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Washington, D.C.

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Clausen's-Country Files: India

Vol 1



1774866

A1990-013 Other #: 10

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India Country Files - Presidents Papers - A W Clausen - Correspondence - Volume 1

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WBG Archives

OFFICE MEMORANDUM

TO: Records

DATE: February 12, 1982

FROM: J.-D. Roulet .

SUBJECT: Mr Clausen's Meetings with the Governor and Chief
Minister of Uttar Pradesh

1. During his visit to Lucknow, Mr Clausen met on January 20, 1982, with Mr C.P.N. Singh, Governor, and the next day with Mr Vishwanath Pratap Singh, Chief Minister. The Chief Minister was accompanied by several of his Cabinet colleagues and secretaries. Also present were Mr H.N. Ray, Executive Director, and Mr Hopper, Mrs Hamilton and Mr Roulet.
2. The discussion with Governor Singh focussed essentially on Uttar Pradesh's plans to develop its substantial water resources for both power generation and irrigation. Governor Singh said that some of the multi-purpose schemes he had mentioned during Mr McNamara's visit last year would affect downstream states. His government had therefore reconsidered the list so as to submit to the Bank only those projects which would have no or only a minimal impact and he hoped the Bank would consider them sympathetically. The Governor commented on the importance of water management, including storage, which would not only make it possible to increase irrigation but would also help in reducing the impact of floods during the monsoon while increasing water flows during the dry season. Mr Clausen agreed with Governor Singh's general approach but noted that the selection of projects for Bank consideration had first to be reviewed by the central authorities so as to reflect India's priorities at the national level.
3. Mr V.P. Singh, Chief Minister, welcomed Mr Clausen and gave a brief presentation of the economic situation and prospects of Uttar Pradesh which, he noted, would be the eighth biggest country in the world if it were an independent entity. He emphasized the substantial progress achieved in agriculture but at the same time stressed the formidable constraints that remained to be overcome to improve living conditions in rural areas. In doing so, he described the various areas which the Bank had assisted in the past, through irrigation, grain storage, seeds, fisheries, forestry, water supply and power projects. He expressed the hope that the Bank would continue providing assistance as several additional schemes were currently at an advanced stage of preparation. Irrigation in particular deserved close attention as recurring droughts and floods regularly caused heavy damage. To meet its long-term production requirements the state needed an irrigation intensity of about 200 percent but at present it was only of the order of 60 percent. Assistance was needed for the construction both of additional tubewells and of large multipurpose projects. Turning to energy, the Chief Minister noted that per capita electricity consumption in UP was substantially lower than in other parts of India and stressed the need to continue giving high priority to power generation. Uttar Pradesh's large hydro-electric potential was still at a very early stage of exploitation and several schemes were being investigated which he hoped the Bank would consider favorably. Thermal power was also necessary for balanced development and two projects were being prepared for World Bank

consideration. Afforestation, recovery of saline lands and drinking water supply were also of high priority. All in all, his state was proposing 10 new schemes for World Bank consideration, and while recognizing that the climate for concessionary assistance was not encouraging at present, he hoped it would be possible for the Bank to continue making funds available on IDA terms as in the past.

4. Mr Clausen thanked the Chief Minister for his hospitality and for the opportunity he had been given to see, though very briefly, the developments that had taken place in rural areas. Progress had indeed been remarkable but at the same time he had been able to appreciate the magnitude of the constraints. The need for additional financing was indeed immense, as illustrated by the projects the Chief Minister had described, but at the same time, one could not escape the hard reality that concessionary funds were in short supply. This made it all the more necessary for the state and the Government of India to review and sharpen priorities so as to get the longest mileage out of limited resources. Mr Clausen expressed the hope that the shortage of concessionary funds would be only temporary and urged that the developing world should also play its part in trying to convince the donor countries of the usefulness of external assistance and of the need to maintain it.

cc: Messrs. Hopper (ASNVP), Wiehen (ASA), Thalwitz, Rowe, Tibor (ASP)
Mmes. Hamilton, Choksi, Messrs. Upadhyay, Harrison, Abbie (ASADB)
Ray, Reddy (EDS)

JDR:mh

OFFICE MEMORANDUM

TO: Records

DATE: February 12, 1982

FROM: J.-D. Roulet

SUBJECT: Mr Clausen's Wrap-up Meeting with the Minister for Finance

1. On January 22, 1982, Mr Clausen had a final meeting in New Delhi with Mr Pranab K. Mukherjee, Minister for Finance. The Minister was accompanied by several of his senior associates, including Mr R.N. Malhotra, Secretary, Department of Economic Affairs, as well as by Mr H.N. Ray, Executive Director. Also present for the Bank were Mr Hopper, Mrs Hamilton and Mr Roulet.
2. Mr Clausen began by thanking the Minister for the courtesies extended to him throughout his visit. In discussions with the Prime Minister and members of the Cabinet, during his visit to villages in Haryana and Uttar Pradesh and through informal meetings with representatives of the private sector, he had been able to get, despite the limited time available, a better understanding of India's achievements, potential and needs. Mr Clausen said he had been particularly struck by the remarkable progress achieved in agriculture and by the government's coordinated approach in emphasizing not only the availability of critical inputs like water but of other services as well, e.g. research, extension, etc. His visit to villages had enabled him to see the dynamism of development. Increases in agricultural production and the consequential rises in incomes and purchasing power had an immediate impact on other branches of the economy.
3. Mr Clausen added that in his conversations in Delhi with members of the Cabinet and senior officials of the administration, he had been impressed by the pragmatism and determination with which the Government endeavoured to tackle the management of the economy. He had been particularly gratified by the awareness of the need to pursue an export-oriented policy and by the government's determination to resist the easy solution of imposing import controls in the face of a deteriorating balance of payments position. He also commended the government for its efforts to control inflation and generally felt that, given India's constraints, the rate of growth of about 5% per annum that appeared to have been achieved during the last two years, was remarkable.
4. At the same time, his visit had also given him an opportunity to appreciate India's truly formidable constraints and the magnitude of her future investment needs. This was particularly critical in the energy sector where demand for power was bound to continue increasing rapidly. It was unfortunate indeed that institutions like the World Bank and particularly IDA were facing serious funding problems at the very time when the needs of developing countries were increasing substantially. While one hoped that the shortfall would be of a temporary nature, one nonetheless had to face reality. This made it all the more necessary for governments to review priorities, to maximize utilization of existing assets and to further improve the mobilization of resources for development. Mr Clausen commended the government for its oil pricing policies. While recognizing the political

constraints and agreeing that one cannot overburden the poor, he felt on the other hand that in respect of water and electricity there was still considerable room for maneuver.

5. The Minister for Finance thanked Mr Clausen for his candid remarks and his sympathetic assessment of India's problems. He emphasized again the priority given to agriculture in the government's development strategy. While progress had indeed been encouraging, much more remained to be done. India had a great need for external assistance on concessionary terms and while he appreciated the severity of the shortage faced by IDA, he hoped for continuing support of this nature. Turning to trade, the Minister said that India had so far been successful in resisting pressures to restrict imports and wished despite a disturbing trade gap to maintain a liberal import policy to widen and modernize the production basis. The recently concluded agreement with the IMF would help in the short/medium term. In the fields of trade and exports, the private sector had a considerable role to play and he thanked Mr Clausen for the increased interest that IFC was taking in India. Given India's size and complexity and the country's political structure, government had a key role to play as motivator. Objectives had to be explained and clarified not only within the administration but all the way down to reach the masses of the population. The 20-point program recently issued by the Prime Minister was a further step in that direction. The Minister concluded by stressing again the close nature of the relationships between India and the Bank Group and the need for further strengthening of these ties. He hoped that the Bank itself could maintain and further strengthen its position and role as a major development institution.

6. Mr Clausen concurred that this was indeed the Bank's objective. This, however, could not be done by the Bank alone and he stressed the role that developing countries including India could play in changing perceptions. In his view, the successes achieved by India should be made better known but this image building job was in his opinion very much the Government's own responsibility. Obviously, things were far from perfect, like in any other country in the world, and he hoped that Government would be able to introduce changes where these were required. Economic policies had necessarily to be tailored to the needs of each individual country and the current financial constraints placed a greater burden on resource management. In Mr Clausen's view, an essential element was to encourage individual imagination and capability. The contribution of the private sector to India's GDP was significant and he hoped that the momentum could be maintained.

7. The meeting concluded with exchanges of pleasantries during which the Minister and Mr Clausen looked forward to seeing each other soon again, particularly at the forthcoming Helsinki meeting of the Development Committee.

cc: Messrs. Hopper, Holsen (ASNVP); Wiehen (ASA); Thalwitz (ASPDR);
Harrison (ASADB); Ray, Reddy (EDS) and Mrs. Hamilton (ASADB)

OFFICE MEMORANDUM

TO: Records

DATE: February 12, 1982

FROM: J.-D. Roulet

SUBJECT: Mr Clausen's Meeting with Mr Shiv Shanker, Minister for Petroleum, Chemicals and Fertilizers

1. On January 22, 1982, Mr Clausen met in New Delhi with Mr Shiv Shanker, Minister for Petroleum, Chemicals and Fertilizers. The Minister was accompanied by several of his associates including Mr Lavraj Kumar, Secretary, Petroleum, and Mr K.V. Ramanathan, Secretary, Fertilizers, as well as by Mr H.N. Ray, Executive Director. Also present for the Bank were Mr Hopper, Mrs Hamilton and Mr Roulet.
2. Following words of welcome by the Minister, Mr Hopper opened the discussion by noting the close relationship that had over the years been established between the Ministry and the Bank Group. The Bank had financed several schemes, first in the fertilizer sector and more recently in oil exploration (Bombay High). Several projects were currently in the pipeline, dealing with various activities like exploration, refineries and the petrochemical industry in general. He then enquired about latest developments as compared to the targets set in the Sixth Plan.
3. Mr Kumar replied that in respect of domestic oil production, prospects today were substantially brighter than at the time the Sixth Plan had been drafted. Recent investigations had given indications that reserves were about twice as large as believed at the time. This had made it possible to accelerate the production program particularly in the Bombay High and South Bassein areas. The original Plan target for total production of crude by 1984-85 was 21.4 million tons. This level was now expected to be reached in 1982. Assuming a continuation of production in Assam, taking account of secondary recovery possibilities and barring unusually adverse weather conditions during the monsoon season that could affect construction works and production in off-shore areas, production at the end of the Plan was now expected to reach about 28 million tons of crude. At the same time, the Government had initiated conservation policies, including through substantial increase in prices, that could lead to savings of the order of 2-3 million tons compared to earlier estimates. Barring unexpected increases in the price of imported oil, this should enable India to keep its oil import bill about constant and reduce its proportion from about 70% of foreign exchange earnings to about 50-55 percent, or what it was about two years ago. Mr Kumar added that in its efforts to accelerate its exploitation program, the government had not hesitated to use foreign expertise and a large number of foreign firms of various nationalities were assisting as contractors and as consultants.
4. With respect to exploration, Mr Kumar commented on the outcome of the recent round of biddings. About a year ago, 25 foreign firms had expressed interest and in the end 7 had submitted specific offers. This, in Mr Kumar's view, was very encouraging since India was for the first time opening its door to association with foreign firms and since substantial

areas were currently being opened for exploration in various parts of the world. Agreement in principle had been reached with Chevron about exploration in the Saurashtra area (south of Gujarat) and a delegation was currently in India to finalize the contracts. Since all points of substance had been agreed last September/October, Mr Kumar did not anticipate any problems and felt that the negotiations could be concluded within a matter of weeks. As soon as these negotiations were concluded, India intended to launch a new round of biddings in respect of other blocks. Mr Kumar added that for exploration activities also, India was using a wide variety of foreign consultant services.

5. In reply to a question by Mr Clausen about use of natural gas and developments in the fertilizer sector, Mr Kumar and Mr Ramanathan commented that over the years a gradual process of import substitution had taken place in the nitrogenous fertilizer industry. In the long run, the Government intended to rely primarily on the use of natural gas, of which about 75 percent was currently utilized. In addition to the Thal Vaishet and Hazira plants based on the Bombay High fields, six gas-based plants had been planned possibly to be located near consuming areas in Madhya Pradesh, Rajasthan and Uttar Pradesh. New areas like Krishna-Godavari appeared encouraging and the Bank had recently appraised an exploration project. The location would be quite favorable as it was near areas of concentrated demand for fertilizer. Consideration was also being given to the use of coal as feedstock. Mr Ramanathan commented however that given the large increase in fertilizer consumption and the potential for further agricultural development, India would remain a deficit country. In respect of potassium fertilizer, Mr Ramanathan noted that prospects for import substitution were less encouraging as India had only limited indigenous raw materials. The same applied to phosphatic fertilizer for which India had no source at all.

6. In response to a further question by Mr Clausen, Mr Ramanathan said that India was fully open to participation of the private sector (including foreign firms) and noted that of the existing plants, several were either in private or in cooperative hands. He used the opportunity to express his thanks for the interest IFC had taken in the sector and agreed with Mr Clausen that this was an area where IFC's program could be expanded.

7. Turning to chemicals, Mr Kumar explained that India had now a fairly diversified base. Since the establishment of a first benzene plant in the late 1960's, there had been very rapid developments. Medium and small scale enterprises had been very active. The discovery of the Bombay High oil fields had given a tremendous boost to the industry and created a considerable potential for internationally competitive petrochemical complexes and ancillary activities. In this respect also, private participation was welcomed. Working groups had been set up to decide on products, ownership, etc. and in the next 7 to 10 years, India expected to invest about \$ 10 billion in the sector of which up to half was expected from the private sector.

8. Noting that several ministries and agencies were dealing with the energy issue, Mr Clausen enquired about the manner in which the government was ensuring coordination. Mr Kumar replied that at the macro level, the major role was being played by the Planning Commission which had a large energy

division dealing with coal, electricity, petroleum, and alternative energy sources. In addition a Cabinet sub-committee had been established which in turn was supported by a committee of secretaries on energy which met at frequent intervals. Special committees were also appointed from time to time to deal with specific issues.

8. The meeting concluded with a discussion of the efforts made by India to reduce waste and thereby improve the overall utilization of oil and natural gas. This would require a substantial program of modernization covering a wide range of energy consuming machinery and equipment not only in the industrial sector but in agriculture as well (e.g., individual pump sets).

cc: Messrs. Hopper (ASNVP); Wiehen (ASA); Thalwitz (ASP) Mrs. Hamilton (ASADB)
Messrs. McCarthy (EGY); Kohli (IPD); Brigish, Griffith, Melder, Harrison
Jaspersen, Ecevit (ASADB); Ray, Reddy (EDS)

OFFICE MEMORANDUM

TO: Records

DATE: February 12, 1982

FROM: J.-D. Roulet

SUBJECT: Mr. Clausen's Meeting with Mr. Shivraj Patil,
the Minister of State for Commerce

1. On January 22, 1982, Mr. Clausen met in New Delhi with Mr. Shivraj Patil, Minister of State for Commerce. The Minister was accompanied by several of his associates including Mr. Abid Hussain, Secretary, Commerce, as well as Mr. H.N. Ray, Executive Director for India. Also present for the Bank were Mr. Hopper, Mrs. Hamilton and Mr. Roulet.

2. The Minister welcomed Mr. Clausen who commented briefly on the visit he had just made to Haryana and Uttar Pradesh and during which he had been able to appreciate the justification for giving priority to irrigation. At the same time, however, he felt that commerce had an equally vital role to play since ultimately it was only through the vigorous promotion of exports that the country would be able to lessen the strain on its balance of payments while continuing to meet its import requirements. He enquired about latest developments and prospects in this respect.

3. The Minister replied that during the last few years, emphasis had been placed on agriculture and infrastructure. Industry had been somewhat neglected but had nonetheless prospered behind a certain degree of protection. While protection was justified shortly after Independence when the country had to create an industrial base, this had led to a certain complacency as a result of which industry had failed to modernize and to keep abreast of technological developments. The latest rise in oil prices had created an awareness that exports had become a necessity and that consequently industry had to remain competitive. The Minister described the measures taken during the last two years or so to encourage exports, among which he emphasized the establishment of export zones, the liberalization of imports needed by export-oriented enterprises and the simplification of licensing procedures. These, in the Minister's view, were only a beginning. In a country as large and complex as India, sudden U-turns were neither feasible nor acceptable and Government had therefore to proceed relatively cautiously. Similarly, the approach had to be selective with marketing being the primary guidance. In the past, the emphasis had been placed on self-sufficiency, meaning that everything should preferably be produced locally. This attitude was now changing as it was increasingly felt that there were many cases where it was more advantageous for India to import specific parts or components. By way of illustration Mr. Hussain mentioned the automotive, chemical, oil and shoe industry. In other areas (as diverse as diamonds and cashew nuts), imports were processed for re-export.

4. In response to a question by Mr. Clausen about India's willingness to import foreign technology, the Minister emphasized that Government was determined to eliminate restrictions. Similarly, India wished to avoid creating obsolete industries. The Minister recognized that there were internal pressures, often emanating from the industry itself, to maintain a certain degree of protection, but the Government was determined to resist them.

5. Mr. Clausen welcomed the change and enquired about the measures taken to ensure that these were not only perceived at the top of the governmental hierarchy but at lower levels as well. The Minister recognized that this required special efforts. His Ministry was doing its best to convey the message. It was also attempting to simplify procedures and to eliminate unnecessary documentation. The process was nonetheless slow as it required above all dealing with human psychology. Mr. Hussain added that this psychological change also required changes in vocabulary -- words like banned or restricted items were gradually eliminated. He added that the Ministry was also keen to entrust more responsibility to the industry. For instance, inspection and quality controls were necessary but industry was encouraged to introduce self-inspection systems.

6. Mr. Hopper commented that these changes in policies necessarily involved other ministries and that for instance, the traditional role of agencies like the Foreign service might have to be re-examined to provide support to the export trade. He enquired about the mechanisms that had or were being established to ensure proper coordination. The Minister replied that the Cabinet Committee on Economic Affairs, chaired by the Prime Minister and which included the Foreign Ministry, played a key role in setting policies. If necessary, matters were referred to the full Cabinet and in any event statements of general policies were presented to, and discussed in, Parliament. In addition a committee had been established at the secretaries' level at which all interested parties were represented. Mr. Hussain added that the Ministry of Commerce regarded itself as a catalyst, determined to bring new ideas to the attention of other ministries.

7. Noting that industrial policy in the past had at times attempted to address several conflicting objectives, Mr. Hopper enquired about the government's plans to attract industry to backward rural areas. At a time when existing infrastructure barely managed to serve the needs of industry, he wondered how the government visualized rural industrialization. The Minister replied that policies were evolving. To provide employment opportunities in rural areas did not necessarily mean industrialization in the usual sense. Indeed, agriculture should be treated as an industry. Agricultural development meant new jobs and as production grew and markets expanded, agro-based industries would automatically settle in rural areas. There was certainly no need artificially to bring capital intensive industries in backward rural areas.

8. Reverting to exports, the Minister commented on the increasing protectionist tendencies in foreign countries and felt that institutions like the World Bank could help in changing attitudes. Mr. Clausen and Mr. Hopper replied that the Bank had never missed an opportunity to criticize protectionism which ultimately worked against the interest of both exporting and importing countries. One had however to recognize the reality and the existence of these pressures.

9. In conclusion, Mr. Clausen expressed satisfaction at what he perceived were fundamental changes in approach and policy. He indicated that the Bank would be prepared to provide whatever assistance it could, financially as well as through its technical expertise.

cc: Messrs. Hopper, Holsen (ASNVP); Wiehen (ASA); Thalwitz (ASP)
Mrs. Hamilton, Mr. Harrison (ASADB)
Messrs. Ray, Reddy (EDS)

2339
A.R. Kanoria

R-1
INDIA EXCHANGE
CALCUTTA-I

18/12/1981.

Dear Mr. & Mrs. Clausen,

My wife and myself are deeply touched by your affection and inherent sentiments expressed in your letter dt. 10th December, 81. We would like to extend our sincerest thanks to you both for your kind words of blessings and good wishes conveyed therein to the bride Shraddha and bridegroom Aditya on the occasion of their wedding on the 21st November, 81.

While they are entering the threshold of a new phase of life, your words would leave a permanent imprint on their career and which they would cherish in the years to come.

With kindest regards,

Yours sincerely,


(ATMARAM KANORIA)

Mr/Mrs. A. W. Clausen,

OFFICE OF THE SECRETARY

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1982 JAN -6 PM 2:55

OFFICE OF THE PRESIDENT

MEMORANDUM FOR THE PRESIDENT

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FROM: [illegible]

SUBJECT: [illegible]

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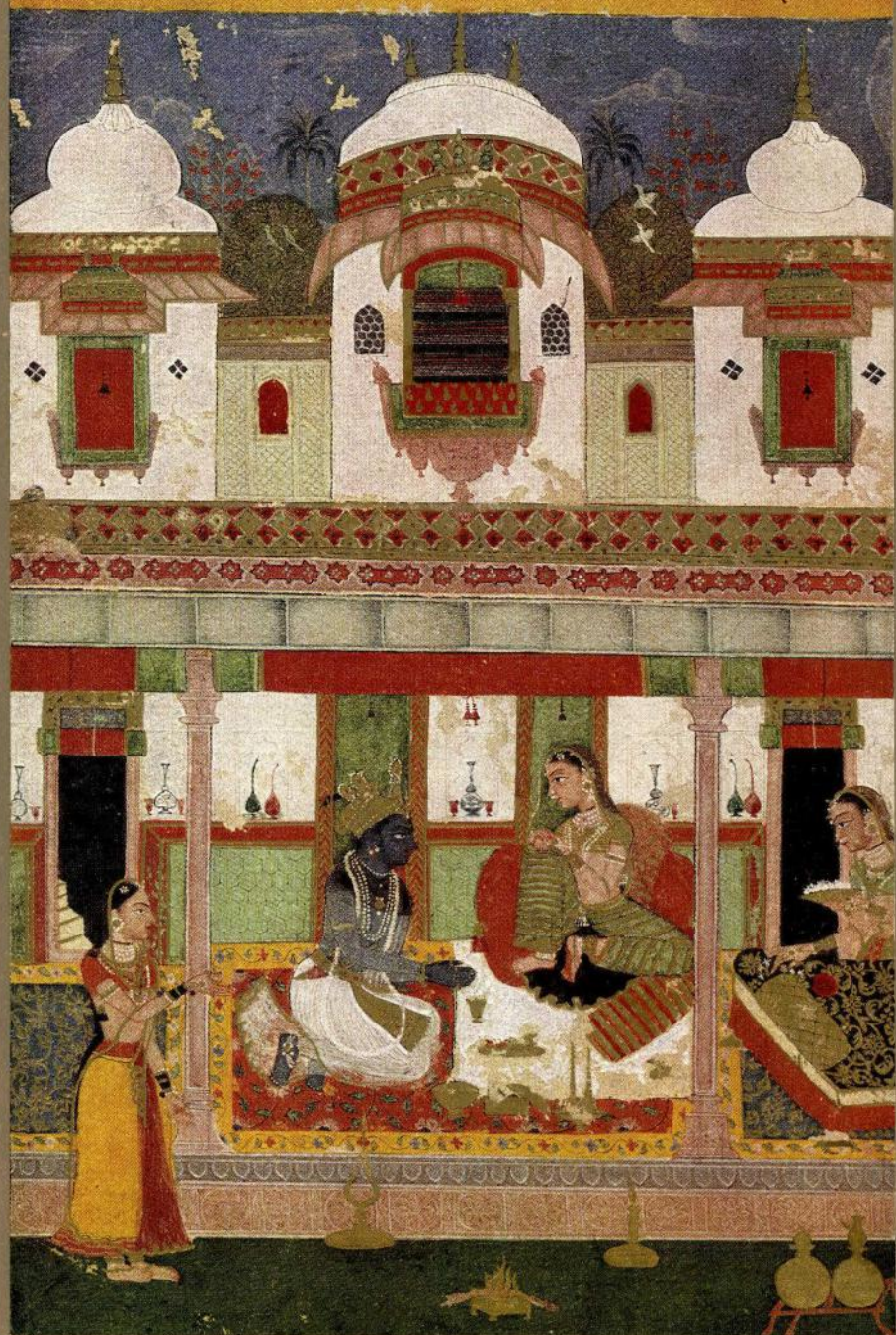
INFORMATION

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॥१२७॥



Greetings^{*}
of the Season
and best wishes
for the New Year

ATMARAM KANORIA
VIMLA KANORIA

Prachhanna Prosita Nayika

An illustration to the *Kavipriyā* of Keśavadasa. Rajasthani, Bundi, Last quarter of 17th century A.D.

