CHAPTER VI.

STATE TRADING.

I.

THE CASE FOR STATE TRADING:

Our discussion of import policy and export policy in developing economies has spotlighted the key role that the state has to play both in the formulation of policy and in the execution thereof. It is now an accepted proposition the world over that economically backward nations have little chance of pulling themselves up except through planning which inevitably leads to the centralised direction of the working of the economy by the state. The respective spheres of operation of the so-called private and public sectors are, however, matters of controversy, but it is generally conceded that the latter is bound to have a substantial and dominating share in the developing economy. In practice, the sphere of state action in economic matters has been steadily widening in the various developing economies in recent years. In agriculture and industry, for instance, the state is today the determining element and a good deal of nationalisation has also taken place in the two spheres. Even where formal nationalisation has not taken place the state has assumed vast powers of control over industry and agriculture. The trend of development is thus unmistakeable and the same is justified on the ground that private initiative cannot deliver the goods in economically backward countries and, as the problems involved development are of great dimensions the state cannot but retain ultimate control in its own hands.
It is in the context of this approach to development that the case for the extension of state activity in the sphere of foreign trade has to be considered. Foreign trade being a key sector of the economy and its contribution to the process of development being considerable, it follows that the basic policies applied to industry and agriculture should be applied also to trade. We saw earlier that the development of backward economies is dependent to a great extent on the availability of imports of various categories of goods, particularly capital and producer goods. Economic development thus leads to an increase in the volume of imports and a change in the composition of imports. In fact, during a period of development, imports should mainly be development-oriented. The question which arises here is whether private importers motivated by profit can play a useful part in such a set-up. As imports become matters of policy decisions in planned economies the freedom of the private importers to import what they would like to import is restricted. In other words the freedom of private importers to import those goods which are more profitable and to avoid those which are less profitable is restricted and to that extent the private importers lose interest in imports. On the other hand the few imports which are still permitted to private importers under a system of licensing become so profitable that several irregularities thrive under the system.1 The position thus is that so far as essential and developmental imports are

1. "Import licenses when sold in the market fetch 75 per cent to 500 per cent more of their face value depending on the commodity". Report of the Indian Committee on Prevention of corruption. Quoted by Lakdawala. Op-cit.
concerned Government itself is the main importer. Food-grains, essential raw materials and capital goods of various categories belong to this group. The private sector might also have a small share of this trade. This small share together with imports of non-developmental goods constitute bases for profiteering to such an extent that various policies formulated as parts of the plan of development are practically neutralised. It is precisely for this reason that state trading has to be resorted to in the field of imports during a period of development. A state trading organisation with its better finances and organisation and greater bargaining power arising from its bulk-purchases from carefully chosen sources will be an effective instrument of planning. It can resell goods imported to producers and consumers in the country at planned prices and thus stabilise the price-level, contributing not a little to the success of planning.

It is in the sphere of exports that state trading has a more positive contribution to make. The complexities facing the export problem have been analysed in the previous chapters. The outstanding fact is that export has not yet become the organised activity that it should be. One reason for this is that, till recently, foreign trade was, in most of the developing countries of the present, a close preserve of foreign firms. With the declining fortunes of these firms, export trade has fallen to the hands of small local firms which lack organisation and finance. Many of these firms represent individuals and groups intent upon making quick profits by hook or crook. The operations of these

2. A Study of differences between import prices and internal prices of 29 commodities in India in April 1959 showed that rates of profit were over 100 per cent in the case of 9 commodities. The highest rate was 246 per cent. S.N. Mishra. State Trading in Imports and a few items of exports. Proceedings of the Seminar of the Planning Sub-Committee of the A.I.C.C. Ooty. 1959.
firms are detrimental to the development of exports. A state trading agency has thus a role to play in organising export trade on efficient lines and thus show the way to private exporters. Secondly it can establish direct contacts with the consuming countries and thus pave the way to get rid of another legacy of colonialism, namely the system by which exports flowed through certain entrepot countries. Here too the state trading agency does the pioneering work which will benefit the country as a whole and private trades too. This, as well as the realisation of marketing economies become possible because, thirdly, it has ample finances and deals in bulk. Fourthly, in addition to the above-mentioned factors it can make a significant contribution to the diversification of export products and markets in a number of other ways. It can stimulate the production of particular goods by studying the demand for them and by transmitting to the producers the exact nature of the demand. It can provide credit facilities to the producers and where found necessary it can organise production on its own. It can experiment with new products and new markets by assuming the risks involved. In fact it can also sell at a loss with a view to create markets. These, however, are beyond the capacities of private exporters. Further the system of state trading becomes essential in dealing with monopsonic purchasers abroad and similar state agencies in other


