The President, Sir Badridas Goenka, in opening the 19th Annual Session of the Federation, delivered the following speech :

Gentlemen,

Since we last met a year ago much history has been made. With the unconditional surrender of the Axis Powers, we have now entered upon the peace, for which for many years we have so arduously striven. But it is becoming increasingly clear that the maintenance of peace and the transition from a war to a peace economy raise problems as exacting as any that we faced during the bitter years of actual war. In the international sphere, there are still signs of distrust and suspicion which must be removed if man-kind is to secure the benefits of a lasting peace. The United Nations Orga-nisation which came into being last year was a landmark on the path to peace but its difficult task has just been begun and its victories have still to be secured. We, of the commercial community, with all our interests bound up with the promotion of the arts of peace, are essentially men of peace and we must fervently hope that reason and goodwill amongst men will rise superior to the passions which still threaten the peace of the world. It would be a supreme tragedy if the peace, for which so great a price in blood and tears has been paid, were lost through the failure of men to recog-nise that the nations of the world are, in truth, members of a single world community.

The charter of the United Nations is the new faith on which the peace of the world is to be built. I believe that, if we can make that charter a living reality, and not only a mere form of words, we shall have done much to secure a lasting peace in our time. But the translation of this charter into deeds implies a frank recognition of the full rights of nationhood of subject and backward nations. The Big Powers must frankly recognise that a backward area maintained in subjection is a standing menace to the peace of all the world. The old colonial system is dead beyond recall. The unrest in Indonesia, in Iran, and in the Middle East are merely signs of the times. Unless the demand for full nationhood and for the advancement of backward areas is conceded in full, we shall have done little to banish the fear of war from our midst.

Happily our own political problem appears much closer to a solution than it has been for many years. The proposal to send out a Cabinet Mission to negotiate a settlement has everywhere been well received, and we are entitled to hope that, with the goodwill that now prevails, a solution will soon be found. The members of the Mission are, we believe, sincere and honest in their desire to reach an immediate settlement and I feel sure that

we shall not fail to extend to them the fullest co-operation. This is not the time to remember the differences which have divided us in the past, and I know that you will agree with me when I say that, once the principle that Indians must be undisputed masters in their own house is fully conceded, there will be no bar to goodwill and to the fullest co-operation between our peoples.

I am aware that political optimism in this country has often been belied in the past. Too often in the past the argument that we were divided has been invoked against us, as though it were ever possible to secure complete unanimity in a country as wide and as varied as our own. But I am personally confident that on this occasion this argument about division within the country, which I fear was never honestly invoked, will no longer be seriously advanced. The demand of the overwhelming majority is for immediate and full self-government and there is nothing in the nature of this demand which is incompatible with the just claims of any section of our people. It may be that in some respects or in some areas, we may have to accept a looser form of Federation or Confederation than in others ; each Province has problems of its own which may call for special treatment. The right of self-determination must mean that, wherever possible, each individual unit must be allowed the widest freedom to manage its own affairs consistent with the good of the entire country. But self-determination for any unit or community cannot imply the denial of a similar right to others and we must see to it, if freedom is not to be a mockery, that minorities in every area receive the fullest opportunity to develop on their own lines. I am speaking now in my personal capacity, but I feel sure that the views that I have expressed are widely held by members of the Federation, and that there is no one present here who does not ardently desire a final solution of our political problem on these or similar lines, so that we may end at last the long period of political frustration and enter on a new era of national awakening.

With the attainment of our full status at home we shall have done something to protect the rights of our nationals abroad. We have had many indications in the last few months that our inferior political status has led to a calculated neglect of even the most elementary rights of our countrymen abroad. In Ceylon, in Burma, Malaya and in South and East Africa their position has deteriorated and is worsening day by day. There were in 1940 about 35 lakhs of Indians settled abroad, of whom 23 lakhs were in Burma, Ceylon and Malaya, $3\frac{1}{2}$ lakhs in South and East Africa, 3 lakhs in Mauritius, $2\frac{1}{2}$ lakhs in British Guiana, Trinidad and Jamaica and about $1\frac{1}{2}$ lakhs in Thailand. In all these lands their rights have been seriously threatened. In South Africa, one indignity after another is piled upon our people, the latest piece of anti-Indian legislation being the Asiatic Land Tenure Bill designed to deprive Indians of the right of acquisition of property in most areas. The provision, inserted to cloak the real intention of

this bill, to provide certain 'free' areas for Indian settlement will deceive no one in this country. Indians in Ceylon are denied their legitimate rights of franchise and a guaranteed number of seats in the legislature. In Burma anti-Indian elements have been strengthened so greatly that the Indian in Burma lives in daily peril not merely of his property but sometimes even of his life. Both in Ceylon and in Burma, British interests are being consolidated at the expense of the Indian settlers. Only a free India capable of holding her head high among the nations of the world can meet the continuous attacks on Indian minorities abroad, frequently persecuted as they are, by anti-Indian elements entrenched in power. With Ceylon and Burma with whom we have special ties, I sincerely hope that saner counsels will prevail, and that they will soon come to realise that their interests like ours require a bond of friendship and goodwill based on mutual trust and understanding.