Keśavadasa, the author of *Rasikapriyā* and *Kavipriyā*, codified the divine love of Radha and Krishna for the Rajasthani artists. He defined *Nayaka-Nayikā-bheda*, the classification of heroes and heroines which became a stock-in-trade theme during the upsurge of the *Vaiṣṇava* renaissance. The painting depicts one such incident of the quarrels and reunions of the divine lovers in the medium of paint and brush.

From the Collection of Atmaram Kanoria

PRINTED IN INDIA
by Vakil

India

December 10, 1981

Dear Mr. and Mrs. Kanoria:

Thank you for your very gracious invitation to attend the wedding of your son, Aditya. I do appreciate your thinking of me.

The reason for the tardy response is due to the lateness of the mail. In any event, however, my schedule here would not have made it possible for me to attend. Please convey my congratulations to your son and his wife.

Sincerely,



A.W. Clausen

AWC

Mr. and Mrs. Atmaram Kanoria
4, India Exchange Place
Calcutta 700 001 India

JLMaddux:AWC/bli

1016
A.R. Kanoria

INDIA EXCHANGE

CALCUTTA-1

15.10.81

Dear Mr. Clausen,

My wife Vimla and I are happy to inform you that our son Aditya's marriage will be solemnised in Hyderabad with SHRADDHA, daughter of Mr. & Mrs. Brindavanlal Pittie on the 21st November, 1981. The reception following the wedding will be at our residence in Calcutta on the 24th November after we return. This will be the last wedding in our family in our lifetime, our two daughters having already been married earlier.

Our scriptures emphasize marriage as a sacred bond that unites two hearts and two families in an indissoluble relationship of love and respect.

It is our privilege to extend to you and your gracious wife our very cordial invitation to join us and give us the pleasure of your company, to enable us to share our joys with our friends and to enable the young couple to receive your blessings.

If, for unavoidable reasons you are unable to come, your good wishes and blessings in writing will be deeply appreciated.

Thanking you and with kind regards,

Yours sincerely,

A.R.

(ATMARAM KANORIA)

Vimla Kanoria

(VIMLA DEVI KANORIA) (MRS)

Mr. A. W. Clausen

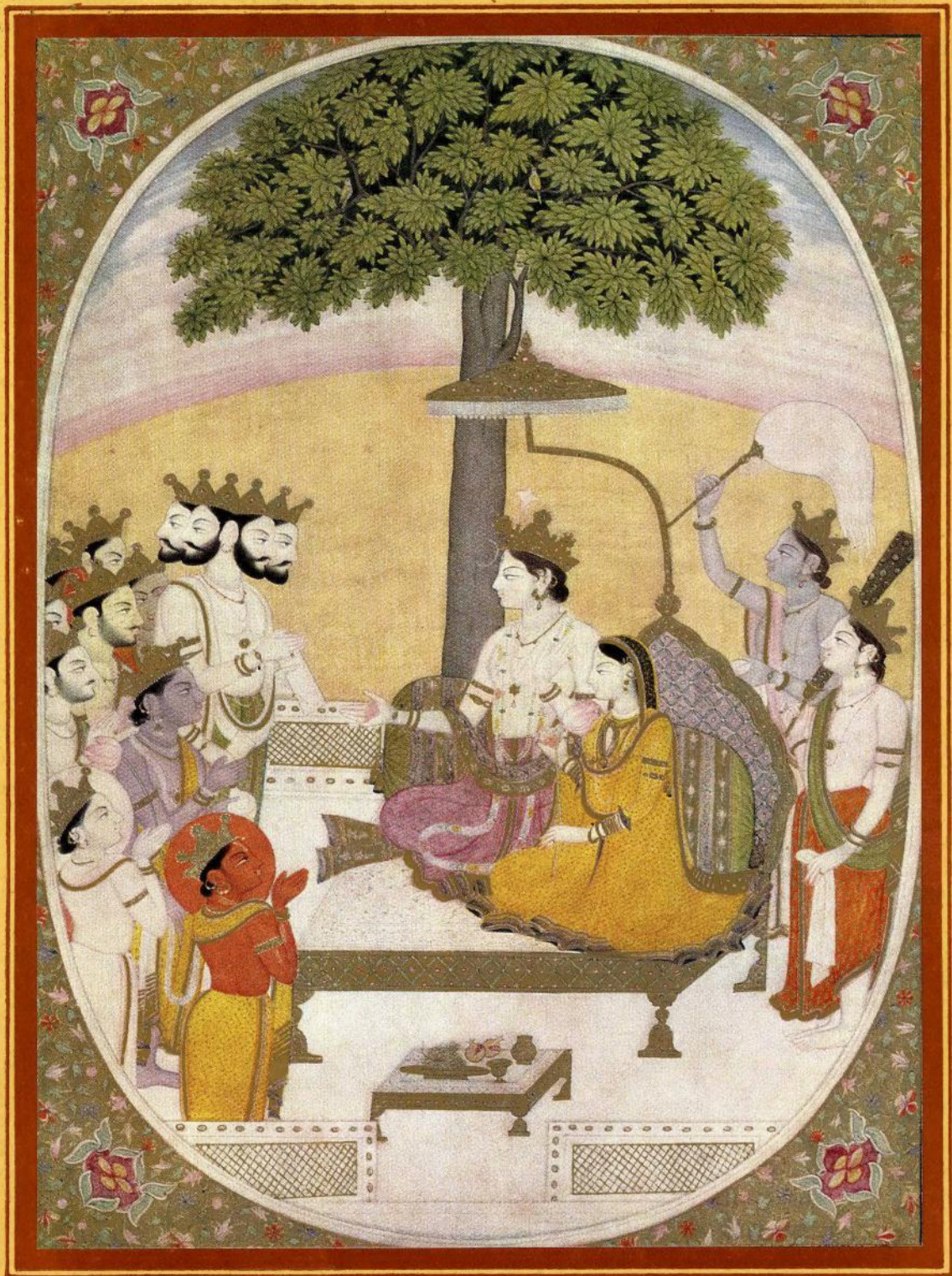
P.S : May I also express my thanks to you for your very complimentary remarks for our publication 'Pushpanjali' vide your letter dated February 23, 1981 which you addressed in your capacity as the Chairman of the Bank of America.

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1981 NOV -5 AM 11:05

OFFICE OF THE PRESIDENT



Mrs. and Mr. Atmaram Kanoria
request the pleasure of your company
on the auspicious occasion of the wedding
of their son

ADITYA
with
SHRADDHA
daughter of

Mrs. and Mr. Brindavanlal Pittie
on Saturday, the 21st November, 1981
from 4-30 p.m. to 6-30 p.m.
at Prem Parbat, 8-2-545, Banjara Hills
Road No. 7, Hyderabad 500 034

India Exchange
Calcutta 700 001
Phones: 22-1072/4
Cable: GENEREAST

Original in the collection of Atmaram Kanoria

Meeting of the celestial beings (Gods). Pahari, Kangra, 19th cent. A.D.

PRINTED BY VAKILS, INDIA

OFFICE MEMORANDUM

TO: Mr. A. W. Clausen

DATE: December 14, 1981

FROM: W. David Hopper, VP, South Asia *W.D.H.*

SUBJECT: INDIA - Your Meeting with Mr. R.N. Malhotra

You are scheduled to meet at 12:00 noon on Monday, December 14, with Mr. R.N. Malhotra, Secretary, Economic Affairs, Government of India.

Mr. Malhotra is the principal economic official of India with regard to external finance, budget policy and monetary policy. The purpose of his visit is to assess the current resource prospects of IDA and the Bank, and India's likely share in those resources, both in the current fiscal year and beyond, so that the Government can prepare to take any steps which may be necessary to deal with the situation. He may also wish to discuss your forthcoming visit to India.

Mr. Malhotra's discussions will be an important input into India's economic planning. I am grateful to you for finding the time to see him on a particularly busy day.

AOHamilton:ns

H.N. Poy

[Red star mark]

OFFICE OF THE SECRETARY

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DEC 15 1981

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1981 DEC 14 AM 11:11

OFFICE OF THE PRESIDENT

December 2, 1981

Dear Mr. Minister:

Thank you for your letter concerning my forthcoming visit to India. I am looking upon this visit as a unique opportunity to learn about the development of your country and see some of the realizations made with the contribution of The World Bank.

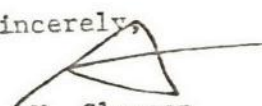
The dates of my visit are now firm-- January 18 to 23, 1982. I understand the details of the itinerary are being worked on by your associates in close contact with Mr. Hopper and his colleagues.

Mrs. Clausen will accompany me and is pleased that you included her in your invitation.

We look forward to seeing you in India next month.

Warm regards.

Sincerely,



A. W. Clausen

His Excellency
R. Venkataraman
Minister of Finance
Ministry of Finance
Government of India
New Delhi, India

cc: Mr. Hopper w/incoming

OLH:m1



No. 1510 FM/81-VIP (1)

वित्त मन्त्री, भारत
FINANCE MINISTER
INDIA.

New Delhi
November 9, 1981

Dear Mr. Clausen,

During our meeting in Washington last month at the time of Annual Fund-Bank Meetings, I was happy to note your kind acceptance of my invitation to you to visit India. I hope by now you have been able to firm up your itinerary. I would very much appreciate if during your forthcoming visit you would find time to visit some of the World Bank assisted projects and see for yourself the valuable role of Bank Group assistance in our efforts for development in India.

I sincerely hope that Mrs. Clausen would also be able to accompany you during your visit.

With kind regards,

Yours sincerely,

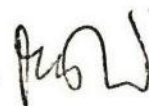
(R. Venkataraman)

Mr. A.W. Clausen,
President,
World Bank,
WASHINGTON D.C.

OFFICE MEMORANDUM

TO: For the Record

DATE: November 9, 1981

FROM: Michael H. Wiehen, Director, ASA SUBJECT: INDIA - Meeting of Mr. Clausen with Mr. Harry Barnes,
U.S. Ambassador-Designate to India

1. On Monday, October 26, Mr. Harry Barnes called on Mr. Clausen. Mr. Barnes was accompanied by Mr. Dave Schnyder and Mr. Waterman, both of the State Department. I was also present at the meeting.
2. Mr. Barnes started by explaining to Mr. Clausen that he was going to leave for India the next day to assume his new assignment, and that he had had two full and very good discussions with Mr. Hopper, whose knowledge of the Indian scene had been impressive and who had fully dealt with all operational issues Mr. Barnes had wished to raise. He explained that he had spent considerable time preparing himself for his new posting; that he had talked to Mr. McPherson of AID with whom he had discussed primarily the need to help coordinate the work of private foundations in the population field, and he had also met with many business people to find out what they felt about the climate for foreign private investment in India. He had also met with Mr. Wuttke who had told him that IFC had very substantially changed its position on India and did now expect to be very active in that country. He asked Mr. Clausen for his perception of India and what role he thought the United States should play there.
3. Mr. Clausen started by referring to the enormous development potential of India. He praised the achievements of the Government of India over the last ten years in agriculture and particularly in the area of food production. He explained that the Bank's activities in the agricultural extension sector with the strong and imaginative role played by Mr. Benor, had made a strong contribution toward reshaping the agricultural system. He said that he considers the potential of the private sector in India to be improving and explained that the Bank of America, when he left earlier this year, clearly saw increasing opportunities for the private sector in India. He said that while India has access to commercial credits now, it has made little use of that source so far, and a lot more probing will have to be done. He said that India has in the past relied fairly heavily on external concessional assistance, but that such assistance was not a bottomless bucket and India would have to look more actively for other types of resources. He indicated that the sixth replenishment of IDA was encountering difficulties and that the Bank Group's lending program for India would have to be cut back from the past high IDA share (40% of total IDA resources) and an 80/20 IDA/Bank mix. In response to Mr. Barnes' question, how fast such trimming back was likely to be done, Mr. Clausen explained that now that China was a member, India's share would have to come down and the slope of increase of Bank Group assistance to India would have to slow down.

4. In more general terms, Mr. Barnes said he had not been able, in his discussions on the Hill, to get a clear picture about the United States position on IDA 6 and future IDA replenishments, and he asked specifically whether the Treasury was in full support of IDA 6. He had gotten a sense of growing apprehension on the Hill about the large involvements of both IDA and the IMF in India in particular. Mr. Clausen responded that the Administration as a whole had consistently supported IDA and was urging Congress strongly to live up to the U.S. Government's commitments under IDA 6. For the second year of IDA 6, the Administration had asked for an appropriation of \$820 million but this amount could go down to about \$500 million if no aid bill was passed and the United States had to rely once again on a continuing resolution. He told Mr. Barnes that the proposed EFF for India would be considered by the Fund Board on November 9 and he was confident that the facility would be approved. He indicated that many countries, including India, needed to undertake structural changes to accelerate their economic development; he said the Bank was in agreement with the U.S. Government that Bank lending should become more conditional and that the Bank would have to be firmer with its borrowers in obtaining undertakings on structural adjustment. But irrespective of the conditionality to be agreed with India in the future, India's share in IDA resources would have to go down, though not precipitously, and very strong efforts would have to be made to increase the private flows to India.

5. In response to Mr. Barnes' question whether Mr. Clausen was planning to visit India in the near future, Mr. Clausen said that he was indeed planning to go very soon, most likely in mid January. His last visit had been in 1979. His relations with Indian officials had been excellent then, and he wished to keep them as good in the future. In closing, Mr. Clausen said that from all reports had had received, President Reagan and Mrs. Gandhi had gotten along well in Cancun. He wished Mr. Barnes luck in his assignment.

cc: Messrs. Lafourcade
Hopper
Roulet
Mrs. Hamilton

MHW:lah

OFFICE OF THE ASSISTANT
SECRETARY FOR
INTERNATIONAL AFFAIRS

FOR MR. TO MR. TO

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OFFICE OF THE PRESIDENT

OFFICE MEMORANDUM

TO: Mr. A.W. Clausen, President
 THROUGH: Mr. E. Stern, SVPO *ES*
 FROM: Michael H. Wiehen, Acting RVP, South Asia
 SUBJECT: INDIA - Meeting with Mr. Harry Barnes,
U.S. Ambassador-Designate to India

*I don't know why
 Mr. Barnes wants
 to see you; or you
 Mr. Barnes. He has
 seen Hopper; presumably
 Mr. Barnes has no
 October 21, 1981 issues
 he plans to
 raise.*

publ.

*10-21-81
 A*

*ES
 10/22/81*

1. The purpose of this memorandum is to provide you with background information for your October 26 meeting with Mr. Harry Barnes, the United States' Ambassador-designate to India. The memorandum is organized into three sections -- first, a summary of United States' bilateral assistance to India, second, a review of the Bank Group program in India, and finally, a brief paragraph on Mr. Barnes.

2. U.S. Assistance to India. U.S. bilateral assistance to India is composed of "development assistance" -- that is, loans and grants administered by the Agency for International Development (A.I.D.) and linked to specific development projects, and "food aid" -- that is, commodity donations provided under Public Law (P.L.) 480 (Title II), administered by A.I.D. and the Department of Agriculture. While the U.S. has provided food aid to India consistently over the past two decades, development assistance to India was discontinued in the aftermath of the Indo-Pakistani conflict of 1971 and resumed only in 1978. The volume of U.S. development assistance to India since the resumption of the program has been modest by historical standards, A.I.D. commitments (not including P.L. 480) ^{1/} rising gradually from US\$60 million in FY78 to US\$104 million in FY81, compared with a commitment level which reached US\$465 million in FY62 and remained above US\$160 million per year throughout the 1960s. While A.I.D. had planned a significant expansion of its program this year (FY82) and had requested commitment authority for loans and grants up to US\$195 million, to be accompanied by food aid valued at US\$154 million, it appears that their proposed program will be cut significantly, resulting in a probable overall total of about US\$220 million for India (roughly US\$100 million in A.I.D. loans and grants and US\$120 million in P.L. 480 commodity donations).

3. A.I.D.'s operations in India are focussed in three areas -- agriculture; health, population, and nutrition; and energy development. Since the resumption of development assistance to India in 1978, the U.S. has primarily participated in projects prepared and appraised by the World Bank/IDA and other international agencies. In the future, A.I.D. plans to take a good

1/ P.L. 480 shipments vary sharply from year to year depending on weather and crop conditions in the U.S. and recipient countries. In the 1960s, when development assistance to India peaked, P.L. 480 assistance was also high relative to today's level. Combined U.S. food and development aid to India, for example, reached approximately US\$900 million in 1966 (a drought year), when P.L. 480 shipments were valued at about US\$700 million. Since 1976, P.L. 480 shipments have not exceeded US\$200 million in any one fiscal year.

deal more initiative in terms of project development. Traditional priority sectors are likely to continue to receive assistance, with agriculture predominating.

4. U.S. bilateral aid relations with India are, of course, strongly influenced by the political environment. This, in turn, is affected by the Soviet presence in Afghanistan and the increasing U.S. military support to Pakistan. Moreover, the Government of India is very sensitive to the perceived U.S. influence on the policies of the World Bank and the I.M.F. Within the U.S. Government, there appear to be sharp differences between the State Department and the Treasury Department on issues concerning both bilateral and multilateral aid. Recognizing the importance of the U.S. in all foreign assistance forums, the Indian Government has maintained a cooperative stance; however, the tensions beneath the surface are probably greater than they have been for almost a decade, and the near-term prospects for U.S. bilateral aid to India are not bright.

5. Bank Group Activities in India. The Bank's chief areas of concentration in recent years in terms of projects financed in India have been agriculture, energy, and basic infrastructure. Within the agricultural sector, we have emphasized improving access to critical agricultural inputs, and have lent our support to a considerable number of irrigation, agricultural credit, and fertilizer projects. As an important complement to this effort, we have supported moves to improve the capacity of the farmer to make productive use of these inputs, through a series of State-level agricultural extension and research projects. Finally, we have lent our assistance to efforts to encourage the diversification of agriculture into cash crop production, a process which becomes increasingly important as India approaches foodgrain self-sufficiency, through projects in support of cashew, silk, dairy, cotton, and horticulture development. In the energy sector, we have concentrated, until recently, on assisting India in the expansion of thermal power generation and transmission capacities and the improvement of planning and management in the power sector, clear priority areas in view of the severe constraint placed on India's development by electric power scarcity. More recently, we have begun a program of assistance for the development of oil and natural gas resources, again a vital activity in view of India's ever-rising oil import bill and deteriorating balance of payments position. ^{1/} Finally, we continue to provide substantial support to India's efforts to improve basic infrastructure, through our participation in projects in the telecommunications, railway, water supply and urban sectors. Total Bank/IDA lending to India last year reached US\$1,711 million; our current allocation for this year is US\$1,640 million (IDA) and US\$450 million (IBRD).

^{1/} India's current account deficit rose from US\$850 million in 1979/80 to US\$3.4 billion, or 2% of GDP, in 1980/81. In terms of import coverage, the year-end reserves of over US\$7 billion in March 1981 fell below the six-month level for the first time since 1977. Even with improved export performance and some reduction in the rate of growth of imports (required for the modernization of industry and continued liberalization of trade), the current account deficit is projected to increase at 11% per year to over US\$5 billion in 1984/85.

6. Ambassador Barnes. Ambassador Barnes is a highly respected career diplomat. While he was posted in Bombay as a consular officer early in his career and served in Nepal as Deputy Chief of Mission from 1963-67, his chief area of specialization has been East European and Soviet affairs. His last posting abroad was as U.S. Ambassador to Romania from 1974-1977. Under the Carter administration, he was appointed Director General of the Foreign Service, a post he held until February of this year when the Reagan administration replaced him with their own appointee and assigned him responsibility for directing the implementation of the recently-passed Foreign Service Act.

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HARRY G. BARNES, JR.

Ambassador Barnes was born in Minnesota in 1926. A graduate of Amherst College (1949), he received a M. A. in history from Columbia University in 1968.

He entered the Foreign Service in 1950, with initial assignments in India and Czechoslovakia. From 1957-59, he served in Moscow, followed by a three-year stay in the Department on the Soviet Desk. After a year's study at the National War College, he served in Nepal as Deputy Chief of Mission from 1963-67.

On his first posting to Romania, he served as Deputy Chief of Mission in Bucharest from 1968-71. Upon his return to Washington, he was responsible for junior officer counseling and assignments in the Bureau of Personnel and then served as a Deputy Executive Secretary in the Department.

In January, 1974 he was named Ambassador to Romania. In 1975, he led the American team which negotiated the trade agreement with that country, the first such accord achieved with a non-market country under the 1974 Trade Act.

Ambassador Barnes was sworn in as Director General of the Foreign Service and Director of Personnel in December, 1977, and served in that position until February, 1981. As such, he was responsible for the management of the State Department's personnel systems on a world-wide basis. He played a major role in the development of the new Foreign Service Act of the United States.

Since February, 1981, at the request of the Secretary of State, he has been responsible for directing the implementation of the Foreign Service Act in the State Department.

Ambassador Barnes was nominated by President Reagan for the position of U. S. Ambassador to India in August 1981.

The Ambassador speaks Hindi, Czech, French, Nepali, Romanian, Spanish, Russian, and German.

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OFFICE OF THE PRESIDENT

OFFICE MEMORANDUM

TO: Memorandum for the Record

FROM: Ann O. Hamilton, Chief, ASADB

SUBJECT: INDIA - Meeting of Annual Meeting Delegation
with Mr. Clausen

DATE: October 1, 1981

1. The Indian Finance Minister met with Mr. Clausen at 9.00 a.m. on September 30, 1981. Also present were Messrs. R. N. Malhotra, G. K. Arora, I. G. Patel, M. Aluwahlia and H. N. Ray of the Government of India, and Messrs. Ernest Stern, Hollis B. Chenery, W. David Hopper, Michael H. Wiehen, and Mrs. Ann O. Hamilton of the Bank staff.
2. The Minister extended to Mr. Clausen an invitation to visit India and congratulated him on his forceful statement of the previous day on the need for support of IDA. He pointed out that the Government of India had been assured that they would receive 40% of IDA VI but that the amounts available for India under IDA VII were still uncertain. Mr. Clausen replied that the Bank understood India's needs, but that a decline in India's percentage allocation of IDA VII was inevitable. The effect of such a decline in share would obviously depend in large part on the aggregate amount available for IDA in the seventh replenishment period. In any event, it was necessary that India continue to address more aggressively the commercial market in order to mobilize resources. Mr. Stern clarified that the need for a declining share would occur during IDA VII; the Bank had no plans to change its commitment with respect to IDA VI. The Minister, supported by Mr. Malhotra, stated that the Government recognized and appreciated the changed circumstances confronting the Bank, including the entry of China as a borrower; the Bank should take into account the objective conditions -- the size of the country, its low income levels and its need for energy imports -- which placed especially difficult strains on the economy. The decline in India's share of IDA VII should not be disproportionate and should take place in a way that minimized the adverse impact on the economy.
3. Mr. Patel and Mr. Malhotra explained that India was already active in the commercial markets. India has borrowed approximately \$1 billion over the past year, compared to \$50-100 million over the previous ten years. The fact that India had taken the initiative in tapping private markets provided ample evidence that the Government had no hang-ups on the subject of commercial borrowings; the Government's concern was rather one of prudent management of the debt burden.
4. Mr. Clausen said that it was only natural that if IDA declined, the World Bank contribution to India should increase. Mr. Malhotra explained that he had been informed about one on-going exercise which suggested that IDA share be reduced by ten percentage points (from 40% to 30%), which was a disproportionate decline, while lending on IBRD terms would remain at approximately its present level of 5-6%; this was not

compatible with what Mr. Clausen had indicated. Mr. Clausen responded that he did not consider it wise to even think in those percentage terms. Instead, the approach should be more flexible and should be based on the total amount of dollar support required. Needs could go up or down, and they had to be defined in relative terms. In other words, numbers or percentages by themselves should not be determining. Mr. Malhotra emphasized the strong pipeline of projects which India had ready to present to the World Bank. Mr. Stern explained that no percentage share of Bank funds should be considered stringent; Bank lending depended on a number of criteria, including the type and number of projects available for financing, a country's creditworthiness, and its need. He emphasized that a strong project pipeline was not the only criterion.

