goods imports, which means a virtual ban on these crucial imports, at least until these measures are lifted.

The RBI measures, hailed as necessary and also criticized for their severity, have directly affected the manufacturers of computers, consumer electronics, passenger cars, light commercial vehicles, and petrochemical products. It has also brought to a virtual standstill all new projects because of the stiff cash margin imposed on raw materials and virtual ban on import of capital goods. It is quite likely that the industrial production for 1991-92 will be adversely affected and the overall economic growth rate will drop noticeably. Should the monsoon play truant, causing significant damage to agricultural crops, the overall economic situation could become unmanageable.

Political stability key for the economy

At this writing the most important issue is whether the country will have a stable government following the general elections just completed. The IMF, which had provided India with a $1.8 billion loan last January, has made it clear that the additional $5 billion loan India is seeking is conditional on Delhi having a stable government. Finance Minister Yashwant Sinha has indicated that following his discussions with IMF Managing Director Michael Camdessus and World Bank President Barber Conable, India may be granted the loan by September.

Besides political stability, the IMF will certainly be demanding that India implement a series of measures before releasing the loans. In the latest edition of its "World Economic Outlook," the IMF charged India's policy implementation machinery with responsibility for the slowdown in economic growth. Among the conditions, the Fund is demanding that fiscal deficits be held to 6.5% of Gross Domestic Product by slashing subsidies, defense spending, and controlling money supply.

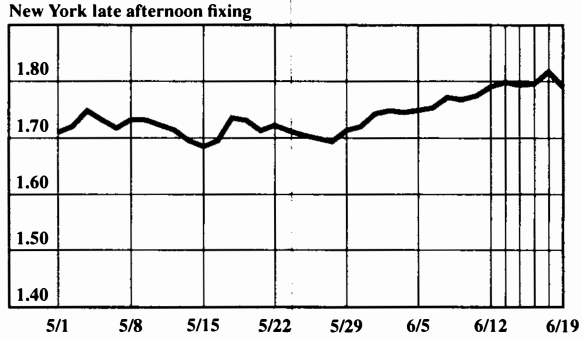
The recently leaked confidential report on India by the World Bank has given rise to apprehensions that the IMF will also demand reforms in the public sector and banking industry. The Bank has suggested a comprehensive macroeconomic adjustment program consisting of measures to enhance revenues and restrain expenditures in order to restore fiscal equilibrium and limit domestic demand. The report also called for tariff reductions for capital and intermediate goods because these sectors enjoy "higher protection."

Though there is general awareness that the Bank report, and what the IMF may suggest, is drawn strictly from the "free market" lexicon, there is hardly any disagreement among the political parties that India should lean on the International Monetary Fund to deal with the crisis. Despite general recognition of the threat posed to Indian sovereignty—at least in economic policymaking—Indian policymakers see no alternative. It is also generally understood that the debt problem will not ease in the near future, and may, in fact, get worse.

Currency Rates

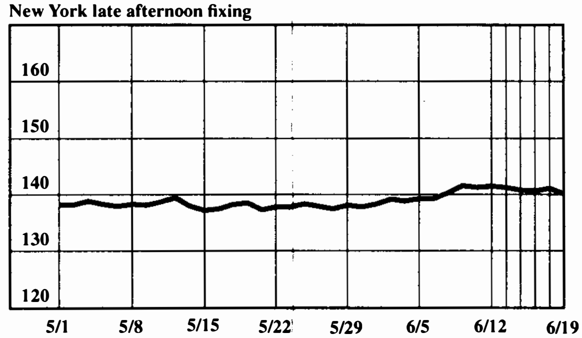
The dollar in deutschemarks

New York late afternoon fixing



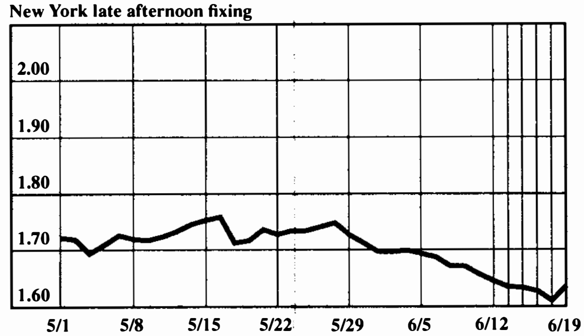
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing