

**THE ROLE OF PUBLIC SECTOR  
IN  
ASIAN DEVELOPMENT**

*(Nagpur : 23-26 September 1975)*

FOURTH ASIAN TRADE UNION SEMINAR

**Price : Rs. 7.00**

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## P R E F A C E

In this volume are collected all papers, documents, speeches and the conclusions of the Fourth Asian Trade Union Seminar held at Nagpur on 23-26 September 1975.

The publication has been delayed due to various unavoidable reasons. But the theme of the Seminar, "The Role of Public Sector in Asian Development", continues to remain live and fresh, and its importance undiminished in every respect.

The role of public sector or State sector has assumed crucial importance for the developing countries in their struggle for economic independence and socio-economic advance, against neo-colonialist threat and imperialist conspiracy and internal pro-imperialist elements.

We hope the Seminar papers and the conclusions unanimously arrived at will help trade unions in the Third World countries, in particular, in adopting a positive attitude towards the public sector and its strengthening, and in formulating the tasks in this regard.

The Seminar was attended by representatives of trade union centres affiliated both to WFTU and ICFTU, and also autonomous unions.

It was inaugurated by the Minister for Labour, Government of India K. V. Raghunatha Reddy and his inaugural address appears in this volume. K. R. Ganesh, the then Minister of State for Petroleum and Chemicals also addressed the Seminar extempore on the 24th September. But regrettably his address could not be published for want of the text.

The introductory speech was delivered by S. A. Dange, introducing the theme of the Seminar.

New Delhi  
1 May 1976

*AITUC Secretariat*

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ADDRESS OF WELCOME  
BY  
DR. RANEN SEN, M.P.,  
PRESIDENT, AITUC

Friends,

On behalf of the All-India Trade Union Congress I welcome you all. You have come from different Asian countries representing Trade unions owing allegiance to different World Trade union centres to participate in this Fourth Seminar on the role of Public Sector in Asian Development.

Emergence of Public Sector of industries has become a phenomena in all developing countries. Public Sector in industries is exercising its influence on the development and advancement of the developing countries including the countries in South East Asia.

In India the development of Public Sector has its own history. During the British rule India was kept industrially backward. After attaining freedom India took the path of industrial development. But the imperialists did not want India to take the path of independent industrial development. They wanted India to remain the hinterland of industrially developed countries.

Within a short time, India saw through the game of imperialist countries and embarked on a path of independent development. Our Parliament adopted the Industrial Policy resolution in 1956 which clearly enunciated areas where Public Sector should operate. Key sectors of industries like oil, steel, machine building, electric power stations, etc. which form the plinth of industrial progress were reserved for Public Sector.

Today in India in Public Sector industries nearly rupees six thousand crores (sixty thousand millions) have been

invested and if we include Railways, Defence industries, Post & Telecommunication industries, etc. it would come to an investment of more than fifteen thousand crores (150 thousand millions) of rupees. Of late certain consumer industries are also being brought under Public Sector. In this development of Public Sector, India was helped generously by the Socialist countries particularly by the Soviet Union from the very beginning. Huge steel, oil, machine building complexes have been built up with their help.

In course of time, Banking, Life and General Insurance and partly drug industry were brought under the purview of Public Sector. The objective is to make the Public Sector secure commanding height in our national economy.

From the very beginning the imperialist countries directly or indirectly, overtly or covertly opposed the emergence and extension of Public Sector. Indian big bourgeoisie also did not and still do not want the success of the Public Sector.

Though these sections of the capitalists try to run down the Public Sector, they are also reaping benefits from the Public Sector. During the last twenty years the monopolies have tried to exploit the Public Sector in collusion with a section of bureaucracy and by taking advantage of bureaucratic management. Of late they were waging a tireless campaign to make the Government hand over this sector to private hands.

The Public Sector is run by high Government officials or by people recruited from big business sector. This was the bane of our Public Sector. For quite sometime past Public Sector industries were losing concerns giving enough scope for the private sector to scoff at them.

Bureaucratic control over the sector, lack of workers' say in it, mismanagement, corruption at the upper echelon, pilferage, etc. are still present more or less which are the main weaknesses of the Public Sector. Some of these vices still persist. But despite these weaknesses and many other, of late, the Public Sector has turned round the corner,

and is making profits and are helpful to the development of ancilliary industries and small scale and medium scale industries.

Public Sector in India is state capitalism as distinct from state monopoly capitalism of developed countries. Though they are not socialist industries, they objectively are, anti-imperialist in as much as it lays down and strengthens the foundation of independent development of the country through the development of key industries and thus defeats the machinations of the imperialist countries to control the destiny of the country. The success of Public Sector, thus, fully corresponds to the interests and needs of the country. Here the working class has a vital role to play. The A.I.T.U.C. in its Cochin Congress in 1957 analysed the role of Public Sector in India and enunciated a two pillar policy as the task for the working class to fulfill—(i) to fight for democratisation of Public Sector, for real workers' participation in management against bureaucratic control over the sector, and for workers' welfare and betterment of workers' life, and (ii) to increase production. These two tasks still remain before the working class. It is a long drawn and difficult battle and the working class has to win in this battle. Success in this battle will change the face of our country and improve the moral and material status of the working class.

Today, in India under a changed political condition this two fold task has assumed supreme importance. Working class has to play the most vital role in moulding the affairs of Public Sector in proper direction. All bottlenecks in production, all bureaucratic bunglings, imperialist machinations and intrigues of big business have to be thwarted by united struggles of working class. Production in Public Sector must be increased and at the same time improvement in the condition of the working class has to be brought about. The fruits of Public Sector must reach the Common man and not allowed to be grabbed by the monopolists.

I hope the deliberations of the Seminar will cover all

aspects pertaining to the role of Public Sector in national economy of developing nations, the role of workers in Public Sector and the tasks before them and how to carry out that task.

I once again welcome the friends who are attending this Seminar. I hope this Seminar will further cement the bond of fraternity among the workers of the countries whose representatives have assembled here. I am glad that the WFTU General Secretary, Bro. Pierre Gensous is also present here. I would thank Shri Raghunatha Reddy, the Minister of Labour & Employment, Government of India, for kindly consenting to inaugurate the Seminar.





MESSAGES RECEIVED FROM VARIOUS  
ORGANIZATIONS

HANOI, VIETNAM

TO AITUCONG, NEW DELHI.

SINCERE THANK FOR INVITATION STOP IN  
VIEW OF ACTUAL WORK UNABLE SEND DELE-  
GATION TO FOURTH ASIAN TRADE UNION  
SEMINAR STOP WISH SEMINAR BEST SUC-  
CESS AND HOPE RECEIVE DOCUMENTS STOP  
WITH FRIENDLY GREETINGS, TOCODO.

JATIO SHRAMIK LEAGUE, BANGLADESH

Dear Brother Sriwastava,

Further to our telegram dated August 1st, I have the pleasure to inform you that Mr. Chowdhury Harun-ur-Rashid, member central committee, Jatio Shramik League has been nominated to attend the seminar.

Mr. Chowdhury Harun-ur-Rashid who was the President of the former Trade Union Kendra is a veteran trade unionist, organized the trade union movement in Railway. He has been in the trade union movement since 1949. We hope that this participation will go a long way to build up the International Solidarity of the working class.

As you know that on the 7th of June, we stepped in a new arena emerging in a unified trade organization, i.e. labour wing of BAKSAL to establish a society free from exploitation. This being a step to materialize the ideals of the 2nd Revolution launched by the Father of the Nation, Banga Bandhu Sheikh Mujibur Rahman, will surely receive your plaudit and commendation.

Please find enclosed a form duly filled, which will help you to compile his bio data.

We regret the inconvenience, you have been caused for the delay.

I take this opportunity to thank you Mr. Sriwastava, sincerely for your continued co-operation and interest in us.

With warm greetings,

Sd/-  
(N. S. K. Nehal)  
for General Secretary

INTERNATIONAL LABOUR ORGANISATION  
AREA OFFICE, NEW DELHI

Dear Mr. Sriwastava,

Thank you very much for inviting the International Labour Office to participate in 4th Asian Trade Union Seminar on the Role of Public (State) Sector in Asian Developments being organised by the AITUC at Nagpur from 23 to 26 September 1975.

We regret that owing to office exigencies it will not be possible for us to accept your kind invitation.

We look forward with interest to receiving the copy of the booklet *Public Sector in Indian Economy* and hope you will be good enough to send us a copy of the conclusions of the Seminar in due course.

Wishing you a fruitful meeting.

Yours sincerely,  
Sd/-  
(S. Banerjee)  
Public Information Officer

ALL INDONESIAN LABOUR FEDERATION,  
JAKARTA

Dear Brother K. G. Sriwastava,

Referring to your letter dated 31 March 1975 No. 240/K/75 and 7th May 1975 No. 240/K/75 about Seminar "Role of the Public Sector in Asian Development", here-with I would like to take the opportunity first to thank

you for your kind attention to us the All Indonesian Labour Federation (FBSI). I presumed that the Seminar will be among the most important Seminar in Asia.

Meanwhile also I would like to inform you that unfortunately at the same month in September 1975, we were having our National Council Meeting and all exponents of our Trade Unions from various part of Indonesia hoped to be present in Jakarta. Due to that situation we cannot send any of our men to that important Seminar. The FBSI always hoped that All India Trade Union Congress will make a great success in organising that important Seminar.

With my best personal regards,  
I remain,

Sd/-  
(P. MULJADI)  
Dy. General Secretary

AUCKLAND

TO AITUCONG, NEW DELHI

REGRET UNABLE TO SEND DELEGATE ON THIS  
OCCASION STOP WARM REGARDS FOR SUC-  
CESSFUL SEMINAR

ANDERSON NORTHERN DRIVERS UNION  
AUCKLAND

PAKISTAN TRADE UNION FEDERATION

Dear Brother Sriwastava,

We have the pleasure to inform you that we are in receipt of your letters dated 30.4,1975 and 7.5,1975 and so in pursuance of that our Federation has decided to send its General Secretary to attend the 4th Asian Trade Union Seminar.

It appears that there has been something wrong in postal deliveries as the letters were received in our office during this week and that too in a manner that the letter was received earlier than the former.

The subject of the Seminar is no doubt of great im-

portance and is likely to impart a great deal of information and knowledge. It will be an honour for our representative to witness this august occasion and enjoy the company of those trade unionists who would assemble to participate in the Seminar.

Sd/-  
(BASHIR AHMAD)  
General Secretary

SINGAPORE NATIONAL TRADE UNION CONGRESS ALSO SENT A MESSAGE EXPRESSING INABILITY TO SEND DELEGATE AND WISHING SEMINAR SUCCESS

PHILIPPINE LABOUR COORDINATING CENTER,  
MANILA

Dear Brother Sriwastava,

In connection with the above Seminar scheduled for September 23rd to 26th, 1975, Nagpur, we are pleased to inform you that our organization have nominated and duly authorized Mrs. BETTY RAMAS BASNILLO to be our representative thereat. Enclosed is a copy of her Curriculum Vitae for your information and ready reference.

Sd/-  
(EULOGIO R. LERUM)  
Acting Chairman

FIJI COUNCIL OF TRADE UNIONS, LAUTOKA, FIJI

Dear Brother Sriwastava,

I refer to my two recent cables on the above subject sent to you the other day, and which were in response to your letter No. 240/K/75 31 March, 1975, and 30 April, 1975 on the aforesad subject. I wish to confirm that we have much pleasure in accepting your kind invitation.

Sd/-  
GENERAL SECRETARY

ALL JAPAN DAY WORKERS' UNION, TOKYO, JAPAN

Dear Brother. Sriwastava,

We have so far received with many thanks your three letters concerning 4th Asian Trade Union Seminar on "Role of Public Sector in Asian Developments".

We have an intention to send a delegate to the Seminar and are now examining who should be sent to the Seminar as our delegate. Details will be informed you later.

Wishing you every success in your work.

Sd/-

KAZUO KONDO  
PRESIDENT

THE GENERAL INSURANCE EMPLOYEES' UNION,  
WESTERN ZONE, BOMBAY

Dear Brother K. G. Sriwastava,

We are holding our 2nd Conference at Madras and the dates co-inside with that of your Seminar, hence we shall not be able to attend the Seminar.

However, we thank the AITUC for the kind invitation and wish the Seminar a grand success.

With greetings,

Sd/-

(K. S. B. PILLAI)  
GENERAL SECRETARY



## LIST OF PARTICIPANTS

1. Br. Takahashi  
General Council of Trade  
Unions, (SOHYO), MIKADU,  
SHIBA PARK, TOKYO, JAPAN
2. Mrs. Rama S. Khandwala  
Interpreter to the Japanese Delegate.
3. Br. Mushahar Abu Noh  
Malayasian Trade Union Congress  
19, Jalan Barat (3rd Floor)  
Petaling Jaya (Kuala Lumpur)  
MALAYSIA
4. Br. Chulunbator  
Central Council of Trade Unions,  
Uianbator (MONGOLIA)
5. Br. R. Bold  
Interpreter to the Mongolian Delegation.
6. Br. Gyan Bhakta Shreshtha  
Nepal Majdoor Sangathan, Kathmandu,  
NEPAL
7. Br. Pujitha Gunawardana  
Sri Lanka Independent Trade Union Federation  
213, Dharmapala, Mawatha, Colombo,  
SRI LANKA
8. Br. Sandaradur Jodin D'Silva,  
Ceylon Federation of Trade Unions,  
71, Malay Street,  
Colombo-3 (SRI LANKA)
9. Br. Serguei Trubnikov  
Deputy Head of International Department of  
All Union Central Council of Trade Unions,  
42, Leninskyprospekt, Moscow-B-119  
U.S.S.R.

10. Br. Konstantin Tuzikov  
Interpreter to USSR Delegation  
Moscow (*USSR*).
11. Br. Pierre Gensous  
General Secretary, W.F.T.U.,  
NAM-CURIEOVYCH-1,  
*PRAGUE-1* (Czechoslovakia).
12. Br. Mahendra Sen  
Secretary, W.F.T.U.,  
*PRAGUE*.
13. Sister R. Marie Arnostove  
Interpreter to WFTU Delegation,  
*PRAGUE*.
14. Sister Krytsyna Wrechno Stanke,  
Consultative Committee of the WFTU  
for Social and Economic Problems, *PRAGUE*.
15. Y. A. Arkadasky,  
Socio-economic Committee of WFTU.
16. Br. S. W. Dhabe  
Vice-President,  
Indian National Trade Union Congress,  
17, Janpath, New Delhi.
17. Br. Renen Sen  
President, All India Trade Union Congress,  
24, K. M. Munshi Lane, New Delhi.
18. Br. J. Chitranjan  
Vice-President,  
All India Trade Union Congress
19. Br. S. A. Dange  
General Secretary,  
All India Trade Union Congress
20. Br. K. G. Sriwastava,  
Secretary,  
All India Trade Union Congress
21. Br. N. C. Dutta  
Secretary,  
All India Trade Union Congress

22. Br. T. N. Siddhanta,  
Secretary,  
All India Trade Union Congress
23. Br. Y. D. Sharma  
Secretary,  
All India Trade Union Congress
24. Br. Raj Bahadur Gour,  
Treasurer,  
All India Trade Union Congress
25. Br. J. K. Bajpai  
A.I.L.I.C. Employees Federation,  
Bombay Mutual Bldgs, Gunbow Street,  
Fort, Bombay.
26. Br. V. P. Yadav,  
A.I.L.I.C. Employees' Federation, Bombay
27. Br. K. L. Moza,  
National Federation of P & T Employees,  
1/2 Baird Road, New Delhi.

*SEMINAR OFFICE:*

Br. R. Prashar  
Br. P. Madhavan  
Br. Manna Lal

Note: Shri K. V. Raghunath Reddy, Union Labour Minister, inaugurated the Seminar on 23rd September, 1975.

Shr K. R. Ganesh, Minister for Petroleum & Chemicals, addressed the Seminar on 24th September, 1975.





INAUGURAL ADDRESS  
BY  
SHRI K. V. RAGHUNATHA REDDI,  
UNION LABOUR MINISTER

Friends,

I consider it a privilege and an opportunity to meet the distinguished participants in this Seminar on "The Role of the Public Sector in Asian Development" and to share my thoughts with them. It is indeed a matter of great satisfaction that the AITUC has taken the initiative in this matter and has brought together fellow trade unionists from all over Asia for a discussion of this very important subject which is bound to evoke considerable interest on the role of the public sector as an instrument of development and transformation of Asian Societies.

2. Asia is a vast continent with a diversity of peoples and a variety of economic and political systems. But a common thread that binds them all together is the baptism of suffering and exploitation under colonial domination for over 150 years and the feeling of comradeship that developed between them during the years of their struggles for independence. The over-throw of foreign imperialism has not been an easy one. The heroic example of Vietnam is still fresh in people's minds—a saga of suffering and sacrifice, of the indomitable will of a people fighting for their independence against heavy odds.

3. The failures and successes of the anti-colonialist struggles not only created a consciousness of common destiny among the Asian countries, but they also underlined the need for mutual cooperation, sympathy and understanding if they are to succeed in the challenging task of translating their hard won political freedom into economic independence and social justice, and better

standards of living for the people. The achievement of economic independence, based on the principles of self reliance can alone secure the democratic political institutions of the developing countries.

4. The struggle to achieve self-reliance in the present context of the correlation of international economic and political forces of which the multinationals have become significant instruments, is not going to be an easy one. As the Cocoyoc Declaration aptly warns: "There is an international power structure that will resist moves in this direction. Its methods are well known: the purposive maintenance of the built-in bias of the existing international market mechanisms, other forms of economic manipulation, withdrawing or with-holding credits, embargoes, economic sanctions, subversive use of intelligence agencies, repression including torture, counter insurgency operations, even full-scale intervention." The threat posed by these forces, which will not abandon their privileged position willingly, has to be met. As urged by the Lima Programme for Mutual Assistance and Solidarity, "there is urgent need for concerted efforts by the non-aligned countries to mobilise their forces to consolidate their cohesion and their unity, to cooperate with and assist one another in the economic and social fields to strengthen their common front in the struggle against imperialism in order to assure the total independence of their peoples."

5. In the developing countries of the Asian Region poverty is widespread. Lack of resources, or under-utilisation of available resources, high rates of unemployment and low production and productivity, relatively low rates of economic growth, high rates of population growth which absorb much of the fruits of economic progress and highly unequal distribution of the available resources have all contributed to this. To overcome the appalling poverty and fulfil the rising aspirations of the masses of the people, in the swiftest possible time, becomes the pri-

primary objective of the governments of these developing nations. State intervention in a positive manner, in the economic life of the country becomes not only necessary but unavoidable for achieving the objectives of faster growth with social justice and on the basis of self reliance; To meet the objectives of restructuring the backward and distorted productive forces, the outdated agrarian structure, diversifying the economy, adapting to the scientific-technical revolution, and raising the productivity of labour, State's economic intervention becomes necessary. It is only through the public ownership of the means of production and public control over channels of distribution, that the developing countries can promote capital accumulation, without the concomitant of capital and wealth being concentrated in a few hands and used for private profit and power. Such ownership enables a country to bring about a rational allocation of economic surpluses generated by the common efforts of the working masses.

6. It will be interesting to know the extent of the growth of public sector in the different Asian countries. Lack of such information is one of the gaps which, I do hope, this Seminar will fill. We know generally that most Asian governments carry on undertakings for the development of the infra-structure. With regard, however, to the establishment and public ownership of other types of undertakings, government policies in these countries have varied widely; in some countries all the means of production are under social ownership, in some others with a 'mixed' economy, while the private sector exists alongside the public sector, government resources for industrial development are largely invested in State enterprises; in yet another group of countries government policy seeks to promote industrial development by active encouragement of private enterprise through loans, financial incentives, technical services and other forms of organised promotional activities, finally, in the rest of the countries

industrial development is left mainly to the private sector and the State provides only some public utilities and services.

7. We, in India, have laid great emphasis on the expanding role of the public sector in our development strategy. Rapid transformation of the Indian economy on modern lines, ensuring social justice to all sections of the population and a reduction in inequalities are among the principal goals we have set for ourselves in our quest for the establishment of a socialist order; in the realisation of these goals, a vital role has been assigned to the public sector.

8. In the words of the Third Five Year Plan: "As a decisive instrument which the State can employ in preventing concentration of economic power and growth of monopolistic tendencies, the rapid expansion of the public sector serves a two-fold purpose. It helps to remove certain basic deficiencies in the economic structure and at the same time, it reduces the scope for accumulation of wealth and large incomes in private hands."

9. Our late Prime Minister, Jawaharlal Nehru, conceived the public sector as the king-pin of all our developmental efforts. Not merely in the strict sense of economic growth, but more so in the type of society and social relations that were envisaged for the emerging nation. The task of the public sector is intended to be the pace setter, the prime mover and a model employer. The main objectives of the public sector are: to gain control of the commanding heights of the economy, to promote critical development in terms of social gain or strategic value rather than primarily on consideration of profit, and to provide commercial surpluses with which to finance further economic development.

10. The growth of the public sector in India has truly been spectacular. Since the beginning of the planned era, the total outlays in the public sector has steadily been stepped up. It was Rs. 7,500 crores in the Third Plan, over

16,000 crores in the Fourth Plan and is as high as 37,250 crores in the Fifth Plan. In terms of investment in undertakings owned by Central Government alone, there was a several fold increase. Thus, the investment which stood at Rs. 29 crores at the commencement of the First Five Year Plan (1951) rose to 2,415 crores at the end of the Third Plan (1966); it went upto Rs. 4,682 crores by 1971 and stood at over 6,237 crores at the end of 1973-74. In terms of employment, the public sector accounts for over 1½ million workers. The public sector now covers important spheres of economic and industrial activity like iron and steel, mining, petro-chemicals, engineering, fertilizers, aviation and shipping, banking, insurance and financing of trading activities.

11. The industries in the public sector in India have demonstrated in no uncertain terms that effective and profitable utilisation of financial and human resources is not impossible to achieve even where social and human objectives of an industry have precedence over mere profitability. Today industries in the public sector can be justifiably proud of their production performance, financial achievements and contributions to the enrichment and well-being of the nation as a whole. In 1973-74 public enterprises under the Central Government alone, with a total work-force of 1.5 million, produced goods and services worth nearly Rs. 68,000 million and made a gross profit of Rs. 1480 million with a fairly reasonable return on capital employed. This achievement, against heavy odds, has been possible mainly due to the involvement and commitment of the workers to the success of these national enterprises.

12. The public sector has brought about a number of benefits, both direct and indirect, to the economy in general. It has ventured into fields where the private enterprises would not dare either because of the huge investments involved or because of the long gestation period before they yield any returns. It has provided an infra-

structure for a sound industrial economy. It has built up considerable capacity for heavy machine building. In short, it has provided a strong industrial base for the country benefiting both the public and private sectors for their expansion. It has given a big push to import substitution and made future more self-sustaining. One can confidently say that if it were not for the bold investment made in the public sector, the rate of growth of our economy would have been slower; also that as the relative share of the public sector increases its role in economic growth will become even more strategic and the State will be in a still stronger position to determine the character and functioning of the economy as a whole. Notwithstanding the strong protestation of the defenders of the faith, and their criticism of the role and character of the public sector, the private sector in its developmental aspect owes its growth in no small measure, to the public sector.

13. The trade unions can play a significant role in creating a proper atmosphere to appreciate the needs and compulsions of development and getting the willing support of the masses to the development goals, objectives and strategy. Trade unions are an integral part of the democratic polity and together with other organisations of the working masses they have to prepare the people for effective participation in the development process. To ensure that the public sector fulfils its goals and lives upto expectations, the trade unions have a special responsibility and a special role to play. Labour's stake in socialism is much greater than that of any other class in society. It is in their interest, as well as the larger interest of the nation, to nurse the public sector, exercise vigilance and ensure that nothing comes in the way of its healthy growth.

14. Quite understandably, the trade union organisations have so far been engaged mostly in advancement of their members' interests. While economic struggles should always be defended and supported to resist any encroach-

ment on the benefits won through long and arduous struggles, the working class should not allow their struggles to be permeated by hedonistic trends of economism. Pursuit of pure economism will only debilitate the working class and make them politically weak and vulnerable to the gathering dark forces of history.

15. The trade unions, therefore, have also to think of the environment in which they operate: of the millions who are only nominally in employment and many more who have no employment at all; of the need for savings, of increasing productivity, because there can be no lasting improvement in the standards of living of the people if the overall pace of economic development is not fast enough. In the last analysis, accelerated development is, among other things, a function of the rate of savings, as well as the growth of productivity. Labour organisations have to take a direct initiative in the drive for higher productivity. In other countries where socialism has been ushered in, admittedly on a different basis, workers engaged in socialistic competition are striving to do more than the other, often in the face of discouraging circumstances. That is the way to build up socialist economy—through hard work, discipline and sacrifice.

16. If the public sector is to keep growing, it has to yield an adequate return on the large capital resources invested; and this involves the full utilisation of the capacities created, though a joint effort and common commitment of both management and the working class. Uninterrupted production and improved productivity through good labour management relations becomes of crucial importance, particularly in the case of the public sector, because the achievement of the basic national purposes which the public sector is designed to serve, will depend on the efficiency of these undertakings. In most of the developing countries of Asia, these public sector units represent very substantial investment of public funds and

since developing Asian countries suffer from shortage of capital, it is essential that these undertakings are run as efficiently as possible. The successful pursuit of the economic development programmes can be jeopardised or slowed down because of unsatisfactory labour-management relations. Promotion of harmonious labour management relations based on an appreciation of the common interest in and commitment to the success of the public sector, becomes crucial. This calls for a new approach and a new outlook on the part of both management and labour if the nation is to get the full benefit of the large investments it has made in the public sector.

17. The birth and growth of the public sector signifies to us, in India, the resurgent nation's resolve to reconstruct society on a rational basis and the forging of the most potent instrument of socialist transformation. It is the strength and contribution of the public sector in terms of economic growth that enabled us to withstand the consequences of the inflationary pressures that continue to rock even the developed countries, and to contain their impact within tolerable limits. The very purpose and role of the public sector has created a new ethos and a new motivation radically different from that of an acquisitive society. I am fully conscious of the fact that a country's strategy for social and economic development has of necessity to be evolved in the light of its own specific conditions and special needs; but there is much that we can learn from one another's experience. In spreading this knowledge and in arousing the consciousness of the crucial role of the public sector in the developing countries of Asia, the trade unions have a significant role to play. Unless they play their part, the very process of development may get warped and the very democratic and socialist values that we cherish and owe efforts to transform political democracy into economic democracy may once again be in jeopardy. It is therefore, upto the forces of democracy and peace, with the trade unions in



their vanguard, to forge ahead unitedly and warn the enemies of democracy "Hands Off".

18. The present world economic crisis, as the Cocoyoc declaration proclaimed, "can also be a moment of truth from which the nations learn to acknowledge the bankruptcy of the old system and to seek the framework of a new economic order". The new economic order can only be a socialist economic order. All the reformed theories of capitalism have been tried and the realities of life and history have proved the bankruptcy of such theories. The developing countries must realise this historic truth that socialist order is the only economic order which can strengthen democratic institutions and provide for political, economic and social justice. In such an order alone, the gospel of social justice the ethic of brotherhood can flourish leading to total self transformation of man. Public sector is the most important instrument of socialist transformation.





# **INDIA AND THE PUBLIC SECTOR**



## SOME ASPECTS OF THE PUBLIC SECTOR IN INDIA

—S. A. Dange

### I

I propose to deal only with a few points on the question of the Public Sector in India. The subject by now has been argued in a comprehensive way by all schools of economic and political thought in India as well as abroad. And certain views about the role and content of the Public Sector have come to find general acceptance. Many of them are put in the papers given to you.

To begin with we should have some idea about the meaning of the term Public Sector. Mr. S. S. Khera in one of his essays on the subject says:

“The Public Sector may be fairly simply defined as consisting of those industrial, commercial, trading and banking enterprises the capital for which Government provides from public resources, the Government providing the structure, content and control of the management, and takes the profit or loss of the enterprise”.

(Page 46 *Towards Commanding Heights.*)

This could be considered, as he says, a “sufficient, if not absolute”, definition. True, but in India the definition of the Public Sector has imported into it the *element of management and the form of capital holding, to classify the enterprises.* And this element excludes from the definition of “Public Sector” some vital enterprises that should be included in the category of Public Sector. For example, the railways and the defence industries are not put into the category of Public Sector, because they are directly *managed* by Government departments and their capital does not take the corporate or limited company

form. Such restrictions on the definition in economic literature diminishes the size and weightage of the Public Sector and its role in the total economy. It also confuses the strength of the forces of the inter-class relationships in the total complex. Therefore, in our thinking we will not adhere to this distinction but include *all* economic and ancillary activities of *state-capital* under the name of public sector or state-sector, both having the same meaning whatever the form of management or capital holding.

Public Sector undertaking directly run by Departments of Government are called Departmental Undertakings. And the others, owned also by the State are called autonomous corporations or companies.

The departmentally run Public Sector covers railways, Posts and Telegraph, Atomic Energy, Gold mines, Defence Establishments, Aviation, Purchase of foodgrains, Security Printing Press, Ports, Public Works, Currency and Coinage, Broadcasting, etc.

Capital outlay and loans on these departmentally run undertakings at the end of 1973-74 amounted to Rs. 8664.49 crores.\* This does not include Financial Institutions, whose capital is also provided by the State and departmentally managed.