5. Mr. Clausen enquired about the status of India's dialogue with the Fund on an EFF. The Minister replied that he had had a discussion with the Managing Director, who had indicated that all the guidelines had been satisfied and the borrowing was ready to go. In response to a question from Mr. Clausen, the Minister explained that the Managing Director was going out of town and that the proposal would be presented to the Fund Board immediately on his return; it was now scheduled for November 9. Mr. Patel indicated that Mr. Clausen could help dispel some of the concerns raised by recent press articles. Mr. Stern explained that these articles alleged that the Fund was undercutting the Bank. However, the South Asia Region had been working extremely closely with the Fund on all details of the proposed operation, and charges of ineffective collaboration were totally unfounded. Mr. Hopper stated that he and his staff had cooperated with the Fund at every stage, including participation in the Fund mission and preparation of a review of India's investment plan. The Bank staff was thoroughly satisfied with the Government's letter of intent to the Fund and with the steps taken so far; virtually all the necessary revenue measures had been taken in advance. Mr. Patel pointed out that the Government had heeded advice to come early to the Fund, before a crisis developed, and to accept the conditionality associated with a Fund borrowing; if the policy measures proposed were sound, they should be taken anyway. The Minister emphasized that steps to address the kinds of conditions associated with a Fund borrowing had been taken starting as long ago as January 1980, not with a view to the Fund or Bank, but because they were in India's own interest. Mr. Patel noted that the size of the proposed borrowing had come in for considerable criticism. However, he pointed out it was the Fund's practice to provide Extended Fund Facilities up to 450% of a country's quota. The proposed borrowing was well within 300% of India's quota and was not large relative to India's need. Needless to say, if India did not need the full amount, they would not be borrowing it. Mr. Malhotra explained that the focus of the Fund operation was commercial borrowing: only 46% of the total amount was from the Fund's own resources, with the balance of \$3 billion over three years all being borrowed on market-related terms.

6. Mr. Clausen enquired whether the lending program and disbursements were on track. Mr. Hopper replied that they were; although there were always issues in a program as large as that which the Bank has in India, they could be sorted out. Relations between the Bank and India remained extraordinarily good.

cc: Messrs. Stern (SVPO), Chenery (VPD), Lafourcade (EXC), Hopper (ASNVP),
Wiehen (ASA), Thalwitz (ASP), Roulet (NDO), and India Division.

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OFFICE OF THE PRESIDENT

October 19, 1981

INDIA - Meeting of Annual Meeting Delegation
with Mr. Clausen on September 30, 1981

Mr. R. N. Malhotra	-	Secretary Department of Economic Affairs Ministry of Finance
Mr. G. K. Arora	-	Joint Secretary Department of Economic Affairs Ministry of Finance
Mr. I. G. Patel	-	Governor Reserve Bank of India
Mr. M. Ahluwalia	-	Economic Advisor Department of Economic Affairs Ministry of Finance
Mr. H. N. Ray	-	Executive Director World Bank



Record Removal Notice

File Title India Country Files - Presidents Papers - A W Clausen - Correspondence - Volume 1		Barcode No. 1774866		
Document Date 16 June, 1981	Document Type CV / Resumé			
Correspondents / Participants				
Subject / Title Bio-Data - Mr. R. N. Malhotra				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.</p> <table border="1"><tr><td>Withdrawn by Chandra Kumar</td><td>Date 30-Mar-15</td></tr></table>	Withdrawn by Chandra Kumar	Date 30-Mar-15
Withdrawn by Chandra Kumar	Date 30-Mar-15			

Subject.

AUG 20 1981

Dear Mr. Ramakrishnayya:

Thank you very much for your cordial letter of August 4, 1981, offering good wishes on my assuming the presidency of the World Bank.

My new task is an enormous challenge, and I am looking forward to it with great anticipation. I am confident that the World Bank and the ARDC can continue and strengthen the productive relationship they have enjoyed in the past, and I look forward to your support in helping that come about.

Sincerely,

(Signed) A. W. Clausen

A. W. Clausen

Mr. M. Ramakrishnayya
Chairman
Agricultural Refinance and Development
Corporation
Shrineketan Dr. Annie Besant Road
Post Box No. 6552 Worli
Bombay-400 018

cc: for Mr. Clausen's Office (2)

AOHamilton:ns

August 18, 1981

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टेलीफोन Telephone : 370163-6

तार Telegrams : AGRREFINANS

टेलीक्स Telex 11 2810 ARDC IN

कृषि पुनर्वित्त और विकास निगम

श्रीनिवैतन डॉ. एनी बेसन्ट रोड

पोस्ट बाक्स सं. 6552 वर्ली बम्बई-400 018

अध्यक्ष
CHAIRMAN

AGRICULTURAL REFINANCE AND DEVELOPMENT CORPORATION

SHRINEKETAN Dr. ANNIE BESANT ROAD
POST BOX No. 6552 WORLI BOMBAY-400 018

D.O.No. 364 /IDA.32-80/81

August 4, 1981

Dear Mr. Clansen,

On behalf of the Agricultural Refinance and Development Corporation of India (ARDC) and on my own behalf, I extend hearty greetings to you on your assuming charge as the President of the World Bank. Knowing your deep concern for the Third World in general and the high priority you accord to the development of the agricultural sector in particular, we are looking forward to a very productive era under your leadership.

2. ARDC is the apex term-lending institution in the agricultural sector in India. It channels its funds through Cooperative and Commercial Banks for development of minor irrigation, land development, livestock, poultry, fisheries, horticulture & plantations, farm mechanisation, forestry, agricultural markets and warehousing, etc. Our disbursement of funds during 1980-81 touched the all time high of Rs.498 crores (nearly US \$622 million). We have implemented as many as 40 agricultural development projects sanctioned by the World Bank Group in which the credit allocation for on-farm development is channelled through our Corporation. These projects include the general lines of credit sanctioned by IDA in favour of our

... (2)

2.

Corporation since 1975. We have successfully completed the first and second general lines of credit for \$75 m. and \$200 m., respectively. We hope to fully utilise the third line of credit of \$250 m. by the close of this year. An Appraisal Mission from IDA had also recently appraised our proposals for sanction of the fourth tranche of credit of about \$350 m. and we anticipate that the credit will come up for negotiation some time in October/November 1981. I hope to meet you personally at that time. Over the years, we had received valuable assistance and guidance from the World Bank in regard to the conduct of our affairs and operations and we look forward to further strengthening of this relationship in the coming years under your stewardship.

With regards,

Yours *Sincerely*



(M. Ramakrishnayya)

Mr. Alden Winship Clausen,
President,
World Bank,
1818 H Street,
Washington D.C. 20433, U.S.A.

OFFICE MEMORANDUM
RECEIVED

TO: Mr. A. W. Clausen
FROM: Ernest Stern, SVP, Operations
SUBJECT: Your Meeting with Mr. R. N. Malhotra

1981 AUG 4 AM 9:44

DATE: August 4, 1981

OFFICE OF THE PRESIDENT

D

Dept of Economic
Affairs in a
sub section of
the Ministry of
Finance

You are seeing Mr. Malhotra at 2:15 p.m. He has met you once before, just before you took office here. He is the senior Secretary in the Ministry of Finance, responsible for all external financing including the World Bank. The purpose of his visit is a courtesy call, but he may be expected to mention the following topics:

1. The importance which India attaches to a large IDA VII.
2. The importance which India attaches to maintaining its 40% share in IDA VI and an appropriate share in IDA VII after adjusting for the entrance of China.
3. India's interest in borrowing additional Bank funds up to \$1 billion per year, and consequently its interest in having the \$9.6 billion FY1982 lending program increased.

India is just about to complete negotiations with the IMF for an Extended Fund Facility drawing in excess of SDR 4 billion. In that context Mr. Malhotra may also discuss India's current balance of payments difficulties and how they expect to reverse them in the next several years.

I met with Mr. Malhotra yesterday afternoon for an hour and there are no operational issues that he intends to raise.

He asked me, and he may ask you, for any suggestions we have on issues that should be raised at the Mexico Summit meeting which may be of interest to the Bank. I suggested that it would be important for the heads of the industrialized countries to hear from the developing countries at this high political level the importance they attach to the role of the international banks and their continued growth.

EStern/lms

TELEX
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AUGUST 6, 1981
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S.S. MEHTA CHAIRMAN AND MANAGING DIRECTOR ICICI
BOMBAY, INDIA

THANK YOU FOR YOUR CABLE OF AUGUST FOUR STOP UNFORTUNATELY
I WILL NOT BE ABLE TO MEET WITH YOU DURING YOUR VISIT TO
WASHINGTON BECAUSE OF MY VERY HEAVY SCHEDULE DURING THESE
FIRST WEEKS IN MY NEW ASSIGNMENT STOP I HOPE YOU WILL UNDERSTAND
SINCERELY A.W. CLAUSEN, PRESIDENT, INTBAFRAD

Visit to Washington

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cc: Mr. Hopper w/incoming

A. W. Clausen
President

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FOR MR A W CLAUSEN PRESIDENT

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FROM MR SS MEHTA CHAIRMAN AND MD ICICI

1981 AUG -4 AM 10:05

MANY THANKS INDEED FOR YOUR KIND LETTER OF JULY TWENTYFIRST
WHICH WAS GREATLY APPRECIATED BY THE MEMBERS OF OUR BOARD WHEN I
READ IT OUT OT+TO THEM AT OUR RECENT BOARD MEETING STOP
I EXPECT TO BE IN WASHINGTON FROM AUGUST TWELFTH FOR APPROXIMATELY
TEN DAYS IN CONNECTION WITH NEGOTIATIONS FOR OUR FUTURE LOAN
WITH THE WORLD BANK STOP I WOULD BE MOST GRATEFUL IF YOU COULD
FIND IT CONVENIENT TO SPARE ME A FEW MINUTES FOR A COURTESY CALL
DURING THE COURSE OF MY VISIT WITH KIND REGARDS

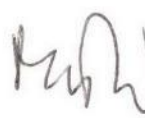
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OFFICE MEMORANDUM

TO: Memorandum for the Record

FROM: Michael H. Wiehen, Director, ASA 

SUBJECT: Visit of His Excellency Mr. K.R. Narayanan,
Ambassador of India, with Mr. Clausen

DATE: May 12, 1982

Ambassador Narayanan called on Mr. Clausen on Thursday, April 29; he was accompanied by Messrs. Bagla, the new Economic Minister at the Indian Embassy, and Ray, Executive Director. Also present were Messrs. Stern and Wiehen.

Mr. Clausen opened the meeting by thanking the Ambassador for the very strong efforts India had made with regard to the early replenishment of IDA and he asked the Ambassador to convey his appreciation to the Prime Minister for her very effective personal intervention in this matter.

The Ambassador explained that it was only natural for India to work towards the early funding of IDA since India is the largest recipient of IDA resources and because IDA assistance to India accounts for almost one third of total external assistance received by India. The IDA assistance program was an extremely important element of India's development process, and it was necessary to maintain a high degree of concessionality in the external assistance program, in view of the overall level of poverty in India (with a GNP per capita of \$240) and the fact that about 300 million people fall within the poverty category. The Ambassador explained that it was against this background that his authorities are very concerned the eligibility criteria for access to IDA funds and the terms and conditions of IDA financing might be hardened. He suggested that the GNP per capita figure should remain the crucial factor in determining access to IDA and that it would be dangerous to add other factors. He suggested that India had used her resources wisely, the health situation had improved, and other social services had been strengthened, but the overall poverty level continued to be appalling, and that by itself should assure unchanged access to IDA.

Mr. Clausen congratulated the Ambassador on India's substantial achievements in economic development. He said he fully shared the Ambassador's views on the poverty problem in India. He explained that the "other factors" referred to by the Ambassador were not proposals for changing the present criteria but they were just ideas on how one could enlarge and strengthen the IDA resource situation. He said it was extremely important to assure continued availability of concessional funds to the poor countries. But he explained that the degree of concessionality of IDA today, compared to Bank lending levels, was very much higher than in the '60s, when IDA began operations, and that just as there is gradation in the terms of Bank lending depending on the income level of Bank borrowers, it might make sense to consider some gradation on the IDA side. This would take account, for example, of the fact that some of the present IDA borrowers can complement their concessional borrowings by tapping the commercial markets, whereas for other countries this is simply not possible. The Ambassador expressed

his Government's worry on the proposal that India might be in a different category from other IDA recipients and repeated his concern that the application of factors other than the income level of the country would be subjective and difficult. He expressed his deep concern that India's assistance from IDA might suffer both in volume and in quality.

Mr. Clausen and Mr. Stern explained again that these were just ideas, motivated by the need to adjust the Bank Group operations to the changing global environment.

Referring to India's ability to borrow in the commercial markets, the Ambassador stressed that India's creditworthiness was quite limited and, if overloaded, could collapse quickly. He referred to the heavy debt service burden of India at the present time. Mr. Clausen acknowledged that India's creditworthiness had to be monitored very carefully. One should not overestimate India's borrowing capability but neither could one afford to underestimate it.

Coming back to the idea of introducing gradation into the IDA structure, the Ambassador reiterated India's opposition to being placed in a special category. Mr. Clausen responded by saying that the Bank had to be fair to its total constituency. He suggested that the most important task was to mobilize larger resources for IDA7. Just to maintain the real value of IDA6 would require a figure of \$17 billion for IDA7. If one takes into account the joining of China, one should really seek an amount of \$24 billion or more; on the other hand, any figure close to \$20 billion or above it might frighten the constituency, and it would be crucial to use the correct strategy in approaching the donors on IDA7. The availability of resources in the donor countries was obviously a critical factor in setting the level at which the Bank Group will seek replenishment of IDA resources. In this context Mr. Clausen indicated that as a result of China entering the group of IDA borrowers, India's percentage and volume of IDA borrowings would be diluted.

When the Ambassador raised once again India's concern over a change of the IDA criteria, both Mr. Clausen and Mr. Stern assured the Ambassador that the Bank was highly sympathetic to, and understanding of, India's development problems and her continuing need for concessional assistance, and reiterated that there was no question that India would be eligible for concessional resources for many years to come. Mr. Stern suggested that the ideas referred to by the Ambassador initially were meant as a tool to strengthen our resource mobilization efforts and to raise the volume of IDA lending above a level that could be achieved under the present structure. He suggested that it would be better for the poor countries if IDA had \$2 billion to lend at 5% p.a. than continuing at 0% interest but to have only \$1 billion at its disposal. Mr. Clausen added that if there is to be any change in the IDA terms of lending, any formal proposals would be discussed fully in the appropriate fora and that India would then have every opportunity to voice her concerns and make them known to the donor countries.

Mr. Clausen concluded the meeting by stating once again that the Bank Group would of course continue to cooperate very closely with India and support her development efforts in the strongest possible ways. He suggested that, as important as the transfer of financial resources was, Bank Group assistance comprised much more than that and that the counsel and advice offered by the Bank were equally important. He assured the Ambassador that the Bank would be very pleased to provide a broad range of assistance to India in her efforts to bring India's policy house in order and to continue her development efforts.

The Ambassador, in conclusion, expressed his gratitude to Mr. Clausen for the Bank's strong support.

cc: Mr. Stern
Mr. Hopper
Mrs. Hamilton
Mr. Roulet

MHW:af

4/29

Visit of Ambassador Narayanan of India at 3 p.m.

The Ambassador will be accompanied by Mr. Bagla,
Minister of Economics.

INDIA

BRIEFING PAPER

Meeting with Ambassador Kocheril R. Narayanan
Ambassador of India to the United States
April 29, 1982

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KEY POINTS

BIOGRAPHICAL INFORMATION

April 1982

INDIA

Ambassador Kocheril R. Narayanan
Ambassador of India to the United States
April 29, 1982

Ambassador Narayanan will: (a) object to the circulation of the technical note "Terms and Conditions of IDA Credits," and (b) remind you of India's role in convincing the British Government to release its second installment to IDA6 in full.

BACKGROUND

On April 5, the Indian Ambassador asked to see you to protest about the circulation of the paper. His authorities felt that it contained proposals which affected borrowers as well as donors and should have been discussed with all EDs before circulation to IDA Deputies. As you were unavailable, Minister S. T. Bagla met Mr. Qureshi.

The Indians also feel they played an important role in getting Britain to relax its attitude towards the release of its second IDA6 installment. They would like this to be borne in mind when IDA funds are allocated.

OUR POSITION

Mr. Qureshi agreed with Minister Bagla that the ideas outlined in the paper would affect IDA borrowers. Therefore, the paper had been circulated to all EDs (not simply donors) well before the meeting, and Mr. Qureshi planned to arrange an informal meeting of EDs to discuss the issues. Moreover, the paper only put forward some ideas for discussion, and did not make proposals. In any case, there was no intention of changing the terms and conditions for IDA6; any new terms that were agreed to would only apply to subsequent replenishments.

You have already written to Mrs. Gandhi expressing your gratitude for her personal intervention. Please reiterate to the Ambassador that you greatly appreciate Mrs. Gandhi's efforts.



Record Removal Notice

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File Title India Country Files - Presidents Papers - A W Clausen - Correspondence - Volume 1		Barcode No. 1774866		
Document Date 29 April, 1982	Document Type CV / Resumé			
Correspondents / Participants				
Subject / Title Biographical Information - Kocheril R. Narayanan - Ambassador of India to the United States				
Exception(s) Personal Information				
Additional Comments		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.</p> <table border="1"><tr><td>Withdrawn by Chandra Kumar</td><td>Date 30-Mar-15</td></tr></table>	Withdrawn by Chandra Kumar	Date 30-Mar-15
Withdrawn by Chandra Kumar	Date 30-Mar-15			

April 13, 1982

Dear Madam Prime Minister:

The meeting of Deputies of the International Development Association has recently concluded, with a favorable outcome. In that connection, I should like to express my deep appreciation for your efforts on behalf of IDA and its recipients. Your action made an extremely significant contribution to the positive outcome of the meeting.

There is no doubt that it was your personal representation to Mrs. Thatcher which convinced the British Government to release their second installment to IDA6 in full. The British announcement, in turn, has encouraged some ten or so other countries to consider doing the same. Such action will augment IDA's commitment authority by a significant amount this year.

I am extremely grateful for your personal intervention in this matter, and look forward to continued close cooperation.

Warm regards,

Sincerely,

AWC

A. W. Clausen

The Honourable
Mrs. Indira Gandhi
Prime Minister's Office
South Block
India

bcc: Mr. H. N. Ray
Executive Director

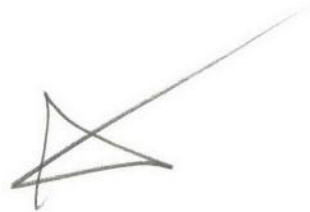
2698

the industrial credit and investment corporation of india limited

SIDDHARTH S. MEHTA
CHAIRMAN

February 15, 1982

Mr. A.W. Clausen
President
The International Bank for Reconstruction
and Development
1818 H Street N.W.
Washington D.C. 20433
U.S.A.



Dear Mr. Clausen :

I write on behalf of my wife and myself to thank Mrs. Clausen and you for your invitation to join you at the reception at the Taj Mahal Hotel in Delhi during your recent visit to India. It was indeed an opportunity to meet you as well as your colleagues in the company of a select group of invitees at a very pleasant, informal get-together.

I should also like to add that both of us enjoyed meeting you at the small dinner organised one evening earlier by Mr. Jean-David Roulet at his residence. It was a very rushed, busy and somewhat tiring visit for you, but we considered it a privilege to have been able to meet you quietly and informally.

I regret that this letter of thanks has been delayed because of my departure for an overseas trip immediately after our meeting, from which I have just returned.

With kind regards to both of you from my wife and myself.

Yours sincerely,

Siddharth Mehta

S.S. Mehta

OFFICE OF THE PRESIDENT
1982 FEB 25 AM 12:40
RECEIVED

OFFICE MEMORANDUM

TO: Records

DATE: February 12, 1982

FROM: J.-D. Roulet

SUBJECT: Mr Clausen's Meeting with Mr Kedar Pande, Minister for Irrigation

1. On January 19, 1982, Mr Clausen met in New Delhi with Mr Kedar Pande, Minister for Irrigation. The Minister was accompanied by several of his associates including Mr C.C. Patel, Secretary, Irrigation, as well as by Mr H.N. Ray, Executive Director. Also present for the Bank were Mr Hopper, Mrs Hamilton and Mr Roulet.
2. Mr Clausen began by noting the considerable progress achieved in agriculture during the last decade or so and commended the Minister for the effort made to bring additional areas under irrigation. The Government's program in irrigation was very ambitious and he enquired about implementation in relation to the Plan's target.
3. The Minister replied that the Plan's target would in all probability be achieved. Between 1951 and 1980, India's total irrigated area had increased from about 22 million hectares to nearly 60 million hectares. During the first year of the current Plan, 2.4 million hectares had been brought under irrigation; this year the level would be 2.6 million hectares. The annual target for the last three years of the Plan was 3 million hectares, thus bringing the total to about 14 million hectares for the Plan period. Expansion of irrigation had been listed as a first item in the recent 20-point program and by the end of the century, India expected to have a total irrigated area of about 113 million hectares. This should go a long way towards ensuring self-sufficiency in food, provided, the Minister added, that population growth could be kept in check.
4. In reply to a question by Mr Clausen as to whether India concentrated its efforts on certain types of irrigation, Mr Patel commented that the approach was diversified and included surface irrigation through minor, medium and major projects as well as groundwater development. He expressed gratitude to the Bank for the assistance it had provided which had been most instrumental in bringing about changes in concept and practices. By and large, projects executed with Bank assistance were proceeding well, except in a few cases which Government was following up closely. Multipurpose and major projects required particularly close attention as they were very costly.
5. In reply to a further question by Mr Clausen about efficiency of utilization, Mr Patel commented on the time-lag between completion of engineering works and actual bringing into production of the areas served, which, he felt, presently affected about 4 million hectares, mainly in medium and major schemes. Ideally, the time-lag should not exceed one year and steps were being taken, like strengthening the role of canal command area authorities and improving conveyance systems down to the field channels, to

accelerate utilization. Mr Patel added that proper water management was becoming increasingly important and he explained the changes being introduced to improve water use by means of rotational supply with fixed delivery dates.

6. Mr Patel added that in respect of water management, India was facing two serious constraints. Nature itself was a constraint insofar as rainfall was not evenly distributed both in terms of time and areas. India received about as much rain as the United States, but 90% of it came during the 4 months of the monsoon. Lack of storage was a serious problem and the possibilities of increasing storage capacity were both limited and costly. A second constraint was that by virtue of India's Constitution, responsibility for irrigation and water development was entrusted to the States, which made it necessary for the central authorities to seek consensus rather than to impose decisions.

7. Mr Clausen commented that financial constraints made it all the more necessary to establish priorities, to keep them under review and to monitor implementation. This put an increasing burden on management but India was fortunate in having a vast reservoir of talents.

8. The Minister added that as irrigation expanded and agricultural production increased, the nature of the problem changed insofar as farmers were increasingly joining the market economy. Agriculture was an important element in promoting industrial development. Post-harvesting activities, including storage and processing would become increasingly necessary. Initially, these would probably focus on irrigated areas as these produced at present about 60% of India's total food output.

