each in Calcutta and Bombay for blending industrial and automotive lubricants in collaboration with Mobile Petroleum Co, of New York, on equal partnership basis, known as the Indian Oil Blending Ltd.

The Oil India Limited was formed in February 1959 for production and distribution of petroleum products in collaboration with Burma Oil Company Ltd. The paid-up capital was Rs. 28 crores, shared equally by theCentral Government and the Burma Oil Company.

Indian Explosives Limited is under the management of Imperial Chemical Industries. Of the subscribed capital 20 per cent is held by the Central Government and the rest by the I.C.I.

Machinery Manufacturers' Corporation Ltd. has an authorised capital of Rs. 1.5 crores, and subscribed capital of Rs. 69.71 lakhs of which Rs. 25 lakhs (4.5 per cent tax free special cumulative preferenc shares) were held by the Central Government. The corporation is managed by Mahindra & Mahindra as managing agents, and is engaged in the manufacture of textile machinery like cards, carding engines, and diesel engines.

Bolani Ores Ltd. of Calcutta was formed in collaboration with Orissa Minerals Development Co. Ltd., for the supply of iron ore to the Durgapur Steel Plant. The authorised and paid - up capital of the company was Rs. 1 crore. The share capital is held in the ratio of 50.5 to 49.5 by the Central Government of India and Orissa Minerals Development Co. Ltd., respectively. According to the Monopolies Enquiry Commission's report, Orissa Minerals and Bolani Ores are under the management of Baird Heilgers, whose masters are foreigners.

Manganese Ore (India Ltd.) of Nagapur was registered on June 22, 1962, as a joint venture. In return for all the fixed assets and stores taken over by the new company the Central Provinces Managanese Ore Company received shares amounting to 49 per cent of the initial subscription of the new company.The balance of 51 per cent was subscribed in cash by the Central Government and the state governments of Maharashtra and Madhya Pradesh, in equal proportion.

TABLE : 9.1

The following are the undertakings with Central Government's investment without direct responsibility for the management as at the end of 1964-65

(Rs. lakhs)

	Central Govern-ment	State Govern-ment	Private Parties	Total
1. Oil India Ltd.	1400.00	000.0	1400.0 (F)	2800.0
2. Singareni Collieries	224.0	330.5	3.9	558.4
3. British India Corporation	106.0	–	333.6	439.6
4. Indian Explosives Limited	60.0	–	240.0	300.0
5. Sindri Resettlement Corporation	50.0	–	102.1	152.1
6. Manganese Ore (India) Limited	36.6	73.3	105.6	215.5
7. Machinery Manfacturers Corporation	28.4	–	41.5	69.7
8. Bolani Ores Ltd.	50.5	–	49.5	100.0
Total	1955.5	403.8	2276.2	4635.3

In the above 8 undertakings, in which Central and state governments have invested Rs. 23 crores 59 lakhs, the private sector, mainly foreign monopolies, have invested Rs. 22 crores 76 lakhs. Thus, in the name of the establishing public sector industries, the Government of India is providing large funds to the private

sector. Public sector in name, but private sector in fact ! That is the policy pursued by the Government.

There are other public sector undertakings in which private capital is allowed to participate in share capital, major among them being Cochin Refineries in which Philips Petroleum Company Ltd., U.S.A., has been allowed to invest 25 per cent of the paid - up capital. The following is a list of undertakings with investments from Central Government and other parties :

TABLE : 9.2

Undertakings with Investments from Central Government and Other Parties

(Rupees in Lakhs)

	Central Govt.	State Govt.	Private Indian	Private Foreign	Total
Ashoka Hotel	134.1	–	15.9	–	150.0
Cochin Refineries	366.6	50.0	94.6	185.0	696.2
Fertilisers & Chemicals (Travancore) Ltd.	349.9	285.2	86.3	1.6	696.0
Indian Telephone Industries	358.7	31.8	–	53.0	443.0
Hindustan Organic Chemicals	148.2	–	–	30.0	178.2
Magul Line ltd.	80.5	–	1.4	19.3	101.2
National News print & Paper Mills	255.0	169.7	69.8	–	494.5
Praga Tools	83.6	47.6	19.3	–	150.5
Total	1776.6	564.3	287.3	288.9	2909.6

Source : Mahalanobis Committee Report, Page 138

The private sector has its finger in most government undertakings, either in the form of equity investments or in the form of loan capital, direct management of partnership on the board of directors. The public sector has thus become a happy hunting ground for profits, a source of increasing disparties in the control of national wealth and distribution of national income.