4. A great bulk of Indian exports is handled through entrepot countries. For instance, in 1959, about 40 per cent of exports to West Germany went through indirect channels. For the direct trade itself the credit should go, not to Indian exporters, but to the foreign importers who skim the whole world for supplies essentially required for the maintenance of their economy. S.P. Chablani, Import Control-Export Promotion, Commerce, Annual 1960.
countries. Above all state trading will be a source of revenue to the state.

The point which emerges is that a number of advantages are derived from state trading without introducing any change in the economic structure. It is consistent with the practice of mixed economy wherein the public and private sectors co-exist and the functioning of the former actually benefits the latter. This principle has already found recognition in the field of industry and it is only an extension of that principle that is involved in state trading. In fact, some form of state trading is being practised by almost every country in the world irrespective of the economic system to which it subscribes. For instance, about 11 per cent of total imports into OEEC Countries from the U.S.A. and Canada are subject to state trading, while the commodity credit corporation, a unit of the U.S. Department of Agriculture has been handling the purchase and sale of farm surpluses for about three decades. This latter is nothing but a specialised form of state trading though the use of the term itself is not recognised. In the U.S.S.R., on the other hand, foreign trade is a complete state monopoly functioning through twenty boards and commissions.

There is thus a strong case in favour of the extension of state trading. The arguments advanced against state trading are none other than those advanced against any extension of state activity. The main arguments are, first that by its very nature a government cannot be successful in trade as the bureaucracy is incapable of

taking quick decisions and, second, state trading will involve government in losses. There is little substance in these arguments. If governments can run industrial enterprises, as they do, there is no reasons why they should not run trading enterprises. A system of administration applicable to state industries is in the process of evolution in most countries and a similar system could be evolved in the sphere of trade. What is required is the constitution of corporations with maximum autonomy as is the case in the U.S.S.R. In this connection it may be mentioned that the Russian foreign trade corporations are run according to strict business principles, the losses incurred on certain foreign trade transactions being compensated by profits in others. They also charged different prices in different markets, with a view to push up sales. Thus, far from being a liability, state trading is, and should be, a source of profit. The actual realisation of this aim is dependent on such factors as how the corporation is organised, the extent of autonomy granted to it and the type of personnel who man it.

The view that basic and key industries should either be nationalised or kept under strict state control is now almost an axiom. During a period of conscious economic development there is probably no enterprise as basic as foreign trade. State trading can thus promote the much needed economic stability by maintaining the internal price level and external balances in check and also by contributing to public revenue. It is, however, important that...

7. Ibid.
8. "The socialisation of foreign trade has enabled the Soviet Union to control closely the impact of foreign economic conditions upon its own internal economy". (W.N. Lonoks, Op.cit.)
there should be supporting measures to improve the quality of products and reduce prices on the side of exports and to evolve an efficient system of internal distribution of imported goods. This is only another way of saying that state trading should become an integral part of the plan of development. In other words state trading should become a basic strategy in developing economies. Already a number of countries have recognised the importance of state trading. Steady progress in this direction will be advantageous to the private sector in trade too, as in the long run the operations of the state trading organisation will just be a beneficial supplement to the private sector's operations in a mixed economy.

II.

STATE TRADING IN INDIA.