9. Mr Hopper, noting the ambitious nature of the Plan, felt that India would be compelled to mobilize substantial additional resources locally. External financing was up against increasing constraints and could in any event only meet a small part of India's large requirements. He urged that as a matter of priority, Government should review its system of water charges so as to recover part of the investment and make it possible to finance a larger portion of future expansion programs. Irrigation not only made it possible to increase production but enhanced the value of the land. Unless the recovery rates were increased, irrigation would become a serious drain on public finances. Mr Patel replied that water charges had been substantially increased since 1951 but maintenance costs had also increased. While recognizing that there was room to increase water charges, he noted that an important prerequisite was to ensure reliability of water supply. In Mr Patel's view, water charges should also be rationalized with a view to improving efficiency of water use. The matter was under consideration and had been frequently discussed with the Bank, including at a seminar led by Sir John Crawford. The process however was time consuming since it involved reaching agreement with the states. Mr Clausen endorsed Mr Hopper's concern and noted that as farmers' incomes increased, they could afford to pay more for the services provided to them.

10. The meeting concluded with a discussion of India's still very large untapped potential and Mr Clausen assured the Minister that the Bank, which was pleased to have been associated with India in the irrigation sector, would continue to attach high priority to it.

cc: Messrs. Hopper (ASNVP); Wiehen (ASA); Thalwitz, Rowe (ASPDR);
Tibor (ASP); Brigish, Griffith, Harrison, Abbie and
Mrs. Hamilton (ASADB); Mr. Ray, Reddy (EDS)

JDR:mh

India

ROUTING SLIP

DATE:
February 22, 1982

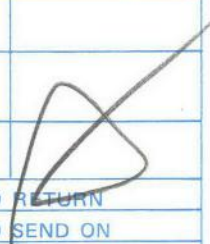
FROM THE VICE PRESIDENT
EXTERNAL RELATIONS

NAME

ROOM NO.

Mr. Clausen

cc: Managing Committee



APPROPRIATE DISPOSITION

NOTE AND RETURN

APPROVAL

NOTE AND SEND ON

COMMENT

PER OUR CONVERSATION

FOR ACTION

PER YOUR REQUEST

INFORMATION

PREPARE REPLY

INITIAL

RECOMMENDATION

NOTE AND FILE

SIGNATURE

REMARKS:

The attached cable contains an interesting summary of Mrs. Gandhi's speech at the opening of the South/South Conference in New Delhi today.

FROM:

M. P. Benjenk

CONFIDENTIAL

cc

WORLD BANK 64145
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DISTRIBUTION: D.S.

MR CHATENAY I R D
MRS A HAMILTON
MR WIEHEN
MR BLACKMAN I P A

NEW DELHI, FEBRUARY 22, 1982
WORLD BANK
WASHINGTON, D C COMMUNICATIONS DIVISION

RECEIVED

363 FOR CHATENAY COPY HAMILTON (FOR WIEHEN), BLACKMAN
RE NEW DELHI SOUTH SOUTH CONSULTATIONS

PRIMO MEETING OPENED THIS MORNING WITH 44 COUNTRIES ATTENDING. ONLY
SAUDI ARABIA EXPRESSED INABILITY TO ATTEND BECAUSE OF TIMING. CHINA
ATTENDING AS SPECIAL GUEST, CANADA AND GERMANY AS OBSERVERS.
SECUNDO OPENING SESSION WHICH WAS ATTENDED BY PRESIDENT NYERERE WHO
IS HERE TO RECEIVE THIRD WORLD PRIZE THIS AFTERNOON, WAS ADDRESSED BY
PM, JEAN RIPERT WHO READ MESSAGE FROM UN SECRETARY GENERAL AND MOHAME
D

BEDJAQUI, CHAIRMAN OF GROUP OF 77 IN NEW YORK.

TERTIO MAILING YOU STATEMENT BY PM. FOLLOWING SUMMARY OF HIGHLIGHTS
MAY BE OF INTEREST TO YOU:

PM BEGAN BY REFERRING TO LANDMARKS OF ARUSHA AND CARACAS AND STRESSED
NEED FOR COOPERATION BETWEEN NORTH AND SOUTH ADDING "ECONOMIC CO-
OPERATION AMONG DEVELOPING COUNTRIES CANNOT POSSIBLY RELIEVE THE
INDUSTRIALIZED COUNTRIES OF THEIR RESPONSIBILITIES AND COMMITMENT
TOWARDS DEVELOPING COUNTRIES", EXPRESSED CONCERN AT DETERIORATION
SINCE CANCUN, I.E. UNEMPLOYMENT, INFLATION, HIGH INTEREST RATES,
PROTECTIONISM, REDUCTION OF CONCESSIONARY ASSISTANCE ("EVEN WELL
ESTABLISHED INSTITUTIONS LIKE THE IDA ARE IN DEEP TROUBLE"),
STRESSED INTERDEPENDENCE POINTING OUT THAT PROGRESS IN DEVELOPING
COUNTRIES WOULD HELP REJUVENATE STAGNANT ECONOMIES OF INDUSTRIALIZED
COUNTRIES, STRESSED NEED FOR CONSENSUS ON STRATEGY TO IMPROVE FOOD
PRODUCTION IN DEVELOPING COUNTRIES, NEED TO EXPAND ENERGY EXPLORATION
AND EXPLOITATION PROGRAMS ("THE WORLD BANK SEEMS MERELY TO BE RE-
ALLOCATING LIMITED RESOURCES AMONG VARIOUS SECTORS WHEN WHAT IT SHOUL

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BE DOING IS TO EXPAND ITS ENERGY LENDING THROUGH ADDITIONAL FUNDS'''),
URGED ALL COUNTRIES TO ADHERE TO BASIC RATIONALE OF IDA (''ANY ONE
COUNTRY'S ACTION DISREGARDING THIS WELL-CONSIDERED PATTERN SHOULD
NOT BECOME AN EXCUSE FOR OTHERS TO FOLLOW REGRESSIVE POLICIES:),
ALLUDED TO SEVERE DEBT PROBLEM OF DEVELOPING COUNTRIES, STRESSED ROLE
PLAYED IN PAST BY MULTI-LATERAL INSTITUTIONS LIKE WORLD BANK AND IMF
BUT STRESSED NEED FOR FLEXIBLE RESPONSE FROM IMF (''THE USUAL SHORT
TERM STABILIZATION PROGRAMMES WILL NOT SUFFICE IN THIS NEW SITUA-
TION'''), EMPHASIZED NEED TO REINFORCE COLLECTIVE SELF RELIANCE AMONG
DEVELOPING COUNTRIES AND CONCLUDED BY SUGGESTING FOLLOWING FOR CON-
SIDERATION DURING MEETING:

QUOTE A) AGREEMENT ON THE IMMEDIATE LAUNCHING OF GLOBAL NEGOTIATIONS.
B) INCREASED FOOD PRODUCTION IN DEVELOPING COUNTRIES.
C) REVERSAL OF THE PRESENT DISTURBING TREND IN THE FLOW OF ASSISTANCE
PARTICULARLY CONCESSIONAL ASSISTANCE, FROM DEVELOPED TO DEVELOPING
COUNTRIES.

D) STRENGTHENING MULTILATERAL COOPERATION.

E) DEVISING MECHANISMS TO FINANCE THE DEVELOPMENT OF ENERGY RESOURCES
IN DEVELOPING COUNTRIES.

F) SPEEDY ADOPTION AND IMPLEMENTATION OF SCHEMES, INCLUDING REGIONAL
ARRANGEMENTS TO LIGHTEN THE FINANCIAL BURDEN OF INCREASED OIL
PRICES AND TO ENSURE SUPPLIES OF OIL TO DEVELOPING COUNTRIES.

G) PROVISION OF FINANCIAL SUPPORT FOR BALANCE OF PAYMENTS PROBLEMS
IN THE TRANSITIONAL STAGE OF OIL IMPORTING DEVELOPING COUNTRIES.

H) REVERSING PROTECTIONIST TRENDS

AND, ABOVE ALL,

I) DEVELOPMENT OF THE SOLIDARITY AND COLLECTIVE SELF-RELIANCE OF
DEVELOPING COUNTRIES TO REDUCE THEIR VULNERABILITY TO PRESSURES FROM
AND EVENTS IN AFFLUENT COUNTRIES. UNQUOTE

QUARTO FOLLOWING INAUGURAL SESSION, MEETING WAS ADDRESSED BY PRESIDEN
T

NYERERE AND WAS THEREAFTER EXPECTED TO BREAK UP INTO TWO WORKING GROU
PS

TO DEAL WITH NORTH/SOUTH AND SOUTH/SOUTH ISSUES RESPECTIVELY.

REGARDS

ROULET

OFFICE MEMORANDUM

TO: Records

DATE: February 12, 1982

FROM: J.-D. Roulet

SUBJECT: Mr Clausen's Meeting with Mr Rao Birendra Singh,
Minister for Agriculture

1. On January 19, 1982, Mr Clausen met in New Delhi with Mr Rao Birendra Singh, Minister for Agriculture. The Minister was accompanied by several of his senior associates including Mr S.P. Mukerji, Secretary, Agriculture and Dr O.P. Gautam, Director General, Indian Council for Agricultural Research, as well as by Mr H.N. Ray, Executive Director. Also present for the Bank were Mr Hopper, Mrs Hamilton and Mr Roulet.
2. The Minister, having welcomed Mr Clausen, opened the discussion by thanking the Bank for the assistance it had so far provided to India in support of agricultural development. Bank assistance, which had covered a diversity of schemes, had enabled India to make considerable progress, as evidenced by the substantial increase in foodgrains production that had occurred in the past few years. While foodgrain output had suffered a serious setback during the drought year of 1979-80, there had been no widespread starvation, unlike in previous drought years. This was attributed to both the expansion of irrigation and to the establishment of buffer stocks. Since then, production had recovered and had reached about 132 million tons last year, a level which the Minister hoped might be exceeded this year. As a result, the buffer stocks which had been substantially depleted and now stood at 11 million tons should be reconstituted to their desirable level of 15 million tons.
3. The Minister stressed that agriculture continued to receive high priority in the Government's development strategy. This was evidenced by the fact that the sector, including irrigation, had been allocated about 25 percent of the Sixth Plan resources. Noting that cost escalation might reach as much as 30 percent during the Plan period, and that availability of financial resources could become a major constraint, the Minister hoped that Bank Group's assistance could be maintained at its past levels since any reduction would have serious consequences.
4. Mr Clausen congratulated the Minister for India's performance in agriculture and assured him that the Bank continued to attach the greatest importance to it. Bank assistance would continue, though the cost might be higher as a result of the shortage of concessionary financing. Within agriculture, irrigation would continue to receive a high priority.
5. The Minister commented that the expansion of acreage under irrigation had been unprecedented, from about 22 million ha in 1950/51 to about 60 million ha now. 14 million ha were expected to be brought under irrigation during the Sixth Plan period. The availability of fertilizer, improved seeds and extension services was equally important and would continue to receive the Government's close attention. The Minister recognized that progress in some of these areas was difficult to achieve and noted the case of the reorganization of extension services in Bihar. The Government however was

looking into the matter and expected to find a solution shortly.

6. Dr Gautam commented that to develop rainfed areas through mixed farming and improved water management was an equally important activity. Even if the acreage under irrigation was increased as planned, this would still leave about 45 percent of India's total agricultural area under rainfed conditions and he emphasized the importance of the National Agricultural Research Project and the role played by institutions like ICRISAT. Mr Clausen used this opportunity to thank the Government of India for having joined the CGIAR as a donor member.

7. The Minister added that one of India's major problem was that of the small size of agricultural holdings. At present, about 72 percent of India's holdings were below 2 acres, ninety percent below 5 ha. Various rural development programs had been launched with a view to improving conditions in rural areas including the National Rural Employment Program which was aimed at lifting about 15 million families above the absolute poverty line by the end of the Plan period. This however would still have leave about 25 million families below it.

8. Mr Mukerji commented on the need to improve the distribution of fertilizer, the consumption of which had increased substantially during the last few years. About one third was being purchased by small holders which made the problem of transport and storage more difficult. To reduce the impact of subsidies on the government finances, prices had been increased by as much as 60 percent in the last two years. This had affected the annual rate of growth of consumption which was now about 10 percent compared to about 25 percent previously, but, in Mr Mukerji's view, fertilizer consumption depended more on timely availability than on price. To lower the cost of keeping inventories, Mr Mukerji wondered if a revolving fund could be set up with Bank Group financial assistance. Mr Clausen and Mr Hopper recognized the importance of adequate inventories but thought that their financing, which was essentially a short term problem, could probably be better addressed by involving commercial banks rather than the World Bank Group. This led to a discussion of agricultural credit which, the Minister said, had expanded considerably in recent years as commercial banks and cooperatives had expanded their networks. In reply to a comment by Mr Hopper about overdues which in some states had reached critical levels, the Minister noted that these were still largely the result of the drought year of 1979/80. Last year, conditions had improved but perhaps not to the extent that would have made it possible for farmers to repay their arrears. The Minister added that the government was conscious of the importance of this issue and that he had personally contacted the Chief Ministers in all states urging them to improve collections. In his view, while some concessions might be justified in respect of interest rates, outright cancellations should be resisted firmly.

9. The meeting concluded with a reference to the diversity of the programs financed so far by the World Bank in India and to the dynamism that the agricultural sector could provide in the 1980s.

cc: Messrs. Hopper (ASNVP); Wiehen (ASA); Thalwitz, Rowe (ASP); Lee (ASP)

Mrs. Hamilton, Messrs. Upadhyay, Rix, Harrison, Abbie (ASADB)
Messrs. Ray, Reddy (EDS)

OFFICE MEMORANDUM

TO: Records

FROM: J.-D. Roulet

SUBJECT: Mr Clausen's Meeting with Mr S.B. Chavan, Minister for Planning

DATE: February 12, 1982

1. On January 19, 1982, Mr Clausen met in New Delhi with Mr S.B. Chavan, Minister for Planning. The Minister was accompanied by several of his senior associates including Dr Manmohan Singh, Member-cum-Secretary, Planning Commission, Dr M.S. Swaminathan and Mr Mohamad Fazal, Members, Planning Commission, as well as by Mr H.N. Ray, Executive Director. Also present for the Bank were Mr Hopper, Mrs Hamilton and Mr Roulet.

2. Having welcomed Mr Clausen, the Minister briefly described recent economic developments in the light of expectations set out in the Sixth Plan. Generally speaking, the economy was progressing satisfactorily. During the first two years of the Plan, annual growth had reached the order of 5.5% and, barring unforeseen, the overall target of 5.2% annual growth set out in the Plan could well be exceeded. Results in agriculture were particularly encouraging. Substantial improvements had also occurred in infrastructure as well as in the coal sector, though one had to recognize that the reference base of 1979/80 was particularly low. Developments were also most encouraging in the oil sector where prospects were substantially brighter now than when the Plan had been drafted. On the other hand, the balance of payments was a cause of serious concern and export performance had been disappointing. The Minister commented on some of the measures recently taken to encourage exports, particularly those aimed at facilitating the import of modern technology and equipment, but even assuming favorable results on the export front, there would still be a large trade gap by the end of the Plan. The government had recently obtained substantial financing from the IMF and was determined to respect the self-imposed discipline associated with that operation. The Minister added that although the Plan was to be financed primarily with resources mobilized locally (up to about 94%), external assistance was an essential input and he expressed concern at the magnitude of the cuts in concessional aid, particularly IDA funds, that were being contemplated. India had in the past made good use of external financing and had developed a considerable absorptive capacity. If IDA financing were to be cut by as much as 50%, this would place a great strain on India.

3. Mr Clausen replied that the current prospects of IDA financing were indeed not encouraging and pointed out that IDA was facing a shortfall of about \$1.5 billion for FY82. While recognizing that IBRD funds were substantially more expensive, he wondered what the alternatives could be in present circumstances. In what he hoped would be an interim period, he thought it preferable to keep the flow of external resources as close as possible to the level anticipated earlier, even if the mix had to change and the cost to increase. In his view, it was essential to impress upon the donor countries that concessional aid was also in their own interest, a process in which receiving countries should also make their voice heard, but

in the meantime, the Bank was forced by reality to review the pattern of its resource allocations.

4. Dr Manmohan Singh suggested that IDA had perhaps a greater significance for India than for many other countries since India did not borrow from other multilateral institutions (e.g. the Asian Development Bank) and since net transfers from bilateral sources were virtually negative. The Sixth Plan had been based on certain assumptions about availability of IDA financing and substantial reductions were bound to lead to a lower level of investments. He also urged that the Bank should not give the impression that its interest in India was diminishing as this might influence the posture of individual donor countries.

5. Mr Clausen, having referred to the unusually close relationship built between India and the Bank Group over the last 30 years, emphasized that the Bank was as keen as ever to assist India. Past assistance had been of great use and the Bank was determined to maintain its development role. Conditions, however, had changed drastically in the last few years and donor countries were faced with serious budgetary constraints. By changing the mix of Bank Group lending to India, the flow of resources would be affected in a limited way. Some other less developed countries did not have the alternative of being able to borrow from the Bank. In response to a comment by Mr Ray, Mr Clausen said that the consequences of the IDA shortfall were obviously significant for India because of the magnitude of the funds involved, but he pointed out that all borrowing countries would be affected to some degree. Some would have to be "graduated" out of Bank lending while "blend" countries would have to take a harder mix. The poorest countries who had no alternatives to concessionary finance, e.g. many countries in sub-Saharan Africa, would also have to face cuts.

6. Dr Manmohan Singh stressed that India did not wish to benefit from IDA financing at the cost of other countries. But, taking into account poverty and the size of the population, he hoped that in the long run India's share of 40% could be maintained at about the same level.

7. Reverting to the implementation of the Sixth Plan, the Minister commented that if the momentum could be maintained in both agriculture and industry, the overall targets could most certainly be achieved. Inflation, which was still a cause of concern, had been drastically reduced compared to two years ago. One of India's major problems remained to improve the conditions of people living below the poverty line. One of the main objectives of the Sixth Plan was to reduce their proportion from about 48% at the beginning of the Plan to about 30% by 1984/85. Several programs were being implemented to create additional employment opportunities, with a target of generating about 34 million jobs during the Sixth Plan period, and to expand health, education and family planning services.

8. On the export front, the Minister noted that India was facing increased protectionist tendencies and added that similar pressures

could also be perceived in India. He hoped that the Bank could help neutralize these influences. Mr Clausen concurred that protectionist tendencies should be resisted, as restrictive practices ultimately were of little help including for the countries that adopted them.

9. Dr Swaminathan commented on India's size and diversity and noted that while some areas had shown notable progress (for instance Punjab was now producing about 1% of the world foodgrains), others were very similar to those in the Sahel countries. He stressed the efforts made to expand irrigation, the priority of which had been enhanced. While about 1.1 million ha had been brought under irrigation annually in the past, the annual target for the last three years of the Plan were 3 million ha. He added that the progress achieved in agriculture had changed the nature of the problem as farmers were now increasingly moving from subsistence to the market economy. Mr Clausen concurred that agriculture, including irrigation, continued to deserve the highest priority.

10. Mr Fazal commented on the mechanisms set up to monitor Plan implementation. Developments were being followed not only by the Planning Commission and the central ministries but regular meetings were held with the state governments. Some of these were chaired by the Prime Minister. Certain sectors like power and railways received very close attention.

11. The meeting concluded with a discussion of the need to sharpen priorities and improve financial management in light of current constraints, as well as of the need for India to impress on donor countries the successes that had been accomplished with the help of external assistance.

cc: Messrs. Hopper, Holsen (ASNVP); Wiehen (ASA); Thalwitz (ASP)
Mrs. Hamilton, Mr. Harrison (ASADB)
Messrs. Ray, Reddy (EDS)

JDR:mh

OFFICE MEMORANDUM

TO: Records

DATE: February 12, 1982

FROM: J.-D. Roulet

SUBJECT: Mr Clausen's Meeting with Mr A.B.A. Ghani Khan Chaudhuri,
Minister for Energy

1. On January 19, 1982, Mr Clausen met in New Delhi with Mr A.B.A. Ghani Khan Chaudhuri, Minister for Energy. Mr Chaudhuri was accompanied by Mr V. Mahajan, Minister of State for Energy and by several of his associates including Mr Satishchandran, Secretary, Power, Mr R.P. Khosla, Additional Secretary, Coal, and Mr Sah, Chairman, National Thermal Power Corporation (NTPC), as well as by Mr H.N. Ray, Executive Director. Also present for the Bank were Mr Hopper, Mrs Hamilton and Mr Roulet.

2. The Minister welcomed Mr Clausen and thanked the Bank for having drawn attention to the energy issue in general, for its efforts to help solve the current energy crisis, and for the substantial support it had provided to India in this sector. In this respect, the Minister stressed that India valued not only the Bank's financial contribution but above all the technical advice and recommendations provided by Bank staff, which India tried to implement as far as practical. Having noted that all power projects financed by the Bank in recent years were on schedule, he hoped that the Bank would continue giving favorable consideration to India's future requests for assistance.

3. Mr Sah thanked Mr Clausen for the Bank's recent \$300 million loan for the second phase of the Ramagundam super thermal project and by means of charts, illustrated recent developments in the power sector in general and within NTPC in particular. Mr Sah commented that one of India's special constraints in the power sector was that, by virtue of the Constitution, responsibilities were shared between central authorities and the States. This made it necessary to seek consensus, a process which was often time-consuming. Rather than trying to modify the system drastically -- which would be politically unacceptable -- the Government approach in recent years had been to increase the role of central authorities through the setting up, in the mid '70s, of the National Thermal Power and National Hydro Power Corporations. By 1990, the share of central authorities in total power generation was expected to increase to about one third. Particular emphasis was being paid to the development of engineering capability, training, introduction of systems approach and strengthening of management. Mr Satishchandran added that a second characteristic of developments in the power sector was that until recently emphasis had been placed on thermal power generation. This was due in part to the existence of India's large coal deposits but also reflected the shorter gestation period of thermal schemes. The government was now paying greater attention to the development of hydro-electric resources, as they constituted a renewable source of energy. Attempts were being made to reduce the gestation period of hydro schemes. The Sixth Plan envisaged the creation of about 5,000 MW of additional generating capacity based on hydro resources. The target would probably be increased to about 16,000 MW

in the 7th Plan. Several projects were currently at the planning stage and the government intended to approach the Bank for assistance. Mr Satishchandran added that the settlement of water rights among States and the fact that hydro electric resources were not evenly distributed throughout India were additional constraints. Most potential sites were located in the Himalayas where access was difficult and where complex geological problems had first to be resolved. Furthermore, storage sites were limited.

4. Mr Clausen, noting that several agencies seemed to be involved in power development, enquired how coordination was being achieved with a view to devising a global approach. The Minister commented in the first place on the role played by the Planning Commission and noted that the Sixth Plan contained a full statement of India's strategy in the energy sector. In addition, a Cabinet Committee on Energy had been established, under the Chairmanship of the Prime Minister, which in turn was supported by a Committee of the secretaries concerned. In the Minister's view, this system was appropriate and reflected India's federal framework.

5. In reply to a question by Mr Hopper as to how and when India expected to fill the gap currently existing between peak demand and availability of power, the Minister pointed out that during the last 30 years, power generation had grown at about 10% a year. The annual growth target for the Sixth Plan was about 11% and was expected to remain of about the same order in subsequent plans. The Minister said that the present shortfall had been expected to be eliminated by the end of the Sixth Plan. However, slippages had occurred, particularly at the States' level, and he thought it unlikely that the target would be met, particularly in the Northern region. Mr Satishchandran added that the causes of the shortfall could be attributed to heavy reliance on the indigenous equipment industry which had led to delays in deliveries, to deficient project planning and management, as well as to resource constraints particularly at the level of the States' Electricity Boards. Shortages of commodities like cement and steel had been a constraint but had by now been largely overcome.

6. In reply to a further question by Mr Hopper about the status of implementation of the Rajadhyaksha Committee recommendations, the Minister explained that the main problem was to attempt to reach a consensus as the reactions to the Committee's recommendations had not all been of unqualified support. This process was by definition time-consuming, but substantial progress had already been achieved. The Chief Ministers of all States had been approached by the Prime Minister personally and the dialogue continued through his Ministry. In his view, increasing public pressure for improved electricity supply also strengthened the role of the Central Government in its dealings with the States, particularly since the performance of central authorities had generally been better than that of several State Electricity Boards.