Because of the fact that these are directly managed by the Government departments and figure as such in the Budgetary grants, they are not referred to as Public Sector nor as State Sector.

But the omission of such a huge block of State-owned capital from the concept of Public Sector vitiates the understanding of the vast magnitude of the direct intervention of the State as such in the development and management of the national economy and sometimes prevents the economic phenomenon of the Public Sector being properly evaluated and grasped in its totality of co-relationships.

The other form of state-capital-holding is the limited company form, classified in Government budgetary trans-

\* 1 crore=10 million.

actions under the heading of "autonomous corporations, companies, etc". State capital herein takes the form of company share-capital, all the shares in it being held by Government in the name of President of India. This block of capital, which, also includes Financial Institutions, like Banks and Insurance, comes to Rs. 4481.03 crores upto the end of 1973-74.

*Thus the State Sector capital in India amounts to Rs. 13145.52 crores upto 1973-74.*

(Figures taken from Statement VIII on Capital Investment and Loans by the Central Government, in the Explanatory Memorandum accompanying the Budget for 1975-76.)

The above total of capital and loan investment is exclusive of the Loans advanced by the Central Government to various *State Governments*, which amount to Rs. 8569.70 crores upto 1973-74. Besides, there are loans to Public Sector enterprises apart from their share capital, which come to Rs. 2878.84 crores. The loans to State Governments contain a large element for *capital investments* in their industrial, financial and commercial activities. Such loans to states and other agencies amount to Rs. 12,495.97 crores.

In economic classification, the enterprises run by the State Governments are not shown as Public Sector enterprises. This omission is very grave, because investments in Electricity Distribution, irrigation, tube wells and even some industrial enterprises are financed or owned by the State Governments, which means that they fall in the category of State Sector or Public Sector, that is State-capital as a whole.

*All this totals upto the staggering sum of over Rs. 25,000 crores upto 1973-74.*

This huge sum of money by itself would not connote much, if it were merely a depreciated paper money quantum like that of the German Mark or the Chinese-Chiang-kaishek dollar at the end of the last war. Though devaluations, inflation, rise in prices and watering of the currency make the quantum big, yet it is not all that in-

*flation and fiction.* Behind this sum stand solid real values of productive forces which represent quite some advance in the structure of our national economy. In some areas of production, we have highly developed plants of big size, such as in heavy engineering, steel, mining, atomic energy, chemicals, etc.

But by absolute volume as also the per capita availability of steel, electricity etc. we are still far behind. We hardly produce seven million tons of steel for five hundred and sixty million people, while the British produce 27 million tons for fifty million people and the Americans and Soviets are over 130 million tons each, with less than half our population. We are one of the biggest centres of textile industry in the world, though by per capita consumption, in a population of 560 million, we may look a naked nation. But, as everyone knows, all this is not our original sin. The fact that we were held in colonial subjection by imperialism, which fattened on our soil, is responsible for our backwardness compared to the industrialised nations. Since independence, however, India and many countries of Asia, like us have made progress and many of them have used the state sector form of capital accumulation and investment to quicken the pace of economic development.

So, not only by the measure of money but also by the measure of the technical qualitative content and quantitative measure on a national scale, the state-sector in India, which is now larger than the private capitalist sector, is taking the country forward. And as such we support it.

We quoted the money size of the state-sector in order to stimulate some comparisons that should go before our working-class.

If we compare the sum of state-capital which is colossal by our standards, to the daily wage of the agricultural labourer or that of the machine operator and the scientific worker, all hovering between three rupees at the lowest to a hundred rupees at the highest and put before him this huge mountain of capital spread out in various forms



of life and being, we will be stunned and feel punny and powerless. But if we make him ideologically conscious of the fact that it is he who is putting motion and soul in it, that it is the creation of his labour power that stands before him in a congealed form and therefore he must assert his historical right and duty to wield this state-sector for the transformation of the country's economy and the life of its millions and his own we shall be correctly discharging our duty. The working-class needs to be told what the Public or State Sector in India has come to and what he has to do with it.

Without a theoretical approach, the slogan of Participation in management by the worker in this huge apparatus will lose its real content.

It is not only the money or capital value at the disposal of the State that requires attention. The variety of economic and other activities undertaken by the State, the gigantic and almost all-pervading power that the modern state and its vast apparatus of production, (apart from its coercive wing) can wield over the life of man has also to be brought into his consciousness. Even a simple reading of the list of companies and the *products* and *services* produced by them would open up before our worker the great vistas of the new world that we are creating with our labour and with these new instruments of production and distribution, a world that did not exist in India before.

And yet we have to remember that we have not stepped into the new world in full. We have still the bullock cart by the side of the aeroplane, gobar plants by the side of the giant generators. The State Trading Corporation exports big turbines side by side with bundles of human hair and straw-mats.

We are a product-mix or "structure-mix" from primitivism to modernity. Our country's size is great but productivity small. And yet our profit rates are so high that it draws the capitalists of the whole world to our shores. Our standards of living are still on the poverty line. Yet it does not prevent some from possessing golden hoards

and silver palaces. But we are growing in a new direction and in that our State-Sector is playing the decisive and major role.

Hence, we have to guard it against the machinations of the imperialists who do not like our independent growth and Indian monopolists, who dread their future, if this State-Sector grows into fully democratic and socialist-oriented national economy.

## II

Does the division of the State Sector or Public Sector of our economy into two compartments based on the forms of management and forms of holding of capital lead to any noticeable consequences, either harmful or helpful, in relation to the economy, the State, the people in general and the working-class in particular?

The departmentally managed state sector and the company managed state sector (public sector) at first took these two shapes as a part of historical legacy and development. The railways, for example, were at first limited companies, floated in London. Then their management was taken over by the British Government of India due to military, strategic and other reasons. At the end of the Second World War, they were taken over by the Government of Independent India and paid for from the sterling balances held in London to India's credit. Thus the railways came to be nationalised and managed as a department of the Government.

That was so with the Defence industries, ports and docks, telephones, etc.

The departmentally owned and managed public sector thus arose historically.

The company owned and managed public sector also arose historically out of the nationalisation measures taken by the Government of the already existing limited companies, as for example in the case of Insurance, Banks, mills, engineering concerns, oil, etc.

Apart from the historical inheritance arising out of nationalisation measures, by which the company-share form of public sector capital is transferred to the President of the Republic was there any reason for the Government to give their new public sector capital the company form of ownership and management? The reason was the insistence of the foreign monopolies and the Governments concerned, who were approached for assistance and aid. For example, when Durgapur Steel was constructed with the aid of the British consortium of monopoly houses, the Government of India had to accept the company form of ownership and management.

In the company form, one can split the share-capital, one part being retained by the *private capitalist group* and the other part being taken up and owned by the Government, that is to make it a sort of joint-sector, which is neither exclusively in the private nor the public sector, as has happened in certain branches of the oil industry. The company share form also can provide the method for transferring a part of the public sector holdings to private sector. You cannot transfer a direct departmentally owned concern in parts to private sector, but a Government owned company can do that in parts or whole.

The socialist countries' aid is given to the State directly. It is for the state to decide in what form it will own this transfer of aid—whether directly in state ownership form or company form of public sector ownership. Bokaro Steel is a limited company. But the manufacturing units of the MIG planes are directly owned and run by the Defence Department. The telephones are departmentally owned and managed as a public sector, while the manufacture of the phone instruments is held in the form of a company of the public sector.

One must of course remember that public sector concerns, exclusively owned and run by the Governmental departments, in the form of block capital and not share capital can also be handed over to the private sector, if

reactionary policies so demand it. We have had so far no such case on record.

The major and most vital units or blocks of capital in the public sector in India, particularly in the shape of production units in the basic and infra-structure industries have not come about by nationalisation as such. They came about on the initiative of the State sector and its own investment of public sector capital.

The big and monopoly bourgeoisie fully supported this line, thinking that after the gestation period, they could buy them up or share them.

But when the influence of the processes of democratic developments in the policies of the ruling Congress Party foiled this dream of the monopolists and their partners, they turned against the public sector and began to sabotage it, in which they took the help of some of those elements in the bureaucracy, who had not tuned themselves to the new national and democratic processes and believed in the economics of monopoly capitalism and the prospects of their own careers under it. But the firm action taken by the Prime Minister halted this process. A section of the bureaucracy, which has a progressive outlook, also helped these developments in the State sphere. And the fact that this year the public sector enterprises, which were always a target of attack for their mismanagement and losses (which mainly arose out of the machinations of the private sector) have come out with good results in profits, production and management, has made the path of the Public Sector brighter.

The form of ownership and management of the public sector (the department and the company) has its repercussions in three spheres=one, on management

functioning

two, on workers' rights

three, on democratic criticism  
and check-up.

Let us briefly look into them.

### III

The procedures of bureaucratic functioning in the departmental sphere, inherited from the British Civil Service rules, are extremely clumsy, petty, time-consuming and retard any motion forward. This procedure, as could be seen from the functioning of the railways, block progress and initiative. It is worst in matters of financial decisions. And when the civil servant is imposed on the technical head of the given concern, the whole thing moves like the old Austrian army described in that famous satire 'Good Soldier Scheik'. A factory complex made to produce fighter planes or tanks or turbines, when faced with such bureaucracy, generally goes in revolt and asks for new methods of functioning, suited to the new organisation of production. Moreover apart from the usual bureaucracy, the Departmental unit has to bear the additional infliction of His Junior Majesty, the Minister-in-charge, who is a political person and not a technocrat nor a bureaucrat, but has all the powers of veto or assent, both of which he rarely exercises and are left to the all-knowing Secretary. Pen-pushing and file-work is more than production and execution. It is in this context that Mahatma Gandhi gave to the Congress Ministries, when they took office in 1937, the slogan "Burn the files", which, of course, they did not do!

The Company form of management, though of a Government company, tried to turn to Business methods, which, if not vitiated by corruption, leave enough room for initiative and action. But in the initial stages this was sought to be vitiated by appointment of Government secretaries as overall directors in some of these branches. The dual power of the company management form and the Governmental Secretary censor created enough havoc and deadlocks and led to losses also. Recently, this has now been overcome, to some extent, on the basis of new initiatives taken by the late Mohan Kumaramangalam, who solved one bureaucratic tangle by making the head of the Steel Complex also hold the post of the secretaryship in

the ministry, and combined two heads in one, though not two procedures in one!

Of course, all this is conditioned by the basic framework of public sector functioning, whether in the Departmental or Company form being grounded *on the forms evolved by capitalist practice*. In a truly socialist-oriented democratic structure, the Company form can be abolished altogether and all public sector property, in production, distribution and exchange, which will be the decisive and largest sector in the economy, will be managed by departmental committees of the ministry concerned in which the workers and management will form a single homogeneous whole and not opposites. In such a system, the achievement of efficiency, discipline, productivity and a proper rate of profit with maximisation of production, lowering of prices and supplies of goods and services to the community, and full satisfaction of workers' demands will assume their full force and sanctions.

The dichotomy of the departmental and company form will be rendered superfluous.

The present division of the Public Sector into two forms of holding and management has its effect on workers' rights and privileges, as well as work norms and wages and consequently on the national economy also.

In the departmental form the worker is held to be a Government employee and as such loses all the gains that the worker in the private concern or the company form public sector has attained or is entitled to.

One need not go into a detailed discussion of this. Recently in India, the workers in the public sector railway system, managed departmentally were denied the right to Bonus, though as transport workers they were workers like any other industrial or service workers. In contrast, employees of Public Sector transport undertakings, run in the limited company form, were entitled to Bonus.

Thus the mere fact of different methods of management and forms of holding the State-owned capital, led to dis-

crimination in the rights of the workers in the production and service units of the same state and its capital holdings and economic activity. Hence the workers demand that where an undertaking is subject to profit and loss balance sheets whether in the departmental form or the company form should have the same rights as all other workers in general or workers in the Public Sector as a whole. And further in relation to the working-class as a whole, its rights must be the same in both sectors, that is private and public sector, accompanied by equal economic and work standards, with the public sector having even higher standards than the private. We in the AITUC hold that workers in the public sector as a whole, in a developing country and a developing democracy with a socialist orientation, have very vital obligations to discharge in order to rebuff imperialist attacks from without and reactionary machinations from within. The public sector in India has to become and is becoming the decisive sector in overcoming economic backwardness, in negating the influence of the foreign multinationals and the home-grown monopolies, in developing and applying the achievements of the scientific and technological revolution with the assistance of our patriotic intelligentsia in the service of man and creating a new society.

#### IV

Criticism and check up is a necessary element in the proper functioning of any system and its parts, whether it be in an individual or in a corporate body. In the private capitalist sector, the best instrument and indicator of this is *the rate of profit*. Its fall or rise is the best criticism of the functioning of the enterprise in the private sector. The share-market which is nothing but a fight for the rate of profit, also is an indicator, but not a reliable one. Even the rate of profit can be manipulated for some time, giving a false picture of the unit concerned, but not for long. It may hoodwink the public and even the shareholders but not the top men, who matter and who get the cream.

The rate of profit should prove an instrument of measurement of Public Sector functioning also. But in India, monopoly capital, which was quite strong and had its allies and representatives in the State system, imposed on the state sector a no-profit-no-loss policy or even a loss policy, of pricing, by which their sector profited the most at the cost of the state-sector and national revenues. And when the public sector went into losses, they attacked it for its inefficiency and demanded its liquidation and sale to the private sector.

One instrument of public criticism and opinion that is the *Press*, being in the hands of monopoly capital, also failed to perform the task of correct criticism.

The trade unions could not do anything in the matter, beyond action to protect the workers from the attacks of the bureaucracy in the loss-making units, who wanted to cut the wages, bonus or benefits of the workers, holding these as responsible for losses, a perpetual cry of all capital in all countries.

In India, due to the existence of the Parliamentary system, the *parliament could become a forum of criticism and changes*. But there also, the departmentally run public sector can come under scrutiny and criticism in a more direct and detailed form than the company run public sector.

The department under the given Ministry, at the Budget time, has to come to the Parliament for Grants to run the railways, P&T, Defence factories, etc. These occasions are used for voicing criticism of every kind and if the progressive lobby is strong enough, certain changes in policy and working of the public sector can be secured.

*Hence, the trade unions in our country try to build up a strong force of parliamentary groups, who can voice effective criticism and guard the interests of the country's economy as well as those of the workers and the public.*

The Company-run sector also comes up for criticism and check up in the Parliament, when the Ministry, under



which the particular company falls, viz. steel, or chemicals or oil, presents its report and the reports of the companies concerned.

Both the Departmentally run and the company run branches of the public sector have their *accounts and audit reports* but these tools of measuring the financial results of the department or the company concerned, are as good or bad a guide as in the private sector.

If the unions and the democratic and worker-representatives in the Parliament are vigilant and informed enough, the public sector can be strengthened from the attacks of the monopolists and the workers and people protected from the depredations of the bureaucrats, some of whom function with absolutely reactionary outlooks and many a time are direct agents of private monopoly capital. In fact many of them, on retirement, have found topmost and lucrative jobs in the monopoly concerns of their secret patrons.

Hence, the important task of democratic criticism and check up, in order to defend and develop the public sector, which has to play a progressive, democratic and anti-imperialist role in the developing countries of Asia, Africa and Latin America, has to be discharged by the trade unions and factory committees, by effectively linking their experiences with the work of the parliamentary representatives in each country.

In this the inter-Parliamentary Union and bodies which keep up links with the Parliaments of various countries could serve as one of the links for consultation among Asian and other countries.

In India, apart from the "Question Hour", which has been made use of both by the democratic as well as reactionary forces, there are other bodies of the Parliament, which can be used for criticism and check up and some follow up action. Those bodies are like the Estimates Committees, industrial committees, Public Accounts Committees, Public Sector Undertaking Committees, Select Committees and many others. The bourgeois elements are quite

adept in using these instruments to further their interests and as they predominate in the economic, political and parliamentary spheres of power and decision, the trade union, and working-class representatives, including those of the agricultural workers, poor peasants and the intelligentsia have to organise and be vigilant in this sphere also in order to protect the national and public sector interests.

As every one knows that the Parliament, *governs but does not directly administer*. (In socialist countries it does both.) It can pass resolutions and laws, its elected ministers sit at the helm of the ministries to carry them out, but day to day administration which is to give effect to the laws and decisions are in the hands of *non-elected permanent bureaucrats*. This arm of the State-machine, built up to serve the interests of the landlord-capitalist system, vitiates the working of even good laws and strengthens the exploiting classes. Their privileges, inherited from the bygone British Civil Service were enshrined in the Constitution of our country, and given immunity, which could not be touched even by the elected sovereign Parliament.

But gradually, as a result of the democratic movement, there was a split even in their ranks, following a split in the ruling Party and the consequent turn in the economic and political policies in a progressive democratic direction.

As a result, our Constitution is being amended in vital respects and given a new orientation, since the year 1969 and more so this year.

These changes in the political sphere are directly affecting the Public Sector, the people and the working class, which all along through its trade unions and other instruments fought for a new orientation in the national-economic policies.

## V

The establishment of the public sector with emphasis on industrialisation and progressive democratic transformation of the country's economy, mainly through the instrumentality of such a sector, wielded by a democratic and

progressive state, has always been on the agenda of the people of India. It was there even before India attained independence. It was there in the ideals and policies of the Indian National Congress. It was there in the demands of the workers under the banner of the AITUC since its foundation in 1920.

The thinking of the AITUC found its expression in its programme of 1925. The thinking of the Congress, which had to take note of the representatives of the big bourgeoisie, apart from the toiling masses, in its fold, came to that line under the leadership of Jawaharlal Nehru in 1936 and 1937. As president of the Congress in those years he put his ideas on socialism, planning and anti-fascism, as a vital part of the ideology of movement for freedom and independence so forcefully that the big wigs of the Bombay business community issued a signed manifesto against him. The All-India Congress Committee even established a National Planning Committee of its own.

After Independence the Industrial Policy Resolutions, issued at various periods crystallised these ideas further and the Congress Governments and Planning Commission began to act on them. In this, the representatives of Big Business took an oppositional role while at the same time, robbing the Plan finances and schemes to enrich themselves. This went up to such an extent that under public pressure Government had to appoint a Monopolies Commission to gauge how far the economy had fallen in the hands of the monopolies and how to restrict them. But despite the most alarming findings, there was no move to abolish them by nationalisation but only to restrict them by laws, which all proved defective and powerless.

When large-scale industry grows anywhere, planning comes up inevitably. But planning on a national-social scale came to India and to many countries, through the example of the Soviet Union first. In fact the heavy industrialisation programme undertaken by India would not have been possible without Soviet Socialist help.

All these processes, however, came through as a result

of intense struggle, between the exploiting classes, and groups and the masses. This struggle has been fought not only in the streets but even in the most respectable halls of the Constituent Assembly, the elected Houses of Parliament and the highest tribunals of the judiciary and the Supreme Court.

It would be interesting to note that this struggle did not begin only yesterday with the heavy hand of the Emergency and the initiatives of the 20-point programme of the Prime Minister. It began with the very establishment of the Indian Republic. That struggle is reflected and is embodied in the very body of our Constitution, in the two memorable chapters therein—one on Fundamental Rights and the other on Directive Principles. Apart from the rights of freedom of speech, assembly, press, etc. the crowning piece of that chapter is the *Right to Property*. For all these twenty-seven years since 1950 when the Constitution came into force, this right to property, contrary to the wishes of the masses, has been used to defeat laws of abolition of landlordism or laws and measures of nationalisation made in order to build a public sector. Even where fraudulent employers who misappropriated the properties and monies of public limited companies, including workers' wages, provident funds, bank loans, etc. and closed the plants and rendered thousands unemployed, the Government's attempts to take over these factories and run them to avoid unemployment and shortages of production were foiled or obstructed and delayed by judicial verdicts and stay orders. The bringing into existence a public sector even by takeover of bankrupt units was hampered by the "Right to Property". Property versus society, an individual versus the nation were locked in combat in which the various chapters of the Constitution played a contradictory and dubious role and the verdicts of the judiciary a pro-bourgeois-landlord role.

As against this right of Property, our Constitution contains the directive principle that property must not be allowed to concentrate (as under monopoly capital or

landlordism) to the detriment of public good. But while Property was a right enforceable by the courts, the law and the Government, this directive against monopoly power was not.

Now the position has been changed by the amending of the Constitution and the road to enlarging the Public Sector, and abolishing the monopolies and the road to Land Reforms has been once again opened.

But the struggle of property versus society is bound to become sharper. The proclamation of the 20-point programme that *bonded-labour must be abolished, rural debts cancelled and land distribution according to law be carried out*, has let loose a fierce class-struggle in the countryside in which the landlords and reactionary financiers, and money lenders are committing day-light murders of bonded labourers, harijans and workers. Even now in places where the bureaucracy and the police are weighted with reactionary elements, the fight for reforms, progress and freedom is very acute. The Public Sector, even where it exists and where it wants to come up and grow further has to fight a big battle. And in this the Constitutional Law, the property law and the Personal law has to undergo a big change and play a big role. But to achieve this, the trade unions and the toiling masses have to be activated to play their progressive role, not only in India but in all developing countries of the world, each according to his national and social developments.

Of course, all this is not proceeding smoothly and without some disadvantages to the workers and other toiling people. The restrictions and bans, which were introduced to fight out the reactionary and fascist forces, are many a time used by provocateurs in the various branches of the bureaucratic and the managerial groups to harass the workers, toiling middle-classes, poor peasants, shopkeepers, etc. This is bound to cause resentment and will soon evoke protest, unless they are corrected in time.

The Public Sector, as it is today, industry, trade and finance, is not yet able to usher in notable recovery in

production, the control of price-front and supply-channels. *It is not able to do so because all the key levers of consumer goods production and distribution is in the hands of monopolists and their allies.* The vast area of food and raw material production for the market is in the hands of middle and rich farmers and big landlords. All this together prevents any control of prices and consumer goods almost impossible, except when the market forces themselves are forced to react in the desired way. But it is only a short term remedy and soon gives way to the usual capitalist robbery.

Besides this there are huge under-ground hoards of black money. The arrest of the erstwhile princesses and the search of their castles of gold hoards help to ideologically destroy the prestige of property and ancient privilege—especially when on one side a Maharani is sent to prison and a bonded labourer is freed on the other. There is a touch of art and historical justice of man versus property and of class versus class, of exploiters versus exploited. Hence the new upsurge in India. But in order to make it last and carry forward, *the key sectors of monopoly in consumer goods must be taken over* as also some more areas of industrial production like cement, etc.

It is needless to go into this further. We wanted to emphasise how hard and yet necessary the battle for the Public Sector is. Some people might and do object saying that this is just *State-capitalism* in as much as the ruling-class at the helm of the State machine and the key levers of the economy are still the capitalist class, which makes the Public Sector only a state-capitalist sector.

But in our country, which is coming out of the clutches of feudalism and imperialism, State-capitalism, by mobilising the resources of society in the hands of the state and using them for developing the *productive forces* to a new level by industrialisation, plays a progressive role. And with the changes in the State machine that bring to the helm of affairs the forces of the democratic front the state-capitalist order does not remain a static one, but is

put in a state of forward motion, development and transition on to the socialist oriented path. *In this development, the forces of trade unionism have to play a great role.*

As the national emergency came into being, the trade unions in India, belonging to various national centres were thrown into a new situation in which the fight against fascist forces, right reaction and ultraleftism had to take the precedence over other tasks. *That led to a situation in which every union and national trade union centre had to regroup its forces.* This led to the question of building new alignments for a united front. *In some areas, old alliances had to be broken and new ones formed.* In the new situation, the question of workers' participation in industry, particularly with a view to prevent sabotage and then gearing up production to new levels, particularly in the State Sector came to the fore. Workers' participation in management, especially in a developing country, is a very difficult affair. The first hurdle is that the bourgeois management cadres remain what they are ideologically and also have the command in their hands. The workers, in such a country of ours, also are not as educated and technically and ideologically advanced as those in the highly developed capitalist countries. Hence, the slogan after the first flush is likely to degenerate into a ritual formation of production committees and such other bodies without bringing in any new situation of democratic advance in the sphere of what may be called a united front of the worker and the owner or the workers and the state for the common task of raising particularly the Public Sector to a higher level and making it a stronger element in the processes of social and economic transformation of the country.

In order to initiate the new process, some steps to first reduce the rivalries among TU centres had to be taken. *The first steps had to be between the INTUC, the ICFTU affiliate, and the AITUC, the WFTU affiliate, both of whom gave their adherence to the progressive programme of the Prime Minister.* Mutual consultations led to what

is known as the *National Apex Body* of the Trade Unions on national and industrial levels.

*This new movement towards a united front of the two biggest centres of TUs in India (in which later the HMS also joined in) has raised expectations of trade union unity in a new form or of a new kind in our country.*

To sum up:

We fully support the twenty point programme of the Prime Minister, with special emphasis on the agrarian reforms and the interests of the agricultural labourers and poor peasants.

We support the development and extension of the Public Sector, with its emphasis on heavy industry, as the key to the development of our national economy and social transformation to overcome our age-old backwardness.

We want the Public Sector to achieve absolute commanding heights in the economy and become the democratic base of advance to a path of socialist orientation.

We want the democratic and anti-monopoly content of the Constitution to be further strengthened and to put the rights of the democratic state and social formations in a supreme position.

We want the Constitution to be amended, to establish the supremacy of the Constitutional law and the Parliament over any other law or institution. The judicial process and judicial function must be subordinate to the constitution and the Parliament, as formed and functioned by a duly elected democratic Government under its aegis.

The Right to Property should be removed from the chapter on fundamental Rights, which should be subordinated to the Directive Principles in the Constitution.

Theft, misuse and embezzlement in Public Sector must be severely punished.

Workers' Participation in management should be incorporated in a law and should be exercised through a combination of trade unions and elected committees.



The Parliament should exercise full powers over the functioning of the Public Sector, without interfering in the day to day management of the units concerned, and their requisite autonomy.

Recognition of unions and collective bargaining must govern the relations between the workers and management.

Unity of trade unions of all affiliations must be worked for. Till then all unions above a certain percentage of membership should be recognised and treated as one collective bargainer, with the participation of the representatives of their National centres.

The Working class in alliance with the agricultural labourers and the toiling peasantry, in alliance with the intelligentsia and the national bourgeoisie must create and use the public sector of economy for democratic and social transformation of the whole country, to rebuff the multi-nationals, to strengthen its independence and fight for peace, democracy and socialism.



ROLE OF THE PUBLIC SECTOR IN NATIONAL  
ECONOMY AND POLITICS, ON WORKERS'  
PARTICIPATION IN MANGEMENT

— N. K. Krishnan

Throughout the history of developing countries since their attainment of political independence, the question of the role of the state in their industrial and economic development and particularly the role of the state sector has constantly been in the very centre of ideological and political struggle between the various classes.

The capitalist monopolies of the imperialist countries are vitally interested in the preservation of a system of private capitalist enterprise, as well as of the technical and economic backwardness that goes back to pre-capitalist modes of production, in the former colonies. This helps their neo-colonialist aims of continuing the exploitation of the peoples of their former colonies.

A state which seeks to ensure economic independence through modernising the economy, carrying out largescale industrialisation, especially in Department I and the intensification of agriculture and building up a national scientific and technical potential and modern infrastructure, becomes the main obstacle in the way of the neo-colonialist policies of world capital, whose shock-brigades are the multi-national corporations today.

This is why the public sector in the economies of the developing countries comes under heavy attack from imperialist quarters.

And this is also precisely why the workingclass and working masses and all progressive section of opinion in the developing countries support the strengthening and expansion of the public sector and strive to direct the spearhead of public sector policy against foreign and internal monopolies.

The public sector in India, as in other developing countries pursuing the capitalist path, is not "socialism" as sections of the national bourgeoisie would like to picture it. It is state capitalism. But it is anti-imperialist state-capitalism, radically different from imperialist state-monopoly capitalism to be found in the United States or the countries of Western Europe. It performs a progressive role in not only developing the productive forces, but in doing this on a national basis, reducing the economic dependence on foreign capital, on imperialism.

The specific nature of state capitalism in India (and in similarly developing Third World countries) as embodied in the public sector consists in the following:

— State capitalism grew up and developed in response to the need for rapid elimination of technical and economic backwardness in those countries which in the recent past were colonies;

— State capitalism in India and similar countries at the present time bears an anti-imperialist, anti-colonialist character and is aimed at defending and consolidating political independence and attaining economic independence by means of industrialisation on a national basis;

— State capitalism is developing in these countries in a period when a world socialist system already exists and is going from strength to strength, after the collapse of imperialism's colonial system and when the balance of forces between imperialism and socialism has changed decisively in favour of socialism. The growth of progressive forces throughout the whole world, the exacerbation of the class and political struggle as regards the choice of paths of development, minimise the possibility that this sort of state capitalist might follow the path which state capitalism took when it appeared in 19th century in Japan, Germany, Russia and other countries;

— Anti-imperialist and anti-colonialist states promoting state-capitalist development (such as India) are pursuing a progressive foreign policy of peace and non-alignment;

—In the light of recent changes in the alignment of class and political forces, the assumption of power by national democrats in a number of developing countries who have opted for a socialist course (Syria, Somalia, Algeria, Burma, Guinea, etc.) have created conditions in these countries for the anti-imperialist state sector to evolve into an anti-capitalist state sector, a qualitatively new stage of development.

