Hopes and Fears for India : Dr Harold Mann's Letters

The Economic Weekly

A Journal of Current Economic and Political Affairs

FOURTEENTH YEAR OF PUBLICATION

Match 10, 1962 | Volume XIV No 10 | Price 50 Naye Paise

THE ECONOMIC WEEKLY

65, Apollo Street, Fort

Bombay.

Telephone: 253406

Annual Subscription : Rs 24

Foreign 40s *or* $ 6

No Export Drive Yet

A crisis by its very nature cannot be a continuing state. This is implicit in the meaning of the word; tyranny of words rules out any other interpretation. Yet, as everyone knows, India was overtaken by a foreign exchange crisis soon after the Second Plan got going and that crisis we have regarded as a continuing one ever since. How can it he different, one might ask, since we have no longer any cushion left in the form of foreign exchange reserves to absorb the slightest shock? The reserves have not only sunk low but have remained so low that they are not even enough to meet the import bills for three months running. Considering that export earnings, aid payments or proceeds of foreign loans do hot flow in with uniformity over time, the slightest hitch anywhere may wipe out the reserves and expose the rupee in foreign markets to a fate too horrible to contemplate. Somebody must be losing his sleep over the state of the sterling balances, though who that one is, one may not know.

Even this, however; is not so serious, for there are such things as borrowings from the International Monetary Fund and arrangements for stand-by credit which we have not exhausted and on the whole, India's standing with the Fund is fairly high.

Nor has our foreign exchange position prevented us from raising large sums abroad by way of loans and aid for financing the development programmes of the Second and the Third Plans. In fact, it was the foreign exchange crisis in the beginning of the Second Plan which, one might say in retrospect, moved the rest of the world to come to our aid and laid the setting for the subsequent inflow of foreign funds. The crisis that way has long passed. What remains is not a crisis situation which almost automatically prompts the search for remedies and, with luck, brings a solution, but a continuing state of inanition, condemning us to a hand-to-mouth existence. This is not in regard to development imports which are being looked after but in regard to our maintenance imports for which we have largely to fend for ourselves. It is as if we are able to set up new factories and build up industrial capacity but have not the working capital to run them and get the full production out of them. It is a precarious situation in all conscience and a chronic one but being chronic, one cannot very well call it a crisis.

The response to this situation confirms what has, been said earlier. We have got to push up exports in order to get the necessary maintenance imports which currently account for as much as 67 per cent of our total imports, leaving out consumer goods including foodgrains, which constitute no more than 15 per cent of the total. More than two-thirds of our imports, therefore, consist of industrial raw materials and components to keep production gohig but what We are getting currently is woefully inadequate. With a more liberal import of such materials, we could push up production substantially, step up the rate of growth of the economy and perhaps, at the same time strengthen our export potential, though to what precise extent may not be possible to determine. Which offers better returns in the short-run, pursuit of non-project loans or export promotion?