The trials we have borne at home are nearly as severe as those borne by our countrymen abroad. We have had to bear, with an economy grossly unprepared for so severe a strain, the heaviest burdens. The progress of the country has been greatly hindered in the war years and we are now faced with problems in some respects far more acute. The most urgent of these problems at the present moment is, perhaps, the imperative need of finding an immediate solution to the food crisis. We had hoped that the Bengal famine of 1943 was to be the last of the famines, but scarcely two years after this disaster, there is already famine in several districts in the Presidencies of Madras and Bombay, in Mysore, and in some of the Central Indian States. It is no flight of rhetoric but a sober fact that unless substantial imports of food arrive in time there will be bitter hardships to be endured by many thousands of our countrymen. There has been at many times and in many places lack of appreciation of the seriousness of the situation ; it is surprising that the original request of the Government of India to the Combined Food Board was only for 1½ million tons against an estimated deficit of 3 million tons. The actual deficit has now proved to be of the order of nearly six million tons and unless this is met by imports an acute shortage is inevitable. To the Viceroy, Lord Wavell, we owe a profound debt for the prompt recognition of the gravity of the situation but much remains to be done both by the authorities in India and by the Combined Food Board. We in India, whether in official circles or non-official circles, have a clear duty to do everything in our power to mitigate distress. We can do no better than follow the wise counsel of Mahatma Gandhi by everywhere curtailing waste, striving to increase agricultural production where this is still possible, and everywhere assisting the authorities in the tasks of procurement and fair distribution. The Central and Provincial Governments have a special duty to see that aid is promptly and effectively given where the need is greatest. Above all, a heavy responsibility rests on the Combined Food Board on whom, at this moment of crisis, all eyes are turned. It is, perhaps, a tragic

irony that India, which, in famine, paid so great a price for victory, should lack representation on the Combined Food Board before which our Food Delegation has already earnestly pleaded our case. No country in the world can claim with greater right representation on this Board ; no country can claim at this time more urgent and generous consideration. It is by their deeds and not by their professions of sympathy that we shall judge our friends. We have read, with relief, of prompt shipments of wheat from Australia. We hope that other countries, too, will not fail us. We shall remember and repay the assistance that we receive. We ask not for charity but for justice. During the war years we gave our food to others ; we now ask for our people in dire distress that we should receive back only a portion of what we have given.

The food crisis dominates our minds at the present but it is only the most urgent of our problems and we must not forget that, in the long run, the problems of the nation can only be solved by a sustained policy of agricultural and industrial development by which a rising standard of life can be finally secured for our people. It is in the solution of these problems that we can best serve the nation, and I have no doubt that, in the difficult years which now lie ahead, we shall offer to the country, with a single mind and without thought of petty or personal gain, all the assistance of which we, jointly and severally, are capable. A magnificent lead was given to the country two years ago by the publication of a plan for the economic development of India by leading industrialists. The Federation of Indian Chambers of Commerce and Industry endorsed this plan and now must take its rightful part in its fulfilment. I would, therefore, urge that during this session of the Federation we should give our full minds to the problems of agricultural and industrial reconstruction with which we are immediately faced.

The pattern of our industrial future has in part been made by the war. There is unfortunately the grossest ignorance of the industrial position of the country even in quarters where a more correct appreciation of the facts might be expected. There is a common feeling that India has made great headway in industry in the war years and ordinary indices of industrial activity, such as that prepared by '*Capital*' do in fact, show some slight increase over the 1940 level. But it is in the context of the basic industries, particularly those covered by heavy machinery, that our industrial development must be judged. There has certainly been some increase in total output and prosperity in many industries but, in some respects, this has hampered and not advanced the country's progress. The increased production arose from the reckless overworking of existing plant and machinery and more man-hour shifts without, except to a minor extent, the setting up of additional productive capacity as in other belligerent countries. The result of this heavy overworking of plant and machinery, as well as railways and other equipment, is that the task of replacement has now reached almost

unmanageable proportions. Then, again, the export and import policy of the country during the war bore no relation to our actual requirements. Exports of food desperately required and vital raw materials were permitted producing scarcity within, while there was every restriction on the import of machinery and plant required to step up agricultural and industrial production. The checks on new enterprises affected by a large number of controls killed all initiative not immediately directed to war ends with the result that the country has now emerged from the war grossly unprepared for rapid industrialisation in the post-war world.