Such are the features of state capitalism in the developing countries and the prospects of its future evolution, which determine the attitude of the working-class towards the public sector.

Precisely because of these specific features of the public sector in the developing countries, the most reactionary forces inside these countries with the backing of foreign monopoly capital resist with all their might the expansion of the public sector. This resistance ranges from the political activities of reactionary parties in Parliament and outside aimed at wrecking the economic plans of progressive Government, to economic sabotage and price-rigging designed to "prove" that the public sector is a total failure in terms of efficiency of functioning and the criterion of profit-making, the provoking of disorders and the organisation of conspiracies. Chile is the most striking example of this.

Generalising on the activities of foreign and internal monopolies in regard to the public sector in the developing countries, Prof. Ulyanovsky in his recent book "Socialism and the Newly Independent Nations" says:

"Foreign monopolies are rabid enemies of state enterprise in industry, although they usually attempt to conceal this. They persistently demand that the state should only concern itself with building up the infrastructure. The local monopolies strive to turn the state sector into their own stronghold, a means of monopoly exploitation of the people by wresting the state sector from under the control of bourgeois-democratic institutions and gradually by various subtle means, subordinating it to their own

ends making wide use for this purpose of corruption tactics which in many countries have come to represent a major threat to national interests. During the first stages of the struggle to gain control of the state sector local monopolies sometimes do not demand that state enterprises should be sold, but merely insist that businessmen should be taken on to run these enterprises or that some of the shares of these state enterprises be quoted at stock exchanges so as initially to turn them into mixed companies. Then the monopolies' demands increase, till they end up by calling for the complete transfer of state enterprises to private hands. Without adopting the unpopular stance of complete rejection of the need to develop state enterprise the local monopolies, supported in this by their foreign counterparts; try to cultivate within the milieu of the national bourgeoisie reactionary, anti-national tendencies and, together with the foreign monopolies, demand that state initiative should be limited to the sphere of the infrastructure. This policy plays into the hands of foreign capital in that it serves to undermine the national bourgeoisie as a whole." (ibid, pp. 517-518)

The inherent contradiction of the public sector in the developing countries like India which pursue the capitalist path consists in that although its creation and expansion are in the national interests, it is in the first place private capitalism that seeks to derive maximum benefits from its activities. This is clearly seen in Indian experience ever since 1956. Thus the main fruits of the "green revolution" in realising which the public sector played a decisive role went to the capitalist landlord and the rich peasant. Monopoly houses like the Tatas and Birlas have thrived and increased their assets manyfold by loans from the public sector institutions. They have increased their profits manyfold by purchasing at lower prices the products they need from state-owned plants—steel, electricity, chemicals, machinery, equipment—and by enjoying special freight concessions from the state-owned Railways.

The monopolists have also freely used, for the purposes

of their own aggrandisement, the infrastructure facilities created by the public sector plants set up in backward areas and regions.

In every public sector industry, the workingclass and progressive forces have to wage a constant class and political struggle against such pro-monopolist policies and activities and against Government's economic policies permitting public funds to be turned into a means of private profiteering.

State capitalism in India has not smoothed over the contradictions inherent in capitalism as such, but rather served to intensify them. Growth of large-scale inter-branch disproportions, of unutilised capacity both in the public and private sector, growth of unevenness of economic development in various States and regions, of increasing conflicts between various strata of the bourgeoisie in the private sector itself—these have become marked in the recent period in India, together with further growth of the giant monopoly houses. The workingclass and trade unions, as well as the Left and democratic forces, have to intensify their struggle to overcome these contradictions on the basis of a broad coalition of the anti-monopoly forces.

The contradictions inherent in the public sector growing and expanding in a country like India pursuing the capitalist path of development can be finally resolved only as a result of the nationalisation of the big monopoly houses and abolition of the private sector. This means revolutionary changes whose aim is to go over to the non-capitalist path of development. In the ripening of conditions for such changes, the growth of the share of the public sector in the national economy is of great importance. That is why the struggle for expanding the public sector and defending it from inroads and aggression on the part of both foreign capital and internal monopolies becomes one of the crucial sectors of the class struggle in India. On the success of this struggle depends in each

particular case the fate of this or that public sector enterprise or industry.

## II

In evaluating the place of the public sector in Indian economy and formulating the tasks of our trade union movement with respect to the public sector, the following specific features must be kept in mind:

(1) The public sector in India has made steady development since 1956, barring the slack period during 1967-69 when there was a virtual plan holiday. The share of the public sector in India's reproducible tangible wealth which was only 15 per cent in 1950-51 increased to 25.6 per cent and 35 per cent at the end of the Second and Third Five-Year Plans respectively. In 1970-71, it was estimated at 43 per cent. In 1972, 282 public sector companies accounted for 48 per cent of the paid up capital of all companies in India.

All this is sufficient indication of the importance of the public sector in India's economy.

(2) In the development of the public sector enterprises in India, a major role has been played by economic assistance from the socialist world in general and the Soviet Union in particular.

The fact that the development of the public sector in India has markedly come in the basic and heavy industries, including oil extraction and refining, with the decisive aid coming from the socialist countries, and that this has played a major role in reducing India's dependence on the imperialist countries, testifies to the growth of anti-imperialist and anti-monopoly possibilities of this sector.

The public sector in India has also strengthened the defence of the country by increasing industrial production in general and the production of defence equipment like electronic equipment, aircraft, etc.

The public sector has considerably strengthened building up of a national cadre of modern managers, engineers and technicians and contributed to building up of our own research, modern technological, and technical know-how potential.

(3) The latest report of the Bureau of Public Enterprises regarding the working of the public sector industrial projects during 1973-74 shows that the public sector in India today has attained steady growth in critical industrial sectors and that this development has indeed reached a significant turning point as far as its importance for Indian economy is concerned.

The old-time criticism against the public sector that it is a continuous drain on the exchequer is now totally invalid. But that in itself is not enough to characterise the working of the public sector projects. Certain significant developments have to be taken note of.

The total resources generated by the public sector enterprises during the fourth Plan period came to Rs. 4,380 crores. Out of this, Rs. 3,120 crores went to the exchequer by way of contributions under different heads. The public sector enterprises contributed Rs. 70 crores by way of dividends, Rs. 564 crores as interest on Government loans, Rs. 230 crores as income-tax and Rs. 2,256 crores as excise duty.

Take some more statistics. In 1973-74, seventy three enterprises earned a total net profit of Rs. 160.75 crores, while 41 enterprises showed a loss of Rs. 91.62 crores. Thus the working results of the 114 running enterprises show a collective net profit of Rs. 64.42 crores as against Rs. 17.74 crores in 1972-73. In 1971-72, the net working results had showed a loss of Rs. 19.02 crores.

The net profit is expected to swing upward to Rs. 150 crores in 1974-75.

This improved performance was without an upward revision of prices of their products. The better results are due to better maintenance of plants and equipment,



proper materials management and comparatively better labour-management relations.

The year 1973-74 was also the last year of the Fourth Five-year Plan. The Fourth Plan had set a target of Rs. 1,265 crores of internal resources to be generated by the public sector. As against this, the achievement at the end of 1973-74 was Rs. 1,260 crores or 99.6 per cent of the target. However, the significance of this is better appreciated when one compares it to actual generation of internal resources at the end of the Third Plan which was a mere Rs. 287 crores.

The year-wise growth of internal resources by the public sector enterprises during the fourth Plan brings out certain interesting points. In 1969-70, the first year of the fourth Plan, internal resources generation was to the tune of Rs. 194 crores. In 1970-71, this figure rose to Rs. 204 crores or by 5.2 per cent, in 1971-72 to Rs. 215 crores or by 5.4 per cent. In 1972-73 to Rs. 260 crores or by 20.9 per cent and 1973-74 Rs. 387 crores or by 48.8 per cent.

Compared to 1968-69, the last year of the third Plan, the increase in the first year of the fourth Plan was 39.6 per cent. The last two years of the fourth Plan were again marked by a spurt in the growth rate of internal resources. This is directly attributed to the sustained improvement in the financial performance of public enterprises during these years.

Some of the internal resources generated have been ploughed back by the public sector enterprises for financing renewals, replacement, modernisation and capital improvements. The extent of deployment of internal resources for capital expenditure averaged about 27 per cent in respect of 41 enterprises. The extent of self-financing of growth has been over Rs. 50 crores each in respect of Hindustan Steel, Indan Oil, Fertiliser Corporation, Shipping Corporation of India, Oil and Natural Gas Commission, Hindustan Aeronautics and Air India.

The total number of employees in the various groups of public sector undertakings increased to 13.14 lakhs in

1973-74 as against 9.32 lakhs in 1972-73, according to report of the Bureau of Public Enterprises for 1973-74. The increase in the number employed in the public sector enterprises in 1973-74 was of the order of 3,82,057 or 41 per cent over that of 1972-73.

During the same period, the total outgo on account of salaries and wages and other benefits including bonus showed an increase of 45 per cent over the previous year; it was Rs. 541.05 crores in 1972-73 which rose to Rs. 786.40 crores in 1973-74. The average annual emoluments per employees worked out to Rs. 5,983 during 1973-74 as against Rs. 5,804 during 1972-73. The report has attributed the increase in salaries and wages mainly to the increase in dearness allowance, benefits arising from new wage settlements and annual increments.

The total expenditure on employees' welfare through allocations for housing, education and medical facilities amounted to Rs. 52.51 crores in 1973-74. On a total capital employed of Rs. 5,256 crores in 1973-74, the return worked out to 5.2 per cent. Net profit after tax as percentage on equity also improved significantly from 0.6 per cent in 1972-73 to 1.9 per cent in 1973-74.

The capacity utilisation in the manufacturing group of industries registered a significant improvement. Forty-five units recorded a capacity utilisation of more than 75 per cent as against 41 in the previous year. In 23 units, it ranged between 50 per cent to 75 per cent as against 16 in the previous year. Only 16 units operated below 50 per cent capacity utilisation during 1973-74 as against 25 in the previous year.

### III

Though nationalisation measures and the development of the public sector gathered special momentum after the split in the Congress in 1969, with nationalisation of the 14 big commercial banks, of Indian and foreign General Insurance Companies, of the coal-mines and of 103 sick textile mills and of the Government acquiring 74 per cent

of the shares of the ESSO, yet all the nationalisation measures were partial and incomplete. Not only that, under the pressure of the monopoly houses, the Congress Government in some cases has been allowing these houses to enter into what was earlier the proclaimed preserve of the public sector. The expansion of TELCO and TISCO, the establishment of Goa fertilizer factory and mini-steel plants of the monopoly houses are such instances.

The proposal to convert the lendings of the public sector financial institutions of the monopoly houses into equity capital has been practically scuttled because it would have resulted in the virtual nationalisation of most of the companies of the monopolists, including TISCO. The concept of joint sector is now interpreted by Tata and others in such a way that it will result in the handing over of all the public sector undertakings to the monopolists. They want that Government should provide the finances and bear the risks, but the management and decision-making power should rest solely with them.

The recent Subramanyam-T. A. Pai plan for a "national sector" to be formed by selling public sector shares to the private sector is nothing but a scheme to allow the monopolist houses to bring the public sector under their complete control. Though public opposition to this plan has initially given it a jolt, the danger still remains of step-by-step implementation of this plan in practice.

It is significant that J.R.D. Tata has recently come out with a scathing attack against the public sector and raised the "Red bogey" in this context. This synchronises with the Right-reactionary fascist movement being organised under J.P.'s leadership. And it is no accident that J.P. himself has recently come out attacking and opposing the public sector.

In the coming period, following the route of U.S. imperialism in Indo-China, increased U.S. imperialist economic pressure against India and inroads of the multinational companies into Indian economy will operate

against the public sector in India as one their main targets of attack.

In such a situation, defence of the public sector, against all attacks and inroads by foreign and internal monopolies, the struggle to improve its efficiency and profit-making capacity, fight for expansion of the public sector and for its entry into the field of vital consumer industries essential for an effective public distribution system (such as textiles, sugar, drugs, oil etc.) and an organised continuous struggle to democratise the management of the public sector and ensure effective working class participation in this management at all levels from the shop-floor upwards, is the prime tasks of the working class and trade union movement. It is essential part of the fight against Right reaction and the fight to shift the political life of the country to the Left. It is essential part of the political struggle of the workingclass for the national democratic revolution in India and the transition to socialism.

In the present conditions of our country, this struggle and the struggle to improve workingclass conditions in the public sector undertakings aid and supplement each other. Together, they add up to the two-pillar policy, the basic line of the AITUC towards the public sector.

Our trade unions in each public sector industry have to concretely study the specific problems of that industry and evolve concrete application of the above general line to the specific present-day conditions and problems of that industry.

The working class and trade unions in the public sector enterprises have to combat the attacks on the public sector coming not only from the Right, but also from the Left-sectarians who only harp on its negative features and exaggerate its failures.

#### IV

The present bureaucratic system of management of the public sector enterprises in India is one of the biggest obstacles hindering efficient and purposeful functioning of

the public sector and effective realisation of its full anti-imperialist and anti-monopoly potentialities. With a few notable exceptions, the personnel manning top management positions in the public sector are drawn from the civil service or from the private sector and function as anti-working class bureaucrats and as saboteur-agents of the monopoly houses.

Unless this system of management is radically overhauled and effective workers' participation in management at all levels from the shop-floor upwards ensured, the public sector cannot play its due role in the realisation of national-democratic perspectives.

It must be emphasised in this connection that workers' participation in public sector management, if it is to be really effective and not just nominal, must mean participation in actual policy-making and decision-making at all the appropriate levels.

As far back as 1973, the AITUC had put forward a concrete scheme for such effective workers' participation in public sector management. The Parliamentary Committee on Public Sector Undertakings also made recommendations in the same direction two years back.

As far as the form of workers' participation in management at all levels is concerned, this needs a consensus of agreement among the various central trade union organisations who wield influence in the public sector and are committed to making it successful. At the same time, it is quite clear that the machinery envisaged for such participation must include a vital role for the recognised union in the case of the factory as a whole. This necessarily means a new democratically-oriented industrial relations policy in the public sector, including statutory compulsory recognition of trade unions on the basis of workers' secret ballot and recognition of the right to strike.

As far as the content of workers' participation in management is concerned, the issues coming under its purview naturally depend on the particular level of its operation.

In relation to the enterprise and the industry as a whole, workers' participation in management will necessarily involve the trade unions adopting a positive role in relation to problems of production and actively intervening on issues such as:

(1) Combating corruption and acts of sabotage, including pilfering, arson and communal riots fostered by reactionary forces. Eliminating waste and improving efficiency.

(2) Effective and economic use of raw materials.

(3) Concretely countering the monopolists' plans to infiltrate and undermine and weaken the specific role which the public sector has to play in an industry.

(4) Democratic and correct pricing policies, to combat pro-monopolists bias.

(5) Full utilisation of installed capacity which necessarily means diversification of production, as well as more state control over the monopolies in order to bring them within the orbit of centralised planning.

(6) Establishment of machinery to coordinate effectively policies and the working of public sector enterprises which are closely linked with each other (such as coal, steel and the railways).

(7) Radical changes in lending and credit policies of public sector financial institutions (nationalised banks, LIC, etc.)

(8) Evolving a system for training suitable cadre for manning the public sector efficiently.

Workers' participation in management in the public sector is of course not to be confused with the development of class-collaborationist attitudes or a "non-strike" policy on issues of workers' just demands in this sector. In fact, it is only on the basis of safeguarding and extending workers' rights and interests that their conscious and willing cooperation can be enlisted for defending, strengthening and extending the public sector.

Finally, it must be emphasised that to bring about such workingclass participation in public sector management, very sharp struggle on the basis of widest trade union unity is needed against some of the present Government policies.

Workers' participation in management in the public sector should not be viewed in isolation from the struggle for basic structural changes in society as a whole. Otherwise, there would be serious danger of opportunist trends of economism, syndicalism, etc. being bred in the workingclass. Any genuine strengthening and extension of the position of the public sector and weakening of the positions of monopoly in the economy are ultimately bound up with radical democratic transformations in the sphere of the political and state structure also. This means the working class has to fight for bringing about shifts in the general corelation of class forces in the country in its favour, in the very interests of basic defence and expansion of the public sector itself. Workers' participation in management in the public sector has, therefore, to be viewed in this context. Defence of the public sector is inseparable from the struggle to change the policies of the Government to give them a consistent anti-monopoly, anti-imperialist direction. This poses the question of workers' participation in the formulation and execution of policies, as well as in the actual management of public sector concerns.

On the basis of an all-sided comprehensive class understanding of its significance, in the concrete context of today's Indian situation, workers' active participation in the management of the public sector at all levels can be a powerful weapon in the hands of the trade union movement to intervene and project the active role of the workingclass in the national economy.

(26 May 1975)

## EDITORIAL

### THE PARAMETERS OF MIXED ECONOMY

(The Editorial Article by Dr. Raj K. Nigam appeared in the *Lok Udyog*, Monthly Journal of the Bureau of Public Enterprises and the Public Sector, in its May 1975 issue)

After having remained afloat on calm waters for 25 years, the concept of mixed economy in recent months has unexpectedly come to sail on choppy seas with strong winds of controversy rocking it so much that it has run into the danger of losing the moorings of rational thinking and basis which were provided by conceptualisers of mixed economy in the fifties. The bursting of a shrieking controversy about this concept at the present juncture is a regrettable development, since the economy of the country which had been severely injured by the phenomena of runaway inflation, deepening foreign exchange position arising from an unforeseen oil crisis and recessionary trends travelling to the shores of our country from industrially developed countries of the west, has started showing signs of recovery in response to a corpus of firm and hard remedial and corrective measures taken by the Government. It is no mean achievement on the part of the Government that inflation which was going apace at an annual rate of 30 per cent has been toned down to an annual rate of around 6 per cent, with certain sectors of production in the national economy showing no price increase and further that the industrial production which had almost become stagnant and stationary was also put on a forward gear with a 4 per cent rate of increase during the last 12 months. While the need of the hour is that all sections of the Society, both individuals and institutions, lend support to the Government in its fight to contain



inflation and to boost production on a wide front both in industry and agriculture, in the private and public sectors, any criticism of the basic approach to industrial development and policies of the Government some of which have proved their soundness during the past one or two decades and others that are bold and unorthodox experiments worth a fair trial, could only result in weakening and loosening the dour resolve of the Government to deal with crisis situations as also in deflecting the attention and energies of the people from the path of constructive co-operation with the Government. The end result of the criticism could not but prove to be counter-productive at this difficult time which the country is facing.

We are not concerned with the political, ideological or sociological aspects of the controversy concerning the concept and working of 'mixed economy' which is wholly untimely. But our interest in the subject mainly stems from economic context and more particularly from the bearing it has on the public sector. With the political and sociological wrappings, the question of mixed economy appears to have also been emotionalised much less rationalised as it should have been. Behind the exaggerated and overemphasised fears expressed about the survival of the concept of mixed economy are a few basic developments which have their origins dating back to say four or five years which have upset the 'hard and big core' of the organised private sector. *Firstly* the public sector which has, in the past, not been showing profits in net and financial terms though it has been generating sizeable gross surpluses and contributing very substantial amounts by way of taxes, duties, interest and dividends to the Central Exchequer, has now come out of the red in a decisive manner and registered net positive results during the last three years with post tax profits rising from Rs. 18 crores in 1972-73 to an estimated figure of Rs. 150 crores in 1974-75. The working results at all stages in the matrix of profits and loss are good and assuring. In 1973-74, the profits after tax showed an improvement over 1971-72 of

the order of Rs. 83 crores; profits before tax amounted to Rs. 149 crores which were Rs. 127 crores more than those in 1971-72; profits before interest and tax amounted to Rs. 273 crores which were Rs. 100 crores more than those in 1971-72; and gross surplus before depreciation, interest and tax came to Rs. 569 crores which were Rs. 177 crores more than those in 1971-72 and the figures for 1974-75 are expected to show an improvement over 1973-74. The public sector's contribution to the Fourth Plan resources have also been remarkable. The Fourth Plan target of gross internal resources set for the public sector undertakings was Rs. 1265 crores as against which the actual generation of resources by these undertakings has been to the tune of Rs. 1260 crores, which came to 99.6 per cent of the target figure. On the basis of these trends, one can entertain a robust hope that the Fifth Plan target in regard to resource generation by the public sector would be fully met. All this has created in the country a climate of confidence for the public sector which has become not merely a viable proposition but also a strong propelling force for economic development of the country. This public trust is found to excel the public confidence in the private sector which has dulled its image by neglecting the society's interests.

The *second* development that has irked the private sector is that public financial institutions which have lent over Rs. 2000 crores to the private sector on a long term basis have woken up to their legitimate rights as lenders and investors. In keeping with the practice of the international financial circles and even that followed by the International Finance Corporation, the Dutt Committee had more than five years ago suggested incorporation of a convertibility clause in the long term loan executed by the Public financial Institutions with the financial assistance seeking private sector companies. The guidelines evolved in this regard provide for exemption of certain categories of loans from the clause and where it is to be applied, the financial institutions have followed a policy of moderation justified by financial prudence and based

on negotiated terms, without interference from the Government. The conversion policy was settled in 1971 and its eventual consequences were fully known to the parties at the time of conclusion of loan agreements. The fears have cropped up since many agreements are nearing the end of conversion pipeline when the option would be exercised by the financial institutions to own a chunk of equity capital in the assisted companies.

The *third* development is that the public sector managers have demonstrated their capacity to put on their feet the units taken over by the Government for being 'sick' or 'mis-managed' as proved by glaring evidence of both economic and criminal lapses. The rehabilitation work done by the National Textiles Corporation in regard to sick textile mills, and by the public sector managers in several other taken over units under the Industrial Development & Regulation Act, 1951, has favourably been commented upon by the informed economic and financial press. The efficient management of such units by the public sector managers has generated a feeling of nervousness in the private sector that many such bad and brokendown units may be unhesitatingly taken over by the Government for rehabilitation. There is also some apprehension that the financial institutions engaged in the task of rehabilitation of industries such as the Industrial Reconstruction Corporation of India may take over the management of the units heavily aided by them financially and such a step on their part is likely to meet with general public approval since the private management has shown itself totally incompetent and imprudent to continue in power to run the enterprise in which they have no worthwhile financial stake and practically all the money that is there has come from the coffers of the State and public financial institutions.

The *fourth* development is that the community at large has started scrutinising the performance of private sector both in terms of economic and social costs that it has to bear. The local and national publics have become quite

vocal in their demand that an enterprise should give more in return to it than it gets from the community directly and indirectly through the media of State and other public institutions in terms of finances, infrastructural support etc. The benefit-cost appraisal attitude of the community and its elected representatives, who voice their views at various forums, has also created uncomfortable feelings and thoughts in the business circles. In contrast to this, it may be mentioned here that there is full awareness of this situation in the public sector of which practically all constituent units in their annual and other reports do not fail to appraise the society in regard to cost inputs and benefit outputs from them both in financial and social terms.

*Fifthly*, apart from the above developments a feeling has also emerged that the private sector has not played its due role in regard to developing independent small and medium size units as also for the industrially uplifting the backward regions of the country. It is common knowledge that a great majority of the letters of intent and licences issued to the Industrial Houses for setting up industries in the backward regions remain unacted upon even though a fullsome fiscal and infrastructural support has been provided by the Government and constant pulls are being exerted to secure transfers of these licences to the affluent pockets in the country. It is also seen that where some small and medium industries have been brought up by the Industrial Houses, most of these are, truly speaking, segments of the large private industrial systems. Again in contrast to these the record of the public sector units in the matter of setting up of independent small ancillary units, has been exemplary; let alone the long established public sector units like the HMT, ITI, even a new public sector concern like the Scooters India Limited has helped the setting up of more than a score of ancillary units within a short period of a year, which is a record that remains unmatched even by the bigger concerns in the private sector.

*Lastly* it may be mentioned that the incapacity of the

private sector to organise distribution system which could ensure equitable distribution of essential commodities that go into the consumption of common people in the country has provoked the private sector to rise in fear against the possible inroad into the trading field by the State enterprises. Non-availability of raw materials and power has been adduced as the reasons for the scarcity of essential goods, whereas truly speaking, it is due to the deliberate underutilisation of capacities. One is led to think on these lines because notwithstanding the difficulties in procuring raw materials, power-supply, foreign exchange allocations etc. the public sector units in recent years have been able to effect improvement in utilisation of their installed capacities and the private sector units have not made any conscious efforts to do so and have mainly contented themselves to grouse about the failure of the Government to meet these requirements.

Having spelt out the basic economic apprehensions which underlie the complaint that the concept of mixed economy is not being allowed to function and flourish in a fair manner as its propounders had envisaged, it would be pertinent to mention that the steady enlargement of the role of the public sector which could eventually place it in a pre-eminently commanding position in the national economy is implicitly stated in the Constitution and explicitly in the Industrial Policy Resolution of 1956 and other policy announcements of the Government in the early stages of Post-Independence period and of the Planning process in our country. The Industrial Policy Resolution inter-alia said that "the State has to assume direct responsibility for future development of industries over a wide area and there are certain limiting factors which make it necessary at this stage for the State to define the field in which it will undertake the sole responsibility for further development and to make a selection of industries for the development of which it will play a dominant role." It is clear from this that the Resolution envisaged enlargement of the public sector with the progression of time during

which the 'limiting factors' for State action could get diminished or removed. Against the backdrop of the Directive Principles of the Constitution cited in it, the Resolution emphasises in unmistakable terms the crucial and overwhelmingly dominant role of the public sector, and the adoption of business policies by the private sector which would have social or common good of the society as the basic objective. The classification of the various industries in three Lists has given the impression that the concept of the mixed economy is of a static nature and much confused thinking in the private sector circles is based thereon. But this classification of industries is to be read in the context of other statements contained in the Resolution and is to be regarded as only illustrative. The concept of mixed economy is to be viewed as a non-static one and both the public and private sectors have to function in the wake of this stark realisation. In this context, it will be relevant to recollect very briefly that in the course of discussions on the First Industrial Policy Resolution in 1948 the Prime Minister, Mr. Nehru had said that the mixed economy was a transitional stage of economy and that gradually the centre of gravity of the whole economy was to shift. Later in May 1957 participating in a debate on the Second Five Year Plan Mr. Nehru said that "while the public sector must obviously grow and even now it has grown both absolutely and relatively, the private sector is not something unimportant. It will play an important role. The private sector as we have stated in the Industrial Policy Resolution will be given a fairly wide field, subject to the limitations that are laid down. It is for us to decide, from time to time, how to deal with that sector". Thus Mr. Nehru, who gave the concept of mixed economy to our country, had clearly foreseen that a time would come when the frontiers of the public and private sectors have to be reviewed in a dynamic setting and adjusted to achieve the social goals. The present policies of the Government are entirely in consonance with Mr. Nehru's approach.

Exception is also taken to the active role that the public financial institutions who are giving substantial financial support to the industrial units in the country by placing their nominees on the Board of Directors of the aided companies though not always in proportion to their share in the equity base of the company, by inserting convertibility clause in the loan agreement and by asking for periodical returns on the financial health of the assisted units. The guidelines which were framed for the public institutions in 1971 for taking an active role in the affairs of the aided companies are also in keeping with the views of the Prime Minister Mr. Nehru who as early as January 1956 in a speech delivered at the Standing Committee of the National Development Council, stated, "Some one suggested that where the Government gives aid or money to the private industries, to that extent Government could assume some kind of a control over them. I do not personally see why it should not be done. I think the Government should be represented. I am not enough of an expert to express an opinion about this matter but the idea seems to be good. When we give money which really strengthens a business, there is no reason why we should not also profit." Obviously the public financial institutions which are the financial arms of the Government are covered by Mr. Nehru's reference to the role of the Government vis-a-vis the private sector companies.

In the frame-work of mixed economy excepting the co-operative sector and small-scale sector which enjoy a host of concessions and preferential treatment from the Government in order that they come up and develop fast to spread the benefit of their operation over large segments of society, the other two sections, namely, the organised public sector and the private sector both function under one set of constraint or the other. Some of these constraints are common to both the sectors while the brunt of the others is borne by each sector individually. Among the common constraints, illustratively, it can be mentioned that both private and public sectors have to operate under

conditions of scarcity of foreign exchange, imported raw materials, and spare parts and components, credit squeeze etc. and in these the Government does not discriminate between the two sectors. Apart from this, however, if private sector is to operate under other regulatory constraints such as the companies Act, MRTP Act and certain other administrative directions and control which determine the level of price and profit margin etc. the public sector also has to work under constraints of severe discipline of accountability enforced by at least five agencies, unquantified social obligations and a host of other miscellaneous directives given to them by the Government. If tallies of constraints under which the two sectors have to function are drawn up, the one pertaining to the public sector will be much longer than that of the private sector. Thus in a situation like this what is needed is that the two sectors pay attention to the positive aspects of their work to achieve the operational results.

In this connection it is worth recalling that in an address to the congregation of businessmen at the Annual meeting of the FICCI in March, 1966, Prime Minister Mrs. Gandhi observed: "We are apt to think of the public sector and of the private sector as if they were two different worlds. Efficiency is equally necessary for both. In both sectors, every attempt has to be made to cut down costs, to eliminate waste and to make our products competitive in international markets. Towards this end, we must make the maximum use of science and technology, of research and know-how". And more recently last month she again stressed the need for improving capacity utilisation, improving the quality of goods and services and effecting economies in inputs for which both the sectors have to work. Selective efforts to overutilise capacities in high profit yielding industries while working with underutilised capacities in other industries so as to reap high profits through scarcity situation drew adverse notice from the Prime Minister. There has been an all round improvement in capacity utilisation in the public sector



while serious lags in this regard are seen in the private sector. It is not understandable that if one sector could show improvement in capacity utilisation why then the other one could not do so.