EVOLUTION: Public opinion in India regarding state trading evolved gradually but steadily and almost kept pace with the evolution of economic thinking in the country. Viewed from the point of view of the present the strangest fact is that the idea of a state trading organisation was first mooted during the period of the last war by the commercial community as a protest against the operations of the United Kingdom Commercial Corporation (U.K.C.C.). It was strongly argued that the U.K.C.C. not only deprived India of the profits of export trade but also cut off the few direct contacts that India had with foreign markets. With the end of the war and the winding up

9. "State trading accounts for a substantial percentage of trade in countries like the U.A.E., Burma, Syria, Malaysia, Ceylon and Indonesia. The form and magnitude of state's participation in foreign trade may vary from commodity to commodity and also from country to country, but it exists in almost all countries today". A Decade: State Trading Corporation of India; 1956-'57 to 1965-'66.
of the U.K.C.C. the idea of state trading receded to the background. But it was revived during the early years of independence as Indian exporters were then reaping huge profits on certain commodities and it was felt that such huge profits should be mopped up to some extent by organising a state trading agency. The business community had by now taken position in the opposite camp. The government tackled the situation by imposing export duties in 1948. But the government had already been forced by circumstances to enter the import trade in certain commodities like foodgrains, fertilisers, steel, cement etc. As there were serious shortages in these commodities the world over, some of the producing countries organised the centralised selling of these commodities under the auspices of their governments. Thus private importers in India had to deal with organised state agencies in foreign countries and the bargain was rarely favourable to the former. The country was also then on the eve of the launching of the first plan and the view that state trading should be an instrument of planning was gaining ground. A Committee was therefore, appointed in 1949 to report on the desirability or otherwise of state trading. This committee reported in favour of establishing a specialised organisation to take over the trading activities of the government departments such as the import of foodgrains, fertilisers etc. In addition, the new agency was also to take over the import of East African cotton and the export of short staple cotton and cottage industry products. The government, however, could not make up its mind on the matter and appointed

another committee in 1952. This committee also reported in favour of making a beginning in state trading, not on a monopoly basis but as a supplement to normal private trade.\textsuperscript{12}

It was natural that the idea of state trading could make only slow progress under the then prevailing circumstances. During the first plan period foreign trade and balance of payments had not become the serious problems that they became subsequently. Further, the country had just started with the series of socialist measures like the introduction of estate duty, the nationalisation of the Imperial Bank and of life insurance, etc., and the time was not yet ripe for the introduction of state trading. Economic developments towards the closing stages of the first plan, however, almost dramatically changed the situation. The foreign exchange problem was raising its head and a worsening of the situation was feared, though there was not, as yet, even a hint of the exchange crisis which actually followed. Export promotion in all its aspects had to be pushed through to meet the situation, but it was felt that such measures as the diversification of export products and markets had to be attended to by a state agency. Again, to deal with communist countries in trade matters it was necessary to organise a centralised agency. These immediate factors actually precipitated the establishment of the State Trading Corporation of India in May 1956.

\textsuperscript{12} Quoted by Kersi D. Doodha, \textit{Economic Relations in International Trade}. 
THE STATE TRADING CORPORATION:

The objectives of the corporation have been enlarged from time to time and envisage its development as the key element in the foreign trade of India. The main aims are: 1) diversification of export potentialities, 2) expanding existing markets and exploring new ones, 3) the development and promotion of exports of selected commodities on a long-term basis, 4) the canalisation of imports of certain bulk commodities, 5) supplementing private trade in spheres where it finds difficulty to function effectively, 6) processing and manufacturing certain indigenous materials into finished products so as to raise their net value for exports and 7) undertaking price support and buffer stock operations in certain commodities which have a bearing on exports. In short its central aim is to broaden and enlarge the scope of Indian exports and to procure essential imports on an economical basis. The business of the corporation has also steadily increased and in place of one there are at present, six more corporations at the national level and corporations at state level too. It is thus clear that state trading has come to stay as a strategy in economic development.

Two outstanding features of the working of the S.T.C. deserve special notice. Firstly it is just a Company though all its shares are held by government. This introduction of the commercial principle is significant. It is expected that the S.T.C. should work on

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15. The six other corporations are: 1) The Handicrafts and Handloom Export Corporation of India. 2) The Indian Motion Pictures Export Corporation. 3) The Minerals and Metals Trading Corporation of India, of whose share capital, a third is held by S.T.C. 4) The Indian Oil Corporation. 5) The Fertiliser Corporation of India. 6) The Metal Scrap Trading Corporation. The State of Punjab has started its own export Corporation.
business lines and, far from becoming a burden to the country, would actually prove an advantage. It is thus implied that, like the railways and other state enterprises, the S.T.C. would make a contribution to the general revenues. This, however, does not mean that the S.T.C. should place special emphasis on profits in the narrow business sense. On the other hand it is expected that it should take a long-term view and even face immediate losses in order to stabilise trade and make it beneficial to the country. In fact this too is a principle which every commercial concern should adopt.