With an acute shortage of cloth we are unable to increase production because of our inability to obtain textile machinery which is urgently required ; with large labour resources, we are unable to utilise them effectively and maintain employment on account of absence of equipment ; with an acute food shortage which can be greatly relieved through the application of fertilisers, we have been unable to arrange for their manufacture as rapidly as the situation demands. We may rank sixth in the world in the volume of total industrial production but no one can survey the field of industry in the country without a deep sense of disappointment that the magnificent opportunities of development of the last six years have been so pitifully dissipated.

It is necessary to refer, however briefly, to the causes of this failure. I am not myself disposed to place undue blame on Governments, recognising as I do, the heavy burden which they bear in times of war. But I feel constrained to refer in some detail to certain features of the economic controls instituted during the war which, in my opinion, have done and, to the extent that they are still in force, are still doing irreparable harm to the country's economic life. Controls were inevitable during the war in order to secure for the Government all the resources necessary for the prosecution of the war. It may, indeed, be argued that controls are necessary in peace in order that the targets of production should be attained. But we must distinguish between controls which assist the main end in view and those which only hamper new production and only cause harassment, and delay. I might refer in particular to the Capital Issues Control Order on which there can be no difference of opinion. If the Government desire to direct new capital into certain channels, they must do so with reference to a plan which has received the sanction of the whole country. The present control is not related to any plan ; it would appear to be exercised without regard to the interests of particular industries and the procrastination and delays which have attended even simple cases have been a source of unending harassment to the business community. We cannot be averse to a system of control in accordance with an approved plan provided that control is exercised by officers with a full knowledge of the industries with which they are dealing and provided that action is prompt and not dilatory. These conditions have not obtained, and do not now obtain, in regard to capital

control. At a time when rapid industrialisation must be promoted in order to maintain employment and to increase the standard of living of our people, the delays and difficulties in obtaining the necessary capital are calculated not to assist but to hinder our purpose. There are other controls, too, which restrict production. I may refer, in particular, to the controls which still exist on raw materials essential for industry. Not all controls can be removed at once, but the whole field requires immediately to be reviewed remembering that there can be no justification now that the war is over for any measure which aims at restricting production by private enterprise. For, whatever our opinions be on the role of the State in the industrial sphere, we have not at the present time either the machinery or the organisation for the undertaking of large-scale industry by the State.

If private enterprise is to discharge adequately the tasks which it is now called upon to perform, it must receive assurances of support and the necessary encouragement by the provision of equipment and raw materials to enable it to proceed rapidly with its tasks. This encouragement is required under three main heads. The first and, in some respects, the most important of these is a sound taxation policy calculated to promote and not hinder new undertakings. There has been uniform satisfaction on the refreshing change of outlook which the present Finance Member, the Hon'ble Sir Archibald Rowlands, has brought to bear on his task. And it is a matter of particular gratification that the suggestion put forward by the Federation for the appointment of a Committee to examine and report on the present tax structure and incidence of taxation has been accepted by the Government and a Taxation Enquiry Committee is to be constituted. But there are other matters on which urgent action is necessary. The level of taxation is still high and much of our revenue is directed into non-productive channels instead of being utilised to foster agriculture, trade and industry. With the end of the war, there is a decline in the combined defence expenditure in India of the British and Indian Governments estimated at Rs. 600 crores for the year 1946-47. It is neither desirable nor, indeed, is it feasible for war-time expenditure to continue but a precipitous fall should be prevented. And in one respect serious misgivings are possible. The Government of India's own provision for direct capital outlay, including railway outlay, is only 49 crores. The initiative has been left largely to the Provincial Governments whose plans are in varying degrees of incubation and which involve an expenditure of Rs. 900 crores in the next five to seven years. Efforts should be made to press on with these schemes as early as possible. But the fact that public outlay should not fall too precipitously is no justification for unproductive and wasteful/expenditure such as that on the maintenance of excessive defence services or the expansion of what is already a heavily overgrown bureaucratic machinery. A close scrutiny of Government expenditure is as important in the public interest as a thorough review of the tax structure of the country.

