

IV. Prospects for 1963-64

25. Economic developments in 1963-64 would be influenced greatly by the outturn of the agricultural crop during the 1962-63 season. This year's *kharif* season was marked by deficient rainfall in June over most parts of the country and this was followed by excessive rainfall and floods as well as locust invasions in some regions. Despite these adverse weather conditions, the overall prospects for agricultural production during the

1962-63 season appear to be satisfactory. The total output of foodgrains is expected to be larger than in 1961-62 with the notable exception of rice. There are definite indications of a much better cotton crop although both sugarcane and jute may register a decline in output.

26. Further improvement in transport, power and coal supplies should act as a spur to industrial production in general. Notable progress is expected in regard to production of fertilisers, cement, aluminium, mineral oil and petroleum products. Existing capacity in steel is already reaching full utilisation and expansion programmes in the public and private sector plants will not be completed for some time. The output of steel next year, therefore, would not show as marked an improvement as this year. Prospects for a number of engineering and chemical industries are difficult to judge at this stage particularly in view of uncertainty regarding availability of imported materials and components. Among traditional industries, while the output of sugar may be less, production of jute and cotton textiles would turn largely on the state of demand abroad and the ability of the industries to meet it competitively.

27. On the demand side, the endeavour of policy must necessarily be towards accommodating the substantially larger claims of defence and development by judicious restraint on private consumption and less essential investment. Much would depend on buoyancy in private investment and on continued vigilance in regard to speculative pressures on available supplies.

28. The containment of any tendency towards excess demand is all the more imperative in view of the prospective pressures on balance of payments. Restrictions already imposed on imports, foreign travel and on gold transactions should have a favourable effect next year. On the other hand, interest charges and repayment obligations would be significantly larger; and considerable improvement would in any case be called for to correct the imbalance in external accounts which has persisted for some years now. There would, therefore, be every need for increasing exports to the maximum extent possible and for keeping a check on imports. It is to be hoped, however, that the flow of non-project assistance would increase over the coming year and that the additional claims of defence would not set up significant pressures on free foreign exchange resources.

29. India's earnings from exports and net invisibles have not been sufficient in recent years to meet the requirements of debt charges as well as of the maintenance of the economy. With the decline in foreign exchange reserves, earnings of interest on foreign assets have dwindled, whereas repayment obligations and interest charges on foreign debt have been growing at a rapid pace. India has also achieved a considerable degree of diversification in industrial structure including a sizeable capacity for the manufacture of capital goods within the country. The growing production of capital goods, however, is still based on the import of components, spares and materials from abroad. These components as well as the many indirect requirements of projects included in the plan cannot always be covered by available assistance. The result is that, even with the policy of undertaking project commitments essentially against assistance already assured, there remains a residual problem which has had to be met, in the short run, by securing assistance for financing a part of non-project requirements and, failing this, by drawing on reserves or/and by starving the economy of the imports needed to

make full use of the capacity already created. There is no scope left for further drawal on reserves which, in fact, need to be strengthened if there is to be some room for manoeuvre in shaping plans and policies. With the progressive tightening of import restrictions a stage has already been reached when any further increase in the degree of restrictions would impair seriously the chances not only of higher production but of higher exports as well. Over a period, the solution of this basic weakness in India's overseas payments position must be found progressively in terms of an increase in exports at a rate much faster than in the case of imports as well as by a reduction in the proportion of "hard" debt. But, in the meanwhile, the actual availability of non-project assistance has become a major factor in preserving India's external viability.

30. In many respects, mobilisation of productive potential and available resources for defence, development and exports calls for specific action on a number of fronts. Generalised fiscal and monetary measures, while necessary as a pre-condition for success in directing specific resources in desired directions, cannot replace the need for organisation, co-ordination and ingenuity in overcoming specific constraints in the situation.