CHAPTER 8

FOREIGN TRADE AND BALANCE OF PAYMENTS

In view of the performance in balance of payments in 1983-84, in May 1984, the Government was able to formally terminate the arrangement to borrow under the Extended Fund Facility of the IMF. In 1984-85, the balance of payments continued to be under control. Despite the cessation of IMF drawings in the current year, foreign exchange reserves in 1984-85 increased by Rs. 547 crores upto end of January 1985. Part of the increase in rupee terms resulted from the strengthening of the US dollar in world currency markets and the consequent increase in the rupee value of dollar holdings.

Review of Sixth Plan Performance

8.2 The improvement in India's external payments situation has come after a period of severe strain arising mainly from factors of external origin. India's external payments situation had shown a sharp deterioration in 1980-81 in the wake of the rise in oil prices and India's trade deficit went up from Rs. 2725 crores in 1979-80 to Rs. 5838 crores in 1980-81. As a percentage of gross domestic product (GDP) the trade deficit increased from 2.5 per cent in 1979-80 to 4.6 per cent in 1980-81. In order to overcome the problems on the balance of payments front, wide-ranging structural adjustment measures were adopted in 1981 for achieving a viable balance of payments situation. These measures, which formed an integral part of the Sixth Plan, involved massive investment in crucial import--saving sectors such as petroleum, and measures for strengthening the export efforts. It was in support of this strategy that India had entered into an arrangement with the International Monetary Fund under Extended Fund Facility (EFF) for drawing an amount of SDR 5 billion.

TABLE 8.1

Exports, Imports and Trade Deficit

(Rs. crores)

	1979-80	1980-81	1981-82	1982-83	1983-84P
Exports	6418 (12.1)	6711 (4.6)	7806 (16.3)	8908 (14.1)	9866 (10.8)
Imports	9143 (34.2)	12549 (37.3)	13608 (8.4)	14356 (5.5)	15763 (9.8)
Trade Deficit	2725	5838	5802	5448	5897
As per cent of GDP	2.5	4.6	3.9	3.3	3.0

P—Provisional

NOTE : Figures in brackets are percentage variations over the previous year.

8.3 The adjustment efforts over the Sixth Plan proved successful and the trade deficit has been contained in nominal terms and as a percentage of GDP it declined from 4.6 per cent in 1980-81 to about 3.0 per cent in 1983-84. This improvement in India's balance of payments reflects the soundness of the external adjustment policies adopted by the Government. An important element in the adjustment was the reduction in bulk imports, especially of crude oil. Domestic production of crude oil increased from 11.8 million tonnes in 1979-80 to 26 million tonnes in 1983-84 and is expected to increase further to 29.0 million tonnes in 1984-85. As a result, imports of oil (in terms of crude equivalent) as per cent of domestic consumption of oil products (in terms of crude equivalent) is expected to decline from over 70 per cent in 1980-81 to about 34 per cent in 1984-85. Net imports of crude oil and petroleum products declined from Rs. 5239 crores in 1980-81 to about Rs. 3237 crores in 1983-84 and this reduction provided room for other essential imports to expand. Export growth in the first four years of the

Sixth Plan averaged about 11 per cent in rupee terms but the growth in volume terms was considerably lower. However, this has to be viewed against the background of recessionary conditions in the world economy, continuation of protectionist tendencies in world markets and the impact of severe drought conditions in the country during 1979-80 and 1982-83. A favourable factor in the balance of payments has been the continued high inflows of remittances and, in recent years, an expanded inflow of funds from Indians abroad in the form of deposits in Indian banks in response to various incentives offered by the Government.

Balance of Payments and Foreign Exchange Reserves

8.4 The official balance of payments data are compiled by the Reserve Bank of India and these are not available beyond the first quarter of 1983-84. However, the trends in balance of payments can be inferred from changes in foreign exchange reserves, which reflect the net impact of the country's external transactions. Moreover, the available official data on trade, invisibles earnings, and aid flows throw light on the behaviour of some of the important components of the balance of payments.

TABLE 8.2

Movements in Foreign Exchange Reserves and Balance of Payments Financing Gap

(Rs. crores)

Year	Movements in foreign exchange reserves including gold and SDRs	Net drawals on IMF	Residual financing gap (1–2)
	1	2	3
1979-80	+108	—55£	+163
1980-81	—389	814*	—1203
1981-82	—1519	637	—2156
1982-83	+758	1893	—1135
1983-84	+1189	1342	—153
1984-85 (Upto 31-1-1985)	+547	101	+446

£ Includes voluntary repurchases of Rs. 20 crores and sales of Rs. 35 crores by the IMF under its General Resource Account.
* Includes Trust Fund drawings of Rs. 544.5 crores.

8.5 The residual financing gap, i.e. movement in reserves after adjusting for IMF drawings, increased sharply in 1980-81 and 1981-82 after which it improved in 1982-83 when the gap was more or less halved to Rs. 1135 crores. The balance of payments showed a further improvement in 1983-84 when the gap was further narrowed to Rs. 153 crores. In 1984-85, there was a favourable swing in India's balance of payments. The net drawals on the IMF were small at Rs. 101 crores upto January 1985 and the country's foreign exchange reserves showed an increase of Rs. 547 crores, so that in the absence of drawings from the IMF, the improvement was Rs. 446 crores.

8.6 The recent improvement in the balance of payments is attributed to a combination of favourable developments both in the current account and the capital account. The improvement in the current account was contributed both by a narrowing of the trade deficit and a large and sustained inflow under the invisibles account. The trade deficit narrowed from Rs. 5838 crores in 1980-81 to Rs. 5802 crores in 1981-82 and furthtr down to Rs. 5448 crores in 1982-83. In 1983-84, however, there was an increase in the trade deficit to Rs. 5897 crores. The increase in the trade deficit during 1983-84, as compared to 1982-83, was partly attributed to additional imports of, inter alia, foodgrains and edible oils and partly also due to the port strike in March 1984 which affected exports more than imports. In the first eight months of the current financial year, the trade deficit at Rs. 3017 crores was smaller than that of Rs. 3080 crores recorded during April-November, 1983. According to partial data available, net invisibles earnings, which have been high in the Sixth Plan, remained buoyant in 1983-84. However, there was some decline in these receipts in the current year. The slow down in the economic activities in the Gulf countries consequent to the fall in oil income may have affected the magnitude of inward remittances from Indian migrant workers.