Secondly, the S.T.C. is envisaged as an organisation supplementing and not supplanting private trade. Thus while on the one hand it directly takes part in trade on its own, on the other it assists private importers and exporters in trade matters. In fact, the S.T.C. has adopted it as a principle that, as far as possible, existing trade channels should be utilised to the full. This arrangement is bound to exercise a healthy influence on the growth of foreign trade in India. There is already a growing tendency among exporters and importers in India to seek the cooperation of the S.T.C. not only because it is beneficial to themselves but also because foreign traders themselves prefer to deal with it. In assessing the work of the S.T.C. therefore, a pure profit and loss account will not be appropriate though the financial aspect too is important. What is more important is to assess its contribution to the growth of foreign trade in general.\textsuperscript{16}

\textsuperscript{16} In the table appended to this chapter it may be noted that direct exports by the corporation have been declining since 1961. The explanation for this is that in the case of barter deals imports are effected by the Corporation while exports are left to private traders. In such cases the efforts of the S.T.C. to direct, expand and supervise the country's exports are not reflected in its account books. K.N. Gupta, Role of State Trading Corporation in India. Economic Affairs. Vol. IX. No. 10. October 1964. The bifurcation of the S.T.C. in 1963 is also a factor.
The table accompanying this chapter shows steady advance in the exports handled by and through the Corporation. The S.T.C. has achieved the primary aim with which it was established, namely the expansion of trade with the U.S.S.R. and the East European countries. As we saw in the last chapter there have been impressive advances in trade with this region and both traditional and non-traditional goods have been successfully marketed. Again as we noted earlier this expansion in trade has not been at the cost of trade with other regions. The S.T.C. deserves credit on this account. It should be added that other areas have not been neglected, the trade with the E. European region being just about a half of the total trade handled by the Corporation.

Table 6.1

TRADE OF THE S.T.C.
(Value in Rs.crores).

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports.</th>
<th>Imports.</th>
<th>Internal Trade.</th>
<th>Total Trade.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1956-'57</td>
<td>5.79</td>
<td>-</td>
<td>5.79</td>
<td>3.40</td>
</tr>
<tr>
<td>(July-June)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1957-'58</td>
<td>20.80</td>
<td>9.30</td>
<td>30.10</td>
<td>17.96</td>
</tr>
<tr>
<td>1958-'59</td>
<td>22.22</td>
<td>14.50</td>
<td>36.72</td>
<td>27.34</td>
</tr>
<tr>
<td></td>
<td>23.23</td>
<td>9.42</td>
<td>32.65</td>
<td>36.28</td>
</tr>
<tr>
<td>(July-March)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1960-'61</td>
<td>36.59</td>
<td>4.27</td>
<td>40.86</td>
<td>68.42</td>
</tr>
<tr>
<td>(April-March)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1961-'62</td>
<td>34.95</td>
<td>5.07</td>
<td>40.02</td>
<td>84.26</td>
</tr>
<tr>
<td>1962-'63</td>
<td>32.58</td>
<td>10.50</td>
<td>43.08</td>
<td>96.36</td>
</tr>
</tbody>
</table>

(contd.)
S.T.C. Bifurcated 1.10.1963.

<table>
<thead>
<tr>
<th>Year</th>
<th>Direct</th>
<th>Indirect</th>
<th>Total</th>
<th>Trade</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1963-'64 (Apr.-Mar.)</td>
<td>10.30</td>
<td>19.32</td>
<td>39.62</td>
<td>55.93</td>
<td>2.22</td>
</tr>
<tr>
<td>1963-'64 (only S.T.C. items)</td>
<td>8.88</td>
<td>19.32</td>
<td>28.20</td>
<td>52.28</td>
<td>2.30</td>
</tr>
<tr>
<td>1964-'65</td>
<td>10.51</td>
<td>17.67</td>
<td>28.18</td>
<td>59.90</td>
<td>2.02</td>
</tr>
<tr>
<td>1965-'66 (Estimated)</td>
<td>13.00</td>
<td>3.74</td>
<td>16.74</td>
<td>79.83</td>
<td>2.14</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>218.97</td>
<td>93.79</td>
<td>312.76</td>
<td>529.68</td>
<td>12.78</td>
</tr>
</tbody>
</table>

Source: S.T.C. A Decade: State Trading Corporation of India. 1956-57 to 1965-'66.