We have so far seen how private capital, especially foreign private capital has been making use of the public sector towards its own ends. We have also seen how the industrial policy resolution of 1956 has been so diluted as to make the private sector the dominant force even in those industries where the Government had promised to make the public sector the dominant force. We shall now proceed to study a few more industrial sectors before we conclude.

Fertilisers

The fertiliser industry, according to Industrial Policy Resolution of 1956, is one of those "to be progressively State-owned and in which the State will generally take the initiative". Like many other industries this industry too became, in course of time, almost completely dependent on foreign monopolies. After the agreement with American finance capital for the establishment of a fertiliser factory at Trombay in the public sector with American loans in the later half of the 1950s, the Government of India - as per the promise stealthily made to the foreigners - allowed foreign capital to invade the fertiliser industry in the private sector.

This dependence on foreign monopolies, for finance and technical knowhow for increasing fertiliser production in the country, has put off installation of new capacity to use indigenous raw material which was available in plenty in our country in the form of coal. Coal-based fertiliser projects were an anathema to foreign monopolies who were interested only in naphtha or liquid ammonia as raw materials since these raw materials could be had only from petroleum refineries or imported. In either case the fertiliser projects would be dependent on foreign monopolies who could dictate the prices of raw materials and later the prices of fertilisers.

Consequently, quite a number of new fertiliser projects which have been established by foreign monopoly capital in our country - such as the Coramandel Fertilisers at Visakhapatnam, the fertiliser factory at Kanpur, the so-called mixed company at Madras, the Goa Fertilisers - are a few of the most important companies which have dominated the fertiliser industry after 1960. To attract foreign capital investment into this field, the Government "had to climb down from its rigid policies on several counts". Thus it announced a series of concessions over the financing, production and distribution of fertilisers to foreign monopolies. "Against bitter opposition it went to the extent of (allowing) majority shareholdings for foreign companies in this field." (Financial Express, May 24, 1969).

As in other industries, foreign private capital was not satisfied with having control only in the private sector. They wer einsistent on entering the public sector itself, as in the oil industry. The Government had to give in. Therefore, even in this field, the so-called joint sector companies were established. For example, Madras Fertilisers "will be in the public sector with equity participation by American International Oil Company. The Governmentof India will hold 51 per cent of the equity and the American firm the remaining 49 per cent. The Chairman of the Board of Directors will be a nominee of the Government. The Managing Director will be the nominee of the American Company. He will act on the advice of the Board on which there will be equal representation both for the Government and the American company. But the most important part of the agreement is that "the arrangements regarding management will last only for 10 years from the date of the commercial operation **or until foreign exchange loans have been fully repaid** whichever is earlier" (Hindu Survey of Industries, 1966, Page 75). The foreign exchange bill will be about $ 35 million.

Thus the management of the public sector companies has been handed over to foreign monopolies, for another 10 years from the date of commercial operation or until foreign exchange loans have been fully repaid. This is only one of the examples of increasing collaboration between the Government of India and foreign companies in the establishment of the fertiliser industry in this country. Another example is Kanpur Fertilisers, another *'mixed'* company in which Government of India has invested in the share capital and Rs. 16 crores have been given as loans to this industry from the Indian banks and financial institutions. One can very well see that the feeding of such joint sector company, in which foreign hold is strong, with loans either from the Government of India or from the Indian finance institutions is nothing but supplying them with scarce Indian capital for the exploitation of the country by foreign monopolies.

As early as in 1963 (on December 27), the Eastern Economist in an article *'The Battle for Industrial Production'* had ironically declared that "the public sector in the fertiliser industry seems to have bitten off more than it can chew". Onbehalf of the foreign monopolies, this Birla dominated economic journal had demanded of the Government that it should revise its "policy of relying almost wholly on the public sector" and pleaded that "proper economic climate which is particularly important as the foreign finance and technical collaboration have to be enlisted" should be created. The Government of India readily gave in to their demands and gave up control over fertiliser prices and trade.

We had previously noted that the foreign concerns were interested mainly to use the raw material of their choice - either naphtha from their refineries or liquid ammonia to be imported - so that they, as producers of naphtha, could dictate prices, or as importers of ammonia, earn profits, not only on the sale of fertilisers but also on the supply of raw materials to the industry.

Thus the fertiliser industry even in the public sector was made dependent on foreign finance, foreign technology, foreign management and foreign raw materials - in addition to completely controlling prices and marketing. Can any one in these circumstances say that the public sector industries and the credit from the socialist countries "have undermined the former monopoly position of the imperialist powers," as Ulyanovsky has so consistently argued in his book, "Asia and the Dollar"?