8.7 In recent years, tourism has emerged as a major source of foreign exchange earnings for India. According to the balance of payments data, foreign exchange earnings from tourism grew from Rs. 565 crores in 1978-79 to Rs. 1130 crores in 1982-83. Since there was an increase of about 3 per cent in the number of tourist arrivals into India in 1983, it is likely that these receipts may have gone further up during 1983-84. There was some decline in tourist arrivals in the last two months of 1984. However, according to available indications, tourist interest is picking up again.

8.8 Another important element in India's invisibles account is private transfers. Receipts from this item grew from Rs. 944 crores in 1978-79 to Rs. 2431 crores in 1982-83. According to available partial information, these receipts have again shown an increase in 1983-84. It is, however, likely that due to the deceleration in economic activities in oil income countries, there may have been some fall in such receipts during 1984-85. In view of the growing uncertainties regarding the pace of economic activities in the Middle-East, the future growth of inward remittances remains somewhat uncertain. In any event, it is unlikely that private transfers would in the coming years show the rate of growth exhibited in the past.

8.9 One of the factors which contributed to the recent improvement in the capital account of the balance of payments is the increased transfer of savings by non-resident Indians abroad as deposits in Indian banks. Among the measures taken to encourage such inflows by non-resident Indians, the most important one related to the provision for a two percentage point premium in the interest rate on these deposits over that on domestic deposits. These measures have been quite successful in encouraging these remittances. The following table indicates the outstanding amounts under these accounts :

TABLE 8.3

Outstanding Amounts in Various Types of External Accounts

As on	Non-resident external rupee accounts*	Foreign currency non-resident accounts@				
		U.S. $ accounts		£ Sterling accounts		Total (Rs. crores)
		$ million	Rs. crores	£ million	Rs. crores	(2+4+6)
1	2	3	4	5	6	7
31 March, 1981	937.74	140.29	115.66	19.78	36.60	1090.00
31 March, 1982	1186.18	107.32	100.55	27.64	46.16	1332.89
31 March, 1983	1634.60	151.50	150.81	68.23	100.63	1886.04
31 March, 1984	2232.00	373.81	403.04	136.19	211.78	2846.82
31 December, 1984**	2635.00	434.46	540.14	201.89	290.73	3465.87

* Figures include accrued interest.

@Figures do not include accrued interest.

**Provisional data.

8.10 During 1983-84, accretion in these accounts amounted to Rs. 961 crores as compared to Rs. 553 crores in 1982-83. During the first nine months of the current year, receipts in these accounts have amounted to Rs. 619 crores. The rupee equivalents of the inflows under FCNR accounts may be affected by exchange rate movements so that the trends revealed by these data may be somewhat overstated. Moreover, the accretion in the rupee denominated non-resident external accounts also includes accrued interest so that adjustment for this element would imply lower fresh inflows.

8.11 The climate for concessional external assistance has become unfavourable in recent years. Aid authorisations in 1983-84 showed a substantial decline, but on account of the larger disbursements from the aid in pipeline, the overall level of disbursements in 1983-84 remained marginally higher than that in the previous year. Gross aid disbursements in the current year are expected to show a further rise. There was also an increase in disbursements from commercial borrowings.

8.12 The external value of Indian rupee continued to remain linked with a basket of currencies of India's major trading partners, with the pound-sterling as the intervention currency. This arrangement has existed since September 1975. In line with changes in exchange rates of the currencies in the basket, the exchange rate between the rupee and the pound sterling has been adjusted from time to time. The latest adjustment was effected on 5th March, 1985 when the middle rate was fixed at Rs. 14.00 per pound sterling.

Imports

8.13 The rate of growth in India's imports which had touched high levels of 34.2 per cent in 1979-80 and 37.3 per cent in 1980-81 decelerated thereafter and showed only modest growths of 8.4 per cent in 1981-82 and 5.5 per cent in 1982-83. Imports in 1983-84 at Rs. 15763 crores showed an increase of 9.8 per cent over the previous year. The most important factor contributing to the containment of India's imports was the rapid increase in the domestic production of crude oil, which helped in reducing the share of POL in India's overall imports from 42 per cent in 1980-81 to 31 per cent in 1983-84. This in turn facilitated an expansion in non-oil imports required for maintainance of the economy and for investment.

8.14 There was a reduction in both value and volume of crude oil and petroleum products imported in 1983-84, but non-POL imports expanded by about 25 per cent in value, due partly to higher imports of cereals and edible oils. While the revival in industrial activities led to an increase in imports of raw materials, components and capital goods, imports of pearls, precious and semi-precious stones which are re-exported after processing by the gem and jewellery industry also showed an increase. Moreover, in 1983-84, there was a hardening of the prices of our principal imports other than POL. Available data for April—November, 1984 indicate an import growth of 14.2 per cent. For the year as a whole, total imports may be even larger in view of higher imports of edible oils, fertilisers, etc., for which prices have firmed up in the world markets.

8.15 Table 8.4 shows the commodity composition of India's imports for the years 1982-83 and 1983-84 and for the first half of 1984-85. These data are compiled by the DGCI&S from the customs returns. They are liable to be revised when more upto date information becomes available.

8.16 DGCI&S data show that imports of cereals and cereal preparations almost doubled in 1983-84 to around 2.5 million tonnes valued at Rs. 611.9 crores from 1.3 million tonnes valued at Rs. 306.5 crores during 1982-83. There has been a decline in imports in the current year, and during April—September, 1984 cereal imports were lower at about 0.5 million tonnes valued at Rs. 111.4 crores compared with 1.3 million tonnes valued at Rs. 310 crores in the corresponding period of 1983. These imports were undertaken to replenish buffer stocks and to forestall pressure on prices in the backdrop of unsatisfactory harvest position in 1982-83.

8.17 Edible oils constitute one of the important and growing items of India's imports. The large scale imports of edible oils have exerted a moderating influence on the domestic prices of edible oils, but at the same time their easy availability has expanded the demand, thereby creating a widening gap relative to indigenous supply. According to DGCI&S data, there was a sharp increase in import of edible oils from 4.95 lakh tonnes in 1982-83 to around 10 lakh tonnes in 1983-84. With the hardening of international prices of edible oils, the unit value of imports went up by over 18 per cent. In the event, the import bill for edible oils more than doubled from Rs. 226.3 crores in 1982-83 to Rs. 541.0 crores in 1983-84. The surge in edible oils imports continued during April—September, 1984 totalling 6.6 lakh tonnes compared with 2.9 lakh tonnes in the corresponding period of the previous year.

8.18 Over the last few years, iron and steel imports have remained at high levels, though they have declined from the peak of around 3.2 million tonnes valued at Rs. 1203.5 crores witnessed in 1981-82. It became necessary to resort to large scale imports, as domestic production was constrained by infrastructural

TABLE 8.4

India's Imports by Major Commodity Groups

(Value in Rupees crores)

Sl. No.	Commodity	1982-83	1983-84 (P)	Percentage change 1983-84/ 1982-83	April—September 1983 (P)	April—September 1984 (P)
	1	2	3	4	5	6
1.	Capital goods*	2368.3	2981.4	25.9	1383.8	1178.3
2.	Cereals & cereal preparations	306.5	611.9	99.6	310.0	111.4
3.	Chemical materials & products	73.2	122.8	67.8	43.5	46.2
4.	Edible oils	226.3	541.0	139.1	116.8	425.3
5.	Fertiliser crude	55.5	80.7	45.4	26.0	47.6
6.	Fertiliser finished	145.6	112.5	—22.7	24.0	127.4
7.	Iron & steel	1146.0	962.9	—16.0	416.6	351.9
8.	Medicinal & pharmaceutical products	80.6	131.7	63.4	46.5	53.9
9.	Non-ferrous metals	279.1	369.1	32.2	148.9	170.0
10.	Non-metallic mineral manufactures excluding pearls	141.4	175.2	23.9	108.4	40.0
11.	Organic & inorganic chemicals	387.0	609.6	57.5	209.0	312.8
12.	Paper, paper board and manufactures there of	147.5	172.6	17.0	80.4	71.7
13.	Pearls, precious and semi-precious stones	677.4	1082.4	59.8	398.2	491.7
14.	Petroleum, petroleum products and related materials (Gross)	5605.0	4830.1	—13.8	2192.9	2409.1
15.	Professional scientific controlling instruments, photographic, optical goods, watches and clocks	189.8	280.7	47.9	121.0	97.4
16.	Synthetic & regenerated fibres	124.7	102.1	—18.1	51.8	10.1
17.	Others	2401.9	2596.3	8.1	1019.9	1400.0
	Total Imports	14355.8	15763.0	9.8	6697.7	7344.8

(P) Provisional

* Includes manufactures of metals, machinery including electrical machinery and transport equipment.

factors, such as shortage of coking coal and power and to some extent due to the mismatch between production and demand. During 1983-84, iron and steel imports declined to 2.2 million tonnes valued at Rs. 962.9 crores from 2.8 million tonnes valued at Rs. 1146.0 crores in 1982-83. During the first six months of 1984-85 iron and steel imports were 676,000 tonnes valued at Rs. 351.9 crores, showing a decline of 34 per cent in volume and 15.5 per cent in value over the first half of 1983-84. The unit value of iron and steel imports had appreciated by about 28 per cent. The gradual reduction in iron and steel imports since 1981-82 reflects to some extent the success achieved in restructuring steel output to match the demand pattern. In view of the canalisation of imports of several items of steel and the increase in import duties, total imports of iron and steel during 1984-85 may be lower. Even so, despite the substantial increase in the capacity of steel sector, we may continue to be a net importer of steel mainly to meet the diversified domestic needs of a growing economy. Imports of non-ferrous metals increased from Rs. 279.1 crores in 1982-83 to Rs. 369.1 crores in 1983-84. The data for the first half of 1984-85 indicate that imports have continued to show a rising trend.

8.19 Imports of fertilisers, both crude and finished, have shown considerable fluctuations during the past few years, depending on the level of domestic consumption. The drought of 1982 led to a sharp fall in fertiliser demand and accumulation of stocks. This was reflected in a sharp reduction of fertiliser imports in 1982-83, which were less than half of the previous year's level. Following the remarkable recovery in agricultural sector in 1983-84 demand for fertilisers increased; DGCI&S data show that imports of crude fertilisers rose by 38.4 per cent in volume and 45.4 per cent in value, though imports of finished fertiliser recorded a decline. During April-September, 1984 imports of crude fertilisers at 632,200 tonnes valued at Rs. 47.6 crores were higher by 72.7 per cent in volume and 83.1 per cent in value. Also, during April—September, 1984 there was a substantial increase in imports of finished fertiliser to 665,400 tonnes valued at Rs. 127.4 crores from 182,900 tonnes valued at 24.0 crores in the corresponding period of last year. The unit value of manufactured fertiliser imports showed an increase of 45.8 per cent during April-September, 1984. It is expected that fertiliser imports may peak to over Rs. 1000 crores in the year 1984-85 owing to factors conducive to higher consumption of fertilisers associated with good weather conditions prevalent in most parts of the country, and due to depletion of fertiliser stocks of the previous year.

8.20 One of the most important achievements in recent years has been the significant reduction in India's POL imports. Domestic production of crude which was 10.5 million tonnes in 1980-81 rose to 26 million tonnes in 1983-84 and is expected to touch 29 million tonnes during 1984-85. This has resulted in a sharp reduction in the share of POL imports in India's total import bill from a peak level of 42 per cent in 1980-81 to around 31 per cent in 1983-84. As India was swapping a part of her domestic production of crude for technical reasons, oil import figures have to be adjusted for the swap element to arrive at net imports. In terms of net POL imports, the decline was sharper, from 42 per cent in 1980-81 to 20.5 per cent in 1983-84.

8.21 During 1983-84, POL imports (gross), as per DGCI&S data, declined to around 20.3 million tonnes valued at Rs. 4830.1 crores from about 22 million tonnes valued at Rs. 5605.0 crores in 1982-83. During the first half of the current year, POL imports (gross) were 9.3 million tonnes valued at Rs. 2409.1 crores. The higher POL imports during the first half of the current year compared to the corresponding period of the last year is attributed to higher product imports, which almost neutralised the substantial reduction in crude oil imports. The higher value of POL imports also reflects the fact that the US dollar, in which oil is billed, had appreciated considerably against all other currencies, including the rupee.

8.22 Imports of organic and inorganic chemicals showed an increase of 57.5 per cent from Rs. 387 crores in 1982-83 to Rs. 609.6 crores in 1983-84. This trend continued during first half of 1984-85 when imports were higher by 49.7 per cent compared with the corresponding period of the previous year. Similar trends were witnessed in imports of chemical products and materials, though the increase in April—September, 1984 was modest. Imports of medicinal and pharmaceutical products, which had remained somewhat stable in 1982-83, showed in 1983-84, a substantial increase of 63.4 per cent. In the first half of the current year, these showed a further increase of 15.9 per cent. Pearls and precious stones are imported by the gem and jewellery industry for processing and re-exporting. Reflecting the growth in this industry and demand abroad, their imports have been rising in recent years. Imports of this item increased by 59.8 per cent from Rs. 677.4 crores in 1982-83 to Rs. 1082.4 crores in 1983-84. However, during the first six months of 1984-85, the increase in imports was smaller reflecting to some extent the moderation in export demand.