To wind up our case and analysis, we would like to say there is no time and place at this trying period for our country and its economy for acid sarcasms and abrasive hits leading to recriminatory dialogue about and between the two sectors. What is required is sincere work for evolving a 'confluence of objectives and goals' by all, the Government and public sector on the one side and the business elite and private sector on the other, in the same manner as the 'confluence of views' was consciously reached between the decision-makers in the political and business fields in the fifties on launching the concept of mixed economy. The 'confluence of objectives and goals' has to veer round the broad philosophy of 'growth with social justice'. When this is done, quite naturally then the proprietorial style of management which creates a vested interest in operational results of industrial and commercial undertakings will yield to enlightened style to management whose aim, as is seen in the public sector, will be to work for the generation of surplus for growth by the enterprises without requiring the consumers of the end-products and services to pay a high price for them. Once the meaning of Prime Minister Mrs. Gandhi's observation that "a responsible Government has to be guided by the basic interests of the people" is properly realised and understood, government policies would not taste either sour or bitter to the complaining sections of our society.

Raj K. Nigam  
Editor

*OUR OBJECT IS NOT TO MAKE STEEL OR CARS,  
BUT TO USE STEEL AND CAR-MAKING AS A  
TOOL FOR SOCIAL CHANGE AND ECONOMIC  
PROGRESS—Prof. Pasquale Saraceno*

PUBLIC SECTOR AS AN AGENT OF SOCIAL CHANGE

By R. C. Dutt\*

It was almost twenty years ago, in 1956, that the foundation was laid for the public sector with the inauguration of the second Plan.

The Industrial Policy Resolution of 1948, as amended in 1956, provided the policy frame. Since then from a modest beginning, the public sector has grown in size and today covers a wide field with an investment of more than Rs. 5,000 crores by the Central Government alone. The growth has been rapid, almost phenomenal, but to what extent has it fulfilled the hopes and aspirations of the people as reflected in the objectives of those who planned the strategy of the public sector? Is it set to do so?

Indeed, what are these objectives? Does the public sector have separate objectives, a philosophy of its own as distinct from that of the private sector? It is said that the public sector should occupy the commanding heights of the economy. But why? We should pause for a reply.

The overall aim of our economic activities is best expressed in the slogan "Garibi Hatao". Though, used in the political field, it has become a innuendos there is no

\* R. C. Dutt—a former member of the Indian Civil Service (ICS) retired in 1972 as Secretary of the Government of India in the Ministry of Information and Broadcasting; was a member of the Monopolies Commission; Chairman, Burn-ISM Ltd., after takeover by Government; Chairman, Industrial Reconstruction Corporation of India.

doubt that in 2 simple words the slogan states what all our economic activities are about. The basic task which confronts us is removal of the abysmal poverty in which at least 40 per cent of our countrymen are steeped. The growth rate, the gross national product (GNP) and other statistical measuring devices are not always very reliable to evaluate our progress. Growth of the GNP does not necessarily help to remove poverty. Our own experience in the 'fifties and the first half of the sixties' has shown that growth measured in these terms may only mean greater concentration of wealth and of economic power in the hands of a few and greater disparity between the rich and the poor. The findings of the Monopolies Inquiry Commission and of the Mahalanobis Committee have confirmed that this has happened. The poor have been left in the same position as, if not in a worse position than before.

The war on poverty needs much more than the growth of production, or even of productivity. Such growth is essential, but not enough. Along with growth it has to be ensured that the additional production benefits more than proportionately the sections of the community hitherto denied. It is only by such a process of redistribution that the existing maldistribution of wealth can be corrected.

Such redistribution can be effected in two ways. One is a physical redistribution of income and property from those who have to those who have not. The fiscal measures and the ceiling laws can effect such redistribution, but there is a severe limit to the extent to which such measures can be operative, specially in a society where "free enterprise" or private capital is relied upon to contribute substantially to the gross national product. Pushed beyond this limit, incentives for private production will be insufficient to maintain production at the required level.

### *Two roles*

The other way is to canalise investments to areas where they aid to income of the "have-nots" more than that of

the "haves", and produce supplies consumed more by the former than by the latter. Rural works, where large numbers of landless labourers and marginal farmers can be employed on works like village roads, small irrigation, seed farms and such like activities of direct benefit to the poorer sections of the rural community come in the former category. Production of articles of mass consumption like more food grains, more cloth, and even such simple means of communication as bicycles, on the other hand, is an example of the latter.

The public sector has a direct role in this process of redistribution, and an equally important indirect role in ensuring that such a process continues to function. Let us examine the direct role first.

A direct contribution which the public sector makes to the process of redistribution is by ensuring that the profits of the developing industries do not flow to a small group of capitalists but is available to the state for use in the public interest. To this extent, by its mere existence, public sector prevents further concentration of wealth in private hands. More importantly, however, public sector can provide the mechanism (through appropriate choice of investment outlets as well as methods of production) for redistribution of income.

The second Plan was based on the momentous decision to lay the foundation of an industrialised society by providing for an infrastructure of heavy industries. It was an essential decision, if an industrial superstructure was to be raised, but the task could not have been carried out by the private sector except at a heavy cost to society. The work of setting up capital intensive heavy industries with long gestation periods with little or no profits for years would not have attracted the private sector, unless profits had been guaranteed, or high prices allowed to be charged to compensate for initial lack of profitability. It will be realised that the railways were built in India with British private capital but with profits guaranteed to them by the Indian exchequer.

The public sector has often been criticised for inefficiency and for the low profits they have earned. Even if one were to concede that the public sector units, at least at the initial stages, were not managed as efficiently as they could have been, there is no doubt that by entrusting the task of building the heavy industries to the public sector, the society has been spared a good deal of the cost which it would have inevitably had to pay in the form of direct subsidies and guaranteed prices to provide what is called "incentives" to the private entrepreneurs, if the tasks had been left to be carried out by them.

These incentives would have been in the nature of payments by the society as whole to a small group of entrepreneurs, and would have, therefore, amounted to transfer of resources from the various sections of the community to a small group of capitalists.

The task of establishing the basic heavy industries has been largely completed since, but the role of the public sector in the national economy has not for that reason been reduced. In fact, it is a continuing role. If investments, for instance, have to be canalised for the production of wage goods, as indeed they should, the public sector will undoubtedly have to take the lead, far from the point of view of profitability, the wage goods sector is not likely to be as attractive as certain other non-essential sectors.

The motivation in the private sector is largely, if not purely that of private profit. Investments in the private sector therefore flow in the direction of maximum profit, not necessarily in that of maximum social gain. This creates distortions. It is the function of the public sector free of this motive of private profit, prevent such distortions. And this is where the question of public sector occupying the commanding heights of the economy arises.

As an instance of the public sector being in a position to utilise the commanding heights to restore the perspective of the economy to fall in line with planned develop-

ment one can readily think of the banking sector. With the nationalisation of the major banks and the establishment of a number of government financial institutions the public sector is in a position to influence considerably the flow of funds in the desired channels. This may mean canalisation of funds from high to comparatively low profitability areas. It may also mean acceptance of higher risks. There is indeed a limit to which even the public sector banks and financial institutions can accept these factors without jeopardising their own capacity to lend. The difference, however, lies in the fact that while the private banking system would endeavour to maximise profits by investing their funds wherever the returns are the highest, the public sector financial institutions are expected to follow the planned priorities of investment even at some sacrifice of profit, provided their own planned rates of growth are maintained.

### *Indirect Role*

The indirect role of the public sector in ensuring the development of our economy in the desired direction is perhaps even greater. The Directive Principles of our Constitution have warned us against concentration of economic power in private hands to the common detriment. The danger from such concentration lies not only in the disparities it creates between the rich and the poor, the conspicuous consumption it encourages and, therefore, in the conflict it tends to give rise to, but also in the effect it has on the political processes even in a parliamentary democracy. The decisions of the state cannot but be influenced by such concentration. It is not merely that concentration of wealth can and does have a corrupting influence on the decision-making processes. Even if this could be ruled out by a strict system of vigilance, the fact still remains that the economic decisions of government cannot ignore the fact of economic power.

Prof. Galbraith has in a recent publication entitled

"Economics & the Public Purpose", which has received less attention than it should have, shown clearly how in the United States the entire trend of government policy is directed to support and promote the interests of the organised sectors of the economy. Indeed, it could not be otherwise. The organised sector wields considerable economic power in providing employment, in making essential supplies available and in other directions. The political power exercised by the state must necessarily take the facts of economic power into account if it is to avoid chaos. When political and economic power is exercised by two different groups inspired by different, though not always conflicting motives, each must defer to the other if a conflict is to be avoided. Neither can function in complete independence. In such circumstances, in a parliamentary democracy it is not the majority in Parliament who can exercise undiluted power, sovereign as the Parliament is in the legal sense. The facts of economic life compel the majority in Parliament to share its power with a group of capitalists who represent none but themselves, but who nevertheless control some important levers of the economy.

To the extent that the public sector controls the levers of economic power itself, it reduces concentration of such power in private hands. And since the public sector is owned by the state, and therefore need not be inspired by any motive different from that of the state, it reduces the possibility of conflict to that extent between two different centres of power. The public sector can thus help restore power to where in a democracy it should legitimately belong, that is, to the representatives of the people in Parliament.

To be able to do so, however, this public sector must be fully conscious of its role. It is not enough to reduce concentration of economic power in private hands. By occupying commanding heights the public sector places itself in a position to control the levers of economic power, but it must have the will to exercise this power and also

sufficient awareness of the broad policies of the state to enable it to do so in conformity with the state policies.

Neither the will nor the awareness can, however, be presumed. On the other hand, steeped as we are in the private sector business outlook, which is often held up as a model of efficiency, there is a distinct danger of the public sector sharing the motivation and outlook of the former. Functioning thus the public sector only replaces private capitalism with state capitalism. State capitalism might push up the growth rate, enlarge the GNP but will not induce any social change and will do little to remove mass poverty.

The role of the public sector as an agent of social change needs to be discussed and understood more widely than it is at present. The view of Prof. Pasquale Saraceno, the chief ideologue of the Italian Institute of Industrial Reconstruction (IRI) that "our object is not to make steel or cars, but to use steel and car-making as a tool for social and economic progress", which was quoted approvingly by Mohan Kumaramangalam, needs to be fully appreciated. In spite of the professions of our political leaders and the sentiments expressed in the five year plans there is a danger of our drifting towards state capitalism. There is a danger of the public sector not playing its role as an agency "for social and economic progress."

### *Not Easy*

The role is not easy to play. It cannot be played merely by the acceptance of certain facile generalisations: that the public sector need not earn profit, or that the public sector should be ideal employers. It can be played only by carefully defining the role of the public sector consistently with the basic objectives of state policy.

To the public sector in the last two decades has been assigned the more difficult tasks in the economy. Theirs has been the pioneering role in several fields. This has been both a challenge and an opportunity. After years of



struggle there are distinct signs now that the challenge has been, and increasingly will be, met. What of the opportunity? Has it availed of the opportunity to promote "social and economic progress" to which Prof. Saraceno referred? Or has, it only made it easier for private capitalists to amass profit by taking advantage of the basic commodities and services created by it? Is there a sufficient consciousness not only among the policy-makers but among those associated at the operational level with the public sector of its social and economic potential? Are we proceeding in the right direction? Are we set to do so? Whither public sector?

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## SPEECH

BY

PIERRE GENSOUS

*General Secretary, WFTU*

1. The WFTU congratulates the AITUC for its initiative in convening this 4th Asian Trade Union Seminar which is to discuss a vital issue facing the trade union movement—the role of State Sector in Asian Developments.

2. The WFTU is happy to note that trade union centres from several Asian countries, irrespective of affiliation or political orientation, are participating in this Seminar. This denotes the progress achieved in regional trade union united action in Asia. We are specially happy at this expression of growing solidarity, in this 30th year of the founding of the WFTU.

3. The WFTU has always striven to build regional and international trade union united action and solidarity and is keen to contribute effectively to the development of a dialogue and steps towards cooperation to defend the vital interests of the workers in the struggle for national independence and peace, against imperialism and neo-colonialism, and for democratic advance and social progress.

4. The victory of the workers and peoples of Vietnam, Laos and Cambodia against US imperialist intervention marks yet another historical milestone in the advance of the workers and peoples of Asia. It was a victory for the entire progressive mankind.

5. The developing countries are asserting their national sovereignty over their national resources and are demanding an end to the domination of their economies by the multi-national corporations. They make an effective rebuff to neo-colonialist economic pressure. The World trade union movement expresses its complete solidarity with the workers and peoples of developing countries to do away with all forms of economic domination by the multi-national corporations.

6. In the new international climate, marked especially by the

success of the Conference on European Security and Cooperation, the balance of forces in the international arena is shifting increasingly in favour of peace, democratic advance and social progress. In the Asian continent, the struggle for peace and security embraces wide sections of patriotic public opinion.

7. But the WFTU does not consider that there is any room for complacency. Reactionary forces allied with imperialism, desperate at their increasing isolation, have mounted an offensive against the patriotic forces in important countries in Asia. The brutal murder of Shiekh Mujibur Rehman has raised the indignation of the whole progressive mankind. The imperialists and reactionary forces are attempting to reverse the wheels of history, to negate the democratic and social gains achieved by the working people and impose neocolonialism. They are engaged in the construction of new military bases in the Indian Ocean, which means a threat for the neighbouring States. The angry tirade against India by the monopolist press organs and pro-imperialist mass media reveals the extent of their disappointment over the firm measures taken to foil the conspiracies of reactionary and fascist elements backed by imperialism.

8. The WFTU has expressed its solidarity with the workers and trade unions in India in their struggle against imperialistbacked counter-revolutionary elements and uphold the country's sovereignty, independence and democratic progress.

9. The focus of the struggle between the reactionary and progressive forces in India centres on the very question of independent development and this involves almost directly the role of the State Sector. The reactionary forces and the imperialists have always stood against the development of a State Sector in India as well as other developing countries. In such a context, the trade unions in India and other countries have rightly defined the defence and extension of the State Sector as one of their important tasks.

10. The policy of the trade unions concerning the Public Sector is based on the historical experience of some developing countries in the struggle to liberate themselves from the remains of colonialism and get out from economical underdevelopment. The weight of the public sector in the national economy can be different in each of the developing countries, but the processes of develop-

ment of the State Sector had at the beginning contain important factors which are common to all of these countries. Between these factors are in particular the general desire of the workers and the progressive forces of all developing countries to build up and reinforce the economical independence of their countries, by accelerating industrialisation. Even in the developing countries which had reached a certain level of capitalist development, the local capitalists were hostile to each initiative in direction of the creation of any basic industry, but at the same time they were too weak to ensure by themselves such industry. Only the State could mobilise the necessary amount of big investments. This situation has led to the creation of a State Sector in industry, and more specially in heavy industry. And also, to be able to reinforce the national sovereignty and economical independence, it has become necessary to nationalise the foreign capital which were exploiting the resources of the country, and in some countries this nationalisation became the main basis for the creation of the State Sector.

In some other countries, the development of monopolies and trusts, local and foreign, and the bad social consequences of such a development, has put forward the necessity of measures to ensure control of these elements. The nationalisation of banks, of insurance companies, and so on, has led to the ownership and the control of the State over these vital sectors, so as to ensure a better management of the national economy by the State.

In some cases, the State, for reasons which are linked with its social policy, has been obliged to take over some industrial enterprises where the capitalists were making sabotage.

The progress of the State Sector, in the different developing countries, in spite of inequality of level, so as the factors which contributed to the creation and the development of this sector, has played a positive role in accelerating the rythme of industrialisation and in modernising the national economy. This development of the State Sector, we must underline it, has been the result of the struggle of the democratic forces which, in the same time, has helped these countries to resist to the neo-colonialist pressures made by the imperialist forces and the multinational corporations which are prospering while plundering the resources of the developing countries.

The multinational corporations and pro-imperialist elements:

have ceaselessly campaigned against economic development in the State Sector, since they see in State Sector development, a rational, democratic and efficient alternative to the crisis and anarchy which prevails when profit is the only consideration for economic activity.

11. When the developing countries began to launch economic development programmes, it was but inevitable that they wanted to study the experience of the socialist planned economies and the role of the State Sector.

12. The successes of the socialist countries in rapid development of their economies through centrally planned development programmes in which the development of the State Sector is the key and decisive element refute the calumnies spread by the ideologues of monopoly capitalism. There is no economic crisis in the socialist countries because they do not suffer from the built-in anarchy as under a capitalist system. Because of the planned economy and the control and regulation exercised through the State Sector on the big means of production and exchange, it is possible to ensure a planned development in the interest of all the people.

13. It was also natural, as events have proved, that the fraternal assistance of the socialist countries plays an important role in the development of the State Sector in several developing countries.

14. Naturally when we speak about the State Sector we do not make generalisations or wrong assimilations.

The policy, the orientation of the State Sector are, of course, linked with the character, the content of the State itself.

We must well distinguish for the benefice of whom, and with whom, the State is acting. Which are the interests which it serves or want to serve.

The State Sector cannot be entirely neutral. Different factors have influence on it so as the relations of forces which exist between them. The State Sector is not imperceptible towards the pressures which are done by contradictory forces:

- the forces of the working class, of the workers, of the working people,
- the forces of the local bourgeoisie,
- the forces of the imperialist governments and the multinational corporations.

Hence the importance of the struggle of the workers for a State Sector which is serving the interests of the large masses, it means the interests of the nation.

It would be good then to make quite clear what we mean when we speak about the State Sector. We must say a *democratic* State Sector.

May be such a denomination would better correspond to what the workers and the trade unions want. To give such a precision (*democratic*) means that our opinion of the action includes not only the State Sector, but the State itself.

The State, according to us, must be wanting to conduct such a policy where the basic aim is not the profit for a minority, but the following aims:

- the progressive satisfaction of the needs of the workers,
- the economical and political independence of the country,
- an economical development for the benefit of the workers and the large masses, it means for the benefit of the nation.
- to take the means of production away from the domination of capital,
- the progressive realisation of conditions of full employment, of full development of the producing forces.

The general aim should be to produce so as to satisfy the individual and collective needs, material and intellectual, educational and cultural needs.

This implies a real participation of the workers in the direction and management of the affairs, in the enterprise, in the economy, in the society.

If such aims as we mentioned here are the necessary conditions of a democratic management, the democratic management is the main condition of the economical efficiency of a real democratic State Sector.

Such a democratic State Sector

- can make more easy a rational organisation of the economy and of the industrial activities,
- so as a real planning which has in mind the needs and the means,
- such a democratic State Sector can promote international co-operation, on the basis of economical and political independence.

What we mentioned here confers big responsibilities to the trade unions in the developing countries, but they must have the possibilities to apply such responsibilities. It is necessary therefore to recognise and codify new rights for the trade unions. A policy which tends to reduce or even suppress the activities and initiative of the trade unions, cannot be a policy which is beneficial for a country in the economical field.

The time has come for a participation more and more engaged of that big social force that are the trade unions. There cannot be any economical success without the participation of the workers and their trade unions. Therefore should be recognised all the rights which proceeds from that essential role they have to play in the economical activity of the country.

The charter of economical and social rights of the trade unions, adopted 2 years ago at the 8th World Trade Union Congress, proposes what should be these rights:

- in the enterprise
- in the economy
- in the society

It is clear that all these aspects of the problem of development of the State Sector has been given by us a particular attention for the last years and this for valuable reasons. In the capitalist and developing countries, the struggle against monopolies and multinational companies is closely linked with that question.

In consequence there are many common points and common problems about which the trade unions in Asia and in other countries of the world could discuss usefully concerning this important question. The experiences analysed here at this Seminar could be very useful for the whole trade union movement in the world.

The question on the role of public sector could become a subject on which the trade unions of all affiliations from all countries could meet and exchange experiences, and at the same time promote international unity of action.

The same is valuable in particular in the present situation, on all questions concerning peace and security and for a new international economical order. The fact that the developing countries want more and more firmly their full political and economical independence, the fact that they are uniting and struggling to obtain it or to consolidate it, struggling against the domination of

the big imperialist powers and the multi-national companies, are factors which mark an historical milestone.

The growing of the struggle of the workers and people against capitalist exploitation, the successes obtained in the recent period, successes which are consolidated by the changes in the relations of forces at the international level, at the detriment of imperialism, are closely linked with the progress of the policy of peaceful co-existence, of detente and of security.

The capitalist crisis continues to aggravate. During the first six months of 1975, the production in the most important capitalist countries: USA, Federal Republic of Germany, Japan, France and Italy, has decreased from 10 to 20%. The number of unemployment in these five countries is twice as much high during this last year, going to 15 millions during the first middle of the year.

In this situation, sectors still more larger, including the workers, who consider now the things more clearly, are conscious of the fact that to solve the enormous problems they are confronting to-day, it would be good to put an end to the trade union division and that the dialogue, co-operation and unity should now be established.

As an International Trade Union Organisation, the World Federation of Trade Unions is seeking cooperation with all trade union organisations, national, regional, continental or international.

At the regional level, the evolution which has led to the success of various conferences and meetings of the European Trade Union Centres at the highest level has a considerable importance.

In Africa, in Latin America we can see also the growing will concerning the realisation of unity of action, of trade union unity, such a process, on the regional level, contributes to the development of unity of action at the world level.

In this way we think that the trade unions in Asia have also particular reasons to bettering, to reinforce, to organise their co-operation. This is why we are in favour of a united conference of Asian Trade Union Organisations on a subject or subjects for which all the trade unions in Asia share the same interest.



## **CONTRIBUTIONS OF DELEGATES**



## CONTRIBUTION OF THE USSR TO THE DEVELOPMENT OF ECONOMIES OF THE DEVELOPING COUNTRIES

Serguei Trubnikov, (AUCCTU, USSR)

The Soviet Union, other socialist countries have always believed and continue to believe that the establishment of a new system of international economic relations free from the heavy burden of the past is one of the most significant pledges for the successful solution of the existing world economic problems. This means that the relations between states with differing social systems both in the field of politics and in the field of economics should be based on the principles of peaceful coexistence and equal cooperation.

In their international economic ties the Soviet Union and other socialist countries are guided by the following basic principles: full equality, respect for independence and sovereignty, mutual benefit and reciprocal assistance, high effectiveness of cooperation for all countries concerned irrespective of their size and level of economic development. The justice of these principles is being recognized ever wider in international relations, and their implementation obstructs the harmful activity of the multinational monopolies.

The Soviet Union, other socialist countries are coming out against any attempts of the capitalist states to impose discriminatory forms of economic relations upon less developed countries. It is inadmissible, they believe in particular to employ economic levers to interfere in the internal affairs of states and exert political pressure upon them.

This applies to both bilateral and multilateral trade

agreements which have become a more common practice at the present time.

In my speech at this Seminar I would like to particularly stress the fact that the Soviet Union's relations with the developing countries of Asia, Africa and Latin America are in line with the consistent Leninist course pursued by the Communist Party of the Soviet Union and the Soviet Government in our foreign policy aimed at peaceful coexistence of states with differing social systems, at lending aid and support to the peoples fighting against imperialism, for national political and economic emancipation.

Following Lenin's teaching that the proletariat of the advanced countries can and must help the backward working masses and that the development of backward countries can abandon its present-day stage when the victorious proletariat of the Soviet Republics extends a helping hand to these masses and will be able to offer them support, the Soviet Union has been rendering economic and technical assistance to the economically less developed countries since the 20s-30s. At that time the resources of our country were limited, nevertheless disinterested aid given to Turkey, Afghanistan and some other countries had been an absolutely new act in the history of international relations.

With the breakdown of the colonial system and formation of sovereign states as well as the development of Soviet economy the relations of the Soviet Union with the countries of Asia, Africa and Latin America have considerably widened.

Presently our country has intergovernmental agreements on economic and technical cooperation with 49 developing countries. Under these agreements the USSR is assisting the countries of Asia, Africa and Latin America in the construction of nearly 1,100 industrial enterprises and other projects, out of which 470 have already been completed and commissioned. Among them are power stations, ferrous and non-ferrous metallurgical

works; enterprises of machine building, chemical, petroleum and gas industries. More than one half of all the means allocated for assisting the developing countries is earmarked for the construction of enterprises in heavy industry. The creation of an industrial basis in young national states contributes to the solution of big national economic tasks and consolidation of their economic and political independence.

Special mention should be made of our country's assistance in the creation of energy capacities so badly needed by the developing countries. Thus, the Aswan Hydro Power Station and the entire Aswan Complex, built with Soviet assistance, were of great importance for the Arab Republic of Egypt. According to last year's statement made by the A.R.E.'s Minister of Irrigation, all expenses incurred in the construction of that complex have been justified. At the present time the high dam and the hydro-power station are bringing in 200 million Egyptian pounds annually. In Syria, due to the Euphrates Dam, also built with Soviet assistance, the area of irrigated lands and employment for the population will not only grow, but the country will also receive cheap electric power which will contribute to the industrial development.

Reference can also be made to the countries of the Asian continent. In India, for instance, where in combating the economic backwardness the trend towards exercise of the State's control over economic development has prevailed, the enterprises built with Soviet assistance account for 80 per cent of production of metallurgical equipment, 60 per cent of all capacities in the production of pipes and hydro aggregates, over 50 per cent of oil extraction and 30 per cent of oil refining, 30 per cent of steel output, nearly 20 per cent of electric power production. These figures are evidence of the fact that successes in creating its own industry, expansion and consolidation of the state sector are inseparably linked with Indian-Soviet economic co-operation. The Soviet Union has contributed tangibly to the development of key branches of Indian industry, thus

having given a powerful impetus to the growth of independent economy.

As is shown by the example of Soviet-Indian relations economic cooperation between the USSR and the developing countries is aimed at assisting the latter to really consolidate their economy, to strengthen their state sector.

The Soviet Union has also granted economic and technical assistance to Nepal, a neighbour country of India. Since 1959 this assistance has been concentrated on helping some branches of Nepalese industry, on the development of electric power branch and transport.

More examples could be cited to illustrate this.

It is well known that in the period of colonialism natural wealth in the developing countries was prospected and plunderously exploited by foreign monopolies. Nowadays the developing countries are interested in a more profound study of their natural resources.

In this case aid also comes from the Soviet Union. At present the USSR is giving a considerable assistance in prospecting and putting to use their energy resources and different types of minerals. So it has become possible for the Arab Republic of Egypt, Iran, the People's Republic of the Congo, India, Bangladesh, Syria and other countries to find and start exploiting considerable mineral resources.

The Soviet Union gives much attention to the training of national cadres. Assisted by the USSR the developing countries have built and are building 140 educational establishments out of which 94 are already in operation. Over 19,000 citizens from developing countries have been educated at Soviet higher and secondary schools. This year alone nearly 16,000 students and post-graduates from these countries are being trained at universities and technical secondary schools in the USSR. Besides much attention is paid to the training of national cadres by Soviet specialists directly in the course of construction projects, by accepting foreign specialists for industrial and technical training at Soviet enterprises.

One more factor should be mentioned which plays a significant part in consolidation of economic independence of developing countries. Supplying them with up-to-date industrial equipment, materials and raw materials, mainly used for establishment, expansion and strengthening of the state sector of their economy, the Soviet Union at the same time develops in every possible way foreign trade with them, providing a reliable market for them for selling the goods of their traditional export as well as purchase their finished products manufactured at national industrial enterprises, including those built with Soviet assistance. During four years, from 1971 to 1974, the volume of trade of the USSR with the countries of Asia, Africa and Latin America has almost doubled.

I would like also to emphasize a most important principle by which the Soviet Union is guided in its economic relations with developing countries.

We grant assistance at the request of the interested governments on the basis of our resources and possibilities. Our aid is not prompted by any selfish interests. Enterprises and projects built with Soviet assistance are the property of the countries beneficiaries of the assistance. The Soviet Union has no share in the property or management of these enterprises, neither has it a share in the profits from operation of these enterprises. The Soviet is interested to see that this assistance should be as effective as possible. It is anxious to strengthen economic independence of the developing countries, so that they could achieve their basic goals of economic advance in conformity with their national interests.

It would be no exaggeration to say that our country is doing its best to support the desire of developing countries to expand and strengthen the state sector of their economy which is to play the most important role in development of national economy, to enhance the role of planning in the economic life.

All this is in sharp contrast with the assistance which

is being rendered by developed capitalist countries to Asia, Africa and Latin America.

The granting of credits, loans, subsidies, the sending of advisers, experts and specialists by these countries has always been governed by the selfish interests of the multi-national monopolies and imperialist powers or are openly of a neo-colonialist nature. The mechanism of "assistance" of the developed capitalist countries also continues to operate in pumping out raw materials from the countries which have become independent. As it was rightly pointed out by the Zambia Daily Mail, "the aim of economic and trade policy of the European Economic Community is to subordinate developing countries to ever mounting demands of the capitalist countries belonging to the EEC. to hold their economy at low level by assigning them the role of raw material supplier".

Moreover numerous surveys concerning these problems make it possible to say that the main thing in the policy of imperialist assistance is the desire to prevent any radical changes in developing countries, to keep them within the zone of their own influence, to maintain in power those groupings which actively cooperate with them and ensure the plundering of their national wealth and exploitation of cheap labour.