The second direction in which a stimulus can be provided to trade and industry is by the relaxation of existing exchange and other restrictions which prevent us from freely purchasing machinery abroad. I do not propose to dwell here upon the inequity of the Empire Dollar Pool and its continuance. A resolution on the subject will be placed before you. But we cannot accept the naive assertion of the Finance Member that the Pool was devised in India's interest and we would lose by withdrawing from it. Even if this is a fact, we are entitled to the information on which this assertion is based and we cannot acquiesce, seven months after the conclusion of the war, in the maintenance of the closest secrecy in a matter in which we are vitally interested. But even more important than the Empire Dollar Pool is the question of the early settlement of our Sterling Balances which are indispensable for the economic development of the country. We have all read with some surprise and, perhaps, incredulity that the Anglo-American loan agreement actually contained a clause providing for the scaling down of the debt due by Britain to her other creditors, the most important of which is India. I am glad that the Finance Member has categorically denied that the Anglo-American financial agreement is binding on India ; we need not, therefore, join issue on this question but we must make it clear that we will never countenance such a proposal. That India, desperately poor as she is and after she has borne, in comparison with her income, a real burden greater than that of Britain, should be asked to forego a portion of her Sterling Balances seems to me one of the most unreasoning proposals that has ever been made between nations. It seems to me to be time that Britain, reinforced with a dollar loan as she is likely to be is asked to think in terms of her own ability to pay. We in India cannot take it for granted that Britain cannot repay rapidly and in substantial quantities what she was able to draw from this country in about five years. She has been able to accumulate since 1945 a large volume of gold and dollar balances. She has been able to redeem some of the high dividend yielding British-owned shares in the U. S. A. pledged with the Reconstruction Corporation in 1941, and the dollar reserves of the United Kingdom which reached the low level of 3 million pounds in 1941 had been restored to the figure of 453 million pounds in October 1945. Her assets, reduced though they have been, are still large in India and elsewhere ; she has emerged from the war with vastly improved productive technique and her export capacity can now be very considerably expanded. It should be quite possible for her to arrange for industrial adaptation in such a way that she is able to lay off a portion of her productive capacity for the supply of capital goods to India. In any case, if the settlement of this question is likely to be further delayed, the Government should immediately explore the possibility of a temporary dollar loan to finance the immediate import of essential capital equipment. At the same time the whole procedure of dealing with surplus equipment in the country, the disposal of which has been seriously delayed, should be

revised so as to give to Indian industry immediate opportunities of securing all useful equipment now in the country.

The third direction in which Government can assist industry is by a long-range plan of agricultural and industrial development secured by a wise measure of stabilisation of prices at a level which will maintain agricultural progress as well as provide a stimulus to industry. It has been stressed on more than one occasion from this platform that India, with an abundance of natural resources, with unlimited man-power, and with a huge home market provides ample scope for large-scale industrial development and there would be no risk of over-production, which is generally inherent in a vast and rapid industrial expansion, if plans for immediate establishment of some of the major industries necessary for the defence and day-to-day requirements of the country are taken in hand. The maintenance of demand may require an adjustment of prices and costs and, perhaps, we shall need an orderly retreat from the present high level and stabilisation at a level consistent with our need for rapid development and with the prices prevailing abroad. The need to keep our prices on a par with those in other countries will also involve a much wider use of the mechanism of tariffs, and I trust that the fullest use will be made of a wise tariff policy to maintain equilibrium as well as to promote and stimulate our key industries on which future industrialisation must so largely depend.

The question of tariff policy brings me to our place in international monetary arrangements. The Government of India without reference to the Legislature ratified the Bretton Woods Agreement. Subsequently the subject was placed before the Legislative Assembly. As you may be aware, as President of the Federation, I was consulted by the Finance Member and without endorsing the plea of inability of the Government to consult the Legislature, I replied that, subject to certain assurances in regard to Sterling Balances, we had no objection to India's joining the International Monetary Fund and the International Bank. The arguments in favour of India's participation in the Fund and in the Bank remain as cogent now, as they have always been. There are, of course, limitations which joining the Fund will impose upon us. The obligations cast upon us to seek the permission of the Fund for varying our exchange rates and not to enter on competitive depreciation and to submit returns of information on various economic and financial matters have to be accepted. It may be complained that our quota has been fixed too low with the result that we can draw upon the fund only to the extent of double our quota of four hundred million dollars. But in spite of these limitations, I am convinced that it is in our interests to join the Bretton Woods organisation. One disability has been removed by the non-ratification of the U.S.S.R. which has raised India to the fifth place and secured for her a permanent seat on the Executive. I trust that if Russia joins, our right to the permanent non-elective seat will be maintained, if necessary, by a suitable amendment. This will materially assist

us in our work and I am hopeful that Bretton Woods will help us in the speeding up of industrialisation and particularly in providing us with the necessary foreign exchange resources so that we may proceed rapidly with our plans of development.