8.23 There was an acceleration in imports of capital goods which showed an increase of 25.9 per cent in 1983-84, following an expansion of 13 per cent in the previous year. In 1983-84, imports of capital goods had amounted to Rs. 2981.4 crores. In the first half of the current year, imports at Rs. 1178.3 crores were lower by 14.8 per cent compared with Rs. 1383.8 crores in the corresponding period of the previous year. The import demand for capital goods is largely influenced by the performance of industrial sector, the pattern of public sector investment and the trade policy regime for import of capital goods. There was a further liberalisation of policy for import of capital goods and technology in 1983-84 and 1984-85. The procedure for imports of capital goods for 13 major sectors, which provides for international competitive bidding, has also helped projects to procure capital goods from abroad. The step-up in public sector investment in import intensive sectors like petroleum, power, coal, fertilisers, telecommunications, etc., has also led to an enlarged demand for imports of capital goods.

Sources of Imports

8.24 As a group, the countries constituting the Organisation for Economic Cooperation and Development (OECD) not only maintained their position as the largest source for India's imports but increased their share in India's imports from 46.2 per cent in 1982-83 to 51.4 per cent in 1983-84. The member countries of the Organisation of Petroleum Exporting Countries (OPEC), which formed the second largest source, accounted for a lower share of 20.6 per cent in 1983-84 compared with 27.1 per cent share in the previous year. This reflected the success achieved in reducing the dependence on imported oil. On the other hand, the share of developing countries (other than OPEC members) in our imports increased from 13.7 per cent in 1982-83 to 15.2 per cent in 1983-84. The share of East European countries in India's imports at 12.5 per cent in 1983-84 showed a marginal decline.

8.25 India's imports from the OECD were larger by 22.2 per cent, these having increased from Rs. 6627 crores in 1982-83 to Rs. 8099 crores in 1983-84. Within the OECD, imports from the European Economic Community (EEC) increased by 17.1 per cent from Rs. 3245 crores in 1982-83 to Rs. 3801 crores in 1983-84. Within the EEC, the UK continued to be the largest source of imports in 1983-84 (Rs. 1143.1 crores). India's imports from the USA increased from Rs. 1370.7 crores in 1982-83 to Rs. 1790.9 crores in 1983-84, that is by 30.7 per cent. As a result, the US re-emerged as the single largest source for India's imports, with a share of 11.4 per cent in 1983-84. Imports from Japan showed a sharp increase of 36 per cent from Rs. 1070 crores in 1982-83 to Rs. 1455.5 crores in 1983-84.

8.26 There was a significant fall of around 16.3 per cent in imports from the OPEC from Rs. 3884.8 crores in 1982-83 to Rs. 3251.3 crores in 1983-84. West Asia accounted for almost the entire imports from this group. The decline in imports was largely on account of increased domestic production of crude and consequent decline in POL imports as indicated earlier.

8.27 India's imports from Eastern Europe showed a modest increase of 7.6 per cent from a level of Rs. 1825 crores in 1982-83 to Rs. 1964 crores in 1983-84. The USSR is the major source of import from Eastern Europe and it retained its share in India's imports in 1983-84 at 10.5 per cent.

8.28 Total imports from developing countries (excluding members of the OPEC) increased from Rs. 1971.3 crores in 1982-83 to Rs. 2392.2 crores in 1983-84 and showed an increase of 21.4 per cent. This significant increase in imports was contributed by substantial expansion in imports from Latin America and Africa of the order of 52.2 per cent and 117 per cent respectively. Imports from the Asia region, which accounts for a little above two third of our imports from developing countries, showed a modest increase.

Exports

8.29 In 1983-84, India's exports amounted to Rs. 9865 crores (provisional), showing an increase of 10.8 per cent over the previous year's export level of Rs. 8908 crores. The deceleration in export growth witnessed in 1983-84, when compared with the growth rate of 14.1 per cent recorded in 1982-83, occurred mainly on account of the slippage in exports arising from the port strike in March 1984. Excluding crude oil exports from Bombay High, which are included in the above figures, the growth rate in non-oil exports was substantially higher at 10.1 per cent compared with 3.1 per cent in 1982-83. Available data for April-November, 1984 indicates a growth of 22.9 per cent in total exports.

8.30 The performance of the export sector has to be viewed against the unfavourable environment for world trade. Besides stagnant economic growth, there has been an increase in protectionist barriers in industrial countries. In volume terms, world trade grew by just 1.5 per cent in 1980, stagnated in 1981, and then fell by 2 per cent in 1982. The recent economic recovery in industrial countries has been uneven and has done little to accelerate exports from the developing world. Demand for commodities of interest to India has been adversely affected by factors like high interest rates which have made it costly to maintain high stocks. More particularly, the recovery in the USA, which accounts for much of the recent growth in OECD countries as a group, is characterised by a further shift to service industries which use less energy and raw materials than manufacturing industry. Even in manufacturing, the dynamic sectors are characterised by high technology. Partly for this reason, the main beneficiaries of the recent US import boom, among the developing countries, have been those which export manufactured goods embodying sophisticated technology. India's recent export performance is thus a matter of some satisfaction especially in view of the unfavourable circumstances which prevailed abroad.

TABLE 8.5

India's Exports by Major Commodity Groups

(Value in Rupees crores)

Sl. No.	Commodity	1982-83	1983-84 (P)	Percentage change 1983-84/1982-83	April—September 1983(P)	April—September 1984(P)
1	2	3	4	5	6	7
1.	Cashew kernels	134.0	156.6	16.9	90.7	108.0
2.	Coffee & coffee substitutes	184.2	183.3	—0.5	109.3	106.4
3.	Fish & fish preparations	349.4	327.3	—6.3	154.9	128.5
4.	Oil cakes	149.4	146.3	—2.1	55.4	62.9
5.	Raw Cotton	101.2	149.0	47.2	104.2	48 0
6.	Rice	199.5	147.1	—26.3	44.1	48.2
7.	Spices	88.9	109.3	22.9	45.5	91.7
8.	Sugar	62.4	139.9	124.2	24.8	14.8
9.	Tea & mate	367.5	501.4	36.4	163.1	330.4
10.	Tobbacco unmanufactured	208.5	149.6	—28.2	84 8	100.2
11.	Iron ore	373.8	385.3	3.1	158.2	142.2
12.	Engineering Goods*	786.2	688.3	—12.4	311.4	330.6
13.	Chemicals & allied products	308.2	277.7	—9.9	124.2	164.3
14.	Cotton fabrics	265.5	276.5	4.1	120.7	162.0
15.	Iron and Steel	55.8	46.4	—16.8	22.1	27.0
16.	Jute manufacture	202.8	164.5	—18.9	90.8	141.0
17.	Leather & leather manufactures incl. footwear	371.8	373.1	0.3	180.5	251.3
18.	Readymade garments	527.5	607.2	15.1	202.4	357.2
19.	Handicrafts	1172.2	1599.3	36.4	794.3	765.4
	of which : pearls, precious & semi-precious stones	(824.9)	(1214.0)	(47.2)	(612.4)	(576.3)
20.	Others	2999.0	3437.2	14.6	1522.0	1740.4
	of which: Crude oil	(1063.4)	(1231.1)	(15.8)	(573.5)	(516.3)
	Total Exports	8907.8	9865.3(a)	10.8	4404.4	5120.5

(P) Provisional

* Includes machinery and transport equipment and metal manufactures excluding iron & steel.