Mineral Revolution and Foreign Rolls

To achieve a *'mineral revolution'* through air-borne mineral surveys under-taken by foreigners on a turnkey basis with loans from foreign finance capital, is the latest fad of the Government of India. This only helps to mortgage every part and every sector of India to foreign monopolies.

Prof. K. V. Subramaniam, a well-known and eminent scientist in this field, a member of the Committee on Science and Technology was aghast at the shameless manner in which "the nation has

been reduced to bankruptcy and its economy has been thrown open to foreign enterprise in every conceivable form". He gives a resume of the steps taken by the Government of India in this regard to the detriment of India's interest. In an article in Economic Times he says: "There are several remarkable features about these contracts for air-borne mineral surveys. The Government of India approaches the U. S. AID for a loan to meet the foreign exchange cost of the Khetri copper project and receives a loan for Operation Hard Rock which it accepts with alacrity".

"The Government of India then approaches the French Government for a loan for Khetri and receive along with it another loan for another air-borne mineral survey, the knowhow for which is the same as the one for Operation Hard Rock."

When such interesting research is taking place in the name of mineral survey, how can the Soviet Union one of the biggest powers be left out? How can the Soviet Union allow itself to be left out? Therefore, "not to be outdone by the others, U. S. S. R. comes up with its offer of an aeromagnetic survey which is well within our own resources in knowhow equipment and personnel".

Mr. Subramaniam continues that the latter two aerial survey contracts were committed to foreign powers at huge cost to the exchequer, "despite the clear recommendation of the committee headed by late Dr. D. N. Wadia, which included as members leading geophysicists in the country with experience of similar aerial surveys conducted for the Oil and Natural Gas Commission, that no further commitments for aerial surveys should be made with foreign agencies until the Operation Hard Rock had been completed and the results evaluated".

Operation Hard Rock was launched in July 1967, two years behind original schedule. That to this date, 1970, "after the passage of nearly three years .... we are with no prospects of any mine being developed to the stage of being turned over to the proper agency for operation, should be proof enough of the degree of reliance that could be placed" on such agreements with foreign powers.

Anyone would naturally ask as to where the country is being led in the name of the development of the public sector? Is it not true that the public sector has been made into one of the most lucrative business operations for foreign private capital and for

Soviet social imperialism?

Industrial Policy Resolutions, 1956

I have tried to show above how the industrial policy resolution has been nullified in various sectors in the interests of private capital in general and foreign monopoly capital in particular. Dr. Paresh Chattopadhyay in an article, *'Aspects of the Growth of State Capitalism in India'* has shown that exceptions to Schedule A and B have become an extremely normal practice. Of the seventeen industries listed in Schedule A of the Resolution "the future development of industries which will be exclusive responsibility of the State [and in which] all new units will be set up only by the **State seven industries at least have been opened to private interests.** These are (1) arms, (2) heavy plant and machniery, (3) heavy electrical plant, (4) the processing of lead and zinc, (5) the production of telephone cables and telegraphic equipment, (6) the generation and distribution of electricity, (7) coal. **The greatest shift towards the private sector took place in Schedule B,** industries which, by the terms of the 1956 Resolution, were to be 'progressively State-owned and in which the State will therefore generally take the initiative'. Of the industries listed atleast nine have been heavily financed by the private sector. (These are (1) aluminium, (2) machine-tools, (3) ferro-alloys and tool-steels, (4) basic chemicals and intermediates, (5) antibiotics and other essential drugs, (6) fertiliser production, (7) synthetic rubber, (8) road transport, (9) sea transport). Quite logically, Nehru told the 1962 session of the Federation of Indian Chambers of Commerce and Industry, 'Private enterprise is a good thing. The suppression of private enterprise was bad?" (Socialist Digest : January, 1969).

In almost all the industries that have been listed above which have been opened to private interests, it is only the private foreign capital that has had the biggest push. Therefore, to say even in 1970 that the State sector is growing stronger and that it is playing an important part in reducing the power of the monopolies and in weakening the position of foreign capital is grossly misleading.

Every committee that has been set up by the Government of India - such as the Mahalonobis Committee, the Monopolies Enquiry Commission, the Industrial Licensing Policy Inquiry

Committee have come out with innumerable substantiating instances and have categorically stated that "Government policy during the plan period has been responsible .... for the growth of the private sector and in the process especially of big companies." (Report of the Committee on distribution of in-come and levels of living 1964). D. R. Gadgil (late Vice-President of the Planning Commission) in his "Planning and Economic Policy of India" had stated that "cumulation of gains and the rapid increase of economic resources and power in particular private hands can be described as a deliberate objective of official policy".

