that restrictions are being lessened on the activities of foreign enterprises. Loosening the regulations limiting economic activities of foreigners, and other measures such as reorganization of foundations for production and the expansion of the domestic markets are indispensable. The vicious cycle of the low rate of capital formation and the low rate of economic development must be curbed as soon as possible.

The last part of the book contains reports of the survey made in the Philippines by two members of the study group. Research was done on the recent development of Philippine export industries, and recent actions of financial institutions. These on-the-spot surveys are interesting because they serve as a proof of the validity of the theoretical analyses revealed in this book.

It must be admitted that the literature and statistics used as background for this report are scanty. But the researchers' rather bold analyses and conclusions are academically interesting and also may be of practical use to the Philippines. They may be helpful to the other new nations too, since the problems faced by the Philippines are also encountered by other countries in the same stage of economic development. (Seiji Tsunematsu)


This Institute has published several books on economic development in India. This book, edited by T. Kawata, Assistant Professor of Economics at the University of Tokyo, is also concerned with the subject. This rather voluminous report, entitled “Economic Development and Balance of Payments in India,” in its first part, deals with foreign and domestic factors which had substantial effect on economic development in India. In the second part, the structure of the balance of payments is analysed from the viewpoint of economic development.

The aim of this research report is to clarify the essential points of the balance of payments problem in the Indian economy in the process of economic development. The secular deficit in the balance of payments is one of the most urgent problems to be solved in the present Indian economy. The items which this project chose as most important in analysing this problem are:

—Historical analysis on special features of the Indian economy (Introductory Chapter).
—Analysis of the role which foreign capital played and is playing in the process of economic development (Chapter I and Chapter II, Part I).
—Analysis of the relationship between the trade structure and the balance of trade from the viewpoint of industrialization, another means of gauging
economic development (Chapter III, Part I).

— Survey on the domestic problems of economic development, stressing increase of population, agricultural production, the food problem, and the pressure of inflation (Chapter IV, Part I).

— Analysis of the past and present structure of the balance of payments (Chapter I, Part II).

— Analysis of the mutually-regulating relationship between economic development and the balance of payments (Chapter II, Part II).

The research performed according to the above classification did not aim to present a unified answer on the problem. Rather, each researcher submitted different opinions on each problem. The reader who wants to evaluate this book should, therefore, treat the eight chapters involved in this volume as independent from each other. Despite such separation, however, this book analyses well the urgent problems with which the Indian economy faces today, and the reader will find some fruitful results in it.

Part I deals with, as mentioned above, the foreign and domestic factors which had serious effect on the economic development. Its main stress is on what role foreign capital and aids have played in the economic development of India. It also discusses what influence was wielded on India's foreign trade by industrialization policies, which represent the concrete results of economic development policies.

Part I also analyses the problem of what role foreign capital played in India while it was under British colonial control. Most of the foreign capital at that time came from England. It was invested directly in mining, plantations, banks, and transportation enterprises. Those investments formed the so-called colonial economic structure in India. This structure had not been changed in essence even by the promotion of industrialization in India between World Wars I and II.

Following the first stage are economic development plans drawn up and executed by the Indian Government since World War II. In that process, the Government positively attracted foreign investment, rather than regulating the inflow of foreign capital. The inflow of foreign capital in the first and second project terms was not so great. The bulk of it came from the United States, and it was mainly direct investment. It somewhat differed, however, from investments while India was under colonial control, in that it was mainly in the productive fields of oil and manufacturing industries. Nevertheless, investments were not enough to strengthen the trade position of India.

Since World War II, economic aids have been provided India by the Soviet Union and by European countries. Those aids have greatly contributed to avoiding the unfavourable balance of payments caused by the ambitious development project. The more ambitious the development project, the more urgent the need for foreign aids and/or capital is.

Even if India could expect such amounts of foreign capital, there would remain the problem of payment of principal and interest. Therefore one cannot be too optimistic about the prospects of economic growth in India.
Let us examine important characteristics in trade and economic development policies which have been executed in the form of industrialization policies. While imports in the middle 1950's increased, exports showed no corresponding increase. What are the causes for such unbalance between exports and imports? Chapter III analyses this problem.

The decline in the three main exports of tea, jute goods, and cotton goods was based on the decline of world demand. It was also due to competitive exports. Imports increased because of the demand for such capital goods as general machinery and transportation machinery.

The rapid increase of the imports of capital goods was due to the second five-year plan, which stressed build-up of heavy industries. This plan was carried out too speedily. Such a hasty tempo in investments caused inflation and proved in the long run unprofitable.

In that respect, the industrialization project stimulates imports and retards exports. Unless the industrialization project is discontinued, therefore, foreign capital aids would be regarded as indispensable in avoiding the disequilibrium in the balance of trade up to the end of what Rostow called the "take-off" process. It should also be pointed out that population in India increases more quickly than agricultural productivity.

Therefore, it is necessary to import large quantities of food, which contributes to the disequilibrium in the balance of payments.

After those considerations on international aspects, the book summarizes: The future prospect of export in India is not hopeful. New agricultural policies are needed to decrease food imports. Hasty execution of policies to build heavy industries might induce economic unbalance.

As a conclusion, it is suggested that, without a development plan relying so wholly upon foreign capital, a stable industrial structure might be built up, adapting itself to economic development the world over.

This report provides the reader with suggestions as well as a detailed and useful survey on the development policies of India. (Fukutarō Watanabe)