(a) Revised to Rs. 9865.9 crores for supplemetary data received up to Novembr,1984.

8.31 During 1983-84, exports of tea showed an increase of 36.4 per cent from Rs. 367.5 crores in 1982-83 to Rs. 501.4 crores. There was a global rise in tea prices in 1983 due to decline in pipeline stocks and on account of shortfall in global tea production. In order to stabilise prices in the domestic market, the Government imposed in December, 1983 a ban on exports of CTC tea, which is largely consumed domestically. With the coming of fresh crop, the ban was lifted in May, 1984. However, as the prices of tea continued to rise on account of persistent export buying, quantity restrictions on tea exports were reimposed in the beginning of September, 1984. The data on tea exports for the period April—September, 1984 indicate that the volume of exports was 106.8 million Kgs. valued at Rs. 330.4 crores, showing an increase of 61.1 per cent in volume and 102.6 per cent in value over the same period in the previous year.

World tea prices are currently ruling at higher levels on account of shortfalls in production of tea in Kenya and Sri Lanka. Export earnings from coffee at Rs. 183.3 crores in 1983-84 remained almost unchanged from the previous year's level of Rs. 184.2 crores. During April—September, 1984 there was a marginal decline in coffee exports. Being a member of the ICO, India's exports of coffee are regulated by quota limitations. India has been traditionally allotted a quota which is low compared to her production levels. Besides, the preferential tariff structure of the EEC, which is the main importer of coffee, adversely affects India's exports relative to its preferred sources. India has thus to rely on exports to non-member countries.

8.32 Cashew exports which had shown a larger decline in 1982-83, recovered to some extent in 1983-84 when these showed an increase of 16.9 per cent in value. Although the volume of exports at around 39,600 tonnes was higher by 29.8 per cent, earnings did not show a corresponding increase. India's exports of cashew kernels were adversely affected due to withdrawal of the USSR from the market. As a result, India's exports to the USSR which accounted for almost 50 per cent in 1982-83 were negligible during 1983-84. The fall in prices resulting from the absence of support received from the USSR purchases generated additional demand from other sources. There was thus a significant improvement in India's cashew exports to other countries, notably the USA. During April—September, 1984 there was a sharp increase in unit value realisation of 53.1 per cent, and accordingly, the value of exports showed an increase of about 19.1 per cent to Rs. 108 crores despite a significant drop, in volume, of 22.2 per cent.

8.33 Exports of rice continued to decline. From 435,000 tonnes valued at Rs. 199.5 crores in 1982-83 these fell to 246,000 tonnes valued at Rs. 147.1 crores, registering a fall of 43.4 per cent in volume and 26.3 per cent in value. Unit value realisation was higher by around 30.4 per cent during 1983-84. While India was able to export superior quality rice during 1983-84, she was also an importer of rice in that year of 328,100 tonnes. Imports were meant to combat pressure on prices and replenish buffer stocks. The recovery in agriculture facilitated an increase in rice exports during April—September, 1984 by 14 per cent in volume and 9.3 per cent in value.

8.34 Exports of spices recovered from the set back witnessed in 1982-83 showing an increase of 13.0 per cent in volume and 22.9 per cent in value. Exports during April—September ,1984, when with a sharp appreciation of 62.1 per cent in unit value, registered a substantial increases of 97.2 per cent at Rs. 91.7 crores. Pepper and cardamom are the two important high value items in India's export of spices. The short supply of pepper in the world market has increased the international price of pepper and was reflected in higher unit value realisation of spices as a group during 1983-84 and the first half of 1984-85. In recent years there has been a sharp reduction in exportable surplus of cardamom as production was affected by severe drought in a situation marked by rising domestic demand.

8.35 Exports of oilcakes during 1983-84 showed a decline of 9.4 per cent in volume and 2.1 per cent in value. Exports of oilcakes were affected by the reduction in the surplus available for exports following drought and also on account of strict import regulation concerning quality of the groundnut extractions imposed by the EEC countries. During April—September, 1984, there was a further fall in the volume of exports by 11.6 per cent, but on account of a significant jump of 28.4 per cent in unit value, export earnings showed an increase of 13.5 per cent to Rs. 62.9 crores.

8.36 Exports of unmanufactured tobacco suffered set back in both volume and value. From a level of 98,000 tonnes valued at Rs. 208.5 crores in 1982-83, these fell to 75,800 tonnes valued at Rs. 149.6 crores in 1983-84. India is one of the major exporters of tobacco in the world. The fluecured virginia type tobacco constitutes 90 per cent of our total exports. The decline in exports of unmanufactured tobacco is attributed to lack of export demand for lower grades of tobacco. During April—September, 1984 export earnings increased by 18.2 per cent to Rs. 100.2 crores, the volume increase being 31.7 per cent.

8.37 Export earnings from sugar increased from Rs. 62.4 crores in 1982-83 to Rs. 139.9 crores in 1983-84. India exported 240,000 tonnes of sugar in 1983-84 as compared with 212,700 tonnes in the previous year. The firming up of sugar prices from the earlier depressed levels contributed to a relatively larger value realisation. During April—September, 1984 India exported 74,600 tonnes of sugar fetching Rs. 14.8 crores. There was a sharp fall in unit value realisation of about 50.9 per cent, reflecting a decline in sugar prices abroad.

8.38 Exports of marine products showed a decline from the high level reached in 1982-83. The setback continued in the first half of the current year, though this was entirely on account of a fall in unit value realisation of about 24.4 per cent. The bulk of the country's export of marine products consists of frozen shrimps and Japan and the USA continue to be main markets. However, there was a fall in the export of shrimps which has been the sheet anchor of the marine products industry. This is indicative of a supply constraint emerging as shrimp stocks have depleted over the years. The problem could be eased by improving fishing infrastructure and taking to shrimp farming.

