

21. On the external side, it is impossible to forecast balances of payments several years ahead, especially for countries whose export earnings are subject to wide fluctuations. It is clear, however, that the export potential of the various countries is likely to rise as the programmes take effect, and this will enable them to increase their total imports. At the same time the tendency will certainly be for the composition of these imports to change. In particular, the increased food production envisaged in all the programmes is likely to reduce the proportion of food imports in favour of imports of capital and consumer goods, even though there is ample room for an increase in food consumption. This somewhat lowered dependence on imported food will in turn strengthen the economies of the countries and enable them the better to meet any crises which might endanger food supplies from abroad. In the result, therefore, there is a reasonable expectation that the development will strengthen the external financial position of the countries. While this is true of all the countries, it applies with special force in the case of Pakistan.

### **Effect on World Trade**

22. The increase in incomes is likely, other things being equal, to contribute to the expansion of world trade. The opposite would be true only if the development were consciously planned to lead towards self-sufficiency. While the programmes provide for some diversification of the economies, this is not with autarky in mind. There is such a dangerous dependence on two or three export crops in Ceylon and Malaya that diversification is no more than ordinary prudence, while in Pakistan the economy is concentrated unduly upon agriculture.

23. All the countries are expanding rice production, and the total increase may be of the order of 2,500,000 tons. India expects to increase production by 7 per cent., Pakistan by 6 per cent., Ceylon by 32 per cent. and Malaya by 77 per cent. This expansion will not, however, lead to uneconomic duplication. The total population of the area at the end of the six years is likely to be some 10 per cent. higher, and the increase in production envisaged in the programmes will to a large extent be taken up by the restoration of pre-war levels of consumption. On balance, it is estimated that the aggregate dependence of all the countries in the area on rice imports will be lessened by not more than 10 per cent., and that they will still have to import a total of 1,700,000 tons.

24. Both the Indian and the Pakistan programmes provide for an increase in cotton production; here too there is such a large potential demand for cloth in the sub-continent that the extra cotton, and the extra cloth, will be easily absorbed. The increased production of jute is likewise directed towards a sound economic purpose. Exports from the Indian sub-continent have fallen since the end of the war. The commodity has been so scarce and expensive that other countries have been stimulated to search for substitutes to an extent which may threaten the future market for the natural product. This danger will clearly be lessened if production is expanded to a level which will enable it to be sold more cheaply. It should, moreover, be noted that even these plans for expansion both in India and Pakistan will not restore production to pre-war levels. In these circumstances the attention to be paid to jute and jute goods is clearly necessary for both countries.

25. The programmes are of a constructive character in relation to world trade and the world economy. The corollary is that a healthy world economy is vital for the fulfilment of the programmes. The demand for the main