The Soviet Union is resolutely coming out against the attempts to isolate the national liberation movement from their natural ally, the community of the socialist countries, and is exposing false concepts dividing the world into "poor" and "rich" nations and placing the socialist countries on the same footing with the capitalist states which even now continue plundering vast resources in the countries still under colonial yoke.

Cooperating with young national states, establishing with them international relations of a new type, the Soviet Union facilitates the struggle of these countries for economic independence, for establishment of a state sector in their economy, it promotes the improvement of their



peoples' living standards. This, no doubt, meets the national interests of developing countries and the interests of all progressive forces in the world.

The international life shows that the basic aims and interests of the world socialist system and those of the forces of the national liberation movement are identical.

Thanks to the all-round cooperation with the socialist countries the struggle to win economic independence of developing countries is being waged now under much more favourable conditions than before.



## Gyan Bhakta Shrestha

(N.M.S) Nepal

As a representative of Nepal Majdoor Sangathan, I feel privileged to have this opportunity to participate in the Seminar, on the Role of Public Sector in Asian Development, organised under the auspices of the All India Trade Union Congress. The organisers really deserve special thanks for the initiative that they have taken.

Nepal is a small agricultural landlocked country in Asia bounded by China on the north and India in the south. She covers approximately 55 thousand sq. miles of land with 10.15 million population. Only 22 per cent of total land area is under cultivation. But more than 90 per cent of population directly or indirectly earn their livelihood from land.

Nepal, under the dynamic leadership of His Majesty King Birendra, is striving hard to increase production and per capita income. Efforts have been made to accelerate the process of country's industrialisation.

Although the beginning of industries in Nepal dates back to the Second World War period, most of the industries waned away with the end of the war. These industries were largely the out-growth of war demand and not the result of deliberate planning. Thus, the history of industrial growth in Nepal is of short-period indicating absence of efficient management, lack of entrepreneurial initiative and absence of congenial atmosphere for the growth of industries. However industries, by providing employment to only 2 per cent of population, account for about 12 per cent of National income in Nepal.

It was with the launching of the First Five Year Plan in 1956 that a systematic approach towards the develop-

ment of industries was made. Since then, the existing industries are being modernised and expanded; the new industries like Sugar, Cement, Paper, Plywood, Textile, Stainless Steel, Soap, Leather etc. are being set up in public and private sectors. The industrial policy statement announced on July 15, 1960 was a notable step taken by His Majesty's Government of Nepal which provided liberal concession and facilities for the industries in the country. Subsequently, an Act to provide additional facilities to industries was enacted in 1961, which was amended time to time. The present Industrial Policy of 1974 promotes further investment both in the public and private sectors. It may not be incorrect to say that the public sector is initiating the process of industrial development in Nepal. The investment of public sector has been gradually increasing.

It is in this context, Mr. Chairman, allow me to refer the role played by Nepal Majdoor Sangathan. The NMS is one of the class organisations recognised by the Panchayat constitutions of Nepal. The NMS sends two representatives to the National Panchayat, the legislature of the country for a term of four years. From its very inception the NMS is always active in furthering the interest of the majdoors of Nepal. No doubt, the NMS may have a number of limitations, but it has been able to make necessary legal arrangement for the minimum wages, bonus, gratuity, Provident Fund etc. for the workers of Nepal. This is not enough. We are well aware of the fact that the NMS has got to do much for promoting the all-round upliftment of the majdoors of Nepal.

The NMS has always been the only hope and centre of inspiration for the majdoors of Nepal. The Sangathan has been encouraging majdoors of Nepal to be dutiful and make possible contribution in accelerating the pace of country's economic development. It has also been active in conducting several programmes for the welfare of the majdoors. Still we have to do more. So in order to intensify our production-cum-welfare oriented activities in Nepal, we have

to learn much from the experience of the fellow majdoors. The free exchange of ideas in the Seminar among the member delegates would be mutually helpful in understanding the prospects and problems of each other. The Seminar, I believe, would turn out to be a source of inspiration and encouragement for a majdoor like me, coming from a country which has a short history of trade unionism.

In the end, Mr. Chairman, allow me once again to express my hearty thanks to the organisers of this Seminar for their initiative and member delegates who by their presence have made the Seminar, a success.



## PUJITHA GUNAWARDENA

(SITUF, Sri Lanka)

Friends,

Sri Lanka Independent Trade Union Federation has to be thankful to the All India Trade Union Congress for the request of participation at this important Conference. The workers in the respective countries no doubt expect a programme agreed upon for the benefit of the working community of this region. We are aware that this Asian Trade Union Conference had now reached its 4th Session this year. We must expect a joint active programme to fight out the major differences prevailing in the respective countries. Our expectation is to work upon a comprehensive programme at the end of the Seminar on the issues reaching agreement.

It may necessitate to establish a central unit in this region for the purpose of centralising information required for joint participation.

I wish to draw your attention to the decisions arrived at in an earlier seminar in respect of the following:

1. Industrialisation and growth of monopoly.
2. Problems of wages—price inflation and employment.
3. Working class struggles and the role of trade unions.

Dealing with item No. 1, it is necessary to mention that the countries of the Asian region that participated in that Seminar shared diverse political, social and economic systems. The majority of these countries although had long histories of colonial rule but gained independence from the imperialists rule during the middle of this century. The major need of these countries were to build up their national economics. In this regard, most of the countries had to either nationalise the monopolised enterprises, held

by the imperialists, or to allow the local private enterprises to grow. However, in the event of the private enterprises attempting to embark on the colonial capitalists principles, the social governments of these countries will have to nationalise such enterprises for the reason of a realistic national economy and also to free the working community from exploitation. Coming into the 2nd issue, the problem of wages, prices inflation and employment, the deliberations revealed that the countries of the region concerned as a whole is a low wage area. Despite the meager achievements we are still continuing to be the low wage earners area when compared with the wage levels of the advanced capitalist countries. Furthermore, the normal wages get swallowed by the rise of level of prices chiefly of those which are necessities of life.

Speaking of Sri Lanka, it is necessary to state that the working class movements thought that their aspirations could be met only in the case of struggles to overthrow the capitalists ruled Government by an organised voting strength at the poles. Thus, the present social pattern found its way for a socialist government which has been planning since 1970. The first thing in the throne speech, the Government did was, to establish a security in the service of a worker and to follow this principle the Government made head-way by appointing a committee to establish a workers' charter and to reform worker legislations by progressive enactments. This has been brought into safeguard the labour exploitation by the imperialists type of employer. Thirdly, arriving at the issue of working class, struggles, etc. the Seminar also decided that T.Us who as a conscious organisation of the working class are interested not only in the vital demands of the workers but also in the past have shown their interests as participants to strengthen the political and economic independence of their countries. It was also agreed that wages still do not determine prices but the prices continuously rise due to inflation.

We believe that industries sponsored by the state on a

national productivity programme leads into the solution for national economical progress in socialist countries. It is explanatory that private enterprises will run for the benefit of a handful of classified society who will have no interest whatsoever in country's economic independence. Although Sri Lanka had politically gained independence through a programme specified in a social manifesto, the country's earlier capitalist rulers forced the country into a critical social and economical crisis. This has resulted in the country's foreign earnings reducing to lower levels and increasing unemployment more rapidly. Thus, the two main issues remained unsolved and to reach a solution the present government waged to fight out in its highest form a national economical plan, to eradicate the economical crisis that existed for nearly 10 years prior to 1970. It is in this context the Prime Minister, Mrs. Sirimavo Bandaranaike, ventured on a five year plan to gather up the main issues that had led the country into a difficult position. The objectives of this five year plan could not materialise as above on a short term basis, interpreted by certain economists but they should realise that it is a crash programme for a country that needs immediate economic relief. Therefore, the objectives of the five year plan are to engage the manpower and natural resources of the country for better use. We are aware of decisions arrived at by the Ministries, Departments, Corporations, Private Enterprises and self employed individuals. Of course in this respect the government of Sri Lanka had considered the rising trend of the country's increasing population and the needs of the poor families especially to broaden the gap of the class drawing an income less than Rs. 200 per month. The plan also contemplates on decisions of families income between Rs. 200 and Rs. 400. The plan also envisages a social programme dealing with the ways and means of securing employment through public enterprises. It also has made provision to raise the lower income groups economy and to reduce the overwhelmingly high income groups by pronouncing heavy taxations. Thereby paving

the way to stop the extensive expenditure lavishly incurred by the wealthy people who inherit large estates and other income resources. This type of progressive developing economy has now created a solution to find out revenue for expenditure required for production. This has now led to the expectations in investments through large scale savings from enterprises such as government saving schemes, excess incomes derived from state Corporations, furthermore, assistance to promote healthy investments through foreign individuals. Therefore, it is relevant that the government should look into the ways and methods as to deriving revenue in order to meet the expenditure that is needed for production. The curtailment of expenditure has been admitted through the five year plan to increase all industrial and agricultural enterprises. This also has led to the reduction of imports in the form of increasing production through the raw materials available which have not been made use of during the year.

Laws relating to imports curtailment, would restrict unwanted and excessive items being imported for the benefit of the wealthy class. The provisions made in the five year plan for the purpose of increasing the state industrial and plantation sections had resulted in the increase of employment. Furthermore, the crisis created by the shortage of food in the world market and the inflation created by the increase of fuel prices was an obstacle to the development programmes of the country, but this crisis was evaded by the crash programme of a food drive. The social programme of land reforms have also led the country's economy to its betterment. The state corporations and the agricultural sectors sponsored by the government in various fields have now contributed to the national economy and we believe, that the country may not lead into a further crisis in regard to food and other shortcomings. The country's economy grew 3.4 per cent in 1974 which of course is a slight decrease in comparison with the previous year, which was 3.5 per cent. However, it is improvement in the growth rates when



compared to the figures of 1971 and 1972 respectively. It may now be accepted that this slight increase has been due to the increased population figures in 1974 at the rate of 1.6 per cent. In reality the increase of production had been at constant prices rising upto 1.8 per cent. In the agricultural sector—the paddy production recorded a substantial increase but this was offset by a decline in the output of tea and rubber.

We also had to face a severe setback in 1974 due to inflation of prices. This has prevented the acceleration of the developments. Furthermore, the price index according to the Colombo Price Consumers Index rose to a point of 12.3, which is excessively higher than the previous years. The main foreign exchange earner particularly tea, and rubber declined. However, the deficit so created was covered up by the increasing trend of bank borrowing and short term credit from their resources.

### *NATIONAL PRODUCT*

Although the gross national product in 1974 increased by 30 per cent against 19.6 per cent in 1973, the increase in 1974 at a constant price was only 3.4 per cent as against 3.5 per cent in the preceding year. The significant difference between value of money and constant prices has been the reflection and magnitude of the price increased during the year. As indicated earlier, the growth rates due to the performances required as in the current five year plans has been higher in 1973 and 1974. However, the rate of increase in 1974 in the gross national product has been below the target rate of growth of 6 per cent envisaged by the five year plan.

### *RESOURCES AND USES*

The total resources available to the economy comprising of local production and imports at market prices amounted to Rs. 26,394 million, this figure was Rs. 19,592 million in 1973. All these increased rates were due to the effective

implementation of our Prime Minister's five year plan. The total value of exports in 1974 was at Rs. 3,784 million. This was an increase of 39.3 per cent compared with the figure of Rs. 2,716 million in 1973. The increase of the value of exports reflected a large increase in export prices.

### *MANUFACTURING*

The textile industry, although had attained a position of self-sufficiency, but the other factory industries output has shown a certain decline in the year 1974. The production rates in the manufacturing sector amounts to the value of Rs. 1,359 million in 1974. Well, this was a decline according to the figures of 1973. There had been a fall in production in tea and rubber and a slight increase in coconut production. Therefore, the question of a total aggregate decrease in the productivity of the three articles does not arise. The textile industry has almost come to a level of self-sufficiency. The major function of the production has been availed of through the output of cottage industries, and the increasing production of powerloom and handloom textiles.

Our income in 1973 showed a marked improvement in the construction sector which has increased by 7.1 per cent than that of the previous years. The increase in production was due to the increased availability of cement, iron and steel materials produced by the State Corporations responsible for that trade.

### *NATIONAL PRODUCT AND CURRENT FACTOR COST PRICES*

In this regard, the gross national product had increased by 30 per cent in the year 1974 compared with the increase of 19.6 per cent in 1973. There had been a marked increase in the productivity in the following sectors: Agricultural, forestry, hunting, and fishing, manufacturing, mining, and quarrying, gas, etc., construction,

trade, transport and other services, gross domestic products, gross national products. Sri Lanka being a developing country, is struggling hard to establish a national industrial economy due to the effective programme envisaged by the present government. The state industrial economy has increased due to nationalisation, and the efforts of the agricultural and industrial programmes that are processed in the future benefit of the country's needs. The payment of exorbitant freight rates for imported commodities may not long exist in the near future, as the country is attempting to solve the problem through a national enterprise known as the Sri Lanka Shipping Corporation. We have already negotiated better marketing centres in both socialist and capitalist countries. We have already ventured upon a barter system of our commodities with foreign countries in exchange of commodities for our earnings required for the day-to-day needs for our community. This free trade with foreign countries had been shut out to us for a number of years, due to the imperialists rule, which only took our commodities to their countries and sold at higher prices.

Furthermore, the non-aligned movements of our country has enabled us to establish free trade with similar countries extending towards Africa and Latin America.

In conclusion, we expect a better future, trusting on the economical programme which is to be launched on a severe social basis. We trust that our national economy will be on a higher side due to the fact that there had been negotiations for better marketing of our commodities with the European, Asian and other countries. We also believe that the extensive socialist programme will narrow the gap between the haves and the have-nots in the years to come.



MUSHAHAR B. ABU NOH,

Rubber Research Institute Staff Union, Selangor  
(Malaysia)

Before I make my deliberations on the full text of my working paper on the Role of Public Sector in Asian Development, permit me to extend fraternal greetings to you all on behalf of MTUC (Malaysian Trade Union Congress).

I am sure few of you have little knowledge of my country Malaysia especially on Malaysian Society.

I think Malaysia is the only country in Asia that has multi-racial society. The population is about 12½ million (1970) where 55 per cent of the population are Malays and indigenous people; 34.4 per cent Chinese, 9.10 per cent Indians and others 1.5 per cent. In terms of sex there are 101.4 males per 100 females, males are found less in the Malay Group.

*Ownership of share capital of limited companies, by race and sector (1970)—%*

	<i>Malay</i>	<i>Chinese</i>	<i>Indian</i>	<i>Foreign</i>
1) Agriculture, forestry and fisheries	0.9	22.4	0.1	75.3
2) Mining and Quarrying	0.7	16.8	0.4	72.4
3) Manufacturing	2.5	22.0	0.7	59.6
4) Construction	2.2	52.8	0.8	24.1
5) Transport and Communication	13.3	43.4	2.3	12.0
6) Commerce	0.8	30.4	0.7	63.5
7) Banking and Insurance	3.3	24.3	0.6	52.2
8) Others	2.3	37.8	2.3	31.4

You will see that our Malaysian Government allow foreigners to invest their capital in Malaysia with the hope by opening up the companies Malaysian people will get more employment. These companies or private enterprise could be defined as public sector. I have just mentioned (1), (2), (3)—all these three activities have 75 per cent of share capital invested, by foreigners—and has provided 95 per cent job opportunity from each sector. Most of the jobs need technical knowledge where vocational training were provided by Government.

Malayan Trade Union has approximately 100 affiliates most of whom are Unions from industries or companies as I have earlier mentioned. We work in more industries by having organised union—we demand the management to have a fair play with us. We oppose exploitations by management. We have strong Union. We study the employment ordinance and industrial relation thorough well, such as contract of service, payment of wages, productivity of the companies—more productivity more bonus.

Most of the Malaysian citizens benefit a lot from foreign entrepreneurs by giving job—from Industrial Manual Labour, semi-skilled, skilled, clerical, technical and professional—engineer, lawyers, accountant, public administration, business management and so on. We get a lot of experience and some has opened a business of their own.

Members who work in public sector more or less earn an income of \$300-\$400=Rs. 1200 a month. (58.5 per cent of pop. earn less than Rs. 650). Nearly all of them has a decent living, enough for clothing, food and education for their children, cheap houses, \$15,000.

Here I tell the source of coming to modern society also comes from public sector which I feel has something to do with development. By having more public sector—more employment—more and more workers get conscious by taking up serious interest in Trade Union activities.

Trade Unions demand a fair share from public sector, we demand social justice.

Our tools in TUC is by doing a lot of research home work, familiarity with Federal Constitution, Employment Ordinance and Industrial Relation Act—Grievance Handling Industrial conflicts, collective bargaining, approach of Industrial Court towards trade disputes—and case study of victimisation.

Before proceeding to the main subject of this report and the actual object of the issue of Asian Development, what can be said in terms of fundamental issues of the economic impact of western colonial rule.

It has been said that Asia, owing to its natural resources were partly developed and the people fairly prospered under the colonial system. Natural and human resources were developed but only in certain sectors—those were considered important by the ruling interest. Other resources which were equally, if not more, important to society and the people involved, were either neglected or wasted. Improvement and expansion of transport and communication and the emergence of servicing activities (foreign trade, commerce and finance) were all related and geared to these developments. Capital accumulation and technological progress took place almost exclusively in the developed export sector. By the same token, further applications of modern technology occurred mostly in the capital—intensive sector, plantations and minings. On the other hand, little or no technological progress was brought about in non-export peasant agriculture and rural small industries and handicraft. This whole process naturally enhanced the tendency toward disguised unemployment in the rural sector because it failed to provide a proportionate increase in job opportunities, viz. in productive employment for the whole of population.

We also see in the export sector some sort of co-existence, labour intensive and land intensive methods of production in the purely agricultural part combined with capital intensive technique in the processing part, requiring only a very limited number of people with high level skills. But the intermediate skilled occupations was shun-

ned by the foreign entrepreneurs. And it is mainly these intermediate technique which provide the best means of training large number of workers.

The process of development should result in the mass of the people being able to consume more consumer goods like rice, sugar, textiles and semi-durable goods like bicycles, radios, sewing machine or more services like education and health facilities roads or form of public entertainment.

The ideal economic development must include the elimination of poverty, unemployment as well as under employment and inequality in the distribution of services such as health, education, water and electricity. Development has two main aspects, it involves the preparation of the economic plan for the development of resources, it involves the preparation of graphic plans which give the physical expression to the economic objectives of the nation. Social, administrative and the political planning may be associated with the national economic planning. If the security of livelihood for all the people and equitable distribution of wealth are the objectives of development, there is need for it to consciously and with deliberate effort to develop its resources as effectively as possible to enable it to compete successfully in the world market.

In order that developments could be achieved in Asia in relation to the said criteria public has a major role to play.

Public could be defined as individual person or organisations such as co-operatives, Banks, International Labour Organisation, Industrial and Agricultural sector.

The main strategic role for the individual to play is "loyalty" and "unity". There is no point to gear up development if there is no true contribution of loyalty and unity as these are the major machineries to perform a healthy and functional project.

In Asia where the population constitutes various nationality, religion, culture and political philosophy it should co-ordinate into one Asian to pursue uninterrupted

development. The political philosophy based on neutrality or ideology and economic interest should be in packed agreement on international co-operation. Therefore unity plays an important role and Asian political development could virtually have determinant effect if campaign for terror and playing anti-subversive elements that could subvert the programme. The political set-up should be non-communistic and non-discriminating. The public is the governing power of the country and the role of the public is to represent an approved pertinent policy for the purpose of development. A democratic principle set-up is beneficial to the Asian nation viz. not to touch on the religious community and culture of the individual race.

The formation of co-operative society, with full participation of the public sector could pursue with an effective result towards development. By being a member of the society, the fruits of its dividend will give extra income to the family.

Investment with capital from co-operative loan would be diversified. With the expansion of the co-operative movement, effort to broaden up the business is pertinent. This eventually helps the unemployment sector which is the main problem faced by most countries.

On the agricultural sector, public sector could open up new lands to grow crops on primary industry where financial assistance is always being extended to members of cooperative society. Similarly small business or petty traders for the low income group could uplift their income.

The saving system through Government banks or private sector could widen for development. Undoubtedly the savings contributed by the public sector could be utilised for opening big industries, business, technical and educational programme. The eradication of unemployment again could be solved and a slight relief could be felt by all members of the public sector.

The organizing body whether industrial, agricultural, educational has a major role to play for the development of Asia. But the objective for Asian development would



fetch with excellent result through international or regional cooperation based on political philosophy, trade, agricultural, defence, health and to curb inflation. Who are to implement these strategic programme?—obviously the public and the state sector.

*Population Activities:*

“Within a generation, the population of Asia which has doubled in the last half century will have doubled once again. The growth rates of population and the labour force and the serious magnitudes of under-employment and unemployment weigh heavily upon every aspect of social policy in Asia. Nowhere is the population explosion more explosive. If the population of Asia continues to outrun her present and natural resources, food supply, productive equipment and capacity and trained skills at the current rate, the effects of economic growth will be stifled, man’s inhumanity to man will multiply as prolifically as man, and the sanctity of human life will become an ever more cruel mockery.”

Wilfred Jenks  
ILO Director General

“The population problem if untamed by human methods, will destroy us”.

Dr. Norman E. Borlaug

The International Labour Organisation, the policy making organs of the public sector have given special emphasis to population programme in the activities of the organisations. In 1967, the ILO unanimously adopted a resolution to the Director General to study the influence of rapid population growth on the employment, training and welfare of workers and to propose ILO action. In 1968 the Governing Body of ILO endorsed proposals which included the promotion of information and educational activities in the field of population and family planning through workers’ education, labour welfare, co-operatives and rural

institutions programmes research on demographic aspects of social policy; and action to stimulate the participation of social security and medical services in family planning.

An Asian Symposium on Labour and Population Policies composed of participants from labour administration, employers organisations, workers' organisations and National Family Planning Agencies was held in 1972. It was organised to draw up guiding principles for a dual approach to be promoted at the national level to consider certain aspects of population policy as part of labour policy and to set up the national family programme. The Symposium made a number of recommendations on policy relations, programme development and the role of international organisations in promoting sub-programme for the organised sector.

In this aspect, it is of paramount importance that every individual should participate in the national family planning programme. Implementation should be geared out by the public sector but not on theoretical point of view or studying the policy on papers alone. The organisation issued the recommendation and planning for development but the governing factor for the public is strategically on implementation. We can endorse the proposals but there should be action to gain an effective result. Development in Asia with the full cooperation of the public sector or organisation could be achieved if the guiding principles and promotional programme is pursued in accordance with proper guidance.



S. J. De. Silva,

(CFTU), Sri Lanka

First of all please permit me to express my deep and warm gratitude on behalf of the Ceylon Federation of Trade Unions to the organisers of this important seminar for inviting our organisation to participate in it. I feel it a most significant event to have convened this Seminar at the present juncture of the development of the newly liberated countries in this part of the world, which have taken the path of non-capitalist development in their economy.

The history of the state intervention in the economy of Sri Lanka goes back to the days of British rule. It was limited to certain services, which were vital to the development of colonial economy; Rail Transport, Post & Tele-Communication, Health & Electricity power institutions were run as state Departments, while the entire economy, tea, rubber & coconut plantation and the trade remained in the hands of foreign and local owned companies and individuals, major share being in the hands of foreigners.

The state sector thus begun, took a qualitative change in the post-war period, particularly after 1956. During this period speed of development of this process accelerated and it covered many fields; such as foreign and local trade, banking and finance, energy, industry and plantation. After the nationalisation of road transport, harbours, and the establishment of Air-Ceylon and Shipping Corporation almost all transport industry is now owned by the public. The public sector thus grown in the last two decades has now come to stay, though still not dominant as a radical system of economy confronting the private sector. It is now an irreversible phenomenon.

In the course of the development of this sector the progressive and democratic forces, particularly the organised working class have played an important role in it.

At the end of 1974, the total number of public enterprises was 85. The enterprise established in 1974 is Colombo Dock Yards Ltd., a subsidiary of the Shipping Corporation. It has been set up to effect ship repairs and ultimately to build shipping vessels.

The investment in 52 public enterprises rose to Rs. 5,390 million in 1974 from Rs. 4,747 million in 1973. Of the new investment in this sector, 56 per cent was in industry and 25 per cent in services sector.

Employment in public sector stood at 260,766 as at the end of '74 compared with 228,147 as at the end of '73. The capital invested per employee was Rs. 24,153 in the industrial sector including the state plantation corporation and Rs. 19,354 in the services sector.

On the basis of the provisional data, 44 Corporations, including banks and other financial institutions in the public sector have shown profits. Of these, 28 corporations: flour, salt, textile, printing, tyre, ceramics, steel, plantation, air ceylon, shipping, insurance, STC (textile) STC (tractor) STC (general), peoples bank, bank of ceylon, Central Bank, consolidated exports, state engineering, weaving supplies, leather products, cement, paranthan chemicals, electricity board, paper, graphite, Sri Lanka Tobacco and State Pharmaceuticals made larger profits, while three corporations, plywoods, Ceylon Transport Board and Ceylon Fertilizer Corporation made a profit as against a loss in '73. 9 enterprises incurred losses in '74, of this 6 have incurred bigger losses, two have reduced their losses and one has incurred losses as against a profit in '73.

The total capital investment in the 25 industrial corporations, including the State Fertilizer manufacturing corporation which had not commenced production in '74 has increased by 18 per cent from Rs. 1988.4 million in '73 to

Rs. 2346.1 million in '74. The capital employed in production (value of fixed assets productively employed) was Rs. 2053 mil., which accounts for 90 per cent of the total invested capital.

The value of output at current prices increased by 105 per cent to Rs. 2207 mil. This high rate of increase was mainly achieved through the escalation of the prices of important imported inputs (on which FEECs are usually payable) as well as because of a higher wage bill. Of the relevant imported inputs, the most important appears to be crude oil, the price of which was increased substantially, necessitating an increase in the price of the final products.

In real terms, the production of industrial corporations rose by only about one per cent in relation to '73. The output in '74 was below the real output for '72 by 0.83 per cent the profit shown is Rs. 81 mil. as at the end of 1973.

The sales turnover of industrial corporations increased from Rs. 820 mil. in '73 to Rs. 2414 mil. in '74, due substantially to large increases in the prices of the final goods. The foreign exchange earnings of industrial corporations rose substantially (by 137 per cent) to Rs. 409.3 mil. which is an increase of 317.3 mil. as at '72. This was mainly due to increased earnings (154 per cent) from petroleum exports and bunkers.

Average rate of return before tax on capital employed in production was 4.8 per cent as against 2.6 per cent in '73, while the return on investment was 4.3 per cent as against 1.8 per cent in '73. The total wage bill of 20 industrial corporations was Rs. 135.6 mil. in '74, while the number employed was 47,525 persons in respect of 26 corporations. It is an increase of 20,095 persons from 1971.

#### *Transport, Storage and Communication:*

The investment in Rail and Road Transport, Shipping Corporation, Colombo Port Commission and Port Cargo Corporation rose to 1122.4 mil. in '74 from Rs. 1014.3 mil. in '73. No data for '74 is available in respect of Air Ceylon and Post & Telecommunication.

The investment in 12 other trading corporations rose to 409.5 mil. in '74 from 364 mil. in '73. The employment stood at 10,214 in '74 compared with 10,231 in '73. The turn over of these trading corporations increased from 1673.4 mil. in '73 to 2388.2 mil. in '74. The profit increased from 107.5 mil. in '73 to 130.9 mil. in '74.

In real terms the national economy grew at 3.4 per cent in '74, which is slightly less than the rate achieved in the previous year 3.5 per cent. However, it is an improvement on the growth rates of 0.9 and 2.5 per cent in '71 and '72 respectively. With the lower rate of population increase of 1.6 per cent in '74, the increase in the real product at constant prices is 1.8 per cent. The latter however, is higher than the increase in the real product in '72 and is almost the same as the figure for '73.

During the year '74, the growth rate remained depressed due mainly to a sharp fall in production in the plantation sector which has considerable weightage in the country's national accounts and to a lesser extent in manufacturing and in mining. Within the agricultural sector paddy production, however, showed a very substantial increase and was instrumental in off setting the decline in the output of tea and rubber.

The most significant economic event in '74 was the severe price inflation which hamstrang the economy, seriously affecting several areas of economic activity and preventing the acceleration of the pace of development. Per capita availability of wheat flour and rice on ration fell from 4.46 lbs. per person per week in '71 to 3.11 lbs. in '74, which was lower than in any preceding year since 1968, as compared with the per capita distribution in 1970-71 rice and sugar distribution has been cut down by 43 per cent and 65 per cent respectively, though flour distribution has increased by 8 per cent.

#### *Prices and Wages:*

The Colombo consumers' price index, which is an inadequate measure of the inflationary pressure in the eco-

nomy, increased by 12.3 per cent in '74 over the year '73, while the increase in '73 was 9.7 per cent over '72. The index which was at the level of 138.2 in 1970 rose up to 193.4 in '74. In commoditywise—the food index increased by 15.1 per cent in '74 over '73 and 11.7 per cent in '73 over '72, of which index level that was at 136.6 in 1970 increased to 200.4 in '74. Clothing increased by 9.9 per cent in '74 over '73 and 14.0 in '73 over '72.

The index level which was at 137.3 in '70 increased to 208.7 in '74. Fuel and light increased by 34.4 per cent in '74 over '73, while 12.7 per cent in '73 over '72; of which index level was at 136.1 in '70 increased to 225.4 in '74.