8.39 Iron ore exports have stagnated in recent years because of continuing recession in the world steel industry. These showed a marginal increase of 2.4 per cent in volume and 3.1 per cent in value during 1983-84 over exports of 20.7 million tonnes valued at Rs. 373.8 crores achieved in 1982-83. Iron ore exports during the first half of 1984-85 remained depressed at 7.6 million tonnes valued at Rs. 142.2 crores compared with 7.9 million tonnes valued at Rs. 158.2 crores during the same period in 1983-84. The international market for iron ore is characterised by severe competition among producers. At present Japan continues to be our major market, though we have also succeeded in tapping new markets like the Republic of Korea, China and the Middle East. India's success in increasing the volume of iron ore exports will depend on the competitiveness of iron ore, which is determined not only by quality but also by the efficiency of mining operations and transport infrastructure.

8.40 India's jute exports had suffered a decline in 1982-83. These receded further to 3 lakh tonnes valued at Rs. 164.5 crores in 1983-84 from 3.3 lakh tonnes valued at Rs. 202.8 crores in 1982-83. Overseas demand for Indian jute goods has shrunk on account of acute competition from substitutes, cheaper supplies from Bangladesh, recessionary conditions abroad, and the prevalence of high interest rates making it costlier to maintain high stocks of inventory. Exports of jute manufactures showed an improvement in April—September, 1984, when exports amounted to Rs. 141.0 crores compared with Rs. 90.8 crores in the same period of the previous year. The increase in earnings was partly the result of a sharp rise in unit value realisation of about 34.6 per cent. The prices of raw jute in the world market are currently ruling high, mainly due to poor crop in the major jute producing countries.

8.41 Exports of raw cotton, which had shown a sizeable increase in 1982-83, showed further rise in 1983-84 when exports amounted to Rs. 149 crores showing an increase of 47.2 per cent over the previous year. The volume of exports rose by 63.6 per cent to 124,800 tonnes in 1983-84. However, during April—September 1984, exports suffered a setback when exports were less than half the level in the first six months of 1983-84, due to a sharp fall in quantity exported.

8.42 In the case of cotton fabrics, the decline in volume of exports witnessed in 1982-83 persisted in 1983-84. This trend was somewhat reversed during April—September, 1984, when exports of cotton fabrics showed an increase of 47.8 per cent in volume and 34.2 per cent in value. The USSR has recently emerged as the principal buyer for India's cotton textiles. Readymade garments showed an increase of 15.1 per cent in 1983-84 to Rs. 607.2 crores. This is attributed to a revival in demand in the US and West European markets, which had remained depressed in the recent past due to recession. This trend continued during the first half of the 1984-85 with readymade garments showing a substantial increase of 76.5 per cent over the first half of 1983-84 to Rs. 357.2 crores.

8.43 Exports of engineering goods, which had been a fast growing item in India's export basket during the past decade, have not performed well in recent years. Following a decline in 1982-83, exports of engineering goods showed a further decline of around 12.4 per cent to Rs. 688.3 crores in 1983-84. There was some pick up in exports in the first half of 1984-85. The general weakening trend in the exports of engineering goods is attributed to a combination of both demand and supply factors. Factors which impinged on demand abroad included the prevalence of recessionary conditions, protectionist barriers, the substantial fall in oil revenues of oil exporting countries in the Middle East leading to a deceleration in their developmental activities, payments difficulties in some countries in Africa, counter purchase policies resorted to by some developing countries and reduced purchases by the USSR and the USA. Infrastructural constraints and technological obsolescence and higher costs of key inputs may have eroded the competitiveness of India's engineering exports. The share of

India in world exports of engineering goods is small, so that this sector offers considerable scope for enhancing India's exports. In a world of intense competition, a major thrust in this sector can be achieved only if India competes effectively in terms of price, quality and technological factors. A growing share of capital goods exports is tied to project exports and in view of the adverse developments in the Middle East, more attention need be paid to projects financed by multilateral financial institutions like IBRD and ADB.

8.44 Exports of leather and leather manufactures were depressed in the last two years. This is attributed to slack in demand and restrictionist measures in developed markets like Japan, EEC and Canada and increasing competition from better equipped industry in Taiwan, South Korea and China. Following a revival in demand for leather manufactures overseas, exports increased by 39.2 per cent during April-September, 1984.

8.45 Exports of pearls and precious stones spurted by 47.2 per cent in 1983-84 to Rs. 1214.0 crores. This upward trend was not, however, maintained in the first half of 1984-85. Net exports of pearls and precious stones, computed as the excess of exports over imports, declined from Rs. 147.5 crores in 1982-83 to Rs. 131.6 crores in 1983-84 showing a decline of 10.8 per cent. India specialises in small-sized diamonds for which the market is close to saturation point. In order to improve net earnings from pearls and precious stones, it is imperative to modernise and diversify into diamonds of higher value and caratage.

8.46 India continued to swap some quantity of crude in the world oil market to achieve a mix better suited to domestic refineries. During 1983-84 India exported around 5.5 million tonnes of crude valued at Rs. 1231.1 crores as against 4.6 million tonnes of crude valued at Rs. 1063.4 crores in 1982-83. However, during April—September, 1984 crude oil exports were lower at around 2.2 million tonnes valued at Rs. 516.3 crores compared with 2.6 million tonnes valued at Rs. 573.5 crores during the corresponding period last year.

8.47 The preceding review of India's export performance indicates that the growth in most of the agriculture based commodities depends on exportable surpulses which are constrained by the pressure of domestic demand and inadequate domestic availability. The notable examples are tea, spices, cashew kernels, and rice. Besides, some items like coffee and sugar are quota constrained in the international market. On the other hand, manufactured commodities like engineering goods, leather manufactures and textiles which had shown dynamic performance in the Seventies have been affected adversely in the past few years by global recessionary conditions, intensification of protectionist barriers, severe competition in the world market and domestic supply problems. Exports of pearls and precious stones have done well but the net foreign exchange earning is small and is also showing signs of deceleration. Also, our exports of manufactured products are not adequately competitive because of high cost of production and inferior quality of products. There has been liberalisation in the sphere of trade and industrial policy with preferential treatment for exports in the regulatory frame work. But the extent to which we can boost our manufactured exports will depend on efficient growth of our manufacturing sector and performance of the infrastructure. The world economy has recently shown some signs of recovery from the worst depression since the second World War even though the pace and spread of the recovery remains uneven. Overall, the world trade is expected to grow and India should be able to expand its export at a reasonable rate. In this regard, a major effort is needed to improve productivity in the manufacturing sector and ease constraints imposed by infrastructure problems.