This deliberate objective of official policy has been successfully implemented through the State sector.

At this stage, I am not going into the details of the various other ways in which the State has helped the private sector, through the public institutions such as the Finance Corporations that have been established, or certain financial institutions that have been nationalised like the L.I.C., or through the nationalised banks. I have in a separate chapter discussed the manner in which the State Financial Corporations have helped not only the big houses in India but also the foreign monopoly capital to dominate the industrial scheme.

Defence Production In Public Sector

The country is being informed that our defence production is progressing fast and that, therefore, we are much better prepared even against the combined forces of Pakistan and China. The increased production figures in the ordnance factories and other defence undertakings are paraded to show that India is growing in self-reliance in defence production. The truth will have to be pulled out by the ears from this fraud of official propaganda.

Self-reliance has no meaning so long as production is based on the import of essential components and raw materials and technical knowhow. Malhotra, in Times of India, October 14, 1971, in an article on defence production, 'No End of These Imports Is in Sight', reports certain important facts which bring out our entire dependence on foreign powers and foreign finance capital for defence production.

For example for Vijayanta tank, the country has yet to import the gun as well as the infra-red equipment which gives the tank its eyes for movement after dark.

Reliance on imports is even greater for not only MIG-21 but also for HF-24 "even though it has been under production since the mid-fifties", and greater still for the Leander frigates.

"The weakest link in the chain of defence production" Mr. Malhotra reports, "is, however, the **distressing dependence** on foreign designs for almost all important weapons and equipment ..... it will be naive to believe that any foreign country is giving India or will give it in future the very latest of its designs."

Therefore, the question of becoming self-reliant is a far-away dream. On the other hand, our defence equipment is for the most part obsolescent. So long as the country does not progress to stand on its own feet in designing development, it has to rely on the foreign powers for the second-rate obsolescent defence material.

"The painful story of the search for a suitable engine for HF-24 is well-known". What is not adequately appreciated is that the air-frame itself was not designed by the Indian engineers but was designed by a distinguished German, Dr. Kurttank.

The Leander class frigates, under manufacture at Bombay's Mazagon docks, are based on a design bought from the Royal Navy and are being built with British collaboration. How foreign collaboration can hinder progress even for old designs and obsolete makes, can be illustrated by the facts that "it took Mazagon docks two and half years to build the hull of the first frigate INS Nilgiri. But the fitting of the ship is several months behind schedule largely because of the late deliveries by the British collaborator."

The hulls of the second and third frigates, too, are ready. But paradoxically their fittings are delayed even more, since the Heavy Electricals at Bhopal, another collaboration industry in the publc sector, failed to deliver the trubines and allied equipment in May 1970, probably because the collaborator had failed to supply the needed components and other raw materials. "There is no knowing when it will arrive." (Times of India, October 14, 1971).

Our progress towards self-reliance with regard to the frigate does not end here. In our eagerness to improve the efficiency of the frigate, the navy has asked for the replacement of the British fire control system by a Dutch one. The Dutch designer had to be called. The navy now wants to replace the British (Vikers) gun by

the Italian Bofar. This will mean calling an Italian designer.

As we are progressing towards greater collaboration with every available foreign technology and thus becoming more and more dependent on them, it is as clear as daylight that "China's record has been even more impressive (than that of Israel) although the Russian design, which it has vastly improved, was abruptly withdrawn along with Soviet experts in 1959." (Times of India, October 14, 1971).

Dependence of Bharat Electronics on foreign knowhow is an excellent example of our continuing dependence on foreign collaboration and the ever-continuing hegemony of the foreign collaborator over our industry. Bharat Electronics is one of our oldest public sector undertakings which is producing quite a number of many types of sophisticated radar sets for defence, walkie-talkies for the police, fish-finders and type-recorders, apart from a wide range of components for the entertainment industry. Times of India in an editorial on December 18, 1971, comments on the growing dependence of this country not only on foreign knowhow but also its growing dependence on imports. *"But most of its output is still based on foreign knowhow though it has been in business for nearly two decades. It has not only signed 40 long-term agreements with as many as 19 foreign collaborators but also extended many of them when they expired. What is worse, the import content of the equipment manufactured by it, instead of declining has increased from 30 per cent in 1966-67 to more than 35 per cent. The cost of many items produced by Bharat Electronics, compared to their landed cost of the imported counterparts, is high and a large part of the undertaking's capacity is under - utilised".* In all probability , the cost of the items produced by the B.E.L. is high because the components imported by the collaborators for this industry is priced higher than the average price in the international market which is generally the practice of all collaborators in our country who import raw materials and components for the established industries at extremely heavy prices.