7. In reply to a question by Mr Clausen about pricing policies, the Minister recognized that financial performance by several State Electricity Boards was a source of concern. Hopefully, losses would be substantially reduced by the end of the Sixth Plan. Mr Sah added that the financial

statements currently presented by SEBs did not give an accurate picture. In his view, return on capital in the last two years had generally been of the order of 10-12%. Mr Sah welcomed the suggestions made by the Bank in this respect with which, he said, central authorities were generally in agreement. Mr Hopper expressed satisfaction at the improvement in utilization of existing capacity that had occurred in the last year or so but urged that financial performance be given closer attention, particularly since, as Mr Clausen noted, increased resource mobilization was unavoidable to meet India's large investment requirements in the sector.

8. Turning to coal, Mr Khosla thanked the Bank for the interest it had recently taken in the sector and expressed the hope that its review marked the beginning of further involvement. At present, four projects had been identified -- some of which linked with power generation and the steel industry -- and he enquired if the Bank would be prepared to consider a request for financial assistance. The Bank delegation replied positively. Mr Khosla added that during the last two years, performance in the coal sector has been most encouraging. Output had increased by about 10 million tons annually and had now reached about 124 million tons. He expected no major problem in reaching the Sixth Plan's target of 165 million tons. Further developments, however, might be affected by resource constraints, not so much perhaps in the current Plan but in the next.

9. Mr Clausen concluded by emphasizing the priority the Bank attached to energy in general which was a prerequisite to further economic development. This seemed very much in line with India's own priorities and the Bank would continue to provide whatever assistance it could in this sector.

10. As a final point, Mr Hopper enquired about the status of the Karnali project. The Minister confirmed that a report was about to be circulated to the Cabinet but that he anticipated no problem in getting endorsement of the proposal discussed earlier with Nepal and the Bank.

cc: Messrs. Hopper (ASNVP); Wiehen (ASA); Mrs. Hamilton (ASADB)
Messrs. McCarthy (EGY) Griffith, Brigish, Ecevit (ASADB)
Ray, Reddy (EDS)

JDR:ae

OFFICE MEMORANDUM

TO: Records

DATE: February 12, 1982

FROM: J.-D. Roulet

SUBJECT: Mr Clausen's Meeting with Mr Pranab K. Mukherjee,
Minister for Finance

1. On January 19, 1982, Mr Clausen met in New Delhi with Mr Pranab K. Mukherjee, Minister for Finance. The Minister was accompanied by several of his associates, including Mr R.N. Malhotra, Secretary, Department of Economic Affairs, as well as by Mr H.N. Ray, Executive Director. Also present for the Bank were Mr Hopper, Mrs Hamilton and Mr Roulet.
2. The Minister for Finance began by welcoming Mr Clausen. He recalled the close and mutually beneficial relationships that have been built over the years between India and the Bank Group and hoped that this first visit by Mr Clausen as President of the World Bank would result in a further strengthening of these ties.
3. The Minister continued by summarizing the salient features of India's recent economic developments. Following the drought year of 1979-80, agriculture had registered a substantial recovery. In 1980-81, foodgrain production had reached a level of about 133 million tons, an increase of 18-19% over the previous year. Prospects for the current year (1981-82) were good and it was hoped that last year's level, which was close to the record achieved 3 years ago, could be marginally increased. During the last two years substantial improvements had also been achieved in infrastructure, particularly in the coal, power and transportation sectors which had been a major bottleneck and had been looked after by a special Cabinet Committee. Industrial production had also recovered and shown a growth rate of about 10% in 1980/81 which was expected to be repeated this year. Steel and cement had also shown encouraging results. Generally speaking, the investment climate was favorable as evidenced by the success of issues recently floated on the local capital market. Inflation remained a cause of concern but thanks to improved food supplies, the annual rate had been substantially reduced from 22% in June 1980 to about 15% in June 1981 and 7.2% in January 1982. Constraints however remained formidable. India, the second largest country in the world, still had an extremely low per capita income and development needs were substantial in virtually every part of the country. Indeed, in many areas, little development had yet occurred as he thought Mr Clausen would be able to see during his field trip to Uttar Pradesh.
4. In reply to a question by Mr Clausen about the country's foreign exchange situation, the Minister commented that the balance of payments prospects were currently one of India's major concerns. A downward trend had been anticipated, particularly following the second increase in oil prices, but the pace of erosion of the country's foreign exchange reserves, which had shown a loss of \$2 billion in the last 9 months, was extremely disturbing. Mr Malhotra explained that to cope with the situation the Government had adopted a multi-pronged approach. In the first place serious

efforts were made to improve the utilization of existing capacity which, in several instances (e.g. steel, cement, nitrogenous fertilizer) had shown encouraging results. It was hoped that imports in these sectors could in the future be further reduced. Secondly, attempts were made to accelerate the oil exploration program and to expand production in existing fields. This, together with measures taken to encourage energy conservation, should help prevent further increases in India's oil bill. Thirdly, the Government was aware of the need to increase exports. Mr Malhotra described the measures taken in this respect such as the establishment of export zones, the simplification of licensing procedures, etc. These measures had met with some response but on the whole, export performance had been less favorable than expected. In some cases, this reflected reductions in the market prices of commodities exported by India. In others, Indian products were facing growing protectionism in the developed countries. Competitiveness on international markets had also sharpened. In the Minister's view, it was essential for India to keep abreast of technological developments and he emphasized that despite the balance of payments' pressure, the Government was determined to maintain a liberal import policy in support of industrial development, particularly with respect to imports of modern technology and equipment. In any event, it was clear that whatever progress could be made on the import substitution and export fronts, India's trade gap in the next few years would remain considerable. To enable the economy to keep its momentum, India had approached the IMF and had increased its use of commercial financing, but this would place a greater burden on India's debt servicing capability. India's debt profile was undergoing a substantial change which compelled Government to proceed carefully.

5. Turning to IDA, the Minister for Finance recognized the severity of the current funding constraints and the impact this would have for India. India was IDA's major borrower but even her current share of 40%, which reflected an understanding reached among Part I countries, did not correspond to the size of her population and the level of her poverty. IDA assistance had been most beneficial and the proposed cuts came at the very time when India had improved her absorptive capacity and was facing serious foreign exchange problems. The Minister added that over the years the Bank and IDA had played a strong developmental role and hoped that this image would not be diluted. He concluded by expressing concern at the magnitude of the cuts being currently contemplated and, while recognizing that the needs of other countries would justify marginal adjustments, pleaded that the 40% IDA share should not on the whole be further reduced.

6. In his reply, Mr Clausen emphasized the budgetary constraints that were currently affecting not only the developing countries but the developed world as well which in turn had led to pressures to reduce concessionary assistance. This had very seriously affected IDA at least for this current year. Against expectations of commitments of the order of \$4.1 billion, IDA would probably receive only about \$2.6 billion, resulting in a shortfall of \$1.5 billion. He endorsed the Minister's perception of the Bank and IDA as major development institutions and stressed that the image should not and would not be altered. For his part, he considered it essential that IDA VI should continue to be regarded as a 3-year replenishment period. He had recently urged all Part I countries not to tailor the level of their

contributions to that of the United States and hoped that some might respond positively. He also felt that discussions and negotiations of IDA VII should be initiated forthwith and in that respect he was attaching great importance to the Helsinki meeting of the Development Committee next May. In his view, concessionary assistance was not to be regarded as charity and the investments financed therewith served the interests not only of the receiving but also of the donor countries. This, however, needed to be expressed more strongly by the developing countries as well and he urged the Indian Government to provide all assistance it could to help change the perceptions and attitudes that in the developed world militated against foreign assistance. At the same time, one could not avoid having to face the current situation in a realistic manner. The serious shortfall of concessionary financing made it necessary to review the pattern of past allocations and to look for alternatives.

7. To avoid the undesirable path of reducing substantially the total flow of funds, he had as a first step recommended a substantial increase in IBRD lending for the current fiscal year. This proposal would be considered by the Bank's Executive Directors the following week. Another alternative was to expand areas of cofinancing as some financial institutions might be more willing to provide additional resources if this were done together with the Bank. He had personally gained the impression that this proposal might meet with some degree of success particularly in OPEC countries. A further alternative was to expand the role of the private sector, which was less constrained than governmental institutions, and he was looking to IFC to assist in the mobilization of additional private resources.

8. Mr Clausen recognized that no single alternative would provide the ideal solution and felt that the mix had to be tailored to the circumstances of each country. As a corporate institution owned by 141 countries, IDA had to be as equitable as possible. Thanks to its prudent debt management, India had some room for manoeuvre as she was currently in the position to borrow funds on harder terms. Other countries, particularly in Sub-Saharan Africa, did not have this possibility. Mr Clausen felt therefore that in current circumstances one should look at the situation not so much in terms of percentages but in terms of total flow of funds. By increasing Bank financing and expanding the role of IFC, he thought that in FY82 total Bank Group assistance to India could come fairly close to the level we had expected a year ago. Obviously, the cost would be higher but he thought this preferable to the alternative of having to cut assistance drastically. In FY83 one would again have to look at what resources were available and act accordingly. Mr Clausen reiterated that this was not a happy situation but one could not avoid facing reality.

9. Mr Malhotra, referring to the discussions he had recently had in Washington in this respect, said that India appreciated that IDA was facing a very difficult year and that adjustments were unavoidable. However, this was not the first time that IDA was feeling the pressure of Part I countries and he welcomed Mr Clausen's assurance that, as in the past, these would be resisted to the extent possible. Like Mr Clausen, he hoped that this would be only a transitory period and urged that India's traditional share be restored as soon as practicable. He added that for its part, the Government

would do whatever it could to impress on the donor countries the need to maintain the level of their contributions to IDA. In this connection, India had recently been contacting several countries such as the United Kingdom, France and Japan. Furthermore, a meeting of developing countries was scheduled to take place in New Delhi later in February and the issue of IDA replenishment would be listed on the agenda. Depending on the outcome of the meeting, India would consult the Bank about possible subsequent steps, taking account inter alia of the forthcoming Helsinki meeting. Mr Clausen welcomed the suggestion. He added that India's position was well understood but re-emphasized the seriousness of the limitations on the available IDA funds. India was not being singled out but he believed that proportional cuts across the Board would not be equitable as these would be unduly harsh for countries that had no other alternative.

10. Turning to India's needs in the field of energy, the Minister enquired about the status of the establishment of a proposed energy affiliate. Mr Clausen replied that the ultimate objective was not so much to set up a separate organization but to increase the level of financial assistance. Obviously, development in the Third World could not occur without increases in the consumption of energy which in many countries was extremely low. As was well known, the proposal to create a separate energy affiliate had run against political pressures. At a time when it was difficult to convince donor countries to replenish an existing institution like IDA, the suggestion to establish yet another institution had little chance of success. Mr Clausen therefore thought it preferable to look for other solutions. For one thing, the Bank was planning to increase its lending for energy from about \$2.5 billion last year to about \$3 billion this year. Cofinancing with other institutions as well as with the private sector was another possibility which he and Mr Stern were actively discussing particularly with OPEC countries. A further alternative to the setting up of a separate institution would be to increase the Bank's capital base, which would enable it to expand its lending operations in that sector.

11. The Minister for Finance concluded by thanking Mr Clausen for his frank description of the problems that IDA was currently facing. India for her part would do whatever she could to support his efforts to defend the cause of development.

cc: Messrs. Hopper, Holsen (ASNVP); Wiehen (ASA); Thalwitz (ASPDR);
Harrison (ASADB); Ray, Reddy (EDS) and Mrs. Hamilton (ASADB)

JDR:ae

August 3, 1982

Dear Mr. Minister:

Thank you for your letter of July 20, 1982 regarding India's subscription to the General Capital Increase of the Bank. May I say again how grateful we were for your Government's quick action in taking up its full subscription last year. We note that you are examining the question of release of the local currency portion; any action which you could take in this direction would be very much appreciated. I look forward to seeing you in Toronto.

Sincerely,



A. W. Clausen
President

The Honorable
Pranab Kumar Mukherjee
Minister of Finance
Ministry of Finance
South Block 11
New Delhi 110 001, India

bcc: Mr. H. N. Ray, Executive Director

Copies to: Messrs. Qureshi (o/r), Rotberg, Gabriel (o/r)
Hattori, Thahane, Scott, Wood
IBRD Capital Contact Group

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To prepare reply
वित्त मंत्री
भारत
MINISTER OF FINANCE
INDIA

NEW DELHI-110001

July 20th, 1982.

3613
Dear Mr. Clausen,

I have received your letter dated 2nd March, 1982 asking us to release for lending by the Bank our local currency contribution to the general capital increase.

There is no doubt that the needs of the developing countries require a very early strengthening of the resources of the Bank. We fully support your efforts to persuade all members to pay in their subscriptions as quickly as possible. It was in this background that we ourselves paid in our full subscription to the GCI in October, 1981.

So far as the release of our local currency portion is concerned, you are only too well aware of the difficult balance of payments situation that we are facing. However, I am having the matter examined in detail to see what is possible to be done.

With kind regards,

Yours sincerely,

Pranab Mukherjee
(PRANAB MUKHERJEE)

Mr. A.W. Clausen,
President,
The World Bank,
Washington DC 20433,
U.S.A.

THE WORLD BANK
Washington, D. C. 20433
U. S. A.

A.W. CLAUSEN
President

July 29, 1982

Dear Mr. Shah:

Thank you for your kind words
regarding our meeting of July 12. I, too,
found it to be most useful. Thanks also for
the commemorative publication. It has provided
useful material for my visit with Prime Minister
Gandhi.

Sincerely,



Mr. Hasmukh Shah
President
U.S.-India Enterprises
P.O. Box 10175
Towson, Maryland 21204

RS:tk

3612

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July 28, 1982

Mr. A.W. Clausen
President
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

A

Dear Mr. Clausen:

This is just a brief note, to tell you how much I, Mr. K.N. Modi and Devendra K. Modi enjoyed meeting you in your office on July 12. The conversation was not only interesting, but educative, too.

Mr. K.N. Modi appreciates the fact that despite your busy schedule on that day, you were very considerate in sparing so much time. We all thank you very much for your kind gesture.

Please excuse me for the delay in this letter as I was preoccupied with the souvenir publication project commemorating the U.S. visit of India's Prime Minister Indira Gandhi. I am pleased to enclose two copies of this souvenir for your perusal. I would be delighted to receive your observations and suggestions about the publication.

Kindly see page number 15 for the article about India and the World Bank and page no. 28 for the photo with Prime Minister Gandhi.

Thanking you,

Sincerely yours,

Hasmukh Shah

Hasmukh Shah,
President

Encl:

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Hasmukh Shah,
President

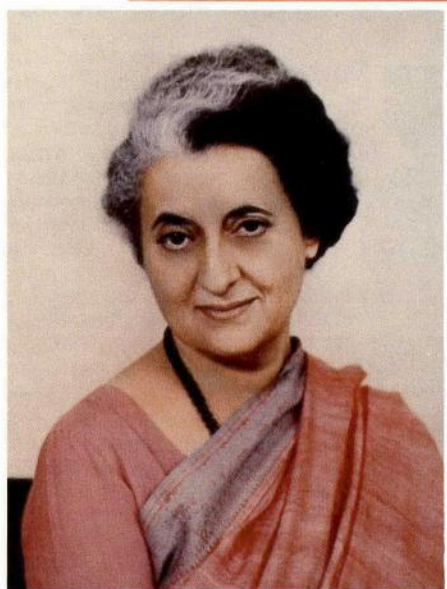
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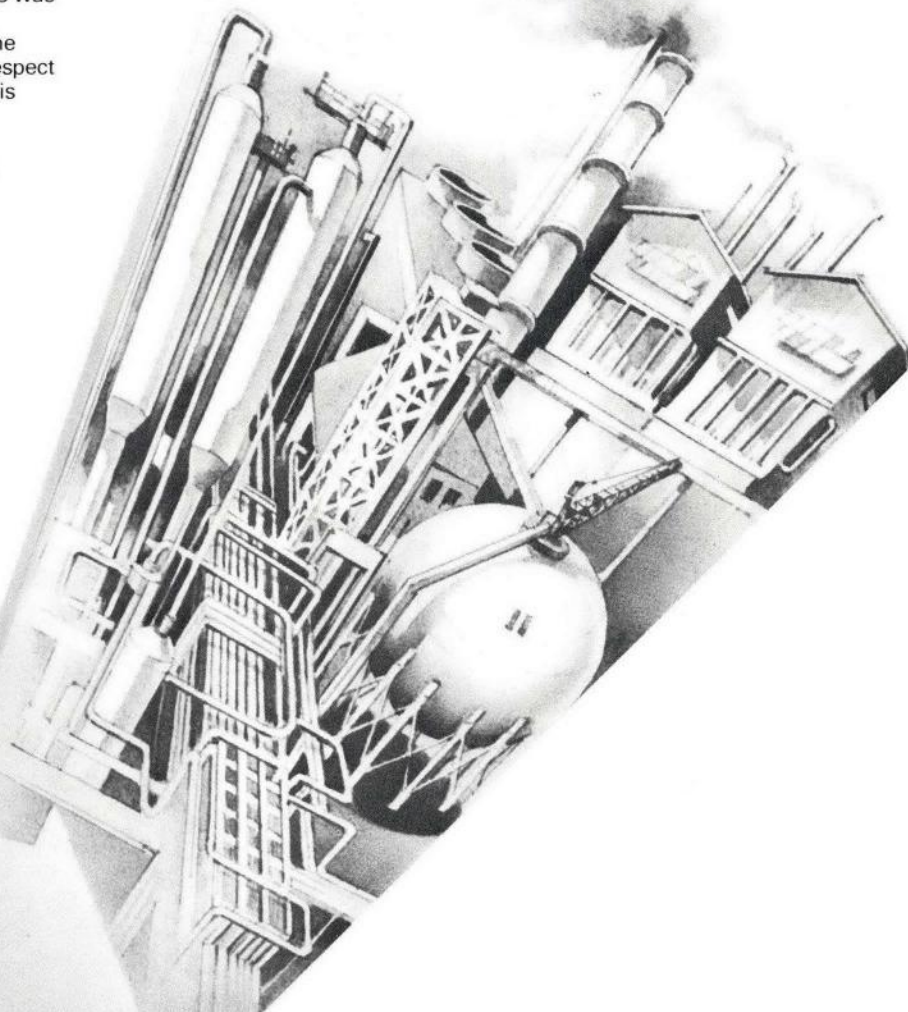
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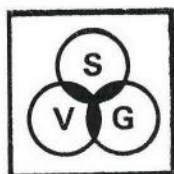


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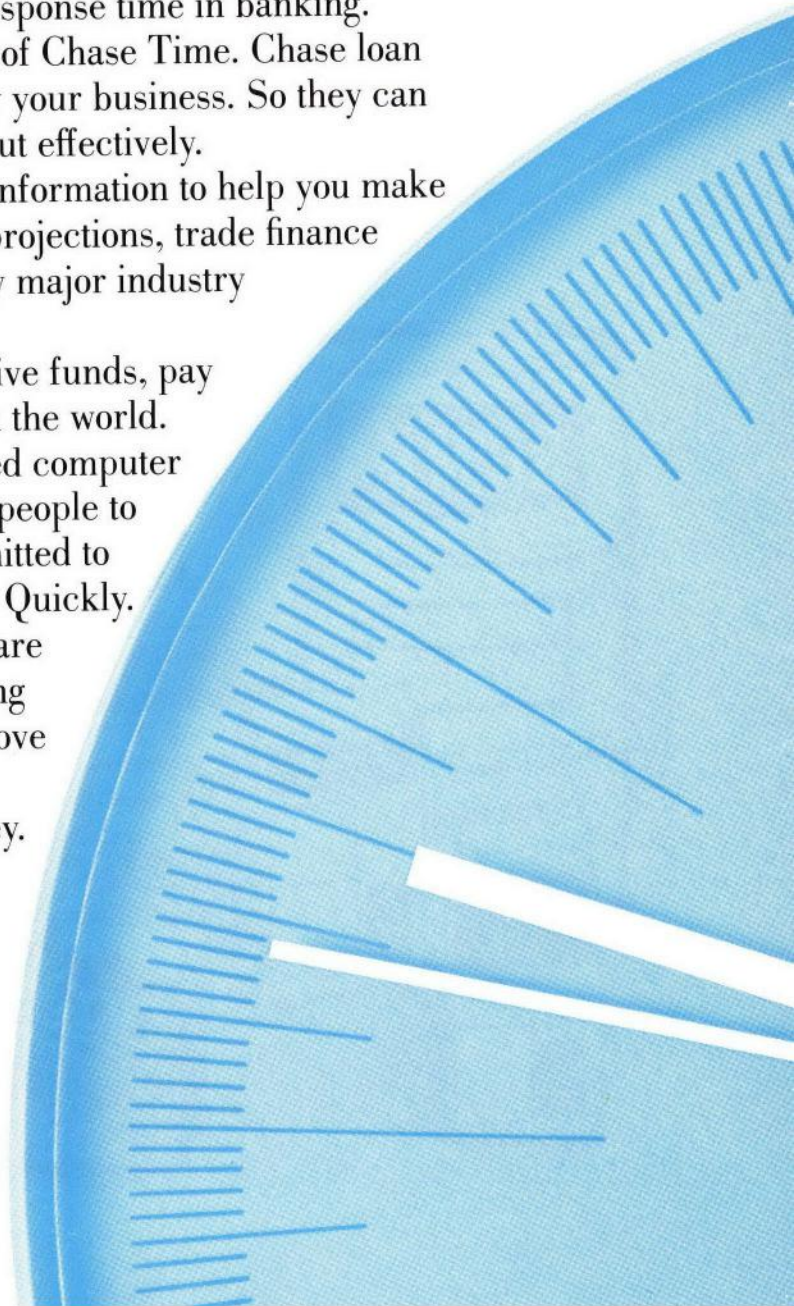
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Publisher's Message

On the occasion of India's Prime Minister Indira Gandhi's official visit to the United States of America, U.S.-India Enterprises is pleased to present this publication—another in our series featuring Indo-American relations. Encouraged by the excellent response to these efforts, both from the private and public sectors in India as well as the United States, we strive on the occasion of this important conference to elucidate various aspects of Indo-U.S. relations, as well as India's progress since her independence in 1947.

It is hoped that the expertise and knowledge of our authors—all experts in their fields, will serve to further enlighten both Americans and Indians about the significant achievements India has made with the support and cooperation of America.

The United States has been integral to India's growth. U.S. aid and technical assistance, business collaborations, as well as help from the World Bank and other international institutions, have played an important role in India's growth. Today, India is the world's tenth largest industrial nation, has a well-developed infrastructure and is on a take-off stage for becoming a world power in her own right before the end of the century.

Yet, significant misconceptions about India prevail in America. Many still think of Indians as half-starved, illiterate snake-charmers. They confuse Asian Indians with native American Indians. Or, worse, they don't think about India at all as long as it stays "over there." There is an educational "vacuum"; it often fills with bad news, distorted notions or, at the worst, prejudice.

It is crucial, in a media-oriented country like the U.S., for Indians to make an effective effort to publicize the *real* image of India—its cultural heritage, virtues and progress. After all, news media are the stimuli to which Americans are continuously exposed. American-style communications require that India's positive aspects be brought to the media often.

I earnestly hope that this kind of material which we have worked so hard to publish will begin to satisfy the acute need to point up India's achievements and value to the U.S. It is essential that we continue our efforts to communicate.

I am grateful to the authors for their excellent contributions, advertisers and innumerable well-wishers for their support and encouragement in making this publication a success. In particular, I express my sincere thanks to the Embassy of India in Washington, D.C., the U.S. Department of State, U.S. Department of Commerce and the White House for their active help.

We all wish the Gandhi-Reagan Conference great success in our hopes for greater friendship and understanding.



HASMUKH SHAH
President
U.S.-India Enterprises

Gandhi-Reagan Conference

**July 29-30, 1982
Washington, D.C.**

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India and the U.S.: On Road to Better Understanding



*K.R. Narayanan
India's Ambassador to the United States*

I am glad that the U.S.-India Enterprises is publishing a souvenir volume on the occasion of the official visit to the United States by Prime Minister Mrs. Indira Gandhi at the invitation of President Reagan.