The average annual rate of increase in the index number for the years 1960-70 was approximately 3.3 per cent. The comparatively higher rates of increase in the index since 1970 indicate that inflationary pressures have gathered momentum in recent years.

The impact of the change in the food index on the over-all cost of living is substantial because value wise the food group accounts for nearly 62 per cent of the items included in the whole index. Th price increases in clothing and fuel and light have been equally high.

On the average, the nominal wage rates of all categories of Government employees increased by 12.6 per cent over the '73 level. But the real wage rates increased by 0.4 per cent. The school teachers nominal rates increased by 10.3 per cent over the '73 level. But the real wage rates decreased by 1.8 per cent.

The nominal wage rates of agricultural workers covered by the wages boards increased by approximately 25 per cent, while the industrial and commercial workers increased by 18.1 per cent in '74 over the level of '73. The real wage rates were increased by 11.3 and 5.1 per cent respectively in the same period. On the average, the nominal rates of all workers combined covered by wages boards increased by 25.1 and the real wages by 11.3 per cent.

In 1974 the total number of employees in Government

departments had increased by 7.5 per cent from 3,86,021 in '73 to 4,15,055 in '74. The increase in the number of employees in the subordinate grades was the highest recorded and exceeded the figure for '73 by 12.8 per cent. About 62 per cent of the total number were in the subordinate and minor grades, while 26 per cent were Government teachers, and 3.7 per cent were officers in staff rank.

The percentage of permanent employees in Government Departments decreased from 88.4 in '73 to 86.8 in '74. While the number of the temporary employees increased from 5.6 to 5.8. Casual from 6.0 to 7.5 per cent in the course of the year '74.

In 1974, employment in semi-government institutions increased by 13.8 in comparison with an increase of 4.6 in '73, from 2,09,606 in '73 to 2,38,630 in '74. The major reason for this increase in '74 seems to be the rapid rise in the minor grade. The increase in this grade in '74 was 23.4 per cent; the comparable figure for '73 being 6.4 per cent. About 85 per cent in '74 were permanent cadre, while temporary and casual accounted for 5.0 and 10.0 per cent of the total respectively.

The number of unemployed and partly employed is being increased rapidly. The number of registrants at employment exchanges at the end of '74 was 5,05,935 compared with 4,70,369 at the end of '73.

In 1974, there were 75 strikes in the plantation sector as compared with 215 in '74, a decrease of 65 per cent. The number of workers involved decreased from 89,393 in '73 to 25,381 in '74. The decrease in the number of man days lost during the year was 2,81,289. Among other employments the number of workers on strike and the number of man days lost decreased by 2,571 and 3,786 respectively.

#### *Joint-companies in private sector*

In 1972 out of the total production in private sector industries 78 per cent was produced by 159 big companies.



which is 9 per cent of the total number of companies. In 1974, 89 per cent of the total production of the private sector were produced by 140 big companies. According to the Finance Minister, at the end of '74 while 40 groups jointly owned 2,732 lakhs worth of investment in the private sector, 11 family groups owned 2,050 lakhs of rupees worth of investment or 51 per cent of the total investment in private sector. This explains the rapid concentration of capital in the hands of few family groups, expanding into various spheres of production, such as export trade, bank and finance companies and are setting up strong joint companies.

Under the land reform bill 5½ lakhs of acres of land were taken over and under the new bill another 5 lakh acres owned by the sterling companies will be taken over in near future.

The assistance in every way already given and being given by the socialist countries particularly by the Soviet Union in strengthening the Public Sector industries cannot be easily erased from the minds of our people. Such important projects that are now earning foreign exchange as Steel Rolling, Tyre building and flour milling could not have been built if not for the generous assistance given by the Soviet Union. In near future we will be self sufficient in oil once it is extracted from our own land with the assistance of the Soviet Union.

On the other hand the western countries never thought of giving such assistance, except consumer goods on unequal trade terms, through fear of being thrown out of the market.

Thank you all for your patient hearing.

Long live the trade union unity: Long live the Socialist world: Long live the friendship of the developing countries: Long live World Peace.

S. Chulan Baotar

(M.T.U., Mongolia)

I would like to thank the All-India Trade Union Congress for the kind invitation to the Mongolian Trade Union delegation to witness the present Seminar on "The Role of the State Sector in the Development of Asian Countries".

Taking this opportunity, I have a great pleasure to convey to you, to all the guests and delegates of this meeting the warmest greetings and fraternal felicitations on behalf of the Mongolian people as well as the Trade Unions of our country.

Such meetings and seminars aimed at exchange of accomplishments achieved, are of great importance in the meaningful development of the trade union movements of the Asian Continent, in strengthening the solidarity and closest understanding. The subject of this Seminar, organized by the All-India Trade Union Congress is an important issue of the Asian working peoples in the struggle for the complete elimination of the centuries' consequences of colonialism and for the development of the countries towards the social progress.

Nowadays the national-liberation movement has been making progressively new steps and the young developing Asian and African countries have achieved great successes to stabilize the political and economic independence.

However the international imperialism with the internal reactionary forces in these countries use diverse tricks to put obstacles for the progressive development.

Therefore, the main tasks in the struggle against international monopolies for strengthening the national, political and economic sovereignty is to gain independence from

imperialism in order to overcome economic difficulties and to improve the living standards of the working people.

To implement these aims it has great importance to unify the state management of economic, labour, material and raw resources of the country, for running and stabilizing the state sector.

Our experience shows that the state sector appears to be a helping-hand to forming and fortifying the working class in the developing countries, also to elimination of unemployment and improvement of living conditions.

Some of Afro-Asian countries are successfully developing the state sector, advancing from day to day.

Mongolian working people have been always happy about the accomplishments and achievements of India in the cause of strengthening the state independence, in social-economic reforms, development of the state sector, particularly in the heavy industry and transport.

The disinterested fraternal assistance of the Soviet Union as well as extension of economic relations with other socialist countries play a significant part in improving the state sector in Asian countries. During the last decade, USSR alone have built nearly 400 industrial, social and cultural establishments in the developing countries of Asia, Africa and Latin America. With the Soviet assistance India built more than 70 industrial enterprises and constructions with an immediate effect.

A brief look at the Mongolian past shows that accomplishments can reach a backward country cooperating with socialist countries and implementing far-going social-economic changes, and finally establishing the state sector.

The economy of the pre-revolutionary Mongolia was extremely backward: based on the poor economic structure, lack of a state sector and industrial-economic branches dominated the pre-capitalist production relations. Today it has become a contemporary agricultural-industrial country, with flourishing culture.

The size and weightage of industry with the increased structure of its branches are growing in the national economy. At present the industry is 56 per cent of the combined gross income-output in industrial and agriculture. The industrial fund from 1961 to 1973, increased by 4.7 times and the per capita industrial output 24 times increased. The basic fund of various spheres of the transport grew in 1973 35.7 times greater than in 1970. Huge quantitative changes are taking place in agricultural structure all over the country. In the last few years, on exploitation of virgin lands and creation of state farms, the agriculture has become an independent agricultural sector and Mongolia is now self sufficient in food grain and exports its excesses.

In the Mongolian People's Republic the fourth of the population studies in any educational institution, there are 99 hospital beds to every 10,000 people and one doctor to every 506 persons.

Mongolia has achieved the successes thanks to the fraternal friendship and all-round co-operation with the Soviet Union, the first country of socialism, and also in deep-rooted integration with other countries of Socialist Community. With the assistance of the socialist countries from 1960-1970 more than 130 industrial plants have been put into the operation.

The CopperMolybdenum enterprise "Erdenet" being built, now is expected to be one of the 10 biggest world enterprises ever known before.

As the result of the industrialization the number of the working class will inevitably increase, extending the role of trade unions as a nation-wide labour organisation.

Mongolian Trade Unions—the most massive and numerous working class organisation in Mongolia associating 90 per cent of all workers and employees, functioning in conformity with their interests, and combining their efforts in the cause of socialist building Mongolian Trade Unions are active participants of the planning and directing the economy, and organizing the fulfilment of national development plans. They perform an immense work to organize

the socialist competition, to intensify the social labour, to acquire knowledges and science, labour discipline of workers and employees.

The Trade Unions pay a great deal of attention for the improvement of the living and working conditions and the recreation of workers.

Commenting on the role of Mongolian Trade Unions in social, political, economic and cultural life the first secretary of the CC of the MPRP, the Chairman of the Presidium of Great People's Khural of the MPR, U. Tsedenbal said:

"In accordance with the development of socialist society the leading role of our glorious working class in the society grows day by day and the responsible performance and importance of the trade union are increasing".

Dear Comrades,

The main goal of the MPR's foreign policy—to strengthen the friendship and solidarity with the countries of international socialist system, to support the struggle of the international workers' and national-liberation movements to consolidate peoples fighting against imperialist reaction for peace and international security.

Our country from the very first days of its existence has been pursuing the policy based on the principles of genuine equality of states with different social systems, non-interference in their internal affairs and mutual benefit.

Of late, the progressive forces all over the world are fighting for freedom and security, for prevention of threats of a new war.

The convincing proof to this, is that the Conference on Security and Cooperation has rendered a beneficial effect. An important document was adopted, which is likely to be a landmark in the history of Europe and of humanity's search for peace and understanding.

The European Conference has proved to the whole world

the deepening relaxation of international tension and the implementation of the Peace Programme put forward by the 24th Congress of the CPSU.

The basic principles outlined in the Final Act will undoubtedly influence the struggle of peoples for peace not only in Europe but can be perfectly used in Asia, too.

Extension of the detente in Asia according to the European suit and assertion of the Lenin's principles of peaceful co-existence of states with different social systems is a burning question of the present, not only in this region, but as well as for the world progressive forces.

During his visit in India in 1973 the First Secretary of the CC of the MPRP, the Chairman of the Presidium of the Great People's Khural U. Tsendenbal said: "Mongolia as an Asian country is deeply concerned to strengthen the peace and security in Asia and fraternal cooperation between the countries of this continent".

Thus, from the very beginning, Mongolian Trade Unions have been always directing their activities to pursue this peaceloving policy and furthermore, they will do their best to create conditions attaining peace and security in Asia.

We fully support the idea for organizing the Asian Trade Union Conference for consolidation and unity of national trade unions in the struggle against international imperialism for peace and social progress in spite of the national trade union organisations take part in various directions of international trade union centres and their countries have different social systems. Our Trade Union Organisations are ready for the active participation and cooperation in all preliminaries to have such conference.

True to our international duty we shall fight for strengthening the unity and solidarity of trade union movements in Asia. Particularly, the international cooperation, unity and solidarity of international working class and Asian Trade Unions are of great importance on road to concentrate the activities of the working class for the strug-

gle against colonialism, neo-colonialism and aggressive imperialist policy.

We are confident that this meeting organized by the All-India Trade Union Congress will bring a contribution to strengthening the international friendship of our trade unions.

I wish your meeting the greatest success.



I. Takahashi,

General Council of Trade Unions of Japan (Sohyo),  
Tokyo, Japan.

It gives me great pleasure to be present at this meeting and have an opportunity to report you about the roles played by State-owned enterprises in Japan, a highly-developed capitalist country, and the anti-monopoly capitalist struggle organised by the trade union movement.

In the present society, the roles played by State-owned (public) enterprises in social economy are important in any types of society, either in socialist, developing or highly-developed countries. There is no need of substantiating it for us if we take note of roles of public enterprises today. This does not mean, however, that their roles are identical in all types of society.

Representing the trade union movement of Japan, I wish to explain about the roles of State-owned enterprises in a developed capitalist country and the policy of the trade union movement towards it.

The social structure of our country changed from the one based on feudalism to that of capitalism about one hundred years ago. Public enterprises began their existence then, particularly in the textile and the iron-steel industries because Japanese capitalism, which began its development much later than the capitalism in European countries, was necessitated to establish State-owned enterprises in some of the industries to vie with more advanced capitalist countries.

Japanese capitalism attempted to compete with advanced capitalist countries through merchandize produced by intensive labour based on low wages. Thus the textile in-



dustry was selected because the raw material for it, cocoons, was domestically produced and its product, silk fabrics, could be exported at high prices. The production was maintained by a State-owned enterprise. The principle adopted by the capitalist class at this early stage, however, was not to turn the industry into a State-owned industry but invest State assets to introduce machinery, equipment and manufacturing technology from abroad, on the one hand, and establish the foundation of capitalistic enterprises, on the other. With the growth of technology and consolidation of the foundation for the enterprise, the textile industry gave birth to capitalistic enterprises, by which the State-owned enterprise, whose mission had been over, was replaced.

Japanese capitalist class in those days obtained foreign currencies by exporting textile products, and imported machines, equipment and technology for the industry, strengthening its competitive power on international basis. Then, they established the heavy industry on the basis of their realization that the formation of the heavy industry would be inevitable to build a solid foundation of a capitalist State.

As Japan had neither machinery, nor equipment nor technology to develop independently in those days, they had to depend upon imports. The textile industry assumed the role of obtaining foreign currencies as an export industry and consolidating the heavy industry. With the foreign currencies obtained through the export of textile products, the iron-steel industry was established according to a concept that it would be a key for developing the heavy industry in Japan. Yawata Iron-Steel Works was thus inaugurated as a State-owned enterprise to fulfill the role of providing basic materials to the heavy industry which was to form the mainstay of Japanese capitalism.

This nationalised iron-steel works started its production in a modernized method, for the first time in Japan, by introducing machinery, equipment and manufacturing technology from advanced capitalist countries in Europe. The

enterprise was later transferred to private ownership and became Shin Nihon Seitetsu Co., Ltd. (New Japan Iron-Steel Co., Ltd.), the gigantic iron-steel monopoly in Japan.

Thus in the early stage of Japanese capitalism, the State-owned enterprises were assigned the role to act as pioneers to industrialise the country based on capitalistic economy, with the capital provided by the State, and modernized equipment and technology introduced from overseas with the aid of the State. As soon as their foundation was stabilized, they were transferred into private enterprises. Capitalism in Japan made rapid development in this way, with sufficient guarantee provided from the Government in the form of intensive labour aimed at developing exports and purposeful development as the axis of the capitalistic economy.

The roles of State-owned or public enterprises, in Japan today are quite different from those assumed by them in the early stage of Japanese capitalism. In the present Japan, entire postal, telephone and telecommunication services as well as major proportion of railway services are performed by public enterprises, as specified by law. This state of service activities has been derived from an intent to prepare for capitalistic rationalisation by placing entire communication and transportation means under the control of overall capitalism. For capitalists, it has an effect to promote their intention for developing markets in every corner of the country and attain full-fledged control over central market.

Electric and gas services have similar nature to those of communication and transportation services in that, although they are executed by private enterprises, the right to decide rates rests upon the Government, and the enterprises are obliged to provide stabilized supplies, while being prohibited to make any investments to fields with different objectives.

Take an example of the power industry: entire Japan is geographically divided into nine blocks, and nine power

companies that have the exclusive authority of supplying the blocks concerned are obligated to supply power to users living in any remote areas, whether they are in the depth of mountains or isolated islands. The power supplied must fulfil criteria laid down by the State and the demand of users. The power price cannot be decided without the approval of the Government, which means that the latter has the right of price decision. The power companies are prohibited by law to invest in undertakings that are not covered by Government's authority of price decision. Municipal gas supply services are under similar circumstances.

The transport, the communication as well as the power and the gas industries are being utilized by the Government to rationalise and develop capitalistic economy at State level.

Besides the industries mentioned above, the mintage and the tobacco industries are promoted in form of State-owned or public enterprises to play the role of maintaining the faith of the Government, ensuring its revenues.

As for the information industry, radio and television services are performed by both public and private enterprises. Nihon'Hoso Kyokai (NHK) is a public enterprise established in conformity with the provisions of the law and its budget and settled accounts must be approved by the Diet. NHK's budget is compiled with licence fees collected from television listeners on the basis of their contracts with the former (radio services are free to all). It is an obligation of NHK, in principle, that broadcasting services are accessible to all at any places of the country. The fact that mass communication media which require no hours of printing and transportation but are able to transmit information on a massive scale to every corner of the country in an instant are conducted by public enterprise has great meaning to us. It shows the intention of the capitalist Government to directly and indirectly interfere with the freedom of speech of the people through the compilation of the budget or administration of public

enterprises. Unilateral supply of information and/or inducement of public opinions to the direction desired by capitalists, and utilization of broadcasting services for such purposes have invited severe criticism from the people.

In regard to this question, I wish to point out that the nation's Constitution guarantees the people with the freedom of thought, ideology, speech and publication, and freedom of speech through broadcasting is guaranteed under its provision. Despite this, transmission of radio waves requires the permission of the Government by law. Therefore, the Government is able to deny broadcast without directly interfering with the freedom of speech. Such is a situation in Japan which makes it possible for the Government to interfere with broadcasting services.

As for the manufacturing industry, we have no State-owned or public enterprises at present. It is because capitalists of our country have a view that certain business fields should be controlled in the viewpoint of entire capitals for effective utilisation. In reality, however, situation is developing which cannot be understood through such a conception.

We are informed that some fields of the manufacturing industry in Europe are being nationalised. For instance French Renault Automobile Company is now owned by the State. The industry which has undergone the technological development after World War 2 is under the management of the State, and that in form of State holding company. This is an important case to show that the automobile industry, a key manufacturing industry, which forms a central figure of the postwar economic structure is nationalized. This means that the State carries out economic activities by penetrating to lower social structure.

Nationalisation of the manufacturing industry does not mean that the industry itself forfeits its nature as a private industry, but that the State carries out activi-

ties through its controls over holdings; that is to say, instead of the socialisation of private enterprises, official State functions are consummated through private enterprises. It means an abandonment of private ownership within a framework maintaining capitalistic production methods as a prerequisite, and a form of State monopoly-capitalism in more highly advanced stage.

The role played by Renault Corporation in French economy is extremely important. Through the managerial policy of the Corporation, the State concentrates upon mass production of small-sized automobile entirely for export purposes. The Corporation has played effective roles for the French Government to establish the automobile industry as the key industry of the advanced capitalist country. As the same time, the role of the Corporation as a major exporter is really great from the standpoint of stabilising French franc and developing domestic economy through the growth of the industry.

We should attach importance to the fact that nationalisation is certainly one of the important requisites for socialisation, but it still leaves something to be desired. What place does nationalisation in advanced capitalist countries occupy in the entire economic policy? What place does nationalisation occupy in the present society? What roles does it play in the political relations between the two classes?...all these questions must be studied. In relation to this, we should take note of the question of workers' participation in management of enterprises in public sector.

French CGT has studied the roles that nationalisation has played in economic plans, and drawn out a conclusion that economic plans are means of exploitation, and nationalisation is a key for it. Therefore, in order to establish social economy for the interest of the workers and working people, in genuine sense, it is necessary that social structure is reformed and the most important industries and enterprises are placed under social control. This relates with "democratic control". Democratic planning,

democratic nationalisation, and democratic control (workers' participation) are unseparable from one another. "Democratic control" in advanced capitalist countries is not a question of one enterprise, but a question of how the path for socialism is attained through "democratic control" that is a question of nationalisation related with the question of reign of government in transitional process.

Participation in nationalised enterprises, or participation in nation's economic planning alone will not lead to social reformation. On the basis of confirmation on socialist revolution, the question must be how to utilize State-owned enterprises in the process of socialist revolution. In that case, requisition of enterprises is not a goal of social reforms, but it is means, it must be such that can be foundation for everlasting socialised State.

In the progress of people's struggle for bourgeois democracy under capitalistic government to transform the State, we will have a far-reaching prospect to realise a People's Coalition Government. That the people, who are exploited under overall structure of control by State monopoly capitalism unite themselves to attain a unified goal is a prerequisite to establish a People's Coalition Government; and the struggle against monopolism is an axis of the people's united front. French CGT has concluded that the struggle for better living forms a basis of such a united front.

This conception of CGT concerning a united front is in accord with the position taken by Sohyo. Sohyo attaches importance to the formation of anti-monopoly united front, and places the struggle for better living as its axis. Our goals in this respect include the following:

- (1) Control of monopolies and monopoly prices, establishment of "the principle of throwing production costs open to the public," reorganisation and strengthening of the Anti-Monopoly Law and Equity Commission, (2) mobilization of public funds to medium and small enterprises, the farming industry, distribution services; struc-

tural policy centering around capital investments particularly for stabilizing consumer prices, (3) strengthening of public control of lands; restriction on "marketing mechanism," "freedom of private funds" such as speculation in lands by big juridical persons, (4) a large-scale construction of public-owned low-rent houses, (5) free medical services particularly for aged persons and infants; reduction of burdens borne by workers in relation to medical insurance charges, (6) extension of public education, establishment of a greater number of public-owned kindergartens, senior high schools, universities and increase in financial aids to private schools, (7) employment guarantee under the responsibility of the State and employers, (8) guarantee of income for general working families; establishment of a minimum wage system; introduction of sliding system (in accordance with wage increases) into pensions; improvement of a child allowance system; increase in unemployment insurance payment; establishment of a housing allowance system, (9) improvement of a system to elevate living standards of low-income earners; increase in payment for persons under the Government Livelihood Protection Law; increase in the payment of the allowance for the handicapped; increase in the relief funds for homes of the aged; (10) ensuring of transportation means for the general public, (11) fulfilment of social services; increase in the number of day nurseries, increase in the number of public sports grounds and facilities; extension and increase in the number of public recreation centers, (12) intensification of anti-pollution measures, (13) reduction in mass taxes; elevation of tax rates for big enterprises, (14) stabilization and lowering of public fares, etc.

The progressive political parties of our country have also disclosed programmes for a united front. The Japan Socialist Party states on "democratic reformation of economy" as follows in its "Program for People's Unity":

"The burning questions of the proposed Popular Unity Government are how to cope with and solve various con-

traditions derived from the growing inflation, soaring prices, prevailing inequality of income; carry out thorough, democratic reforms of the setup controlled by monopoly capitalists; promote the development of medium and small enterprises; rebuild the farming and fishing industries; protect the living of working people and change national economy giving priority to the interest of big enterprises to one having preference to people and people's life.

"The fundamentals of this economic policy are promoted in compliance with the following goals:

(1) Democratization of Economy, Switch to Planned Economy:

Under the Liberal-Democratic Party Governments, long-term economic plans for the interests of big enterprises, basic economic plans including national overall development plan, etc. have been formulated and carried out without approval of the Diet. The proposed Popular Unity Government will reform these plans and democratize administrative measures of such plans.

(2) Restriction of Monopoly Control:

By intensifying the law prohibiting monopoly capitalists, the proposed Popular Unity Government will control amalgamation of big enterprises through stock holdings, and work for democratizing relations between paternal and subsidiary enterprises. The proposed Popular Unity Government will assign them duties to make researches on prime costs of major merchandize in order to regulate monopoly and managed prices, unfair dealings including those in distribution networks.

(3) Democratization of Financing:

In compliance with the State's economic plan, a "Fund Planning Committee", composed of representatives of various strata of the population and specialists, shall draft an investment and financing plan by laying down financing standards, restricting increase in loan facilities, controlling unnecessary and non-urgent investments and



attaching importance to investments closely related to people's living.

(4) Social Responsibility of Enterprises:

Social responsibilities of enterprises shall be located regarding conservation of natural environment, safety of traffic, prevention of pollution, compensation towards victims of natural hazards and traffic accidents.

5) Democratic Control and Management of Key Industries:

1. To stabilize national economy and raise people's living, enterprises engaged in activities of key industries having vital influence upon national economy shall be under democratic control by the State, and particularly important industries shall be managed by or possessed by the State.

2. Democratic control and management of industries shall be conducted in various ways in accordance with types of industries or purposes of control. The principle shall be laid down in "the Fundamental Economy Democratization Law" which stipulates fundamental principles of democratizing economy, the Anti-Monopoly Law, the other industrial undertaking laws.

3. As for the energy industry, nine power companies, Power Resource Development Corporation, Nuclear Power Development Corporation shall be amalgamated to form a special corporation as the power industry needs great-sphere operation, besides special anti-pollution measures are necessary."

The Communist Party proposes a similar policy in its "Proposal of the Japan Communist Party concerning the Program of a Democratic Coalition Government." The Opposition political parties that have seats in the Diet, other than those mentioned above, have also disclosed their concepts on a coalition government.

Thus, the formation of an anti-monopoly united front is proposed by the trade union movement as an important economic and political issue to note. Democratic control of

economy including the question of nationalization assumes one of the most important questions in it. Roles to be played by State-owned enterprises differ greatly according to types of social systems and their positions in them. State-owned enterprises established under the control of a united front of the trade union movement and the democratic organisations will assume an important role in socialistic reformation that workers directing, while State-owned enterprises under the capitalist government will act as a structure to exploit people.

Thank you for your kind attention.



## YURI A. ARKADASKY

Socio-Economic Committee, WFTU, (MOSCOW)

### THE ROLE OF STATE SECTOR IN THE STRUGGLE FOR SOCIAL PROGRESS IN NEWLY LIBERATED COUNTRIES

Dear Comrades,

Allow me first to all to transmit to the sponsors of our Seminar and to the All India Trade Union Congress feeling of the gratitude for the invitation to participate in the Seminar in the name of the Consultative Committee of the World Trade Union Federation in economic and social problems and on behalf of the committee's President Professor Br. M. Bagray, who unfortunately has no possibility to be present here.

In the present time the Consultative Committee carries on vast organisational activities in order to prepare research papers on important and acute problems of the modern social and economic development. From this point of view this Seminar is of great interest. The materials undoubtedly demand attention of large trade union circles.

The discussion has convincingly demonstrated how important is the task to carry on the complex research in the field of social and economic development on the basis of materials from various regions and countries. The Consultative Committee is sure that this Seminar will give a new impulse to further scientific studies of social and economic problems, which have great significance for workers and trade union movement. The Committee expresses its readiness to actively take part in future research work in the field of the problems discussed in this Seminar.

And now allow me to come to the topic of our report. It

is generally recognised, that in the process of revolutionary national liberating movement, developing now in Asia, Africa and Latin America, the peoples of newly liberated countries are confronted with many new and complicated tasks. After the collapse of the colonial system of imperialism the task of acquiring the economic independence moves in the first plane, and successful solution of this task is the necessary prerequisite of any free national independence. The overcoming of economic backwardness and other aspects of the heritage of the colonial past, the struggle against the modern methods of the imperialist domination, known under general title of neo-colonialism, there are the problems, for a successful solution of which it depends, that the whole humanity is advancing on the way of historical progress. The most characteristic feature of contemporary national liberation movement consists in the fact, that its social character is deepening, and the struggle for national freedom grows over into the struggle for liquidation of any relations of exploitation of feudal or of capitalist nature. So, the economic and political problems get closely interconnected with the social problems.

If all the problems of developing countries are reduced to economic growth, all the progressive forces and the working class by no means will be indifferent by what price and by what method this economic growth is achieved. Whether this growth is realised on the basis of subjugation of the economy of young national states to the interest of imperialist monopolies, or on the basis of such a development of national productive forces, which consolidates economic independence and takes into account the interests of workers.

No wonder that in the newly liberated countries strenuous struggle for the choice of the very development is going on. In the face of the revolutionary changes which occurred in the majority of countries in Asia, Africa and Latin America the marxist scientists, the leaders of workers movement have the urgent task to elaborate a well-

founded scientifically well-based conception of social progress, which would adequately reflect the main tendencies and objective needs of the social and economic development, the role of various classes and first of all the working class in this process and which could serve as a reliable theoretical base for approaching many complicated practical task of economic, social and political nature.

Essential element of such a conception would make undoubtedly the question of role and significance of the state sector in the economic, social and political development in the countries of Asia, Africa and Latin America. That is why the putting of this question on the agenda of the present, the fourth trad union seminar of the Asian countries seems to be well-timed and appropriate. To the problem of the nature of the state sector the close attention of politicians and of scientists, sociologists, economists and so on—is drawn. Vivid discussions are led around this problem which is a token of the following:

Firstly, this problem needs further research work.

Secondly, it concerns very much the interest of certain classes and social groups and consequently its significance goes far beyond the frame of a pure scientific problem.

In the third world the state participates in the economic development and ever in larger scale. The state sector is a combination of elements of both the basis and the superstructure. It is a phenomenon very complicated, which is impossible to evaluate in one manner. The fact is that in certain countries the state sector is an instrument of neo-colonialist policy, a method of establishing close links from national economy to the system of world imperialism, the method of furthering and stimulating the private capitalist enterprising which is fully dependent on foreign monopolies (Israel, Taiwan). On the contrary, in another group of countries the state sector contributes to the achieving of economic independence, serves as mighty instrument for the upsurge of national economy, as an effective method of deep-going anti-capitalist transformations (countries of socialist orientation). Between these poles

there are other groups of countries, in each of them the role of state sector may be quite specific.

The conceptions, founded on various, some times contradictory data and phenomena, were concentrated on this or that function of the state sector, underlined this or that aspect of it.

So, some scientists see in the state sector only a method for creating productional infrastructures, which is not in the scope of possibilities of the weak national capital. Therefore the state capitalism is called to create conditions and clear the way for the development of private capitalist enterprizing and in this way see its historic mission. The others considered, that in the conditions of multistructural capitalism, neither traditional economic and social structures, nor even the foreign capital (taking into account the growing struggle for economic independence) are able alone to achieve predominant positions on the national scale, the state sector plays the part of some regulating factor of economic development, of a factor, which serves the needs of the leading economic and social structures. The third saw in the state sector itself not only its anti-imperialist nature, but also some elements of socialism.

