Crisis of External Resources

Its crisis in regard to external resources is far more serious. This crisis arises essentially from the fact that the value of our exports is less than the value of our imports.

Position Regarding India's Import and Export accounts

(Rs. crores. One crore = 10 million)

	1950-51	1955-56	1960-61	1961-62	1962-63	1963-64
1. Imports	650.3	773.1	1105.7	1006.0	1091.3	1230.7
2. Exports	646.8	640.3	630.5	668.0	682.2	801.7
3. Balance of Payment	(–)3.5	(–)132.8	(–)475.2	(–) 337.7	(–) 409.1	(–) 429.0
4. Import of Foodgrains—Wheat, Rice & others alone	99.6	17.7	181.4	116.9	144.3	129.8

Any underdeveloped country can hope to minimise this trade deficit only by increasing its export agricultural produce on the one hand and by reducing imports of goods needed for industrialisaion as well as industrial raw materials and intermediate goods needed for existing industries.

But since our agriculture is stagnant, we are unable to increase our exports despite all the export promotion schemes and export incentives. On the other hand, we are obliged to import even foodgrains and cotton.

Since the Plan performance has been far short of the targets, we are obliged to import large quantities of steel, pig iron, machines, etc. Hence reduction of imports becomes impossible. To add to these difficulties, since the import and export trade is in the hands of large business houses and with foreign exchange becoming a very scarce resource, malpractices like under-invoicing and over-invoicing have become common features leading to sizable loss of foreign exchange.

With prices ruling high and daily rising in the domestic market, and consequent high profits, together with the possibility of earning black-money in domestic profit, there is no real incentive to export our manufactures such as cotton cloth. Where forced export is made, as in the case of sugar, the tax-payer has to pay by way of subsidy Rs. 1.75 for every rupee of foreign exchange earned.

No wonder then, that the foreign exchange crisis which became acute in the first year of the Second Plan has gone on getting accentuated. The Third Plan itself had no hope of mitigating this difficulty. For, it stated: "The balance of payments difficulties that the country is facing are, it must be stressed, not short-term or temporary; they will continue for several years to come."

We have seen that the Government overcomes the internal resources crisis of the Plan by heaping still more burdens on the people by increased indirect taxation and deficit financing. But, however, colossal burdens it may heap on the people, it cannot overcome the external crisis.

It seeks to overcome this by getting more aid from the 'Aid India Club' led by the USA. But this itself further accentuates the crisis. Out of the total Rs. 2500 crores of estimated requirements of foreign assistance for the Third Plan (excluding PL 480 food imports) Rs. 500 crores are required for repayment of instalments and interest and other service charges on the loans got during the First and Second Plan periods. As foreign assistance goes on increasing, requirements of pre-payments and servicing will also go on mounting.

Secondly, most of the loans obtained from the imperialist countries are 'tied' loans, i.e., we can buy goods with those loaned amounts only from those countries. And they utilise this for charging exorbitant rates for the goods bought with such 'tied loans'.

The situation has become so acute that the 'Economic Survey for 1963-64' presented to Parliament along with the budget stated:

"Valuable as external assistance has been in promoting economic development and in achieving stability in external balance, the growth in the external debt falling due for payment in the next few years has become a matter of concern. The growing debt repayment burden underlines the paramount imporantce of strengthening the balance of payments as well as the need for avoiding arrangements for financing imports which result in short and medium term payment liabilities and entail high interest charges."

And yet, the Government with its policies has no other option but go on begging for aid from the imperialists. Every year, the Finance Minister has to make pilgrimages to the Exchequers of these imperialist countries. And, of course, beggars cannot be choosers.

Finding that even this aid is not sufficient to bridge the gap in our trade balance, the Government, during the last four years, has thrown the doors wide open for foreign private capital investments in the private sector, in collaboration with our own private capital. The theory is now trotted out that such private investments are better than borrowings, because private investments do not entail repayment responsibilities. This is obviously a false theory, for private capital earns in this country a high rate of profit. A recent survey of the US Government Commerce Department showed that the profits on US investments were highest in India—20.6 per cent, much more than three times the interest charges that foreign loans entail. These huge profits would be a perpetual drain on our resources, and when these foreign monopolists decide to repatriate their capital, it will be at inflated values. The absurdity of their claim is pointed out by Dr. Mathew Kurian in an article in the August 1962 issue of "The United Asia Magazine". After quoting the relevant figures of expatriation of foreign capital and inflow of foreign capital

during the Second Five-Year Plan, he states:

"Thus, India witnessed the paradox of a continuously increasing volume of private foreign capital co-existing with a new outflow of funds every year on the private capital accounts. Even though private foreign investments in India grew at the rate of Rs. 90 crores per annum during the period from 1948-59, in terms of foreign exchange resources there was an actual outflow of Rs. 54 crores on the average per year."

Thus, even this wooing of foreign private capital does not solve or even mitigate the crisis of external resources.

Crisis of the Plan

The crisis of the Plan stems from the basic policies of the Government. Refusing to carry out real agrarian reforms and relying on landlords and a stratum of rich peasants to develop agriculture has led to a virtual stangnation in our agriculture. The effect of such attempts at development has been discussed in detail in the Report of Ladejinsky, who studied the performance of the Package Scheme districts on behalf of the Government. Reliance on the profit motive of the capitalists and securing for them the capital needed from the common people by increasing prices has, under conditions of a protected market, led to unheard of increase in profits. Many industries declare as much as 30 per cent as dividends alone. And what is more, it has led to tax-evasions, colossal accumulation of black-money and speculation and hoarding.

As already seen, refusal to take over foreign concerns, but increasing reliance on foreign imperialist aid and on foreign private capital, has only enabled them to have a bigger and bigger share in the loot of the protected market that India is and has not even mitigated our foreign exchange problems.

Is there any wonder then that despite the much vaunted planning the growth of national income has been one of the lowest in the world? Between 1953-54 and 1960-61, the average annual rate of growth of national income in India has been a meagre 3.4 per cent whereas even countries without a plan to boast had a greater rate of growth. Philippines and Thailand had 5.6 per cent.