This is the third time that Mrs. Indira Gandhi is visiting the United States as Prime Minister, and she has been here earlier with her father, Jawaharlal Nehru, during his three official visits. She is thus coming to this country not as a stranger but as a friend carrying the goodwill and admiration of the people of India, nearly seven hundred million of them, to the great people of the United States of America.

Common Values and Interests

Christopher Columbus in his voyage of discovery found America and thought that it was India. The voyage of discovery, in a sense, still remains an unfinished business, and it is time that India and the United States explored and discovered each other's mind and heart. There are common values and interests of a fundamental nature that we share and that ought to be understood in a deeper sense and integrated in a realistic manner into politics and programs.

We are the two largest democracies in the world, and in the relationship between us is perhaps involved the future of democracy itself in the world. At the same time the very nature and definition of democracy means freedom to differ, but "differ decently" and "agree to disagree" with mutual respect and friendship. One thing that we would discover in our exploration of each other is that our geographical and historical situations are different, and there are bound to be shades of differences in our view of the world and interpretation of events.

Area of Cooperation

Recognition of these facts of geography and history will make our understanding of each other deeper, our friendship stronger, and our cooperation more substantial. The fundamental affinities between India and the United States outweigh the differences, and there is an ever-widening area of cooperation between our two countries. It is on this area of cooperation that we can concentrate during this historic visit of the Prime Minister.

India today is at a new stage of its economic and social development. Having achieved basic self-sufficiency in food grains, laid the foundations of economic self-reliance, and built up an impressive and diversified industrial and technological infrastructure, India is now in a position to receive and absorb investments and higher technology from abroad on an unprecedented scale, oriented, of course, towards the needs and priorities of our economy.

Greater Friendship

The favourable and liberalized climate for foreign investment in India is a story that is only beginning to reach the ears of the American public. So are the bright prospects of scientific and technological cooperation between our two countries, and the need for a vastly expanded cultural exchange program as an indispensable condition for creating understanding and promoting friendship.

Better understanding and greater friendship and cooperation is the theme of any Indo-American summit meeting—a theme that is at once simple, grand and meaningful.

"If we seek help, it is not charity but rather as a part of a process to undo the injustice of ages, and bring greater equality and security thereby creating conditions for stable and enduring peace in the world, which all countries earnestly seek."

Indira Gandhi



INDIA'S NATIONAL EMBLEM

The national emblem of India is a replica of the Lion Capital at Sarnath near Varanasi in Uttar Pradesh. The Lion Capital was erected in the third century B.C. by Emperor Ashoka to mark the spot where the Buddha first proclaimed his gospel of peace and emancipation to the four quarters of the universe.

The national emblem is thus symbolic of contemporary India's affirmation of its ancient commitment to world peace and goodwill.

The four lions (one being hidden from view)—symbolizing power, courage and confidence—rest on a circular abacus. The abacus is girded by four smaller animals—guardians of the four directions: the lion of the north, the elephant of the east, the horse of the south and the bull of the west. The abacus rests on a lotus in full bloom exemplifying the fountainhead of life and creative inspiration.

The motto "Satyameva Jayate" inscribed below the emblem in the Devanagari script means "Truth Alone Triumphs."

Growing Opportunities for U.S.-India Trade Relations



*Harry G. Barnes, Jr.
American Ambassador to India*

I welcome this opportunity to contribute to the U.S.-India Enterprises souvenir publication marking the visit of Prime Minister Gandhi to the United States. This visit is important for a variety of reasons. First, it is a continuation of the dialogue the Prime Minister and President Reagan began in Cancun. But most fundamentally it provides an opportunity to share what each is thinking about on matters of common concern, and to see how these concerns can be translated into ideas for a positive impact on our bilateral relationships as well as matters of worldwide importance.

To take one important aspect of these relationships, I am quite hopeful that the already substantial trade links between India and the United States can be extended still further. Our latest figures on the total export-import turnover between the two countries for the last year were about \$3 billion. I am optimistic that this two-way trade will be increased in the years ahead. But beyond that, we should look at our commercial relations in the broadest context.

To illustrate, U.S. and Indian companies are collaborating in India to produce the products the Indian economy requires and to boost its export performance. In this connection, an interesting recent development was a collaboration agreement in the high-technology area of computer peripherals between American and Indian firms. I find other examples, such as in oil exploration, mining, automotive components and machine tools covering a wide range of areas where technology that we have developed in the U.S. will be useful in meeting the needs of the priority sectors of the Indian economy.

High Technology From The U.S.

I believe that India appreciates the high technology U.S. companies are providing. It is noteworthy that Prime Minister Gandhi sent a message to the Indo-U.S. Business Council Meeting in New Delhi last February in which she said that there is definitely scope for U.S. investment and trade, particularly in the area of sophisticated technology.

U.S. companies are responding. Over the last two years a record number of Indo-U.S. collaboration agreements have been approved by the Government of India. I was pleased to see that the American share is the largest. This confirms two trends: One, the usefulness of collaboration from the Indian standpoint; but also, the increasing interest of American firms in establishing a permanent relationship with India.

Scope In India For U.S. Firms

Admittedly, in the 60s and into the 70s companies have not shown as much interest in India as they have, for example, in Southeast Asia, or Western Europe, or Latin America. Gradually, however, the invitation Prime Minister Gandhi and her Government is sending to the U.S. business community, that there is scope in India for American firms, is being heard by American companies.

It was useful, therefore, that a delegation from the Indo-American Chamber of Commerce recently visited several American cities in May to explain, in a businessman's language, these opportunities and to describe the Indian business climate. Additionally, Indian representatives are attending major trade shows in the United States. To illustrate, the Minister for Science and Technology recently was in Boston

with a large group of Indian industrialists to attend an American convention and trade show in the field of electronics.

Joint Efforts

My general point is that given the emphasis in India on increasing productivity by concentrating on priority sectors where the United States has relevant experience, there are, I believe, important areas where Indian and American companies can join together. India has something important to offer in American terms. And to the extent that India is able to demonstrate that the possibilities are there, and that the possibilities are mutually advantageous, then, I believe, American companies are in an increasing mood to respond.

"Nearly all the countries that have succeeded in their development over the past thirty years have done so on the strength of market-oriented policies and vigorous participation in the international economy. Those countries which have achieved the most spectacular economic progress in the shortest period of time all share a common characteristic, they all have a willingness to believe in the magic of the marketplace."

President Ronald Reagan

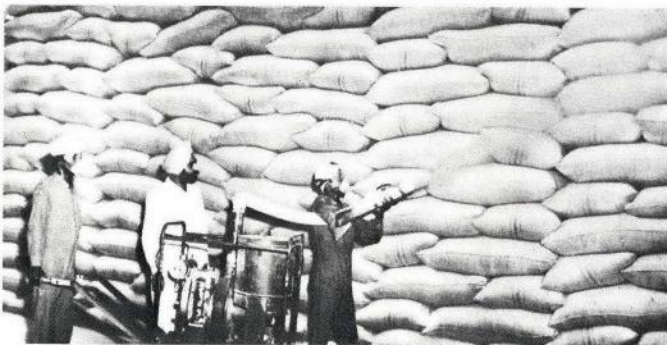
The impressive strides India has made in various fields in a single generation since attaining independence in 1947 shows the world's largest democracy is on the move.

In just three decades since India adopted the path of planned economic growth, the country has not only attained self-sufficiency in feeding its population of 700 million, but has become an exporter of agricultural products. For a country, which is still among the 15 poorest nations of the world (India's annual per capita Gross National Product being only \$245 in U.S. dollars), this is not a small achievement.

The "Green Revolution"

India's progress in agriculture has been so remarkable that it has been rightly called "the green revolution." India's food output has been increasing at an average annual rate of 2.4 percent. A surge in food production occurred in the late 1960s and early 1970s because of the "green revolution" made possible by the Government of India's pragmatic agricultural policy which encouraged the farmers to use hybrid seed, irrigation and fertilizers. A record food grain harvest of 132 million metric tons occurred in 1978-79 against only 55 million metric tons in 1950-51.

It must be acknowledged that the help provided by the United States, The World Bank and its affiliated institutions and the Food and Agriculture Organization of the United Nations have played a major role in making this agricultural revolution possible.



The Central Government food depot in Calcutta

A Real Democracy In Action

India may be relatively poor, but it is rich in its democratic ideals and practices. The people of India have shown the world their commitment to freedom and the democratic way of life in seven consecutive general elections. The faith of the people in democracy is evident from the large number who turn out in these elections. Eighty million voters, comprising about 46% of the electorate, voted in India's first general elections held in 1952, while 194 million people, representing 55% of the electorate (which is more than the total U.S. population of 231 million) cast their votes in January, 1980, which gave the Congress (I) Party, led by Mrs. Indira Gandhi, a sweeping victory.

A remarkably disparate country with 15 major different languages and a panoply of religious practices, India has shown an extraordinary sense of proud nationhood by remaining a united country.

INDIA...



India's House of Parliament

Building a Strong India

Following her resounding victory in elections, Prime Minister Gandhi has made her priorities very clear. As per her promise to the voters, she is making every effort to use the massive mandate in her favor to build a strong, self-sufficient, self-reliant India to fight the evils of poverty and social injustice. With her strong willpower, Mrs. Gandhi has brought a firm hand to solve the nation's enormous problems—economic, social and political.

A stable government in India under Indira Gandhi's leadership has not only maintained internal peace and contributed to national progress, but has also earned political stability and peace in the region.



Prime Minister Indira Gandhi

The Emerging Economic Power

"Can India truly become an international economic power? India not only can, but is well on its way," says Orville L. Freeman, chairman of Business International Corp. and former U.S. Secretary of Agriculture.

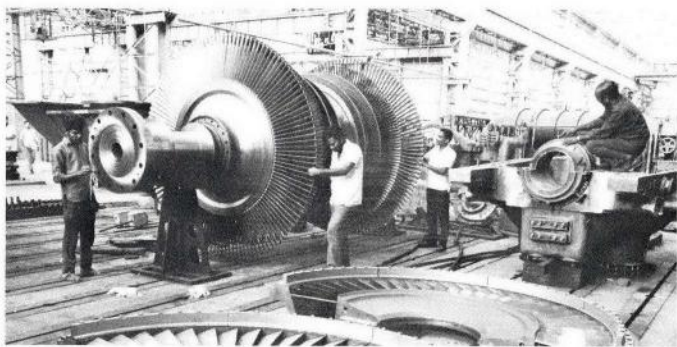
If India's record in agriculture is remarkable, its progress in the industrial field is equally noteworthy.

Before 1947, the only industries of any significance were jute, cotton textiles, tea, coffee, and rubber plantations characteristic of a tropical colonial economy; a few

STRIDES OF PROGRESS

engineering shops; and some coal mining developed in association with the railroads. Most of the requirements for manufactured goods were imported. Since then, most industrial imports have been displaced by local manufactures.

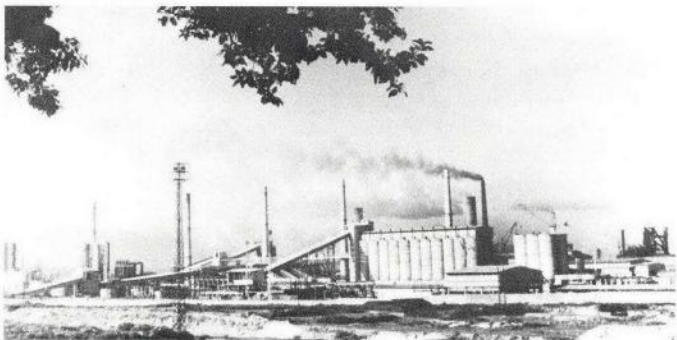
India is now completely self-sufficient in the manufacture of machinery needed by its major industries—cotton textiles, jute, sugar, chemicals, paper and cement. Manufactures range from aircraft, ships, automobiles, steam, diesel and electric locomotives, through power generation and transmission equipment, heavy electrical machinery, construction equipment, tractors, trucks, turbines and boilers, machine tools and precision ball bearings. Major electrical products for domestic and industrial use are also being made in the country.



*Assembly of 110 MW low pressure rotor
at Bharat Heavy Electricals*

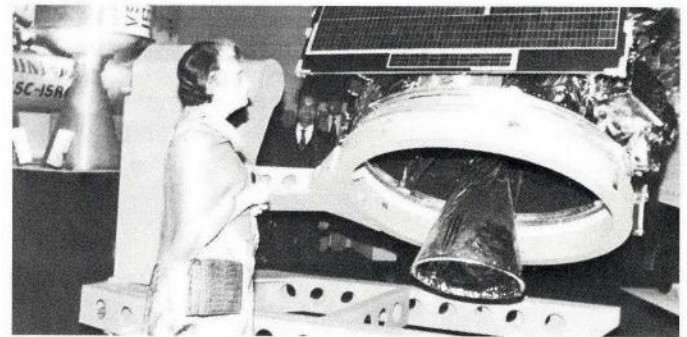
Three Indian companies—the Indian Oil Corporation, Bharat Heavy Electricals and the Steel Authority of India—are listed in *Fortune* magazine's list of industrial giants outside the United States.

Ranking among the top ten industrial nations of the world, India today has established a sound and diversified industrial base. This massive industrial build-up has been the outcome of modern technology, qualified and trained manpower, and vast quantities of indigenous resources.



One of the Steel Authority of India's mills.

India has taken major leaps over the past two decades in the development and application of space technology and space sciences for the socio-economic benefit of the nation. Today, India can plan, design, build and test satellites for scientific experiments as well as practical applications such as earth observations and telecommunications.

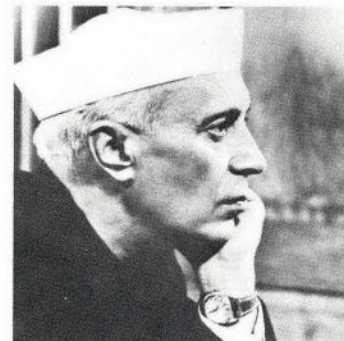


*Prime Minister Gandhi examining a lifesize model
of India's Apple Satellite*

India's progress in industry is so rapid that "India will be recognized as a big industrial power before the end of this century," declared K.N. Modi, Chairman of Modi Enterprises, during his recent meeting with the top executives of the Overseas Private Investment Corporation, a U.S. government entity in Washington, D.C.

Leader of the Third World

India is often spoken of as leader of the Third World. The non-aligned nations movement, started by Jawaharlal Nehru, Indira Gandhi's illustrious father, during the 1950s and 1960s enabled India to exert a profound influence in the world.



*Jawaharlal Nehru
Architect of the Third World*

India's Progress. . .

India today is recognized as a dominant power in South Asia and the progress she has achieved in economic, industrial and defense fields has made her an important nation whom the superpowers cannot afford to neglect.

Spiritual Contributions

The materialistic society of the West has looked to India as a source of inspiration for inner peace and happiness. As a result, the Eastern influence on American philosophy, psychology, science, medicine and health practices has been growing rapidly. All over America, thousands of people have been embracing the Indian philosophy and culture—from yoga and meditation to vegetarianism.

The establishment of various centers for Indian arts and meditation, as well as many restaurants now offering Indian gourmet food, indicates the acceptance of India's spiritual heritage and culture by a large number of Americans.

Indian Immigrants' Contribution

The United States is a melting pot and the 400,000 immigrants of Indian origin have made this pot richer. It is heartening to find that most of the immigrants from India are highly educated and professionals in such fields as engineering, medicine, education, insurance, business administration, science and technology. These immigrants have made significant contributions to American life and society.

Many of the Indian immigrants occupy important positions in U.S. corporations. Others are small entrepreneurs, owning motels, grocery stores and card shops. And in almost all major U.S. cities one can now find restaurants offering Indian dishes, reflecting the growing popularity of Indian food.

Some immigrants from India have become successful industrialists in electronics, engineering, construction and real estate. While more and more immigrants of Indian origin are making an effort to assimilate into the American political mainstream by participating in political activities and election campaigns.

Indo-U.S. Ties: Better Days Ahead

Prime Minister Indira Gandhi's scheduled visit to Washington, D.C. at the end of July is viewed as a step by India and the United States in patching up their long-troubled relationship. While acknowledging that there are differences between them on many global and bilateral issues, both sides are trying to accentuate the mutual value of trade, scientific and technical ties.

Indo-American tensions have been more the result of misunderstanding than basic conflicts of national interest. Mrs. Gandhi has remarked frequently this year that she got along well with President Reagan at their first meeting in Cancun, Mexico last October and that she seeks warmer ties with the United States.

The U.S. and India have many common ideals of democracy and freedom. Framers of the Indian constitution studied the American system and grafted some of its features onto India's essentially parliamentary form of government.

Today, the U.S. is India's largest trading partner and has been an important source of foreign economic assistance. The U.S. also provided India with substantial military equipment following the outbreak of the Sino-Indian war in 1962.

When U.S. relations with India were strained throughout most of 1981 it was primarily due to U.S. development of a substantial security and economic assistance program with Pakistan. Bilateral issues, such as the future of the U.S.-Indian nuclear fuel supply relationship, have also contributed to bad feelings. In the later part of the year, however, a series of high-level meetings, including discussions between President Reagan and Prime Minister Gandhi at the Cancun Summit, were useful in improving mutual understanding, indicating interest on both sides in better relations.

Welcoming Foreign Investment

It is recognized in both countries that despite the political differences, both India and the U.S. have a lot to gain by increasing trade and commercial relations. Both Harry G. Barnes, Jr., U.S. Ambassador at New Delhi and K.R. Narayanan, India's Ambassador in Washington, D.C. have been striving hard in this direction. It is heartening that their efforts are bearing fruit; Indo-U.S. trade and commercial ties are becoming stronger and stronger.

As H.R. Lucius, Counselor for Commercial Affairs, American Embassy, New Delhi, recently stated, "the Government of India is taking a greater interest in making India's business climate more attractive. It is actively encouraging foreign collaboration." Mr. Lucius also cited Prime Minister Gandhi's message to the Indo-U.S. Business Council's meeting in New Delhi last February: "There is scope for investment and cooperation by American companies in areas which need sophisticated technology or are engaged in 100 percent export." This is, so far as we are aware, the first time that an Indian Prime Minister has invited American companies to establish themselves in India, Mr. Lucius noted.

Echoing the same view, Craig A. Nalen, president, Overseas Private Investment Corporation, recently told the members of the visiting Indian businessmen's delegation that "OPIC has been watching these recent economic developments closely, all of which contribute importantly to the creation of a more favorable investment climate in India."

Mr. Craig cited various measures the Government of India has taken to facilitate foreign investment, reduce bureaucratic delays and liberalize import restrictions.

The positive steps the Government of India has taken to attract foreign investment and encourage private investment has created a very good impression on American businessmen and U.S. government officials. It is hoped that economic ties will grow closer, as will mutual understanding and friendship. Mrs. Gandhi's visit should contribute significantly to a stronger, more constructive relationship between India and the United States—the largest and strongest democracies in the world.

Hasmukh Shah
President
U.S.-India Enterprises

India and the World Bank: Partners in Progress

*Hugh Blackman
Information and
Public Affairs Specialist
The World Bank
Washington, D.C.*

The association between the World Bank and the Government of India dates back to the early days of India's independence. India's economy has progressed substantially since then and the Bank is proud to have been a partner in India's development efforts.

The Bank's commitment to India over the years has been substantial. World Bank Group (WBG) lending to India began in 1949 and, as of June 1982, total loans and credits extended to India approximated U.S. \$15 billion, the largest amount extended to any one nation. Disbursement in the last fiscal year totaled U.S. \$858 million, representing an increase of 28% over the previous year.

Source of Development Funds

As Bank aid to India has grown, India has increasingly viewed the Bank as an efficient and reliable source of development funds. Of total external assistance received by India in 1981-82, the WBG accounted for 54% of total commitments, 42% of gross disbursements, and 52% of net disbursements. In that same year, the WBG constituted approximately 35% of India's outstanding external public debt.

The thrust of Bank lending throughout the years, in consonance with government priorities and development objectives, has been in the development of India's agriculture, energy and infrastructure. Irrigation, increased agricultural production, and improvement in the availability of agricultural services and inputs to farmers have been of primary importance. Meeting energy needs has also been a major concern in Bank lending, especially to enhance domestic

production and help curb the growth of oil imports.

In an effort to ease infrastructural "bottlenecks" which hamper economic growth, the Bank supports projects in power generation and distribution, railways and telecommunications. It has encouraged private investment and has contributed to the financing of a broad range of medium and small scale industrial enterprises through the support of development finance institutions.

IDA: The 'Soft Loan Window'

The bulk of the Bank Group assistance to India has been through the International Development Association (IDA), the "soft loan window" of the Bank which offers aid on highly concessionary terms. India's low per capita income, large developmental needs and efficient use of funds justifies the continued availability of external funds on such concessionary terms. With the recent uncertainties in concessional capital flows, however, and the possibility of a substantial reduction in contributions by rich nations to IDA, these funds may be increasingly difficult to obtain.

The Bank is making a substantial effort to overcome this possible shortfall in funding for India which could impair the development process. It chairs a consortium of governments and institutions interested in providing development assistance to India. The group recently assessed the difficulties India would be facing in the near future in mobilizing sufficient resources to maintain planned investment outlays, and discussed action that they as a group might take to allay the problem. Adequate levels of development assistance to India can better ensure a period of continued growth.

Remarkable Progress

The progress that India has made since 1947 has been remarkable. The Gross National Product (GNP) per capita has more than tripled since 1960 and total irrigated land has doubled. Agricultural output in recent years has increased faster than population, thereby eliminating a persistent dependence on foodgrain imports. Bank funding assisted India's successful adjustment to the changed world price situation of the mid-70s. The period 1981-82 showed solid growth and the positive effect of large investments and appropriate policy choices in past years.

The needs of India continue to outstrip the availability of resources, however, and there is a vital need for more aid to help finance India's well-developed investment program and to enable India to achieve adjustment in its external accounts through increased growth and efficiency.

India's development efforts remain firmly focused on raising the living standards of its people, and the alleviation of poverty in India remains a formidable goal. Through the joint efforts of the Bank and the Government of India, however, much can be achieved. The World Bank is proud to have been a part of India's past successes, but looks forward to its role in helping India realize its economic potential in the decades ahead.

India's National Anthem

(Rabindranath Tagore's translation)

*Thou art the ruler of the minds of all
people, dispenser of India's destiny.
Thy name rouses the hearts of Punjab,
Sind, Gujarat and Maratha, of the
Dravid and Orissa and Bengal; it
echoes in the hills of the Vindhya
and Himalayas, mingles in the music
of the Jamuna and Ganges and is
chanted by the waves of the Indian
Sea. They pray for thy blessings and
sing thy praise. The salvation of all
people is in thy hand, thou dispenser
of India's destiny.
Victory, victory, victory to thee.*

East and West: The Twain Meet

Shiva Arpita, Ph.D.

The old American adage, "Go West, young man," has reached its logical conclusion as America finds itself facing East and assimilating Eastern ways in the uncharted frontier of mind and spirit. East and West are not merely geographical divisions; they are two philosophical concepts that have coexisted throughout the ages and that today are finding their home in one another.

In itself, each approach is insufficient and extreme, but together they complete and complement one another. Just as both hemispheres of the brain are essential and must work in harmony if the individual organism is to function properly, so must the forces of East and West join cooperatively if the body of humanity is to develop successfully.

The Two Approaches

The West attempts to understand life by exploring the external through the observable, predictable diversity of nature. Rich in material resources and efficient in problem solving, it employs scientific methodology and practical means to achieve concrete results, produce necessary goods and technology, and determine facts based on measurable data. The East, on the other hand, is adept in looking within to understand the unifying essence beyond the rational material domain. It values the idealistic orientation that emphasizes the qualities of being rather than the qualities of doing, and its wealth of tradition in mystical and philosophical teachings provides for inner tranquility and purpose. Westerners live freely and think in structured ways, while Easterners think freely and live in structured ways. Together these two great forces could provide fully for the family of humanity so that none should want for lack of sustenance in either body or spirit.