The Government of India have agreed to participate in the forthcoming Conference convened by the United States some time in the summer of this year to examine proposals to establish an International Trade Organisation to regulate International Trade. Britain is twice committed to the principles of these proposals, firstly, through Article vii of the Mutual Aid Agreement and again under the terms of the Anglo-American Agreement. India is not committed in any way, except in so far as the Government of India have agreed to participate in the deliberations. While the general principles underlying these proposals may be broadly acceptable, there are several matters which require close examination. It is, of course, natural, but from our point of view certainly disturbing, that these proposals are coloured so much by the conditions and requirements of advanced industrial countries like the United States and Britain. There are many features outlined therein which are likely to affect adversely India's future economic development unless we are able to secure the assent of the Conference to reservations in our interest. I do not propose to go into details at this stage but will content myself by drawing your attention to a few points which require consideration. For example, in the draft proposals it is stated that the domestic programme to expand employment should be consistent with the realisation of the purposes of liberal international agreements and compatible with the economic well-being of other nations. A narrow interpretation of this clause would greatly restrict the economic development of a country like India. Again the clause which imposes a duty on member nations " not to promote employment through measures which are likely to create unemployment in other countries or which are incompatible with international undertakings designed to promote an expanding volume of international trade in accordance with comparative efficiency of production " will not be acceptable to India because any measure taken to develop Indian industry is bound, temporarily at least, to create some unemployment in other countries, and also because comparative efficiencies of production are not invariable and fixed for all time. We cannot, therefore, accept the perpetuation of existing standards of industrialisation which these clauses wittingly or unwittingly seek to establish. An even more serious problem arises in respect of the reduction in tariffs contemplated under the proposals. India's case is very different from that of Britain or America. Her tariffs have never been prohibitory and are solely intended to confer a measure of reasonable protection on industries which obviously have permanent prospects. India should not, therefore, accept any arrangement which denies to her the right to safeguard her policy of " developmental protection ". In this, as in all other matters, our attitude to an International Trade Organisation will ultimately

have to be governed by the answer to the question as to how far our joining it will promote our programme of economic development.

Before I conclude I would like to say a few words about ourselves—I mean, the Federation of Indian Chambers of Commerce and Industry. It would be admitted on all hands that since its inception—some nineteen years ago—this organisation has rendered immense service to the interests it set out to serve. But times are changing and some of us have felt that if the Federation is to continue to give as effective service as it has done in the past, more direct and intensive methods will have to be adopted. Your Committee have just adopted a scheme whereby they feel the Federation will be able to serve the commercial and industrial community more effectively. The most important item in the scheme is the appointment of a permanent Chairman at a high level. He will be a whole-time officer supervising the work of the office, establishing contacts with officials and organisations as and when necessary. The President, of course, will preside at the Annual Session and at all Committee meetings.

Gentlemen, you will later on be asked to adopt a resolution authorising the Committee to give effect to these changes. There is, however, one point which I feel I should make clear. The appointment of a Chairman does not mean any reflection on our able Secretary, Mr. Mulherkar. I can tell you from my personal experience that the Federation office is fortunate in having the services of such a devoted and able officer as Mr. Mulherkar.

The development of our organisation is a recognition of the new part which the business community will have to play in the counsels of the nation. With the advent of political freedom there will be new claims on us whether in the realm of finance or industry. There will be a new awakening amongst our workers seeking, wherever possible, improved conditions of work and wages. As employers it is our first duty, consistent with our other obligations, to improve their lot and their conditions of work. The Federation's office is making a special study of labour problems, and we shall continue, wherever this is possible, to assist in the promotion of industrial welfare, remembering the essential part that an efficient and contented labour force must play in the tasks of industrialisation. We have a right to ask that in these tasks we should receive the fullest co-operation of the Government and of the workers themselves. Given this co-operation, I am confident that the business community will make a great and lasting contribution to the industrial and commercial development of the country bringing progress and prosperity to all that dwell with us in this great land.

President: I now formally move that the Report of the Proceedings of the Committee of the Federation be adopted. Further discussion of the Report will be taken up in the afternoon.

President: Gentlemen, I shall now move Resolutions Nos. 1 and 2 from the Chair. I move—