A study of the various methods adopted by the S.T.C. to expand and diversify Indian exports shows that steps have been taken to avoid the defects arising from a system wherein a large number of exporters compete for business with little regard for the long-term prospects of the country's export trade. The S.T.C. has, therefore, taken steps to build up the reputation of Indian goods by taking part in international fairs and exhibitions and by opening its own offices in foreign countries to serve as centres of both publicity and study of changing trends, in trade. The S.T.C. has also assumed responsibility for the marketing of the products of the various public sector undertakings. In addition, it has entered the field of manufacture for export. A unit for the manufacture of wigs and wiglets out of processed human hair has been set up while an up-to-date
tannery and a factory for the manufacture of shoes are also to be established shortly. 17 The S.T.C. also participates in the capital of export-oriented corporations like the Handicrafts and Handlooms Exports Corporation and the Indian Motion Pictures Export Corporation.

What are known as link and barter deals also arranged by the S.T.C. to push exports to countries with which India has heavy trade deficits. Link deals are operated through reputed foreign firms and involve the linking of the imports of essential items from a country upto a determined value and during a fixed period with an equivalent value of exports of non-traditional items and small quantities of traditional items as "sweeteners" 18. In the case of barter deals, difficult to sell items are exchanged for equivalent values of essential imports. These deals have resulted in a net addition to the foreign exchange resources of the country. The S.T.C. plays the role of a catalytic agent in this respect. Trade under this head was of the value of Rs.24 crores in 1960-61, Rs.43 crores in 1963-64 and Rs.34 crores in 1964-65.

Certain other measures of export-promotion undertaken by the S.T.C. also deserve special notice. Under the E.A.S.I. (Export Aid for Small Industries) scheme whose administration has been entrusted with the S.T.C. producers are assisted in a number of ways to improve the quality of their products and to export. Again, the S.T.C. has undertaken price support and buffer stock operations in respect of seedlac, jute, lemongrass oil, tobacco and cotton in order to ensure fair prices to the producers and to maintain continuity in production.

and export. The S.T.C. has also had to take part in "extra curricular"\textsuperscript{19} functions like the financing of road constructions in the mining areas to facilitate the export of ores.

**IMPORTS:** The table given above shows that except for the first three years, imports have exceeded exports in the trade handled by the S.T.C. On the import side the S.T.C. is a more direct instrument for the implementation of trade policy. It arranges imports of capital goods and industrial raw materials at international prices from diversified sources of supply. It also imports other scarce commodities like mercury and newsprint. It buys at most competitive prices as it has a bargaining strength arising from its bulk dealings. Assistance is also provided to private importers to secure goods on favourable terms. The operations of the S.T.C. thus lead to the most economical utilisation of exchange resources and to the stabilisation of the price level within the country.

There are, however, criticisms regarding the pricing policy of the S.T.C. The S.T.C. has been charged with making excessive profits in respect of certain imported items. The Corporation's reply to this is that in the case of most commodities the margin obtained by it ranges from half to one per cent only and that this margin is insufficient to cover its administrative expenses which are about 1 to 1.7 per cent.\textsuperscript{20} It is only in the case of a few commodities like betelnuts, cloves, camphor and bearings which are of a highly speculative nature that a wide margin is obtained. If

\textsuperscript{19} Government of India, Report of the Import and Export Policy Committee (1962). p.44. The distribution of imported cars is another "extra curricular" activity of the S.T.C.

\textsuperscript{20} S.T.C. A Decade. Op-cit.
lower prices are charged for these commodities the benefit is likely to go to middlemen rather than to actual consumers. Thus the higher prices charged are in the nature of a mopping-up operation which is not only socially beneficial but also enables the S.T.C. to cover its losses on certain transactions. The principle thus adopted appears to be a sound one.