Direction of Exports

8.48 The destination wise pattern of India's exports displays considerable diversification. In 1983-84, the share of exports going to Organisation for Economic Cooperation and Development (OECD) accounted for 44.2 per cent, while Eastern Europe and OPEC accounted for 16.3 per cent and 8.9 per cent respectively. Developing countries (other than OPEC) formed the destination for 15.8 per cent of India's exports in 1983-84. Compared with 1982-83, there was an increase in the share of exports to the OECD, while there was a decline in the share of East European countries. Statistical comparison of destination wise share is to some extent affected by the fact that exports of crude oil are included in the total exports but not booked destination wise.

8.49 The bulk of exports from India to the OECD group went to the EEC, the USA and Japan. Exports to the EEC showed an increase of 15.4 per cent from

Rs. 1475.1 crores in 1982-83 to Rs. 1702.4 crores in 1983-84, so that share of EEC rose from 16.6 per cent in 1982-83 to 17.3 per cent in 1983-84. There was a sharp increase in India's exports to the USA in 1983-84 when they rose by 46.8 per cent to Rs. 1394.7 crores from Rs. 950.3 crores in 1982-83. The USA thus re-emerged as India's single largest export market, accounting for 14.1 per cent of India's exports in 1983-84 as against 10.7 per cent in 1982-83. Our share in total imports of the US remained, however, insignificant at less than one per cent in 1983.

8.50 Exports to the OPEC group of countries had declined in 1982-83 and there was stagnation in 1983-84. The share of East European countries in India's exports declined from 21.4 per cent in 1982-83 to 16.3 per cent in 1983-84, mainly on account of a sharp reduction in USSR purchases.

8.51 The improvement in India's exports to developing countries (excluding member-countries of the OPEC) witnessed in 1982-83 was maintained when they rose by 19.2 per cent to Rs. 1563 crores in 1983-84. Countries of the Asia and Pacific region accounted for 79 per cent of our exports going to developing countries. Regionwise, exports to the Asian region showed an increase of 28.1 per cent and those to Latin America and Africa showed declines of 11.1 per cent and 4.5 per cent respectively during 1983-84.

Developments in Trade Policy

8.52 In recent years, the import-export policy has been continuously modified so as to provide a framework for a flexible and liberal response to the growing needs of the economy for increasing production and exports. In particular, the policy aimed at providing to Actual Users with adequate access to raw materials, intermediates and components needed for maintenance and enhancement of production. Special consideration was given to the export sector, which has to face international competition, through liberal and favoured access to necessary inputs.

8.53 The import-export policy for 1984-85 carried forward this road framework of priorities. Modifications were made to enhance the access and flexibility available to exporters, particularly those who were exporting high value added items. In order to improve the competitiveness of the industry, special facilities were provided for technological upgradation and modernisation. Additional incentives were given for promoting the objective of export diversification in terms of markets and products. To encourage product diversification in exports, Trading Houses were allowed, in certain circumstances, increased access to restricted and canalised items. In order to support entrepreneural initiative in exports, a special category of Entrepreneur-Merchant Exporters (EMEs) was introduced. To promote exports of items which would secure higher net foreign exchange earnings, eligibility for additional licences for exports effected during 1984-85 would be computed partly as a proportion of the net foreign exchange earnings by Export/Trading Houses. Further measures were taken to simplify and streamline procedures. The validity period of licences (other than capital goods licences) was raised from 12 months to 18 months.

8.54 The general structure of the import policy for registered exporters was further strengthened in certain respects in order to promote exports. To enhance enlarged access to required inputs, REP rates were raised across the board by 1 percentage point, where such rates were below 10 per cent. In order to specially favour exports with a high net foreign exchange earnings, manufacturer exporters who exported 50 per cent or more of their production of select products were granted flexibility upto 100 per cent (50 per cent of the value of REP licences for import of limited permissible items and 50 per cent for canalised items), provided the REP rate was 20 per cent or less. Flexibility was also enhanced for import of limited permissible items from 20 per cent to 25 per cent, with an identical increase for canalised items, in the case of exporters of select products, where the import replenishment rate was 20 per cent or less. The maximum value limit upto which capital goods could be imported against REP licence, without indigenous clearance, was raised from Rs. 50 lakhs to Rs. 75 lakhs. A graded slab system was introduced linking the entitlement to import of capital goods to both the percentage of production exported as well as to the f.o.b. value of exports.

8.55 The policy for providing automatic and liberal access to Actual Users for import of raw materials, components and consumables was continued and strengthened in certain respects. Actual Users (industrial) whose automatic licences for raw materials etc. in the preceding year were not more than Rs. 2 lakhs in value would not now be required to make any fresh application but could avail the old licence on a repeat basis for 1984-85. Facility for import of certain canalised items subject to a maximum limit of Rs. 1 lakh was provided. Option was provided to Actual Users, who exported at least 50 per cent of their production of select products in any one of the two previous financial years, either to avail of a repeat facility of supplementary licence or to obtain a separate supplementary licence upto 50 per cent of the value of their automatic licence issued during 1983-84, without the recommendation of the sponsoring authority.

8.56 Some of the conditions governing the working of Trading Houses and Export Houses were modified. The minimum qualifying exports for recognition of new Export Houses other than SSI units was raised to Rs. 3 crores in the case of units exporting select products and Rs. 7 crores in the case of exports of non-select products. The minimum level of qualifying exports of select products for recognition as Trading House was raised from Rs. 10 crores to Rs. 15 crores with the condition that such exports should be spread over at least three product groups and the f.o.b. value of exports of select products in each product group should not be less than 15 per cent. The minimum growth rate in the case of Trading Houses was raised from 15 per cent to 20 per cent for the purpose of renewal of recognition as Trading House, the growth rate for Export Houses being already 20 per cent. The value of the additional licences to be issued to Export Houses and Trading Houses in 1985-86, on the basis of their exports during 1984-85, is to be computed partly as a proportion of the net foreign exchange earned, instead of being linked solely to the f.o.b. value of exports as at present.

8.57 The scope of imports of capital goods under OGL was enlarged and 94 items of industrial machinery were added to this list. With a view to preventing imports of comparatively old machinery, import of second-hand machinery, which was older than seven years and had less than five years of expected residual life were no longer permitted.

8.58 The policy regarding import of technology was framed to promote technological upgradation, optimum use of raw materials, energy saving and international competitiveness in products and services that have export potential. Imports of drawings and design for technological upgrading were allowed upto Rs. 25 lakhs as against the limit of Rs. 10 lakhs earlier. Also a special provision was made for meeting import requirements for technology development in certain priority areas. The policy also introduced a new scheme to promote exports of software by providing for liberal imports of computer hardware, software and peripherals by exporters.