Indian Oxygen, which is in the private sector, is a subsidiary of British Oxygen of U. K. which is said to be under the control of Morgans of U. S. A. Indian Oxygen is headed by an Englishman in India. It produces extremely important strategic defence materials such as high flying gases used by our air-crafts, medical gases, explosives, special electrodes, etc.

The entire air defence of our country is very much dependent on the supplies from this industry. The high-flying gases and medical gases used by Gnats, Jets, and MIGs, are supplied from various factories of this company which are located in Calcutta, Asansol, Gauhati, Delhi, Kanpur, Bombay and Madras. The explosive known as loxite is produced at Ranchi and argon gas at Asansol. The equipment and spares and special electrodes required for defence are supplied from Calcutta. Ports in India depend on the supply of marine gas from this company. Light houses will cease to operate if supplies are not made to them in time.

The work of the naval dock-yards and ordnance factories, railway workshops, aerodromes, etc., will be affected if their supplies of gas are sabotaged by Indian Oxygen.

Thus one of the vital production schedules for our defence is left entirely in the hands of an international monopoly house which is not only connected with United Kingdom but is ultimately controlled by one of the most famous financial tycoons, the Morgans of America ; and yet, to deceive the people, the Government of late has begun to talk in terms of self-sufficiency in defence production and self-reliance of our defence industries.

When I see, hear, and experience such slavish betrayal of the nation's interest by so-called patriots, think lightly of what is called 'treason against the Government'.

Let us now conclude.

(1) The main purpose of the public sector investment is to encourage and help the growth of the private sector. For example, production of steeel in the public sector has helped the upsurge in the engineering industry, dominated by foreign private capital ; machine tool production has helped the private sector to grow.

(2) The public sector has helped to mobilise scarce financial resources to be used by foreign monopolies for their growth through what are known as joint sector ventures such as the oil refineries in Cochin, Madras and Haldia, and in the fertiliser industry as in the units at Madras and Kanpur.

(3) Production in the State sector, siphoned off into private

channels for marketing has helped private capital to reap super-profits such as in drugs manufactured in Indian Drugs & Pharmaceuticals Ltd.

(4) The main purpose of government policies in the field of banking has been to promote private enterprise through the nationalised banks. The system of financial institutions (I. D. B. I., ICICI; UTI and so on), instituted after 1948, is mainly to provide capital for investment in the private sector.

(5) As Gunnar Myrdal says in his "Asian Drama", "In weighing the reasons for and against public participation in the industrialisation of India, **it shoul be stressed that the interest of private business does not normally conflict with expansion of the public sector in big industry.** Government investment is meant to be concentrated in heavy industries where little private initiative is forthcoming. To the extent that these investments create external economies or provide goods, which would otherwise be scarce owing to the strained foreign exchange situation, there should be on the contrary a harmony of interests. **Much construction will also be done by private contractors and the purchase of various supplies will increase demand in private industry. More important, investment and pricing policies pursued by public enterprises are usually such that, by holding down prices, they swell the profits of the private sector.** Thus, when put into practice, the vaguely socialist notice that public enterprises must render services at low prices in fact boosts, considerably, the returns on private capital. Instead of being used to supplement government revenue and help to mop up purchasing power, the public sector functions to inflate private profit." (Page 819).

(6) The management of public sector units, as of the Madras and Cochin oil refineries or Madras Fertilisers, has been handed over to private management - a demand the World Bank has been making on India consistently for a number of years. Thus the public sector, which ought to have played the role of curbing the profit greed of Indian and foreign financial sharks, is to the contrary becoming a happy hunting ground for super profits for the foreign monopolies which have been entered the management of public sector concerns. They have got control over quite a few industrial and financial corporations - through equity participation

and loan capital. Penetration of huge foreign monopoly capital is growing uninterruptedly, not only in the private sector but also in the public sector. Thus the public sector in India has practically no anti-imperialist, or anti-monopoly progressive character. it has become a weapon in the hands of foreign monopoly and Indian big business - a combination of foreign monopoly capital and bureaucratic capital in the main.

In India, the State power is ultimately in the hands of comprador bourgeoisie in alliance with the landlords.This class, by its very nature, cannot follow independent capitalist development. This class cannot afford to alienate itself from the landed vested interests and foreign finance.

In such circumstances, the public sector, instead of being helpful for the growth of independent industrial development, has become mainly an instrument in the hands of domestic and foreign monopoly capital.