FINANCIAL RESULTS: The finances of the S.T.C. reveal that, on the whole, the operations of the organisation have been beneficial to the country. On a paid-up capital of Rs. 2 crores since 1958-59 (and Rs. 1 crore previously) the S.T.C. has, since its inception, contributed a total of Rs.19.33 crores to the state, of which Rs.17.68 crores was by way of income tax and Rs.1.65 crores as dividend on capital. It also built up a reserve of Rs.10.21 crores. Thus the community has gained to the extent of Rs.30 crores through the operations of the S.T.C. It may be stated that in the light of the existence of tax-evasions and malpractices the community would have lost a major portion of this amount if the S.T.C. were not in existence. During the same period the S.T.C. has earned foreign exchange of the value of Rs.313 crores.

CONCLUSION: Our review of the operations of the S.T.C. over the past decade leads to the definite conclusion that state trading has proved its worth in India. The fact that over half a dozen corporations, some of them either subsidiaries of the S.T.C. or closely associated with it, now function in addition to the S.T.C. shows that, like the public sector in industry the public sector in foreign trade is expanding. In fact the development of the public

sector in industry and in trade is a parallel process and the aim in both cases is to provide certain missing links and to remove certain deficiencies. At present the share of the state in the foreign trade of India is just about 5 per cent. That the S.T.C. has yet become the victim of severe attack from private business is really a tribute to the efficiency of its operations.

The main contribution of the S.T.C. is that it has injected a dose of dynamism into the stagnant export sector. Increased trade with East European countries, not only in traditional commodities but also in the products of the industries which came into existence during the past fifteen years is largely due to the efforts of the S.T.C. As we saw in the last chapter, the view that this trade merely involved a diversion of trade from other markets does not appear to be correct. The payment advantages obtained through this process also benefited the country immensely at a time when the exchange problem was becoming complicated. Equally important was the fact that markets were found for commodities, as for example bananas, which were never before exported. Several private manufacturers have been helped by the S.T.C. and the other Corporations to find markets for their products.

A more significant contribution of state trading is that it has administered a shock to private traders, with the result that they now realise the need for better organisation. Competition among a few small firms for export business had ended in a bad bargain for themselves as they had to face organised importers, and in this process the trade of the country had suffered great harm. The appearance of the S.T.C. may thus be expected to lead to better organisation in foreign trade business as a whole.
The experience gained during the past ten years has emboldened the government to take steps for the further expansion of the state sector in foreign trade. The Minister for Commerce announced sometime ago that the programme of the government was that by the end of the fourth plan period 25% of India's foreign trade should be controlled by the S.T.C. and the M.M.T.C. It was also proposed to create a separate Corporation for every Rs. 100 crores of foreign trade handled, as also a separate consumer commodity corporation. The Minister described these steps as symbolising "India's march towards socialism" but added that Government had no intention to nationalise foreign trade. The policy is thus one of expansion of state trading. This, we feel, is the right policy, particularly in view of the fact that the fourth and fifth plan-periods mark critical stages, in the growth of the Indian economy and it is essential that a strategic sector like foreign trade should be kept under strict control so that its functioning is in strict conformity with the aims and objectives of the plans.

Criticisms regarding state trading generally emphasise the incapacity of the state as represented by civil servants to act with imagination and enterprise in trade matters. Such criticisms are often based on the old adage, "where the king trades, the country is ruined", and there appears to be a tendency to magnify even small failings. There is, however, something to be said in favour of evolving an organisational pattern for the state trading bodies which

222 Speech on May 18, 1966 at a function to celebrate the tenth year of S.T.C. Times of India, May 20, 1966.
23. "Over the years, the S.T.C. has degenerated into just one of those official monstrosities, resting more on men of power than on drive, imagination, and vision, associated with enterprise. Several persons, Indians and East Europeans, who have sought to break through the sluggishness of the S.T.C. to push through mutually advantageous deals have been frustrated by the file-ridden petty attitudes of the S.T.C." (D.K. Rangnekar, Op-cit, p. 199).
would ensure to them maximum independence subject only to the over-all requirements of the plan. In the U.S.S.R., for instance, the foreign trade corporations have separate legal status and operate with full independence. A similar system should be evolved in India so that each corporation is left free to experiment with its own ideas. Further, each corporation should have a separate Board of Directors consisting of experienced businessmen, economists and such others not necessarily connected with government. Experienced business managers should also be appointed managing directors and general managers. The point to be emphasised is that the routine type of administration cannot make a success of state trading.