External Assistance

8.59 The recent trends in inflows of gross and net external assistance are shown in Table 8.6. Gross disbursements of external assistance increased marginally from Rs. 2250 crores in 1982-83 to Rs. 2268 crores in 1983-84. It is estimated that during 1984-85, there may be a further increase in such inflows to Rs. 2707 crores. The net assistance (net of debt servicing) received by India, however, showed a decline from Rs. 1302 crores in 1982-83 to Rs. 1235 crores in 1983-84 and was estimated to show an increase of about 29 per cent to Rs. 1592 crores in 1984-85.

TABLE 8.6

Inflow of External Assistance : Gross and Net

(Rs. crores)

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85
1. Authorisations	2336	1860	3847@	2840	2949	2079	2834*
2. Gross disbursements	1216	1353	2162@	1870	2250	2268	2707**
of which: Debt relief	7	11	13	2	2	1	
3. Debt servicing (including interest payments)	796	801	804	849	948	1033	1115
4. Net inflow of assistance	420	552	1358@	1021	1302	1235	1592

* Authorisation on Govt. account only for April-Sept., 1984.

**Estimated utilisation during 1984-85 includes Government, non-Government loans, grants and food aid. Figures shown here may be different from those appearing in the Budget, which show only assistance passing through the Budget.

@ Includes drawings under IMF Trust Fund.

NOTE :—The data do not include suppliers' credits and commercial borrowings.

8.60 For considering India's aid requirements for 1984-85, the Aid India Consortium met in Paris on June 19-20, 1984. It acknowledged the success of the adjustment efforts made by India for strengthening the balance of payments, enabling it to terminate the EFF arrangements with the IMF when it had still an undrawn balance of SDR 1.1 billion. The Aid India Consortium also appreciated the strong performance of the Indian economy during recent years, and underlined the need for maintaining the flow of concessional aid in real terms in order to enable India to fulfil its development objectives. In the event, pledges amounting to about $ 4 billion were made by the Consortium members for 1984-85, which were about $ 0.3 billion more than in the previous year.

8.61 The international climate for official development assistance to developing countries, including India, has recently shown a considerable deterioration. The total disbursements of official development assistance from all donors net of repayments showed a decline in real terms in 1983. The share of total GNP devoted to official development assistance also recorded a marginal decline in 1983. A development causing particular concern to low income developing countries like India is the erosion in the availability of concessional assistance. The International Development Association (IDA) is a major source of concessional assistance to these countries. They will be particularly hit by the recent decision of the donor countries to limit the seventh replenishment for the IDA at a lower amount of $ 9 billion, as compared to the amount of $ 12 billion committed for the IDA-VI replenishment period. Efforts made by the World Bank management to supplement the seventh replenishment of IDA have so far not been successful. India, which was traditionally a major recipient of IDA resources, faces a serious decline in the availability of concessional assistance, not only due to the inadequate size of the seventh replenishment, but also due to entry of China. Even if a reduction in the volume of IDA assistance could be partially offset by additional lending by the World Bank, the terms of lending of the latter are considerably harder, so that the net effect would be a hardening in the terms of aid. Thus, between the biennial periods 1980—82 and 1982—84, while the level of overall aid authorisations declined by 25 per cent, ODA authorisations declined by as much as 52 per cent, so that the proportion represented by concessional assistance from ODA in India's overall aid fell sharply from about 43 per cent to 27 per cent.

8.62 The volume of disbursements of overall assistance for India have not so far been affected, as these depend on the pipeline of outstanding aid relating to past aid commitments and authorisations. The disbursements from IDA commitments are spread over an average period of about 10 years while those from the World Bank and bilateral credit have an average disbursement spread of about 8 years. However, if fresh authorisations, which on an average were declining in recent years, do not pick up, there will be a fall in the disbursements of external assistance in the years ahead. Since India's debt service payments on past loans will grow, this implies that the net flow of assistance will show a sharper decline. This will pose a serious challenge in managing India's external resources, at a time when the increase in investment necessary for raising economic growth will call for larger import requirements.

8.63 In view of the recent decline in the availability of external assistance, India had, in the past few years, supplemented her external resource flows through commercial borrowings on a selective basis. As these are short term, high cost borrowings, care has been taken to limit their use to finance projects for which resources were not forthcoming from traditional sources. Keeping in view the need to maintain the country's debt servicing burden within prudent limits, commercial borrowings are required to be approved by the Government of India. The amount of commercial borrowings approved were Rs. 1038 crores in 1980-81, Rs. 1204 crores in 1981-82, Rs. 2026 crores in 1982-83 and Rs. 1085 crores in 1983-84. In the current year, approvals granted for commercial borrowings upto the end of December, 1984 had amounted to about Rs. 1750 crores. Being project-tied, disbursements of commercial assistance are related to the progress of the projects, and have been at levels much lower than the approvals. While the Government has been permitting private sector units, on a selective basis, to obtain commercial loans, the bulk of these loans has been contracted by public sector units like ONGC, NALCO, BHEL, Maruti Udyog and Air India.

8.64 India's debt servicing burden is not high by current international standards. The debt service payments (principal and interest) for 1983-84 on account of loans contracted on Government account, non-government account, suppliers' credit and commercial borrowings and on IMF credits together aggregated to Rs. 1868 crores which was 11.6 per cent of India's estimated exports plus gross invisibles receipts. However, as repayments of EFF borrowings from IMF would begin in 1985-86 and as recent commercial borrowings will also become due for repayment, India's debt servicing burden will be significantly larger in the years ahead.

8.65 While the Sixth Plan experience in the sphere of balance of payments is commendable, it must be recognised that it was helped by some special factors which may not operate to the same extent in the future. During the Sixth Plan there was a reduction in both the volume and value of oil imports, which enabled an expansion in non-oil imports necessary for investment growth and stability while keeping total import growth at modest levels. Comparable reduction in oil imports cannot be expected in future. Again, the inflow from net invisibles, which strengthened the balance of payments during the past few years, and offset the slow growth in exports, is likely to slow down in future due to the uncertain situation in the Gulf region. This may be the case also with capital flows into non-resident external accounts. The aid atmosphere has already worsened and the share of concessional assistance is expected to decline considerably in the years to come. All this adds up to a somewhat uncertain and uncomfortable outlook for the balance of payments over the medium term. A major effort has to be mounted in the Seventh Plan to further accelerate the rate of growth of exports, and to reduce imports of bulk commodities.