they include the whole of the prospective balance of payments deficits of the countries concerned, both in respect of the public development works described in their programmes and in respect of the private sector of their economies.

18. India, which has been subject to serious inflationary pressure, has taken various measures to reduce it. Apart from strengthening their physical and fianancial controls, the Indian Government, in framing their Budget for 1950-51, have been able to bring about a very substantial reduction in the deficit, although this involved the curtailment of some desirable expenditure on development. India is sufficiently industrialised to produce internally much of the equipment and materials required for development; it has therefore estimated its needs for external finance by reference to the probable availability of internal finance from private and public savings. It is expected that increases in the yield of taxation, economies in government expenditure and greater savings will raise the amount of internal finance available for development in the public sector from £100 million in 1951-52 to £160 million in 1956-57. After allowing for this, the Indian Government estimate that £128 million of external development finance will be necessary in the first year (corresponding to a total balance of payments deficit of £163 million). This requirement will fall progressively to £73 million in the last year. External finance is needed not only for the materials and equipment imported in connection with development projects, but also for other imports, to enable the Government to counteract inflationary pressure and to raise a part of the funds needed for internal expenditure. The estimated deficits referred to above are not based on a 'screened' import programme and an export forecast; they show the deficits which would have to be incurred to carry out the development programme without inflation if external finance were provided on the scale assumed. If India found it necessary, through lack of external purchasing power, to balance its external accounts during this period, it would be obliged to curtail the programme.

19. Pakistan's position is different. Nearly the whole of the materials and capital goods which are needed to carry out the development programme have to be imported, and consequently a large part of the expenditure on the programme directly requires external finance. The internal financial expenditure involved in the programme is believed to be within the financial capacity of the country. Thus Pakistan does not expect to have to combat serious inflationary pressures by devoting a large part of the external finance to the import of goods not required under the programme. Pakistan accordingly expects its belance of payments deficit to grow during the earlier years on account of the import of capital goods, reaching a peak of £33 million in the second year of the programme, when the flow of capital goods will be greatest. After that, the balance of payments will improve for the development programme should greatly strengthen the position.

20. Ceylon's requirements of external finance for the development programme are virtually limited to the actual capital goods imports involved. The balance of payments is at present favourable; it would deteriorate considerably if there were any weakening of the prices of tea, rubber and coconut products. If these prices fall, however, the Ceylon Government would expect a balance of payments deficit to arise which would be larger than the external cost of its development programme and more external finance would thus be needed. The difficulty which confronts Ceylon is that commitments have to be made ahead, and its economy is so vulnerable that it is impossible to predict with any certainty whether its internal or external financial resources will be strong enough in the future to meet the commitments entered into in this programme.