Each of many conceptions reflected due to the real qualities proper to multinational state sector, is forced to recognize, that the coherent theory of its role and place in the process of struggle for social progress is being still in the stage of elaboration, which in its turn needs not only an analytical, but also a situational qualifying approach. The state sector or it is some times called "State economic and social structure" or "state capitalism" around the terms themselves and around their meaning a discussion is also carried on, by its very existence and by its activities and our experiences to certain general tendencies of development of the "Third World" countries.

The necessity of appearance and of the growing role of the state sector is dictated by a number of circumstances. The growing regulating role of the state in the economic

life reflects indirectly the general crises of the capitalist system, represents one of the results of the inability of the private capitalist enterprising to fulfil a rising building function. The book published last year in the USSR contains an idea, that in the contemporary world the very presence of large group of underdeveloped countries is a necessary product of basic trends, inherent to the capitalist system, a special "peripheral" manifestation of its general laws. The authors of the book came to the conclusion, that the liquidation of this underdevelopment is possible only as a result of the overcoming of the laws of capitalism. This is why consistent struggle against underdevelopment and dependency must necessarily express an anti-capitalist trend as in the inner, and also in the outer aspects.

This fact finds its expression in the ideas of non-capitalist development, which acquire ever greater popularity and recognition. Ever greater number of countries enters the path of socialist orientation, in condition of which the struggle for development of national economy and culture in the interests of toiling masses is being carried on on the basis of radical social and economic transformation of anti-capitalist nature.

The problems of non-capitalist development are especially acute and complicated in the countries of the third world: due to the fact, that newly liberated countries up till now remain within the system of capitalist world economic interconnections. The fact imparts special significance to the state sector.

In all newly free countries, even in the countries of socialist orientation, though on various scale, spontaneous development of capitalist relations is going on.

It is quite material, that in the most advanced countries, going on the way of noncapitalist development, the possibilities of the development of private-capitalist enterprising are limited. But in the countries, where the official policy of ruling circles opens vast opportunities for private

capitalist enterprizing, the local, national capitalism is unable to ensure independent economic development. The private capitalist sector is the very element, which must clearly binds young free nations to the world economic system of imperialism. Even in the case, when the national capitalism has achieved a high—that is to say, monopolist—stage of development, it always remains a “junior partner” subjugated to the interest of the biggest capitalist monopolies, and even in the case of relatively high speed of economic growth can ensure only the so-called dependent capitalist development.

The state sector has become an integral part of social system in many developing countries and is fulfilling various economic and social functions. It is established as a result of introduction of state property or means of production and distribution as by way of nationalizing of the existing private enterprises and by constructing new plants and factories on account of the State budget.

Therefore the state sector can be defined as a sphere of economy, functioning on the basis of state property or means of production on the basis of using in process of social reproduction a part of national income received by the state. To the state sector evidently belong not only those funds, which are used in the process of direct participation of the state in production, but also those nonproductional state funds and activities for covering the social needs, in some way connected with reproduction. These means are used for developing infrastructure, which ensures a smooth functioning of the social reproducts (energy, transport, means of communication), and reproduction of the necessary labour force (education, health, housing and so on). So this state sector or public sector embraces enterprises of all three functional fields—production, productional infrastructure and sphere of social services.

Such a definition of state sector does not give a picture of social contents and of the main trends of its activities. The state power exercising the right of property



on the means of production in this sector can have various class nature and create accordingly definite economic advantages for different class and social strata, including bourgeoisie, petty-bourgeois peasantry, proletariat—and contribute to the formation of elements of productional relations of different types.

In a number of countries (for instance in Tropical Africa) such a form of a state sector is often met as corporation of development. They function on account of state budget, often under participation of foreign private capital, some times even of local national capital. These corporations of development function on the national scale or within the frame work of one branch of industry, they create new enterprises, in the first line in the key industries and in infrastructure where independent activity and investments of national capital are impossible. Through this activity they help the economic growth and create necessary conditions for diversification and modernization of economy. But the results of such activity may be varied. The newly created enterprises may remain under full or partial control of the state or they may be transferred to the local enterprises. So this form of state sector—the corporations of development—can be used for development of national capitalism.

On the contrary, in the countries of socialist orientation there is a clear tendency to overcome the private capitalist limitation of the state property and of the productional relations, formed on its basis. The participation of democratic forces in governments of these countries allow such an economic policy, which helps to the formation of socialist elements in productional relations—planning, participation of workers in the management of industries and so on. Some marxist researchers are of the opinion that the conditions of socialist orientation do not create some special noncapitalist productional relations, but give birth to relations with socialist elements.

In the countries of socialist orientation the public sector is practically converted into a dominant economic and

social structure. A well-known Soviet researcher in the field of problems of national liberation movement W. L. Tyaguneuko wrote "the state sector in the countries of noncapitalist development—whether it has been created by the nationalization or by new construction—is used by the revolutionary power to achieve anti-imperialist and anticapitalist aims and represents material bases for unification of world anticapitalist forces. Consequently it has a half socialist nature. This means that if the nature of state power is changed in this or that direction, the nature of the state sector will change accordingly."

As a negative conformation of this thesis it can be said that in the case of overthrowing of a progressive regime and of coming to power of reactionary forces, the public sector as the bearer of socialist principles, can be almost fully liquidated. An example for these—the fascist junta in Chile has given back the nationalised enterprises to the foreign monopolies and to local oligarchy.

The significance of the state sector depends not only on the socio-political orientation of the state power, but also on its share in its national economy. It must be taken into account, that the influence of the state sector on social development depends not only on the quantitative co-relation in the position of the state and of private sectors, but this influence is large and in a certain sense can be also of qualitative that is of political and ideological nature. But such indexes, as the share of the state sector in producing and using of the gross national product (GNP), in producing of goods and services, in investments and in the occupation of labour force can serve as a base for definition of the share which the state sector has in economy of each country. The countries with the lowest level of economic development have the share of the state sector in the national income at the level of some 2-3 per cent.

In the group of the countries of capitalist orientation, where both the state and the private capitalist sectors are functioning in a parallel way, the share of the state sector in the GNP makes some 10-20 per cent, and its share in

general investments forms 25-30 per cent. The greatest share the state sector has in the most developed countries of socialist orientation. So, in Egypt the share of the state sector in the GNP exceed 50 per cent, in the general investments—75 per cent, in occupation of labour force—25 per cent. In Iraq the share of the state sector in the GNP reaches 30 per cent, in the investments exceeds 35 per cent, in the occupation of labour force—almost 30 per cent. Approximately the same positions are held by the public sector in Algeria, Syria, Burma.

As to the proper industrial production that is the sphere of the main activities of the state sector, indexes here are even higher. So, the share of the state sector in the industries of Syria makes 80 per cent, in Iraq and Algeria—more than 70 per cent, in India the state sector takes 70 per cent of steel products, 75 per cent in oil, 100 per cent in electric power production.

It is remarkable that in the countries of capitalist orientation the state sector embraces mainly the infrastructure and its participation in producing the GNP is insignificant. In some countries the public sector has strong positions in those branches of economy which are capital intensive and the return is slow, for instance, in such basic branches as metallurgy, coal mining, heavy machine construction. The private capitalist sector has predominant positions in such branches of manufacturing industry which have a stable market, including textiles, food productions, chemistry and so on. So in the countries of capitalist orientation the public sector serves to the creation of new branches of industry and infrastructure and makes possible the enlargement of investment and productive activities of private capital.

In the countries of socialist orientation on the contrary the possibilities of an unlimited and un-controlled development of capitalist relations are closed. Here the position of the big bourgeoisie are liquidated and the possibilities of the growth of private capital in the key industries are limited as a rule by legislation. In these countries

the private capitalist sector is functioning in the form of small and middle size enterprises and in those branches which produce consumption goods, in agriculture and in trade. The private enterprising seeks and finds its ways of development under new conditions, is getting accommodated to the conditions of a transition stage. The state is trying to use the possibilities of the private capital for the sake of economic growth and consolidation of its own position.

Therefore, though the state and private sectors are material bearers, of two different and contradictory ways of development, the relations between them are characterised by certain forms of economic interaction.

This state sector, being an element of the economic bases, is specially closely connected with the political superstructure. The influence of the state sector on the social development depends on, what class forces are guiding the state policy. Thus it is clearly seen in this, how the thesis of Lenin is correct, that politics is a concentrated expression of economy, that politics is supreme in relation to economy.

In the struggle for an accelerated development the newly liberated countries have at their disposal no more effective instrument than the national state. The leading (or at least in the opinion of some scientists) constantly growing role of the state in the economic development of the newly free countries can serve—by a certain social and political orientation of the state power—as a sufficiently reliable guarantee against the smothering influence of the imperialist monopolies.

In the present epoch of the transition from capitalism to socialism on the world scale, in the condition of competition of the two social economic systems, the influence of the outer sector on the social and economic processes in the developing countries is steadily growing. The dependence of the "Third World" (though changed) on the world economic system of imperialism is still preserved. In the face of these circumstances many developing countries

justly believe that to achieve a reduction of such a dependence (if not yet a complete liquidation of it) it is necessary to deploy economic, scientific and technical and of other kinds of cooperation with the world socialist system.

The governments of the socialist countries consistently carry on the policy of all possible support to the liberation, anti-imperialist struggle, of consolidation of the union of the World socialism with the forces participating and growing in this struggle. One of the most important aspects of this internationalist policy is the aid of all kinds to the process of consolidation of the political and economic independence of developing countries. The cooperation between these countries and the socialist countries are based on qualitatively new principles, which are now taking root in the international policy—that is—equality, mutual benefit, respect for independence and national sovereignty, non-interference into internal affairs. The main significance of such cooperation consists in the fact that it undermines the monopoly of economic relations with the former colonies and dependent countries which previously belonged to imperialism. This cooperation is characterised by its various and complex nature and is embracing economy, policy, science and culture. It is founded on the common, vital and long-term interests of the world socialism and the national liberation movement on the necessity of uniting their forces in the struggle for peace, true independence and social progress. One of the peculiarities of the cooperation between the socialist countries and the third world consists in the following: in the first place, all the aid—economic, technical and scientific—is directed to the sphere of production, first of all—industry and power production, secondly, all the new enterprises, created in the frame work of this cooperation are joined in the state sector of developing countries. From this point of view remarkable are the words of the Prime Minister of India, Indira Gandhi, pronounced in her speech during a dinner-party given in honour of General Secretary of the CC of the CPSU, L. I. Brezhnev: "A special feature of this aid

consists in the fact, that it is given to our state sector, upon which we are laying the most important role in our plans—if to put it more exact—to such key branches of industries, as metallurgic, machine construction, oil, power production, on which the future growth of our economy depends to such a great extent.”

The constant enlargement of a fruitful cooperation between the countries, members of the council of economic mutual assistance (CEA), on the one side and the young national states on the other side, can be illustrated by a number of facts. The goods exchanged between the states—members of the CEA and developing countries in the period 1950-70 is multiplied almost by 17 times. Now the socialist countries are giving economic and technical assistance to 64 countries including 22 countries in Asia, 29 countries in Africa, 13 in Latin America. Only in 1974 the countries—members of the CEA concluded some 140 new agreements on economic and technical cooperation with the countries of the “third world”—altogether the socialist countries were and are helping to construct in the countries of Asia and Africa about 2,900 various economic projects. The nature of this cooperation can be seen in the following example:

With the assistance of the countries—members of the CEA in the developing countries have been constructed, are now under construction or are being designed big plants with the general capacity of some 30 million tons of steel in one year. It is enough to say that only in India with the assistance of the Soviet Union and other socialist countries are constructed about 380 projects, 300 of which are already in action.

With the aid of the socialist countries there have been constructed a metal-casting plant in Burmah, rolled metal and wire plant in Syria, a metallurgical plant in Sri Lanka with the capacity of 60 thousand ton of steel a year, assistance is given in constructing a metallurgical plant in Pakistan with the capacity of 1 million ton of steel a year.

Preparatory work is going on for constructing a metallurgical complex with the assistance of the USSR in Nigeria with the capacity of 1 million ton of steel a year. The socialist countries give technical assistance to many developing countries in construction of power stations and other power projects for example electric power lines, altogether some 650 such projects have been or are being fulfilled with the assistance of socialist countries.

Having an electric power and metallurgical base of their own, the newly liberated countries could start with the construction of their own machine building and manufacturing industries. With the assistance of the socialist countries the factories of such branches have been built or are being constructed in Iraq, Nepal, Turkey, Afghanistan, Egypt, Iran, Pakistan and other countries. Within the framework of the state-sector in the newly free countries not only heavy industries are constructed, but also some other measures are being taken which are called to ensure the use of national resources and riches for the aims of national development. By this is meant first of all the discovery of the mineral deposits and the fulfilment of vast programme of geological research work. The socialist countries are giving assistance in this field to 34 states including Iran, Afghanistan, Sri Lanka, Pakistan and many others. Another field, which does belong to a non-productive sphere, but makes an important part of the state sector—is the education of national cadres including highly qualified workers to be accepted in enterprises of a modern type. The socialist countries give assistance also in this respect.

In addition, in developing countries many centres are constructed to educate specialists with higher education and to train professionally and technically the workers.

With the assistance of the socialist countries in the "third world" have been constructed 17 institutions for higher education and colleges, more than 100 centres for professional training, more than 30 centres are under

construction now. During the construction of various projects (and after it, by putting them into action) which had been built with the help from the socialist countries, there have been trained locally more than 400 thousand qualified workers. More than 25 thousand people from the developing countries are studying now in countries—members of the CEA. XXVII Session of the CEA (Prague, 1973) had taken a decision about the creation of scholarships fund for developing countries which began functioning from the previous school year. In the first year of this fund more than 300 students from developing countries have received their scholarships.

The cooperation between developing countries and the state-members of the CEA embraces mainly the sphere of production and this helps to consolidate the economic independence of the first ones. For instance, the credits given by the states-members of the CEA, are distributed in such a way among various branches that more than 70 per cent of their total sum go to develop industries and power.

Taking into account that by the anti-imperialist orientation of the foreign policy, by the anti-capitalist orientation of the economic policy inside the country, the State Sector can serve as an effective instrument for progressive social and economic development and the working class and its organisations—political parties and trade unions, which stand on the class position are interested in enlargement and consolidation of the state sector in national economy, in the establishing and raising of its productivity and profitability.

In conditions of a state sector in the majority of countries it is much easier for the workers and their trade unions to improve their social and economic situation. The workers get more reliable social guarantees from the point of view of occupation, professional training and raising their qualifications, social security, improving of housing conditions etc. At the same time, while giving their support to the State Sector, the organizations of the working class take into account the fact, that the potential possibi-



lities of the State Sector in the struggle for social progress can be successfully realized only by certain conditions. Therefore they are insisting on the democratization of the economic life, on the enlargement of the participation of the workers in the management of production, upto participation in the economic planning and in the formation and definition of strategy of economic development. They are against any bureaucratic perversions in the functioning of the State-owned enterprises as well. They know that only by the observance of all these conditions and requirements, there can be created guarantees, sure enough to retain the State Sector, as an important factor of the social progress.



Y. D. SHARMA, Secretary,  
A.I.T.U.C.

## THE STRUGGLE FOR DEVELOPING THE OIL INDUSTRY IN INDIA IN THE PUBLIC SECTOR

One of the key issues which has been extensively debated for the last twenty five years and which still occupies an important place in our political and economic discussions is the role of Public Sector in India's independent economic development.

The matter has not remained confined to academic discussions alone, but has been fought out in practice in one industry after another and the results have been overwhelmingly in favour of the Public Sector.

The Public Sector in India has been planned and developed in the face of stiff opposition from a number of powerful forces. These include:

- (i) Such international institutions as the International Bank for Reconstruction and Development, known as the World Bank and the International Monetary Fund;
- (ii) The imperialist governments of U.S.A., Britain, France, West Germany, Japan etc;
- (iii) The multinational corporations many of which are operating in India;
- (iv) The Indian monopoly houses working in close collaboration with foreign monopolists and controlling the monopoly press; and
- (v) Right-wing and Reactionary forces inside the country operating within the Government, the bureaucracy and some political parties.

These forces are ideologically opposed to the Public Sector because its success not only strengthens our political and economic independence but also limits the field of exploitation of foreign as well as Indian monopolists.

But, while the reactionary forces attack and try to sabotage the public sector, the democratic and progressive forces in India have successfully defended it. It has also received powerful international support from the USSR and other Socialist countries, several developing countries and the world working class movement represented by the World Federation of Trade Unions.

Today, Public Sector occupies "commanding heights" in a number of key industries in our economy.

One such industry is the Oil industry in India. The Public Sector has achieved a dominant position in all branches of the industry, viz. exploration and production of crude oil, transportation, refining, marketing and distribution.

The oil industry also provides example of the respective roles of public sector, private sector and joint sector in an industry. All these sectors exist side by side in this industry, but the leading positions are occupied by the Public Sector Units--the Oil & Natural Gas Commission in the fields of exploration and production and by the Indian Oil Corporation in the fields of refining, marketing and distribution.

Such a situation has not been reached easily. The last twentyfive years have seen a series of struggles in the Oil Industry, between the supporters and opponents of the Public Sector. The foreign Oil Companies have fought all along the line. They were supported by their home Governments as well as World Bank and the IMF. They also had many supporters within the Indian Government, the bureaucracy and the big business houses. They further enjoyed the support of monopoly newspapers whom they had been favouring with big advertisement revenues.

While it is not possible to review here all aspects of this long drawn struggle during the last two decades, a brief

account of some of the more important developments may be given here.

When India became independent in 1947, the Oil Industry consisted of four foreign oil companies engaged in the marketing of imported products in the country. These companies were, the Burma-Shell Oil Storage and Distributing Company of India, Standard Vacuum Oil Company Limited, Caltex (India) Limited and Indo Burma Petroleum Company Limited. The internal production of oil was negligible, being less than half a million tons. This oil was produced from the oil fields of Digboi in Assam Oil Company, which was a subsidiary of Burmah Oil Company. This Company had a small refinery at Digboi whose annual capacity was only about half a million tons.

As the import of oil products was causing a big drain on the foreign exchange resources of the country, the Government of India in the early 50's took up the question of setting up oil refineries within the country.

Negotiation with 3 major oil Companies i.e. Burmah-Shell, Standard Vacuum Oil Company and Caltex—were initiated for setting up their refineries. These companies demanded and secured very exacting terms from Government of India. They agreed to set up their refineries on the condition that they would be free to choose their own choice of tankers for bringing the crude oil from the producing countries to India and no interference by the Government of India in these matters. They also secured a guarantee that the refineries will not be nationalised for a period of 20 years from the commencement of their operation.

These Agreements read more like Treaties between two sovereign Powers rather than Licensing Agreements between a a sovereign Government and the foreign investors.

Burmah-Shell Refinery came on the stream on 30.1.1955; the Standard Vacuum Oil Co. (the name was later on changed to Esso Standard Refining Company) went on stream in July 1954. The Caltex Refinery was commission-

ed on 15.4.1957. The capacities of these refineries were sanctioned as follows:

Burmah-Shell	..	2.5 million tons
Esso	..	1.2 million tons
Caltex	..	0.6 million tons

Thus when the three major oil refineries were commissioned, their refining capacity was 4.3 million tons. This was an excellent outlet for the crude oil produced by these multinationals or their associates in the Middle East. They were making huge profits on the sale of crude oil to their refineries in India. To this must be added their profits in processing the crude in the refineries. And still further profits were made by their marketing companies who had a monopoly of storage installations, depots and retail outlets.

It can be easily seen that their Indian refineries were a real bonanza in the hands of the six major international companies who dominate the international oil industry, namely, Standard Oil of New Jersey, Royal Dutch Shell, Mobil, Texaco, Standard Oil of California and British Petroleum. Various estimates have been made of their profits from India. But the real profits of these oil cartels from any one country are known only to themselves. In any case they were able to recover their entire investment in the refineries within the first five years of their operation.

As the demand for the petroleum products continued to grow in India, the foreign oil companies increased their refining capacities, sometimes openly and sometimes surreptitiously. Their total refining capacity increased by 40 per cent between 1957 and 1961.

The grip of the Foreign Oil cartels over our oil industry was becoming tighter every-day.

The All India Petroleum Workers' Federation under the leadership of the AITUC warned the country of this danger and demanded the nationalisation of the foreign oil companies. This demand was supported by the All India Trade

Union Congress, the Communist Party of India and the progressive and democratic elements within the Government and the ruling Party, the Indian National Congress.

Such was the position when the Government of India decided to enter the oil industry in a big way in all its branches. It set up the Oil & Natural Gas Commission in August 1956. It became a statutory body under an Act of Parliament in October 1959.

The ONGC was set up to plan and to implement the programmes for production of petroleum products. The ONGC received valuable scientific and technical assistance from the Soviet Union and other socialist countries. With the help of the Soviet Union and Rumanian scientists and technicians, the ONGC was successful in discovering oil in the State of Gujarat. Before this oil was known to exist only in the State of Assam, which was being produced by the Burmah Oil Co. The Government also entered into a partnership with the Burmah Oil Company in 1959 and formed a Joint Sector concern registered as Oil India Pvt. Ltd., with 66.6 per cent Burmah-Oil Company's shares and 33.3 per cent Government of India's shares. This was, later on, changed to equal shares for both in 1961. This joint Sector concern was charged with the responsibility of exploration and production of crude oil in North Eastern Assam and for the construction of a Pipeline to transport this crude oil to the public sector refineries planned for construction at Gauhati and Barauni with Rumanian and Soviet assistance.

It may be mentioned here that the foreign oil Companies had not taken any pains for exploration and production of crude oil in India. On the other hand, they propagated the myth that there were no oil reserves in India except the small oil fields in North Eastern Assam. Their attitude was dictated by their selfish interest in keeping India as a market and an outlet for crude oil produced by them in their Middle-East oil fields.

Only Burmah Oil Co. which was already engaged in small production in Digboi oil fields through its subsi-

diary, the Assam Oil Co., agreed to extend its production activities in collaboration with the Government by forming Oil India Ltd. But the management of this joint sector enterprise remained with the Burmah Oil Company.

The success achieved by ONGC as well as by Oil India can be judged from the following Tables:

*Crude Oil production from the ONGC fields:*

<i>Year</i>	<i>Quantity in thousand tonnes</i>	<i>Year</i>	<i>Quantity in thousand tonnes</i>
1961-62	41	1967-68	2,815
1962-63	449	1968-69	3,093
1963-64	709	1969-70	3,631
1964-65	767	1970-71	3,647
1965-66	1,426	1971-72	4,010
1966-67	2,543	1972-73	4,087

*Crude oil production from Oil India's fields:*

<i>Year</i>	<i>Quantity in thousand tonnes</i>	<i>Year</i>	<i>Quantity in thousand tonnes</i>
1960	275	1967	2,752
1961	319	1968	2,771
1962	556	1969	3,074
1963	1,274	1970	3,070
1964	1,742	1971	3,146
1965	1,742	1972	3,183
1966	2,143	1973 (upto June)	1,560

(Figures from Indian Petroleum Handbook 1973)

Although India's internal production of crude oil has increased from less than half-a-million ton to over 7 million tons a year, it is still only about one-third of our requirement. The country, therefore, has to depend on considerable imports of crude oil. In the late 50's this crude oil was imported by the foreign oil companies at prices which were higher than the price at which the same was available to several other consuming countries. Seve-

ral attempts made by the Government to get cheaper crude oil from other sources were opposed by the foreign oil companies.

The role of foreign oil Cos. in this context was thoroughly exposed by the offer made in 1960 by the Soviet Union to supply India with large quantities of crude oil on rupee payment basis and at prices which were about 25 per cent lower than what the foreign Oil Cos. were charging.

The Soviet Union also offered to sell refined oil products to India at a price substantially below that of the foreign Oil Cos.

This offer by the Soviet Union made the foreign oil Cos. panicky and they decided not to handle either crude oil from the Soviet Union or the refined products.

In 1960, there were no public Sector refineries in India. All the refineries belonged to the foreign oil Cos. When they refused to handle the Soviet crude oil, calling it "Political Oil" and "Subsidised Oil", the Government was helpless and could not take advantage of the Soviet offer. The Government also did not take steps to take over the management of the foreign refineries as had been done in Cuba in a similar situation at about the same time when refusal by the oil companies to handle Soviet crude oil led to their nationalisation by the Cuban Government. Such a nationalisation of the foreign oil refineries was once again demanded in India also at that time by the progressive and democratic forces including the Trade Unions of the workers in the foreign Oil Cos. under the leadership of All India Trade Union Congress. The Government, however, hesitated and allowed the foreign oil cos. to get away with their insolent boycott of the Soviet crude as well as the Soviet refined products.

The episode of the foreign Companies' boycott of the Soviet Oil taught a bitter lesson to the Government and the people of India and the Government started building up seriously its own refineries and marketing and distribution network throughout the country. This work was undertaken by the Indian Oil Corporation and in the field



of marketing and distribution and by Indian refineries Limited in the field of refining. This latter company was merged with Indian Oil Corporation and is now called the Refineries and Pipelines Division of the Corporation.

Implementation of all these projects encountered many difficulties. The foreign Oil Cos. and the international cartels created serious obstacles in the way of the Public Sector projects—e.g. in the early stages they also refused to handle indigenously produced crude oil in their refineries. Another example of their obstructive tactics was the case filed in the Bombay High Court against the Indian Oil Company for contracting to import crude oil from the nationalised oil fields of Iraq. They also threatened the owners of the oil tankers against handling Soviet crude oil or oil from the nationalised oil fields for being transported to the consuming countries like India.

However, the workers working in the foreign Oil Cos. in India, always actively supported the policy of the Government for building oil industries in the Public Sector. They demanded nationalisation of the refineries and marketing network of the foreign oil Cos. When the foreign oil Cos. refused to handle the Soviet oil products, the All India Petroleum Workers' Federation led by AITUC served a notice of strike on the foreign oil Cos. as a protest against their refusal to handle the Soviet Oil. The strike, however, did not take place because the Ministry of Oil itself requested the Federation to postpone its action in view of the negotiations going on between the Oil Cos. and the Government on some of these questions.

Nothing came out of prolonged negotiations between the Government of India and Burmah Shell, Esso and Caltex. The three Oil Companies, having identical aims had united together and enjoyed the full backing of the British and American Governments. Moreover, they also had the backing of the Indian big business which was always looking for "aid" to western Governments.

The frustration of the Indian Government was expressed by the National Herald (Lucknow) of July 16, 1960 in the following words:

"In refusing to handle Soviet crude oil, the three Western Oil refineries—may be justified by the letter of their contract with the Government of India, but they have thereby lost a large part of the goodwill they once had in India..."

"It is said that following the Soviet offer, the Western Oil Companies have indicated their willingness to reduce their price for crude oil to something like the Soviet price. But they are prepared to go no further.... Their present price policy imposes on India's balance of payments a burden of about fifty million sterling (i.e. about 140 million dollars) per year by way of cost of oil imports. This is what India will save by buying oil from the Soviet Union.

"If the three Western Companies now agree to accept a lower price in order to meet Soviet competition, they can not escape the charge that till now they have been exacting from India a larger price than was justified on commercial grounds..."

"What is really disturbing is that but for the Soviet offer, India would never have realised how heavily she is and has been overpaying for British and American oil."

Even after the Soviet offer, the three major oil companies did not reduce their prices to the level of the Soviet offer. They only agreed to a marginal cut of a couple of cents a barrel.

The Government of India appointed an Oil Price Inquiry Committee under the Chairmanship of Mr. Damle. This committee investigated two vital issues:

- i) The pattern of crude oil supplies for the foreign oil refineries in the light of world crude oil prices; and
- ii) prices of refined products in India as compared to such products abroad.

The Damle Committee recommended that Burmah Shell,

Esso and Caltex should buy crude oil from the lowest price suppliers or compel their own associate companies to cut crude oil prices in line with other competitive suppliers including the USSR and to eliminate the high profits paid to intermediate purchasing companies which happened to be their own associates or subsidiaries.

It was known at the time that Japanese independent refiners were getting their crude oil supplies from the same Middle East sources at prices which were 10 to 15 per cent cheaper than the prices charged from India. Price discounts ranging from 15 cents to 30 cents a barrel were said to be available to most independent buyers in the Middle East, according to a paper presented by Mr. A. A. Paara to the Third Arab Petroleum Congress in October 1961.

The three foreign oil companies refused to accept the recommendations of the Damle Committee. They were not willing to reduce the crude oil price paid by them in hard currency for which foreign exchange had to be provided by the Government of India in increasing quantities. On an average, India had been paying for Arabian Crude 14 cents per barrel higher than the prevailing price. This situation continued for a very long time and India lost from 4 to 7 million dollars per year depending upon the volume of imports. During 1959 to 1966 alone, we lost nearly 50 million dollars through not getting the usual discounts which other countries like Japan were getting.

Similarly India had been losing on the imports of refined oil products also till we started importing these products from the USSR and marketing them through the public sector, i.e. Indian Oil Corporation. Such refined products from the USSR, like the crude oil from there had also been called by the foreign oil companies as "political" and not relevant for commercial purposes. But the hard facts of life brought them to their senses and it was not long before their parent companies began to underbid even the Soviet prices of refined products.