A Perfect Marriage

As is the case with all opposites, the interaction between these two poles is decidedly dynamic, and its creative synthesis could yield a whole that is greater than the sum of its parts. Each excels where the other is deficient, and thus, the two are compellingly attractive to one another, for each sees itself

thriving hidden within the unconscious of the other, and each admires and covets the qualities of the other. And so the stage is set for a perfect marriage: each yearns to embrace its other half, and a lively exchange is taking place as they experiment to design a fuller and more evolved way of living.

This century has witnessed an ongoing infatuation of East and West in the vital interchange between India and America. America worships personality, and charismatic embodiments of Indian culture have increasingly graced these shores since Swami Vivekananda and Swami Rama Tirtha, the first great teachers to arrive, delivered the profound depths of Vedanta in lecture halls and universities across the land. American hearts were fertile fields for the views these sages expounded, as they had been tilled by the founding fathers' drive for truth and independence and nurtured by a stream of transcendental thought.

Inspiring Indian Philosophy

As translations of the Upanishads, the Bhagavad Gita, and the Yoga Sutras by scholars such as Max Muller and Sir John Woodruffe became available, and the essays and poetry of modern Indian authors such as Sri Aurobindo and Rabindranath Tagore became more commonplace in the libraries and drawing rooms of America, more yogis — including Paramahansa Yogananda — arrived. Fascinated, American researchers and philosophers began to investigate for themselves the wondrous stories long told about hidden Indian sages and adepts. Then the dramatic example presented by the peaceful and valiant struggle for Swaraj Independence led by the noble figure of Mahatma Gandhi, brought the unique quality of the Indian spirit vividly to life for Americans to devise and emulate.

The practical effects Indian philosophy has on its people was poignantly portrayed in the dedication of Gandhi and his followers to the principles of *ahimsa* and *satya* — noninjury and truth. What other nation in history had maintained its integrity and ousted an oppressor without resorting to violent revolt? Such an

approach inspired many Americans with hope that significant social change could be effected through peaceful and orderly means within the borders of their own nation.

The Eastern influence on American philosophy, psychology, science, medicine, and health practices had long been growing when, in the 1960s, all things Indian suddenly became faddishly wonderful. The pop culture immersed itself in the trappings of Indian culture, and the true teachings became hard to find among the weird outfits, personality cults, and spaced-out jargon that passed as signs of living the ancient Vedic traditions.

Yoga, Meditation, Vedante

Fortunately, with the influx of beads and incense, there also arrived learned and valid practitioners dedicated to conveying the real cream of Indian culture and philosophy in its undistorted and undiluted purity. As these teachers — including Swami Satchidananda, Swami Muktananda, and Mahesh Yogi — imparted knowledge of hatha yoga, meditation, and Vedanta philosophy to sincere students, the real teachings began to seep down to the populace as a whole and to take root in American society. Concepts such as body/mind, karma, reincarnation, collective consciousness, and the Divine within slowly began to broaden the standard American viewpoint and to transform its approach.

Outstanding among the adepts who arrived in the 1970s was Sri Swami Rama of the Himalayas who was the first yogi to scientifically validate precise voluntary control of internal states. Swami Rama was invited to be a consultant in a landmark research project at the Menninger Foundation, one of America's foremost research facilities. There, hooked up to psychophysiological equipment and under the scrutiny of the expert scientists, he demonstrated the ability to perform at will autonomic feats that had been thought to be impossible. Swami Rama was also requested to address the second international conference on altered states of

(continued)

consciousness, where his remarks regarding human potential both unsettled and inspired researchers.

The work of this single yogi thus paved the way for the establishment of this field and other new disciplines, such as behavioral medicine, stress management, and transpersonal psychology. With empirical verification established, and qualified teachers available, the scientific community began to explore the yogic paradigm more completely and to adopt some of its interventions clinically. Thus, the use of relaxation techniques, bio-feedback training, hathat yoga postures, breathing practices, and meditation are currently accepted as effective treatment modalities in medical and psychotherapeutic settings. These disciplines, which only a decade ago were considered to be on the fringe of the profession, are now at its forefront.

The Himalayan Institute

The Himalayan Institute of Yoga Science and Philosophy, established by Swami Rama, is a model for the many yoga and holistic health foundations that use these theories and practices throughout the country today. The field of holistic health is now well-established due to the impact of the Indian culture on the American professional and lay communities. It is actually the American version of the ancient Vedic science called **Darshana**, which is a comprehensive, experiential approach that synthesizes the individual areas of human study which have long been artificially separated in the West. *The practice and theory of Indian philosophy are now firmly established in American culture, and its teachings are increasingly understood and applied in everyday life.*

As the differences between East and West continue to be bridged, each culture benefits and matures. The American perspective is definitely less mechanistic than it would have otherwise been, and its values are becoming more intrinsically and spiritually oriented. The Indian influence is obvious not only in the so-called 'new age' subculture, but in other areas as well, including world events.

Messenger of Peace Award

In recognition of this fact, the Himalayan Institute recently presented the Prime Minister of India, Mrs. Indira Gandhi, with the Messenger of Peace award in recognition and appreciation

of her contributions to the exchange between these two great cultures.

When these two philosophies finally synthesize, a powerful and creative force will be available to humanity for the solution of its problems and the flowering of its capacities. In the words of one ancient yogic sage, "It is immaterial whether one lives in the East or West. Geographical boundaries have no power to divide humanity. Extremes will not help humanity to attain the higher step of civilization for which we are all striving. A human being should be a human being first, and a real human being is a member of the cosmos."*

*Quoted in **Living with the Himalayan Masters: Spiritual Experiences of Swami Rama**, p. 477.



Dr. Shiva Arpita, who received her Ph.D. in Counselor Education with a speciality in Counseling Psychology from the Pennsylvania State University, is currently teaching in the Program in Eastern Studies and Comparative Psychology, a masters degree program offered in affiliation with the University of Scranton that joins East and West. She is author of **Psychology of the Beatitudes**.

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The Indo-U.S. Joint Commission: Extensive Basis For Cooperation



*Daniel Waterman
Economic Officer for India
Bureau of Near Eastern and South Asian Affairs
U.S. Department of State
Washington, D.C.*

The work of the Indo-U.S. Joint Commission and its four sub-commissions represents an important and highly promising aspect of our bilateral relationship. The Joint Commission, co-chaired by the U.S. Secretary of State and the Indian Foreign Minister, was established in 1974; and it as well as the four subcommissions attempt to meet on an annual basis in alternate capitals.

The subcommissions symbolize and promote cooperative efforts in the fields of economics and commerce, science and technology, education and culture, and agriculture. The activities of the subcommissions enable the two countries to work together and build on the already extensive bases of cooperation, despite differences that will arise from time to time.

The Joint Commission and its subcommissions assist positive movement in this direction by:

- focusing high-level attention on bilateral problems and prospects. The discussions lead to a clearer understanding of differences and stimulate fresh ideas for cooperation;
- renewing public recognition that our two countries are important to each other and that together we can improve not only our own prospects but those of the world generally;
- catalyzing new initiatives by our respective private sectors; and
- conducting specific joint projects in scientific and agricultural research and in promoting cultural awareness.

Ongoing Mechanism

The subcommission process has assumed even greater importance in the last year because it serves as an ongoing mechanism through which the two nations can demonstrate their desire to maintain a constructive relationship and to expand bilateral cooperation in mutually beneficial ways. The subcommissions have all met within the last seven months. The atmosphere at the sessions was positive, reflecting the desire of both sides to explore ways of productive collaboration.

The Joint Commission system, then, serves to lay the groundwork and generate momentum for Mrs. Gandhi's official visit to the U.S. in late July. Similarly, it will be an important channel for follow-up activities inspired by the visit. The subcommissions demonstrate that there is good scope for collaboration in a wide range of areas and highlight the solid basis on which both governments can advance the relationship despite strains in other areas.

Recent Accomplishments

It might be useful to review briefly some of the recent accomplishments of the subcommission.

First, the *Economic and Commercial Subcommission*, together with its private sector counterpart, the Joint Business Council, continues to function as a forum for free and frank discussion of mutual economic interests. At the February meeting in New Delhi, both sides sought ways to remove bilateral irritants and to work together in solving international economic problems, and to promote closer Indo-U.S.

commercial ties. Since the meeting, there has been progress on specific trade issues, preparation for the GATT Ministerial, and additional activities designed to expand the awareness of U.S. firms about the improving business climate and opportunities in India.

Second, our institutional scientific cooperation programs under the *Science and Technology Subcommission* continue to enjoy a healthy momentum. A dozen U.S. agencies have been engaged with their counterpart Indian organizations on over 50 projects. The meeting last December, for example, is leading to new projects in the search for alternative energy sources and water resource management.

Third, the *Educational and Cultural Subcommission* has a direct impact on thousands of Americans and Indians. The meeting in February stimulated preparation for another series of events including an exhibition of Indian art in 1985. A dozen other special activities will complement that exhibit.

Fourth, the newest of the subcommissions promotes *agricultural cooperation*. Its four working groups led by senior Indian and U.S. government officials met in June in Washington to review the joint projects under way and to formulate new ones in such areas as food processing, agricultural machinery, and research on critical problems and new frontiers.

Broadening of Involvement

The subcommission system is mainly a governmental affair and as such is constrained by the policies, regulations, and budgets of both sides. In my view it is important, therefore, that the subcommissions broaden involvement so as to tap the considerable interest of private individuals and organizations in each country. In this connection, the Joint Business Council and the respective Chambers of Commerce can play an especially active role.

Moreover, it seems to me that the subcommissions should strive for better coordination among themselves in order to achieve a reinforcing coherency that can exert even more impact on Indo-U.S. relations. One way of doing this is to select themes that will attract broad interest. For example, energy offers opportunities for all the subcommissions as well as the private sector to undertake new and integrated projects. We would certainly welcome suggestions on how to strengthen the subcommission process and to make it more result-oriented and relevant.

India's Flag

The flag of India is designed as a symbol of freedom. The late Prime Minister Nehru called it 'a flag not only of freedom to all people. . . . Wherever it may go, it will bring a message. . . a message that India wants to be friends with every country in the world.'

The flag is a horizontal tricolor of deep saffron on the top, white in the middle and dark green at the bottom in equal proportions. The ratio of the width to the length of the flag is two to three. In the center of the white band there is a wheel in navy blue to represent the Charkha (Spinning Wheel). Its design is that of the wheel which appears on the abacus of the Sarnath Lion Capital. Its diameter approximates the width of the white band and it has 24 spokes.

The saffron stands for courage, sacrifice and the spirit of renunciation; the white, for purity and truth; the green, for faith and fertility on which all life depends. The Ashoka wheel in the center of the white is the wheel of the law of Dharma (virtue). As the former President of India, Dr. S. Radhakrishnan said: "Truth or Satya, dharma or virtue ought to be the controlling principles of all those who work under this flag. . . . The wheel denotes motion. India should no more resist change, it must move and go forward. The wheel represents the dynamism of a peaceful change. . . ."

Indo-American Educational Bonds

Edward C. Dimock, Jr.

Distinguished Service Professor

*Department of South Asian Languages and Civilizations
University of Chicago*

President

American Institute of Indian Studies

Member

Indo-U.S. Sub-Commission on Education and Culture

It would seem appropriate, on the occasion of the visit of the Prime Minister of India to the United States, to review from an American point of view the educational aspect of the relationship between the two countries.

Education about India in the United States has, like all education, been of two kinds. The first, informal and largely unfortunate, has stemmed from Kipling, from Katherine Mayo and those of her spiritual descendents who are more interested in cows on the streets of Calcutta than in India's gross national product (GNP), from movies of Shirley Temple leading charges on the Northwest Frontier. The second is formal, originally academic but now seeking increasingly to correct the misconceptions and stereotypes of the first. It has a long and complex history.

Great Interest in Sanskrit

From the early days of the oldest American universities there has been great interest in the Sanskrit language and culture. Originally that interest was purely linguistic: the philologists at Harvard, Yale, and other universities were struck by the relationships pointed out by Sir William Jones and others of the British Orientalists, of Sanskrit to the classical languages of the west—Latin and Greek.

It is perhaps possible to assume that the postulation of the Indo-Aryan branch of the Indo-European family made the culture of India seem less remote. In any case, translations from some of the Sanskrit classics—the *Bhagavad-gita*, the *Shakuntala* of Kalidasa, the *Upanishads*—began in the early 19th century to shape the thinking of some of the so-called New England Transcendentalists, Emerson, Thoreau, Theodore Parker, among others.

What emerged from this was not only Emerson's correspondence with Raja Ram Mohan Roy and poetry with Indian philosophical themes (see for example Emerson's *Brahma*), but the shaping of the Unitarian theology, which split the Protestant Christianity of New England, and has a profound effect on religious thought and ritual even today.

U.S.-'East Indies' Trade

There were of course other types of contacts between the two cultures, but these had on the whole less wide-ranging effects. The first merchant ship carrying the American flag made its way up the Hooghly to Calcutta in 1789, and for many decades thereafter trade flourished between the ports of the "East Indies" and those of the eastern seaboard of the United States. Ships brought manufactured goods and, of all things, ice from the ponds around Salem, taking away tea and spices.

An early portrait of George Washington was recently uncovered in the house of one of the great Calcutta merchants, and old brasses and other mementos are still being found in the houses of the sea captains of Massachusetts. And, of course, there were missionaries, though even when that movement was at its height the endeavor was perhaps more British than American in its character.

Diverse, Rich Culture

Until World War II American knowledge of India came from these sources. Even when the desire for knowledge and understanding was sincere, as it was with the scholars of Sanskrit, the sources were such that resulting picture was only of a small, albeit important, part of the tremendously diverse and rich culture of the subcontinent.

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The seamen understood even less, seeing as they did only the mercantile part of the culture, while the missionaries for the most part saw only a vast land ripe, from their point of view, for conversion. During that war it became clear that not only was India of tremendous economic importance to the British, and therefore the American efforts, but of great strategic importance as well, as a base for the campaigns in China and Southeast Asia, and because of the threat of Subhas Bose's Indian National Army.

Many Americans found themselves stationed for long periods of time in India, and these were in many cases people who were to find themselves teaching and doing research on India in universities. They had seen India as it is: a cultural fabric of many strands interwoven in complex patterns, and they sought to understand. They had seen that the culture of India includes, but is not limited to, the great Sanskrit tradition; the variety of languages, religious beliefs, social mores, and complex philosophies intrigued them, and a new wave of education about India had begun.

Role of Five Institutions

To be honest with the subject, one would have to go into detail about the thought and work of a great many scholars and teachers in Indic studies over the past forty years. It might instead be possible to suggest the development of the field by singling out five institutions which more than any others have sought to promote proper understanding.

The first, of course, is that established by Senator William Fulbright with his ideas of the value of exchange of both ideas and people. Many of the scholars and teachers who first went to India from the United States under this program just after the war are now the senior people in the field, and have given it shape and leadership from its second beginning.

Of Indian scholars and teachers who came here, some stayed to assume leadership in American universities, others returned to India to put their training and research to use there. All made their mark, for as Fulbright recognized, cultures are best represented by the people who make them up.

The second was established through the growing interest of some of the major private Foundations, notably Ford and Rockefeller. While the Ford Foundation has been traditionally interested in the development of Indian institutions and individual scholarship and research, the Rockefeller Foundation, in 1953, sponsored a program in linguistics which was to have far-reaching consequences.

First at the Deccan College in Pune and subsequently at other graduate and research institutions, many American linguists, both advanced graduate students and established scholars, taught a method of structural analysis which had in fact been derived from Panini and other Sanskrit grammarians but developed by American anthropological linguists in the earlier part of the 20th century. Much of the current leadership at institutions both Indian and American is a result of this.

The third was provided by the U.S. Government through its Office of Education. In 1958 there was recognition of the fact that the study of the languages and culture of non-western parts of the world needed encouragement. Funds were made available for scholarships and for faculty and program support which allowed for expansion of non-western programs at many major universities; programs in Indic Studies were prominent among them.

The conditions under which these funds were received also impressed upon the academic community that there should be responsibility for more than pure research and limited teaching. It was made clear that there was need for education through broad segments of the American population, in order to begin to replace stereotypes with truth. As a result, programs of cultural performances, secondary-school teacher training, and the like, were begun.

The fourth development was the establishment, in 1961, of the American Institute of Indian Studies, under the inspiration and guidance of Professor W. Norman Brown of the University of Pennsylvania. An Institute for pure research in all the humanities and social science fields had been a dream of Professor Brown's for many years, not to compete with the Fulbright program but to complement it by building a body

of scholars whose exclusive academic concern was the culture of India.

In this way, he reasoned, not only would intercultural understanding grow with knowledge, but a highly trained, competent body of scholars would be always available to staff the growing number of universities with teaching and research programs relating to South Asia. The clarity of his vision is perhaps demonstrated by the fact that while twelve universities participated in the founding of the Institute, there are now thirty-seven.

And finally, in the mid 1970s the Indo-U.S. Sub-commission on Education and Culture was established. The institution was needed, for it was the nature of the existing bodies to deal with education in one or more of its narrower senses. University programs, while seeing the need to reach out in their own ways to the non-university populace, are too restricted by their academic definition and by their local character to deal with wider problems.

The results of years of groundwork and cooperation between the two countries, mediated by the Sub-commission, are beginning to be seen: in the United States, for example, the very beautiful exhibition "Manifestations and Shiva" and its accompanying film, and the incredibly popular and successful "Film India" program, come immediately to mind.

Whatever the efforts might be, they can of course never be enough. The world, it is often said, is shrinking rapidly, and as distant neighbors become immediate ones, understanding become impressive. But there is more to it than pragmatism. By the understanding of another's person, one's own person grows. The appreciation of another culture immeasurably enriches one's own. For when seen through another's eyes, worlds that have been there all the time seem suddenly and wonderfully new.

"Any satisfactory system of education should aim at a balanced growth of the individual and insist on both knowledge and wisdom. It should not only train the intellect but bring grace into the heart of man."

S. Radhakrishnan

New Vistas of India-U.S. Technical Cooperation



*Dr. M. N. Dastur
Chairman and Managing Director
M. N. Dastur & Company Private Limited/Calcutta, India
Dastur Engineering International GmbH/Dusseldorf and New York
Consulting Engineers*

The United States of America and India have a long, historic association and close economic ties. Both share similar democratic values and have been partners in industry and trade for several decades. India has benefited greatly by U.S. assistance in its development programs. The United States is among the foremost countries giving aid to India and has entered into a large number of collaborations and joint ventures.

In 1981, the United States occupied the leading position with 85 new collaboration agreements out of a total of 389 foreign collaborations entered into by India. Also U.S. investment in joint ventures which number about 1,100 is more than US \$350 million.

India-U.S. Business Council

The India-U.S. Business Council has provided a much-needed channel for meaningful communication and discussion on India-U.S. trade, investment and economic relations. The Council's programs have helped in identifying and developing specific trade and investment opportunities. The Council has recently taken up a project to promote collaboration between U.S. and Indian engineering and construction companies in joint ventures in third countries.

Technical Capacities

This increasing appreciation in the United States of India's engineering capabilities is most heartening. India, though still in the process of development, is well advanced in many engineering fields including such sophisticated areas as nuclear engineering and space technology, and has established a sound industrial and technological base. Above all, it has a

vast reservoir of highly qualified and technical manpower, which constitutes one of the most valuable developmental resources of the country.

Since independence, India has also systematically built up expertise in design and engineering in diverse fields ranging from iron and steel, special steels and superalloys, fertilizers and chemicals, to power plants and transmission lines, heavy machinery, buildings and structures, railways, etc.

Indian consultancy firms have now the expertise to plan, design and engineer complex projects—from concept to completion. In recent years, Indian consultancy organizations have successfully carried out a wide variety of engineering assignments in various countries of West Asia, Southeast Asia, Africa and Latin America. Indian engineering consultancy has now come of age.

Cooperation in the Consultancy Sector

India still continues to obtain a good deal of its technology and equipment from the United States, while pursuing a path of self-reliance. There are many areas where the design and engineering capabilities of the United States and India can complement each other, to the benefit of both. India can provide comparable engineering services economically in certain areas, such as detailed designs and drawings, overall plant layouts, project coordination and monitoring, equipment procurement and inspection services, design and engineering of plant utilities etc.

The technology available in India can very well fit the conditions in developing economies. At the same time it is sufficiently modern and advanced to be attractive for use even in more

advanced countries. Being a developing country itself with experience in developmental problems, India can ensure more effective transfer of technology.

Third Country Projects

The broad process of technical interchange now in evidence in U.S. collaboration projects in India, may advantageously be extended to collaboration in design/engineering of third country projects. The blending of advanced U.S. technologies with India's engineering capabilities may offer the most economic and appropriate technology package to the Third World countries.

This collaboration, based on complementing each other's capabilities and areas of specialization, may be effected in several ways, on a project to project basis, or on a more permanent footing to derive long-term advantages. Obviously, these collaboration arrangements have to be bilateral, founded on mutual understanding and confidence.

The India-U.S. Business Council's program to promote India-U.S. collaboration in third country projects has added a new dimension to the burgeoning India-U.S. technical and economic cooperation and will pave the way for mutually rewarding India-U.S. collaboration in the engineering consultancy sector.

"There is a deliberate effort to label us as pro-this or pro-that. We are not pro-any country except pro-India and this is what we intend to remain."

Indira Gandhi

India Welcomes Visitors



*Kanta Thakur
Regional Director, Americas
Government of India Tourist Office
New York*

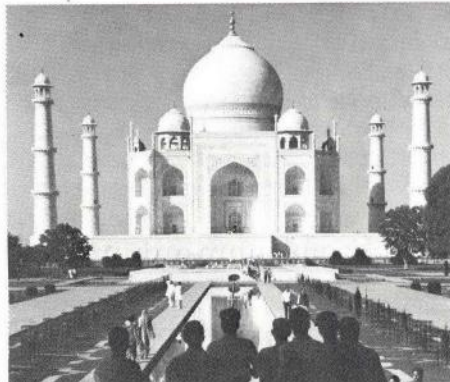
Travelers have visited India since time immemorial. The name of India has inspired the visions, writings and philosophies of many writers and philosophers all over the world. The unique attractions of our fascinating and rich country lies in its infinite diversity of the people, their culture and the inspiring Himalayas.

India's mystics and their mysticism, yoga, flora and fauna, architecture, sculpture, wild life, fairs, festivals, gourmet, shopping and to add to the endless list the modern convention and conference facilities have made India today a favorable travel destination. Individuals, groups and corporate business houses all find in India a variety of packages and programs which can take them from the majesty of the Himalayas to the cool and quiet, serene, sandy beaches of India. The warmth and spontaneity of our hospitality, the soul and spirit of our people are part of our culture and philosophy: "Atithi Devo Bhava" (Tourists are our honored guests). Indian travel experience is quite unlike any other destination.

India, the cradle of many civilizations, has allowed the winds of many religions to come, grow, assimilate and extend to neighboring countries. The historical development of India's 5,000 year-old civilization represents that vision of humanity which unfolds before the visitors a vast panoramic treasure of art, music, dance and handicrafts.

The Aryans, the Rajputs, the Mughals—take any period, starting from our Rigveda time—India's radiant manifestation of the divine consciousness, as reflected in the

projections of our cultural areas, is equally inspiring and thought-provoking. An example is Mughal India where a beautiful synthesis of Hindu and Muslim culture and religion depicts heights of monumental work in the fields of architecture and painting.



The Taj Mahal

India: A World Itself

India is different. India is a world itself. It is this great synthesis and blending of our religion and culture that gives India its magnitude and majestic eternal profile where visitors from foreign lands are directing their attention and search for inner peace. It is this dimension and perspective—the timeless Indian message, that is attracting many tourists from abroad.

We have yoga tours, executive and corporate tours. (Rolls Royce, Feeders, Ramblers, Marantz have all had corporate incentive tours to India.)

We feature not only the golden triangle of Delhi-Agra-Jaipur, but many other areas. India has upgraded its tourism bureau to welcome its visitors. The Asian Games scheduled to

be held next November in New Delhi will also focus attention on India and draw visitors to our country.