Throughout the early sixties, the foreign oil companies

were continually pressurising the Indian Government to sanction expansion of their existing refining capacities. The lobby inside the petroleum ministry was actively supporting such a move. But Mr. K. D. Malaviya, the Minister for Oil had ordered in October 1961 that the three foreign refineries must reduce their throughput to 1960 level. This was a big set back for the foreign oil companies and they began to lobby for the removal of Mr. Malaviya from the Ministry of Oil.

The foreign oil lobby in India was successful in building a campaign against Mr. Malaviya with the help of big business and the monopoly press. In June 1963, Mr. Malaviya was compelled to resign, ostensibly on charges of "improper conduct in office", but in reality under the pressure of the same right-wing forces who had ousted Mr. V. K. Krishna Menon earlier from the cabinet.

Immediately after Mr. Malaviya's ouster, the mouthpiece of Indian big business, the Eastern Economist wrote as follows:

"It is to be hoped that the Government's commitments to its present oil policy does not mean that no steps will be taken, even after Mr. Malaviya's exit, to give the quietus to those sterile controversies and in their place work out a constructive dialogue of cooperation between the Government and the international oil companies."

"Here there are two specific issues on which a healthy reorientation of policy seems certainly to be most desirable. First there is the question of the further expansion of the Burmah Shell and Esso refineries in Bombay. Mr. Malaviya has been adamant in refusing to consider this expansion..."

(Eastern Economist, Delhi, June 28, 1963).

This is only an example of the shameless advocacy of the cause of the oil multinationals and a demand for the reversal of India's policy to build a state sector in oil.

The new Minister of Oil, Mr. O. V. Alagesan was favourably considering the request of Shell, Esso and

Caltex for an increase of their annual refining capacity by about 3 million tonnes. Such impending expansion was announced in Indian and foreign press. But the AIPWF (AITUC) and other progressive forces were opposed to such expansion and carried on a campaign against it.

Finally, Pandit Jawahar Lal Nehru, overruled the then oil Minister and directed him to continue the oil policies of Mr. K. D. Malaviya i.e. energetic development of public sector and no expansion of private sector.

By that time, India had already built 3 public sector refineries. Two of these, in Barauni (Bihar) and Koyali (Gujarat) constructed with Soviet help had initial capacities of 3 million tonnes each. These have been subsequently increased substantially.

A fourth refinery was announced to be constructed at Haldia (West Bengal).

Two joint sector refineries were planned at Manali, near Madras and at Cochin in Kerala.

All these plans were successfully executed and all the refineries are now in operation.

Today the public sector refining capacity constitutes over 60 per cent of the total refining capacity. And if we include the joint sector refineries, it comes to about 75 per cent of the total refining capacity in India. Last year, the Esso refinery was also taken over by Government by purchasing 74 per cent of the capital. It is now a joint sector concern and its management is in State hands. It has been renamed as Hindustan Petroleum.

Our public sector refining capacity will increase by another million tons on the completion of the Mathura Refinery Project which is under construction with the help of M/s NEFTECHIM PROMEXPORT of Soviet Union. This refinery is expected to be completed by the middle of 1978.

Another refinery under construction is the one at Bongaigaon in Assam.

The public sector and joint sector refining capacity today is 16 million tons which will go up to 24 million

tons by 1978. The private sector capacity is now only about 6 million tons.

To feed these refineries, every effort is being made to discover new oil resources in India. The Oil and Natural Gas Commission has so far drilled over a thousand wells. More than 50 per cent of these are oil bearing and another 10 to 15 per cent are gas producing. The recent success at Bombay High promises to yield good results. By next year about 2 million tons of crude will begin to be produced from the Bombay High Wells. By 1977, it may be 3.5 to 4 million tons.

By 1980, India hopes to be self reliant in the matter of crude oil production as well as refining. By then Mathura Refinery will be working and we may attain self sufficiency in oil.

In order to distribute oil and its products to all parts of the country, we have built a fine and efficient organisation i.e. the Indian Oil Corporation. It started operation in 1960-61 by selling imported Soviet oil products. Today it has grown into top public sector concern with its network of refineries, pipelines, transport fleet, installations, storage depots, retail outlets etc.

The Indian Oil Corporation had also set up lubricating oil plants in technical collaboration with Mobil. Its contract with Mobil being over, it has now entered into arrangement with M/s CASTROL.

It has also set up a Research and Development Centre at Faridabad near Delhi to carry on research on various grades of lubricating and other special oils.

It has taken over the supply of fuel to air force and most of the civilian air lines including well known international air lines like Aeroflot, Air-France, KLM, etc. It has acquired its own fleet of ocean going tankers.

It has greatly expanded its production and supply of liquid Petroleum Gas known as "Indane" not only in big cities, but also in the countryside.

Its overall production can be judged from the following table:

**INDIAN OIL CORPORATION  
PERFORMANCE AT A GLANCE**

	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74
<b>REFINERIES</b>						
THROUGHPUT (in million tonnes)	5.53	6.25	6.34	6.72	6.91	6.99
<b>PIPELINES</b>						
THROUGHPUT (in million tonnes)	1.99	2.42	2.62	3.22	3.23	3.22
SALES (in million kilolitres)	8.11	10.46	11.61	13.68	16.00	17.31
(Rs. Crores)						
TURNOVER	526.16	634.85	720.01	862.04	996.15	1,240.76
PROFIT—before depreciation & interest & tax provision	33.38	38.03	35.82	51.34	63.09	60.71
PROFIT—before depreciation & tax provision	27.28	33.27	31.00	46.90	59.64	56.84
PROFIT—after depreciation & interest but before tax provision	19.43	22.47	20.32	34.97	46.08	41.55
PROFIT—after depreciation & interest & tax provision	19.43	22.47	20.32	29.97	19.08	20.55
PROFIT—after depreciation & interest & tax provision and after prior year adjustments	18.46	20.41	15.77	31.94	22.17	9.81
DUTIES PAID	239.38	308.18	353.20	408.66	454.38	519.61
LOANS REPAID from internal resources	11.41	11.53	11.35	11.36	11.48	11.54

DIVIDENDS PAID	4.98	4.98	4.98	4.98	4.98	3.56
RESERVES & SURPLUS (Cumulative)	23.55	38.97	49.76	76.71	93.90	100.16

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During 1974-75, the results have even been better while the final figures are yet to be published, the following figures will give some idea about the performance of IOC during the year ending 31st March '75.

Turnover	..	1962 crores.
Net profits before taxation	..	52 crores.

(on share capital of about Rs. 72 crores).

Market Pariticipation of IOC 64.5%

In the matter of working and living conditions of the workers, the IOC has done better than the private oil companies. Its wage structure and fringe benefits are better than in the case of foreign oil companies except in the case of some higher category of officers.

The IOC has built good townships near each of its refineries and workers are enjoying cheap rents, water and electricity. The medical services are free for the worker and his family.

All workers in Refineries, Pipelines marketing and Research & Development wings are paid bonus at the rate of 20 per cent of their annual wages. The IOC has repaid most of its loans to the Government and is financing its expansion considerably from its internal resources.

Similarly the Oil and Natural Gas Commission has earned very good profits on its investment. Its returns on investment have been from 13 to 19 per cent which is very good from international standards in such risky business as prospecting, exploration and production of oil.

In fact the ONGC has built up enough financial resources and technical experience to enter into oil production industry in several foreign countries such as Iran, Iraq and Libya.



The progress made by the public sector oil industry in India has greatly helped the building up of a national state sector in the Fertiliser Corporation of India which is a public sector concern has built nearly a dozen fertiliser factories.

Based on the public sector Oil Industry, a few Petrochemical plants are also coming up. The first Petrochemical complex has been developed at Baroda in Gujarat near the IOC refinery. Another one is planned at Barauni in Bihar. And a third one is planned at Bongaigaon in Assam, where an oil refinery is also under construction.

All this is laying the foundation of a modern chemical industry in our country in the public sector. This will help to free our economy from the clutches of Chemical and Rubber multinationals as has already been done in the case of oil multinationals.

We in the trade unions strongly support these developments and defend the public sector under the guidance of the AITUC.

We demand trade unions' active participation in the management of the Public Sector to strengthen it and to defend it against sabotage by enemies.



J. K. BAJPAI

*Representing All India Life Insurance Corporation  
Employees' Federation*

We are thankful to AITUC for giving us an opportunity to attend and make our humble contribution in this historic 4th Asian Trade Union Seminar—Public Sector in India like its counterpart in other developing countries pursuing the capitalist path of development is not a socialist sector. It is state capitalism but anti-imperialist in nature and content. Thus, it is radically different from imperialist state monopoly capitalism to be found in USA and other developed countries of Western Europe. The nature and content of our public sector is closely linked with our anti-imperialist and anti-colonialist foreign policy, which has won us many friends. In the light of our experience, we can say that wherever there have been changes in the alignment of class and political forces in developing countries, it has created conditions for anti-imperialist state sector to evolve into an anti-capitalist sector and thus achieve a new stage of development qualitatively. By and large this is the basic feature of the state sector in India, Ceylon, Syria, Somalia, Algeria, Burma, etc.

The Public Sector in India has come to stay. Barring the slack period from 1967 to 1969, when there was a virtual plan holiday, the public sector is the growing sector since 1956. The share of public sector in India's reproducible tangible wealth, which was only 15% in 1950-51 increased to 25.6% and 35% at the end of the second and third Five Year Plans respectively. In 1972-73 the old criticism, which was used as an offensive by the capitalist press and right reactionary elements, about the losses proved to be a facile generalisation. Many industrial units, for example—heavy industries had a long gestation period. In private sector also TISCO showed profit after 27 years of its inception. In rupees our country has invested more than 5,000 crores in public sector units. The first consequence of such

colossal amount is a total recurring annual interest of Rs. 191 crores in foreign exchange plus another Rs. 397 crores for internal payments. The total resources generated by the public sector enterprises in 1973-74, according to a recently published report of the Bureau of Public Sector enterprises comes to Rs. 4,380 crores. Out of this Rs. 3,120 crores went to exchequer by way of contributions under different head. These enterprises contributed Rs. 564 crores as interest on Government loans, Rs. 230 crores as Income Tax, Rs. 2,256 crores as excise duty and Rs. 70 crores by way of dividends. In 1973-74, seventy-three public sector enterprises earned an aggregate net profit of Rs. 160.75 crores, while forty-one other showed loss of Rs. 91.6 crores. Thus the working results of the 114 running enterprises 1793-74 showed a collective net profit of Rs. 64.42 crores as against Rs. 17.94 crores in 1972-73. The public sector enterprises spent Rs. 23.78 crores on the maintenance of township, in addition Rs. 28.73 crores was spent on social overheads like education, medical care and the like. Considering the role of housing in the economy these enterprises have made a significant contribution by adding 2.60 lakh houses. This gives an idea of the important role played by the public sector in India's economy.

In the development of public sector enterprises in India, a major role has been played by the economic and technical assistance rendered by the Soviet Union in particular and the socialist countries in general. The help came at a time when we needed it most. Our Prime Minister Mrs. Indira Gandhi has rightly said on November 27, 1973, while welcoming Leonid Brezhnev: "After the dawn of freedom you were first, to help us in establishing gigantic industrial enterprises in the Public Sector, and thus began the strengthening of our relationship at another level. And that is how the meek, mute downtrodden India of yesterday is today marching ahead along the path of progress." In this context it was but natural for monopoly bourgeoisie to mount its attack against this sector and blame the workers and their militant trade unions, who always stood as a rock to 'safeguard this process' for making a major breakthrough in production relations and for expanding the public sector so as to make it the real king-pin of our economic development. The Public Sector enterprises besides providing em-

ployment have also played a cohesive role in integrating different communities and castes. In this way, they have provided a new class of workers shorn of regional and parochial tendencies notwithstanding the efforts of reactionaries to divide them. But there is greater need of inter-union cooperation in several spheres. Besides the economic demands the trade unions can also cooperate and play a positive role on issues such as (1) In checking corrupt practices and act of sabotages including pilferage, theft and communal rights fostered by reactionary forces;

(2) In eliminating waste, improving inventory control and bettering the efficiency at all levels.

(3) In making effective and economic use of raw materials;

(4) In having a democratic and correct pricing policy to meet the challenge of pro-monopolistic tendencies rampant in uncommitted managerial cadres;

(5) In having the full utilization of installed capacity;

(6) In establishing machinery to effectively coordinate activities of different public sector enterprises which are closely linked with each other such as coal, steel and Railways and also which are linked in the very process of their functioning for example the Life Insurance Corporation is giving huge loans to state electricity boards which are running in losses due to the ineffective control of bureaucracy and the rampant corruption in technocracy. The Electricity and LIC Trade Unions can intervene and prevent the drain of peoples savings.

(7) In radicalising the lending and credit policies of public sector financial institutions (Nationalised Banks, Unit Trust of India, LIC, Agricultural Refinance Corporation, etc.)

(8) In evolving the system for training the leadership and activist of Union for running the enterprise efficiently so as to serve the people and fulfil the objectives for which it has been set up in achieving democratic Trade Union rights.

(9) In implementing the recommendations of various Parliamentary Committees e.g. of Decentralisation of functions in Life Insurance Corporation, as recommended by Estimates and Public Sector Undertakings Committees and accepted by Government.

All these tasks can be performed in a better way in case workers are allowed to participate in management of these enterprises. This participation has been given its due place in

the recently announced 20-point economic Programme of the Prime Minister in the wake of emergency. It is necessary here to understand the concept of participation in management. Thinkers such as Counte and Owne advocated the participation of workers in management for achieving distributive social justice. Karl Marx on the other hand, wanted complete control of enterprise by the workers. Persons such as Webb and Cole thought that participation of workers in management would be sufficient to meet the need of social justice. The main concern of social scientists, however, was not the realization of greater level of social justice through participation in management but to share the management power with workers and to achieve greater level of organisational health. Today, whether in India or any other part of Asia, the workers cannot be asked to manage when the uncommitted managerial personnel is there to mismanage. Thus it becomes the class duty of the working class to safeguard the reorganisation with a view to protect the economic independence from the attack of saboteurs within and without.

There are several forms of participation but we can divide them in three main categories —

(1) The self-management of Yugoslavia which also involves sharing of responsibility.

(2) The participation in management by mutual goal-setting, share on the board of directors or by a scheme like 'Scanlon Plan' involving collective decision and share of productivity.

(3) Where participation simply means consultation and giving of information like Scandinavian Countries. The pattern of participation can be grouped on the lines as suggested by National Labour Commission—1. Statutory Works Committees/Jt. Committees. 2. Jt. Management Councils accepted by Employers and Workers organisations in 1958 and operated in some units.

In India, we have experience of consultative participation. The Govt.'s industrial policy resolution of 1956 expected that they will give the workers a sense of partnership 'Labour in the common task of development'. But the experiences show that joint management councils envisaged in third Five Year Plan were no better than the Works Committees. Thus the workers participation as we see it today is not a class collaborationist

concept. The Indian working class forsee an effective workers participation in management from shop floor level to the Board of Directors, i.e. it must mean participation in actual policy making and decision making at all levels. The AITUC has to be given credit for putting forward a concrete scheme for such effective participation in management as far back as in 1973. The Parliamentary Committee on Public Undertakings has also made some similar recommendations two years ago. The emergency has brought to the fore once again the necessity of such participation but there are many difficulties in achieving it unless we have a democratic industrial relations policy for the public sector including statutory compulsory recognition of the trade unions on the basis of secret ballot and the recognition of the right to strike. The Central Trade Unions and the apex body that has been formed now should sort out this problem as quickly as possible so that the workers may fulfil their assigned role by raising the productivity of public sector through better discipline and hard work. It would be better if a scheme is evolved to associate representatives of employees organisations and trade unions of Departments and Corporations with Parliamentary Committees. While we say this we are conscious of the fact that the reactionaries and imperialist agents continue to thwart this process and the uncommitted managerial personnel is also playing a double game. In this context it would be pertinent to recall the observations made by the Prime Minister Mrs. Indira Gandhi on 12th July '75 while addressing the managers and recognised labour unions of public sector Fertilizer and Drug Plants: "We should try to take advantage of the spirit of cooperation among labour. It does not mean we should try only to take maximum advantage out of them but also to see how to remove their grievances. The cooperation has always to be two-sided. The country is passing through a difficult period and it is only through hard work, perseverance and discipline that this crisis could be faced". It means that while public sector would be a 'model employer' the trade unions will provide 'model workers'. We hope this spirit would be imbibed by both i.e. the management and the Trade Unions to fulfil not only the objectives of the public sector but also to play a decisive role in safeguarding national independence.

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RAJ BAHADUR GOUR,

AITUC — INDIA

I wish to deal with a few points concerning the trade unions operating in the Public/State Sector Undertakings in our country.

We have, in our country, the Corporate Public Sector, as said by Com. S. A. Dange in his Paper, and also the Undertakings departmentally managed by the Govt. of India. If IDPL (Indian Drugs and Pharmaceuticals Ltd.) belongs to the former category, the Railways, and the Defence Undertakings, for example, belong to the latter category. The ownership in both cases vests in the Government of India.

Similarly we have the various State Governments owning and managing the Undertakings both in the Corporate Sector and departmentally managed.

Then there is a third category of Public Sector Undertakings that are owned and managed by the Local Bodies, Municipalities, for example, certain Road Transport Undertakings, Guest Houses etc.

The wages and service conditions and even trade union rights enjoyed by the workers vastly differ as between these various sectors.

The very first difficulty faced by the trade unions is that the Supreme Court, has, on April 1, 1970 ruled that hospitals run by the Govt. for the public, or charitable institutions that are not meant for making profits, cannot be defined as 'industry' and the State Industrial Relations Machinery has no jurisdiction over them. This ruling would apply to all the service departments of the Govt., whether Central, State and even Local Bodies, that do not undertake any 'profitable business.' No assistance will be available in these cases from the Govt. Indus-

trial Relations Machinery in regulating the wages and service conditions and settling disputes.

What is worse is that this ruling is now being extended to mean that even Trade Unions could not be organised in this Sector and registered under the Trades Union Act of 1926. Under this Act, in our country, both workers and employers can organise unions and settle the disputes mutually or by taking recourse to the ordinary civil laws of the country, such as the Arbitration Law, Contract Law and so on.

But even this right is sought to be negated on the plea that the servicing sector does not undertake 'profitable business' and could not be called Trade or Industry in terms of the Industrial Relations Legislation in our country.

This is a serious problem threatening the very existence of Trade Unions and collective bargaining in this vast sector.

Then there is the problem of serious disparities in pay and service conditions prevailing in this sector as between the undertakings in the corporate and departmentally managed sector, between the undertakings controlled by the Central Govt. and those managed by the State Govt. and the Local Bodies. The Central Govt. Undertakings managed departmentally demand parity of wages with the Corporate Public Sector workers. The State Govt. employees demand parity with Central Govt. employees and the Local Bodies workers demand parity with State Govt. employees. And there seems to be no solution in sight to this very obvious injustice.

Some time back, it was almost agreed in principle by the State Governments that they will maintain parity with the Central Govt. employees in matters of dearness (cost of living) allowance. They accepted this in principle and first delayed its implementation in practice and now they are denying it.

It is rather paradoxical that in the same industry, say, the Road Transport, the Private Sector has to pay annual bonus under law, the Public Corporate Sector units pay ex-gratia and those managed departmentally and by Municipalities pay none at all.

The matter of wages and service conditions of all these employees is directly linked with the budgets of the Central and State Governments and the mobilisation and sharing of resources/revenues as between the States and the Centre.



The task that stares us in our face is that of democratic restructuring of the financing policies of the country and of Centre-State relations. To the extent we achieve this, we are nearer our objective of uniform Pay and Service conditions.

The last point to which I would like to draw the attention of this Seminar is the changes that have occurred in the managerial and technical officer cadres manning the vast Public/State Sector that has grown in our country. On the one hand is the cadre from administrative services, the so-called 'generalists', that the Govt. foists on the undertakings as Chairman/Managing Directors and even General Managers. On the other hand is the technical cadre, called 'Specialists' that man the actual production processes and grow from within the industrial organisations. A conflict is developing among these cadres as to who should possess the decision-making powers, or should they share them among themselves, if so, to what extent and at what levels. The subject is of serious import for the production and personnel management of Public/State Sector Undertakings.

Democratisation of Industrial Management, and Workers' Participation in Management should also aim at solving this contradiction between the so-called 'generalists' and the 'specialists'.

Such are some of the problems facing the Trade Unions in the Public/State Sector in our country that I wanted to place before this Seminar.



K. L. MOZA,

*National Federation of P&T Employees (India)*

We are thankful to AITUC for giving an opportunity to attend this historic 4th Asian Trade Union Seminar.

There has been appreciable advance in public sector in India since 1947 while it was Nil in the year 1947 (excluding P&T & Railways), it will be Rs. 37,250 crores in the 5th Five-Year Plan. But we can not ignore the growth in Private Sector during last 27 years. At present 90% of the national wealth in India is controlled by 70 families. They control 95% of the consumer goods and thus create imaginary scarcities.

The disparities in wages in Private Sector and Public Sector have created confusion in the minds of workers. The Private Sector pays higher wages and bonus and create dissatisfaction in the employees of Public Sector. The Private Sector creates all the impediments in the growth of Public Sector so that preferences are created for Private Sector alone. There is need for workers' education at bottom to combat this.

As has been rightly pointed out by Com. Dange, the P&T and Railways stand in Public Sector but the workers there are denied bonus. The Govt. calls these departments as Public Utility departments. If it is so then there is no case for profit and loss and tariff increase. In practice the Govt. submits budget to Parliament, based on profit and loss and recommends tariff increase.

In India the P&T services are run for the benefit of big business houses. The concession in tariff are for the benefit of monopolists. For example, a letter is carried by Air from one corner of the country to other end on nominal charges. Amongst the 27% literate population of India, a common man posts one letter in six months on an average. Thus rest of the traffic is that of Big Business Houses only. The postal service carries a newspaper at 2 paise to any corner of the country and loss on

each article suffered is 24.69 paise. This concession is enjoyed by Big Business Houses who control bulk of newspapers.

The Indian Telephone Industry has advanced much and has started earning foreign exchange. The P&T is making profits but the workers are denied bonus.

We have made some advance after 1947. A Post Office serves on an average 20 sq. miles at present, but the telephone services have not reached the rural population. The Soviet Union has contributed a lot in development of the key Indian Industry. Some multi-national corporation sold out their junk i.e. cross bar system to India which has deteriorated the services further. The Soviet assistance in this sector is very much wanted so that our remote corners are connected and common man is benefited. The telephone services in India at present are privilege of privileged class alone.





## **CONCLUSIONS OF THE SEMINAR**



Having exchanged views and varied experiences in regard to the emergence and growth of Public Sector, and the forms it has taken in different countries of the region and having discussed the character and role of Public Sector in the development of national economies of Asian countries the Seminar came to the following conclusions:

1. Asia consists of countries with different political, economic and social systems—the socialist countries like the Soviet Union and other socialist countries, developed capitalist countries like Japan, and the developing countries in different stages of development.

2. Most of the Asian countries after centuries of colonial rule attained independence after the Second World War in the wake of victory over fascism in Europe and Asia. The imperialists utilised their colonial possessions as sources of cheap raw materials and cheap labour, and markets for their manufactured goods. The economies of the Asian countries were made subservient to the economies of the imperialist countries, their growth stultified, kept backward and resourceless.

3. After gaining political independence the stupendous problem that confronted the Asian countries was of rapid economic development, industrialisation and modernisation of the economy, agrarian reforms and material and cultural upliftment of the toiling people, to make up the lag in the levels of socio-economic development. Even after independence the imperialists and the multinational corporations continued their exploitation of the developing countries by means of unequal economic and trade relations, by repatriation of profits and resources in various forms.

4. It has been the experience of the developing countries that the imperialists, the multinational corporations and other agencies have the sole aim, not of building up and strengthening of the economies of the newly independent countries, but of

intensifying neo-colonialist exploitation and as preserves for drawing super profits, and to keep these countries economically backward and weak, vulnerable to neo-colonialist influence and pressures. The neo-colonialists and their agencies are therefore, found to be more interested in agriculture and infrastructures and not basic industrialisation. It is now being increasingly appreciated that independent economic development and rapid industrialisation with heavy industry as the base with, of course, restructuring the agrarian economy alone can minimise, if not eliminate, the influence and pressures of the imperialists on the national economy of these countries and reduce dependence on them. The highly industrialised capitalist countries were not prepared to transfer either the resources or modern technology to strengthen the economic independence of these countries.

5. In this situation intervention of the state in building up national economy, in the sphere of investment for industrialisation became the inevitable choice. The state intervention in the national economy has taken varied forms in different countries —by means of nationalisation of various strategic sectors, by taking over of industrial units and the setting up of new industries under state capital ownership.

In developing countries of Asia with capitalist economy, where the accumulation of private capital is not so large and where private capital refuses to take risk with large scale and longterm investments, the building up of public or state sector, although a state capitalist sector, can and does play, unlike under state monopoly capitalism, an anti-imperialist, anti-feudal and anti-monopoly role and helps in industrialisation and combats the influences and machinations of the foreign giant monopolies. Such a state or public sector lays down the foundation for rapid industrialisation, independent economic development and is an instrument of progressive socio-economic changes.

6. It has been the experience of all developing countries that imperialist aid and finances which are also lately dwindling, are hardly allocated for industrialisation, more so in the public sector. It cannot also be the desire of multinational corporations and neo-colonialists to allow to develop a strong and



viable state sector laying down the foundation of economic independence. As a matter of fact, it is their sole strategy to prevent such a development taking place in the developing countries. On the contrary, the experience of developing countries like India where a fairly strong and diversified public sector has come into being, has shown that financial, technical and other forms of aid from the Soviet Union and other socialist countries are primarily channelled for development of industrial and other undertakings, the heavy industries in particular, which strengthen the foundation of economic independence and make building up of state sector possible. Easy terms, free from liabilities of incurring foreign currency outlays and mutually beneficial terms of trade have been found further helpful for the developing countries which are in chronic shortage of resources, technology and foreign exchange, and are objects of neo-colonialist exploitation and subversion.

7. The experience of the socialist countries and successes achieved by them in the rapid development of their economies by means of centralised planning in which the heavy industries and industrialisation played the key and decisive role, is of great value to the developing countries engaged in the struggle for independent economic development. Because of planning, and control and regulation exercised through the state ownership of the major means of production and exchange, it is possible in the socialist countries to ensure planned development of the economy for the benefit of the people.

8. The public sector as the key to industrialisation and modernisation of economy of developing countries, and of economic self-reliance, has been a target of constant attack from the imperialist quarters. In fact, the struggle for the defence, expansion and strengthening of the public sector as the key to the democratic advancement of the developing countries has assumed crucial importance in the present world situation and in the context of the worldwide struggle for a new international economic order, to eradicate discrimination and unequal economic and trade relations that are foisted by the advanced capitalist countries on the developing countries.

9. The indigenous monopolies and reactionary elements too have directed their attack against the public sector while utilis-

ing the public sector for their own enrichment with the help of pro-monopoly sections of the government and its executive agents. Constant vigilance is therefore necessary against such attempts on the part of monopolies and reactionary elements and against any incursions by the private sector into the spheres of public sector, to dilute and weaken the positive contents of the public sector.

10. It is the duty and task of the trade unions in developing countries to defend the public sector, to help in its growth and expansion so that the public sector comes to occupy a decisive position in the national economy as an instrument of vital economic and social changes for the benefit of the people. Full trade union and democratic rights and effective participation of workers and trade unions in the management of public sector at all levels of production, planning, policy-making and implementation are necessary for strengthening the public sector.

The trade unions particularly in state sector industries and services must take a positive attitude and intervene effectively in improving efficiency, discipline and production of the state sector and by preventing sabotage and disruption of production, theft and corruption by any element in government and outside.

It is also the task of the trade unions to bring about unity of all sections of the people who are interested in building, defending and strengthening of the public sector.

At the same time, the public sector must be so managed that while ensuring its efficiency and rapid expansion, it must provide for rational and expanding system of wages, remuneration, benefits and social amenities like housing etc. and thus help to overcome the remnants of the old oppressive colonial system of wage standards and treatment.

It is the duty of trade unions in the public sector, to defend the allround interests of the workers alongside the interests of the sector as much.

11.. In the developed capitalist countries like Japan where State monopoly capitalism has developed the main direction of struggle of the workers and trade unions is against the monopolies and multinationals and for democratisation of the state structure. The struggle against the monopolies and multinational companies both in the developed capitalist countries and deve-

loping countries is linked with the struggle for a democratic state sector which draw support and solidarity of workers and trade unions of socialist countries and lays down the basis for mutual cooperation and united action.

12. Although conditions and objective situations, and stages of development vary in different countries of Asia, they have inherited common problems arising out of long years of imperialist domination and exploitation. The task they have set before themselves, that of rapid socio-economic development for the well-being of the people, is basically common. In fulfilling these challenging tasks the trade unions of Asian countries, irrespective of affiliations, have common ground for mutual cooperation and united action.

13. The series of useful seminars that have taken place with trade unions of Asian countries in course of the last few years on various aspects of the problems of development, problems of the movement and unity, on the role of multinationals and neo-colonialist conspiracies etc. have testified to the fact that despite varied affiliations, different economic and political systems, the trade unions could arrive at common understanding and approach.

It is necessary for the trade unions in Asian countries to seriously consider the holding of an all Asian Trade Union Conference and to take steps for creating necessary conditions for its realisation.