"There is only one India. The land of dreams and romance. The one sole country under the sun endowed with an imperishable interest for alien prince and alien peasant, lettered and ignorant, wise and foolish, rich and poor—the one land that all men desire to see and having seen once by even a glimpse would not give that glimpse for the rest of the globe combined." (Mark Twain)

A Paradise on Earth

The Great German Philosopher Max Mueller observed a long time ago, "If I had the choice to point out a paradise on earth I shall point to India. A land deeper than the land of Plato and Kant." These words still echo over the years. The dynamism of the people—the soul and spirit of the people and their culture—that is what makes India so unforgettable!

Mahatma Gandhi said "I want the windows of my house to be kept open so that the winds of all religion may flow in." India's creative acceptance of other religions contributes the vision, that dimension and inspiration to our culture which attracts visitors.

Look at the Sun Temple of Konarak dedicated to the Sun God in Eastern India where the world witnessed total sun eclipse some time back. Look at the Taj Mahal, Ajanta, Ellora, the great Buddhist Caves. Look at our temple sculpture. Each stone of our monuments vibrates with history and speaks of the great past. Look at the smiling, sparkling eyes of our children. *India offers sightseeing, and life-seeing!*

Shiva Exhibition

Last year, under the auspices of Asia Society and Indo-U.S. Sub-Commission, Shiva Manifestation Exhibition was held all over the U.S.A. Performing art groups visited many areas and generated tremendous goodwill. And now the proposed "Mughal India" Exhibition at the Metropolitan Museum of Art in New York City will bring before our friends in the U.S.A. samples of the rich and priceless treasures of art that have been a source of inspiration and pride for us.

This represents a unique development in the rich cultural synthesis of our life, heritage and in the

life of our society and nation. Museum tours from India have been very successful in the United States.

But the role of tourism is not only limited to sightseeing, in isolation. It must be related to social, cultural, and economic institutions against the backdrop of India's historic message. India's dynamism, its progress, rich handicrafts, art, fairs and festivals all form an integral part of the tourist experience.

The Power of Personal Contact

In a world torn by hatred and suspicion, a world divided by fear and hostility, tourism is one of the major forces for peace and harmony. To bring India nearer to our friends in the U.S.A. and to generate goodwill between our peoples, the Government of India Tourist Offices, in New York and other American cities, offer a great variety of interesting travel programs and assistance for the tourist.

India's great cultural heritage is deeply woven into the fabric of our travel programs. The success has been very encouraging: American tourists who used to "stop over" in India for 3-4 days are now spending an average of 15-21 days.

A visit to India will open your mind—an unbelievable experience. We invite all of our friends from the U.S.A. to visit India and share this experience!



*Jacqueline Kennedy Onassis
enjoying an elephant ride*

India: Leading Third World

*Professor Ainslie T. Embree
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Columbia University
in the City of New York*

The "Third World" is one of those phrases that no one is particularly satisfied with, but for lack of a more satisfactory term, it is still used to describe a large number of countries that have in common the status of being "new" nations, in the sense that they have recently gained political independence, that they have a low per capita income, and that they are not overtly under the control of either of the great superpowers.

Given this definition, there is one nation that would almost certainly appear on anyone's list of Third World countries. That is, of course, India, which not only fulfills all the criteria, but is often spoken of as the leader of the Third World.

Nehru's Achievements

The claim that India is the leader of the Third World is not made so much by Indians themselves as by other statesmen who admired the achievements of Prime Minister Jawaharlal Nehru in the early 1950s. It was during this period that Nehru became the spokesman for the idea that the Third World nations should follow a policy of non-alignment in their dealings with the great superpowers, the Soviet Union and the United States. The belief that all countries had to choose sides in a bi-polar world had become common in the decade after the end of the Second World War, and the formation of rival military alliances sponsored by the United States of the Soviet Union dominated the international scene. Nehru passionately opposed the belief that international security depended upon these alliances, and argued that the best guarantee, both for world peace and the security of individual nations, was in the Third World nations remaining aloof from military pacts.

Nehru saw the need for world peace in broad humanitarian terms, but he also was convinced that his own version

of India's future—a planned, socialist, parliamentary democracy, with a decent standard of living for all—depended upon peaceful co-operation among the nations.

Bandung Conference

The Bandung Conference in 1955 of most of the Afro-Asian States saw Nehru's major efforts to convince the Third World countries that their two great needs were solidarity among themselves and non-alignment in the struggle between the superpowers. The way to achievement of these twin goals was symbolized in the principles of Panch-Sheel with their emphasis on mutual respect for sovereignty, noninterference in internal affairs, and mutual aid and co-existence.

India's dominance in the Third World movement waned in the 1960s, with Nehru's own advancing years and changes in the world scene that removed the simple bipolarity of the 1950s. New and complex realignments took place, including the break between the Soviet Union and China and a war between India and China.

Dominant Power

In 1956, the *New York Times* referred to Nehru as "one of the great figures of our time," adding "and it is a time of giants." Great personalities played a lesser role after the 1960s, and after Nehru's death, India's leaders turned away from his preoccupation with world affairs to greater attention to India's immediate relations with her neighbors and, above all, with the assertion of her position as the dominant power in South Asia.

The present Prime Minister, Mrs. Indira Gandhi, occupies a very different position in the Third World than did her father; she is, in many ways, more a spokesman for India's national interests than for the vision of world peace and Third World solidarity of Nehru. This shift does not indicate lessening of India's importance as much as a deepening sense of her responsibilities and role as the greatest military and economic power in the region as well as her sense of nationhood.

Indo-U.S. Collaboration: A Happy Experience



*K.N. Modi
Chairman
Modi Enterprises
Modinagar, U.P., India*

After India's independence in 1947, and especially during the seventies, commercial and economic relations between Indian and the United States have entered an encouraging new phase against the background of technological advancement and industrial development in India.

Pursuant to this happy trend, Indian industries have begun to seek U.S. partners to augment the scope of their manufacturing capabilities. At the same time, American firms with their capital, technology, and entrepreneurship have been seizing the opportunity of participating in Indian industry. Mutual cooperation and a healthy atmosphere of mutual confidence have been important factors for this happy trend.

Modis: A Good Example

The pleasant experience of the House of Modis with regard to the collaboration agreements with American companies provides a good example of this happy trend. The Modi Enterprises have a number of collaboration agreements with industrial houses in the United States. For example, Modipon Ltd. has a collaboration agreement with Rohm and Haas for the manufacture of nylon polyester yarn with sales turnover of \$87 million and assets worth \$41 million; Indofil Chemicals Ltd., manufacturing chemicals in collaboration with Rohm and Haas has total sales turnover of \$14 million and investments of \$5.3 million, with Modis holding a majority of the shares. Godfrey Phillips India Ltd. collaborates with Phillip Morris for the

manufacture of cigarettes with sales turnover of \$103 million and assets of \$9.3 million; this has been taken over by the Modis, as well as Bombay Tyres International management which has been taken over recently by the Modis from Firestone, for sales turnover of \$64 millions and assets of \$26 million.

New Projects

A number of new projects are also under consideration by the Government of India including: a soybean project in collaboration with A.E. Staley Manufacturing Company at a cost of \$42 million; Johnson Wax in collaboration with S.C. Johnson & Son Inc. for the manufacture of pyrethrum-based insecticides and specialty chemicals at a cost of \$7 million; a five-hundred bed hospital in collaboration with Hospital Corporation of America with total investments of \$22 million for the welfare of India's people.

We have been involving our technical collaborators financially. This has been very beneficial and has ensured a continued flow of the latest technology. Financial participation also ensures that collaborators take a keen interest in the successful running of the enterprises and they are also benefitted financially by such collaboration. Fortunately, there has been complete understanding with our U.S. collaborators and we have been having cordial relations.

The foreign industrial companies have made considerable investments in developing the latest technology; they naturally expect a good return on that investment. They have not been disappointed when they invest in India.

Even if there are a couple of countries which can offer a higher rate of return, participation in Indian enterprises is more rewarding in the long run if we keep in view certain other factors such as safety of investments, facilities for repatriation of fees and dividends, stable government, good law and order.

Vast Scope for Collaborations

There exists vast scope for mutually profitable collaboration between India and the United States in private as well as in the public sector. The United States possesses excellent technology which can stand competition in today's world, executive and supervisory experience to tackle any size job with any degree of complexity, and a reputation for quick and satisfactory execution of projects.

On the other hand, India has the advantage of competent and experienced scientists, engineers and technicians, a steadily broadening corporate organizational experience, and adequate financial resources for undertaking any foreseeable project and potentially vast domestic market. Marriage between the corporations of the two countries has yielded highly profitable results for both nations.

The benefits of collaboration to the Indian economy consist of availability of the latest technology, training of managers in sophisticated marketing techniques, import substitution, enlargement of export opportunities, generation of both direct and indirect employment and creation of R & D facilities within companies to keep abreast of new technological developments in a rapidly changing world.

The benefits to the United States include receipt of royalties and fees by the U.S. collaborators, opportunities for export of plants and equipment, components and spares, buy-back arrangements, tax reliefs, to name a few.

Indo-U.S. collaboration can also go a long way toward setting up mutually beneficial joint ventures in Third World countries.

The Role of the Emerging Multinationals of India in the Eighties



*Richard M. Bliss
General Partner
Bliss & Company*



*Prakash A. Shah
General Partner
Bliss & Company*

A remarkable feature of Indian economic development over the past decade has been the emergence of the Indian multinationals on the world scene. A number of venerable private sector names have managed successfully to plant the symbols of Indian economic and technological development on foreign soil even as, at home, their growth has been hampered by Monopolies and Restrictive Trade Practices Act (MRTPA) licensing requirements, high taxes, inflation, a credit crunch, and a generally restrictive business environment.

The success of these multinationals has not been achieved without problems, and, indeed, there have been setbacks along the way. Nonetheless, given the restrictions imposed by the Foreign Exchange Regulations Act (FERA) the track record of Indian entrepreneurship in recent years seems little short of miraculous.

Setting a Course for the Future

Impressive as it is, the proliferation of Indian private sector industries in foreign lands has occurred, so far, rather sporadically. The time now may be ripe for leaders in business and government to sit down together, review the accomplishments of the past, and map out a plan for an aggressive, but orderly, expansion of Indian

multinationals in the future. Already, in the easing of borrowing restrictions and in the selective removal of constraints on equity investments, there is evidence of government appreciation of the synergies which such expansion will produce.

To our mind, the transplanting abroad of Indian technology and managerial capabilities would constitute the clearest and most forceful demonstration of Indian economic strength. Such a step would do much to bolster India's economic self-confidence, the lack of which—apart from restrictive policies—is perhaps the single greatest inhibitor to India's development as an industrialized nation.

This lack of self-confidence, rather than any shortage of skills or ability, does much to explain slow growth in GNP and in exports, as well as the inadequate exploitation of important technological breakthroughs, which have a distressing way of petering out after the initial enthusiasm. As history demonstrates, after a period of substantial base-building, it is crucial for any country to shift to a period of bold, aggressive steps if it is to achieve development on a massive scale. For a huge country like India, a single demonstration plant, while impressive, cannot in itself do much to advance the state of the economy. What is needed is volume growth based on continuously rising productivity and successively better engineering and planning in order to improve upon original costs and design, to take the product from initial breakthrough through mass production and merchandising stages.

To our way of thinking, the ability of any business to plan and put into full operation an additional plant or new venture, in a different part of the world and away from the home base, represents a significant milestone in industrial development. That so many Indian companies have passed this milestone, or are about to pass it, in such a brief span of time is an event of historical import to India's economic development. This phenomenon has created a development opportunity that is waiting to be seized.

Taking the Next Step

The achievements of the past decade represent a sound base for India's future development. Whether the full potential can be attained will depend on the country's ability to move into an aggressive new mode to capture world markets for its goods and services.

Perhaps the single most crucial next step is a wholesale modification of FERA and related regulations, in order to provide a strong stimulus to the growth process. For, along with initial success, a time has now come when Indian ventures abroad are over-leveraged, thin on equity, and heavy on debt. At this critical juncture, early decision and timing is all-important, and the policies adopted today will determine the course of India's economy tomorrow.

Planning Ahead

In addition to the loosening of the FERA reins, perhaps what is needed is a sharper focus on what Indian multinationals can do abroad and how their activities can affect the economy at home.

The Indian multinational thrust can become a vital bridge for the transfer of much-needed technology. Small, selective—but venturesome and imaginative—acquisitions by Indian companies in Europe, Canada, and the U.S.A. can form part of a strategy to ensure a flow of technology not only to India, but, through India, to other developing countries.

Opportunities abound—in electronics, computers, communications, engineering, packaging, food and drugs, modular housing and housing ancillary industries—in this, one of the most potentially fruitful avenues that has not adequately been explored. It is often overlooked that numerous small companies in the developed countries possess high technology, and the Indian multinationals would be doing themselves a big service by investing in such companies.

We submit that the above steps, taken with vision and determination, can do more to achieve the goals of technology transfer than can the entire collective dialogue of the North-South confrontation.

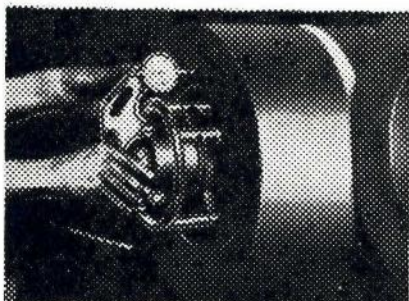


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India: A Country of Considerable Importance to the United States

Excerpts from "United States-India Relations: A Report to the Committee on Foreign Relations, United States Senate" — March 1982*

Peter Galbraith

Staff Counsel

Committee On Foreign Relations
United States Senate

In conversation with U.S. diplomats involved over a period of time in the subcontinent, I tried to get an evaluation of the United States interest in India. Views on particular issues varied considerably, but there was general agreement on the following points:

(1) *India with approximately 680 million people and occupying a strategic position in South Asia is a country of considerable importance to the United States—*

Strategically, India controls the Indian Ocean sea lanes and is in a powerful position vis-a-vis other countries in the area important to the United States, including Pakistan. With one of the world's largest scientific and engineering communities and with the capability to launch space rockets and make nuclear weapons, India has considerable potential in spite of its poverty. India has exported scientists, professionals, technicians, and other skilled and unskilled labor to many parts of the world, including the Gulf. As a labor exporter, India contributes to the stability and progress of regions unquestionably vital to U.S. interests. Finally, the Indian economy is an important potential market for the United States.

(2) *United States interests are best protected by an India which is a democratic, pluralistic, and stable society and which in foreign affairs is secure and non-aligned.—*

Indian democracy and political stability are a result of the ethnic, linguistic, and cultural pluralism of Indian society, as well as of India's size and long experience with parliamentary democracy. India's economic base and development are, because of India's size, primarily a function of domestic

resources. India's security, too, depends heavily on Indian resources (e.g., manpower, Indian technology, Indian industry, and Indian arms manufacturing, although the ability to buy sophisticated foreign equipment is of critical importance) while India's non-aligned foreign policy is a function of its vision of its world role. Thus, to an extent not true for most Third World countries, India controls its own destiny.

(3) *There are important bilateral issues between the United States and India.—*

These range from political issues such as non-proliferation and Afghanistan, to science and technology exchanges, to the 30-year U.S. development assistance relationship, to important economic ties. Of increasing importance is the role of United States universities in providing advanced education to India's political, administrative, economic, and scientific elites. Indeed, the United States has replaced Britain in this regard, and throughout India there are people in influential positions with American degrees and connections.

(4) *There are steps the United States can take to improve relations and promote U.S. interests.—*

India is the dominant power of South Asia and the Indian Ocean region. A U.S. policy which fails to recognize this simple fact of geography and demography is shortsighted and in the long run may compromise vital U.S. interests. Recognition of India's importance and in particular some sensitivity to its perception of itself as an independent world power could do much to improve relations at little cost. Promoting non-governmental United States-Indian ties, including those of

trade, education and travel, will help build a more solid basis for a political relationship.

(5) *Improved United States-Indian relations could have important benefits including a lessening of Indo-Soviet ties.—*

As a nation intensely conscious of its sovereignty and potential role as a world leader, India cannot be comfortable with a too close identification with the Soviet Union. Improved Indo-United States (and Sino-Indian) relations can reduce India's reliance on Soviet political and military support. This, in turn, might allow India to resume its historical position as an effective, and moderate, nonaligned leader. It may also allow India to play a more constructive role in helping reach an Afghanistan settlement.

*Washington: 1982, No. 88-4220

The views expressed herein are those of Mr. Galbraith and do not necessarily reflect the views of any member of the U.S. Senate Foreign Relations Committee. The report is based on a Senate Foreign Relations Committee staff trip to South Asia in August, 1981.

"I do not want my house to be walled in on all sides and my windows to be stuffed. I want the cultures of all lands to be blown about my house as freely as possible. But I refuse to be blown off my feet by any."

Mahatma Gandhi



The Prime Minister addressing a conference



Prime Minister Shrimati Indira Gandhi



**Mr. Giani Zail Singh
President of the Republic of India**



**The Prime Minister, Shrimati Indira Gandhi
with the President of the World Bank, Mr. A.W. Clausen**

Indira Gandhi

In an era which has produced such impressive female political figures as Margaret Thatcher, Eleanor Roosevelt and Golda Meir, one of the most powerful—and most dynamic—women in the world today is India's Prime Minister, Indira Gandhi.

Mrs. Gandhi is India's acknowledged national leader in whom the people of India have placed their unqualified confidence. This has been clearly affirmed in India's general elections of January, 1980. Gandhi's return to the leadership of the world's largest democracy is a clear mandate from the Indian electorate and a testimony to her "brilliance and resilience as a politician."

Illustrious Daughter of Nehru

The illustrious daughter of Pandit Jawaharlal Nehru—India's great leader, Indira was born on November 19, 1917 in Allahabad in North India. She was educated in Switzerland, England and India. She was married to

Feroze Gandhi (no relation to Mahatma Gandhi, the father of the nation) in 1942. They had two sons. Sanjay Gandhi died in a plane crash two years ago. Rajiv Gandhi, a pilot by profession, has now been active in national politics.

From 1964-1966, Mrs. Gandhi was Minister of Information and Broadcasting in the Government of India. She became the Prime Minister in January 1966 and held that post until March 18, 1977. She again became the Prime Minister on January 14, 1980.

Recipient of Many Awards

Shrimati (Mrs.) Gandhi has been associated with a large number of organizations and institutions. Her accomplishments and achievements have been recognized all over the world. She has been the recipient of many national and international awards for her services to humanity.

Mrs. Gandhi's popularity is founded in her rejection of parochialism and bigotry. There is no leader in India in whom the minorities—religious, linguistic or regional, have such

unbounded confidence. In a country of India's size and diversity, this matters a great deal. But what makes her appeal to the masses irresistible is her burning sense of social justice, her passionate commitment to the removal of inequality and poverty.

Wedded to Parliamentary System

A forward looking leader, Indira Gandhi is determined to modernize India's traditional society through a judicious use of advanced techniques and technology. "In the political field," she has repeatedly affirmed, "we are very much committed to our parliamentary system. In economic matters also we have no desire to rule out the concept of freedom and competition. We recognize the existence of an important private sector."

Indira Gandhi was closely associated with her father's thinking on foreign policy and she has stood fast to the basic principles of preserving India's independence and non-alignment and promoting world peace.

Like her predecessors, Mrs. Gandhi has been accused, though wrongly, of being either too pro-West or too pro-Soviet. She is neither: She is overwhelmingly pro-India.

Indira Gandhi's message is loud and clear: "India—free, sovereign, democratic India, shall never be a satellite of any country, however great and powerful." She has been a powerful unifying force, an instrument of national unity and political stability.



**President Reagan at work
in the Oval Office, White House**



**United States President Ronald Reagan
with Vice president George Bush**



Ronald Reagan with wife Nancy

Ronald Reagan

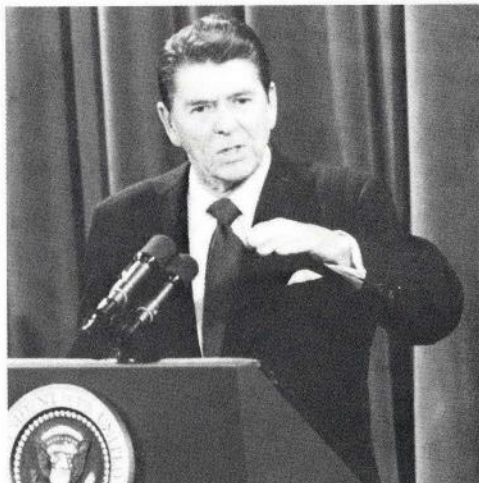
Ronald Wilson Reagan was born February 6, 1911, in Tampico, Illinois, the son of Nellie Wilson Reagan and John Reagan. He was educated in Illinois public schools and was graduated from Eureka College (Illinois) in 1931, with a degree in economics and sociology.

Following a brief career as a sports broadcaster and editor, Reagan moved to California to work in motion pictures. His film career, interrupted by three years of service in the Army Air Corps during World War II, encompassed 50 feature-length motion pictures. He served six terms as president of the Screen Actors Guild and two terms as president of the Motion Picture Industry Council.

In 1952 he married Nancy Davis. They have two grown children, Patricia Ann and Ronald Prescott. President Reagan has two other children, Maureen and Michael by a previous marriage.

From motion pictures he went into television in the 1950s as production supervisor and host of "General Electric Theater." In 1964-65 he was host of the television series "Death Valley Days."

In 1966 Ronald Reagan began his public service career with his election—by nearly a million-vote margin—as Governor of California. Reagan was Chairman of the Republican Governors Association in 1969. He was elected to a second term as Governor of California in 1970. After completing his second term, Reagan began a nationally syndicated radio commentary program

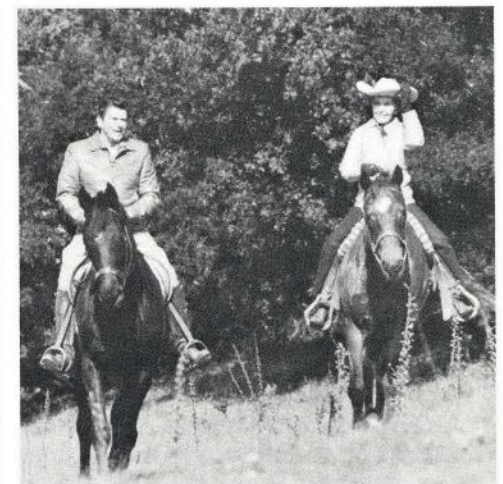


President Reagan fielding questions

and newspaper column and undertook an extensive speaking schedule, speaking to civic, business, and political groups. In 1974-75 he served as a member of the Presidential Commission investigating the CIA.

In November 1975 he announced his candidacy for the 1976 presidential nomination. He lost narrowly, but campaigned vigorously for the Republican ticket and for scores of local candidates in 1976. After the election, he renewed his radio commentary program, newspaper column, and national speaking schedule. He became a member of the Board of Directors of the Committee on the Present Danger and founded the Citizens for the Republic. In the 1978 elections he campaigned on behalf of 86 candidates.

In November 1979 Ronald Reagan announced his candidacy for the 1980



**President Reagan and his wife Nancy
relaxing on their ranch**

presidential nomination. At the Republican National Convention in July 1980 he was nominated unanimously on the first ballot. On November 4, 1980, Ronald Reagan was elected to the Presidency, by an electoral vote of 489-49, and on January 20, 1981 he was sworn in as the 40th President of the United States.

Reagan has received a number of awards, including: National Humanitarian Award from the National Conference of Christians and Jews, City of Hope "Torch of Life" Award for Humanitarian Service, Horatio Alger Award, American Newspaper Guild Award, Freedoms Foundation Awards, Distinguished American Award from the National Football Foundation Hall of Fame, American Patriots Hall of Fame, and Medal of Valor of the State of Israel.

Building Up India's Economy

Prahlad Basu

Director General

Bureau of Public Enterprises

Government of India

The public sector plays a crucial role in the building up of the infrastructure of the Indian economy. With nearly 20 million employees, one hundred thousand managers, Rs. 200 billion (about \$23 billion in U.S. dollars) invested in the total group of nearly 200 public enterprises in the corporate sector under the federal authority of the Indian Government, we have come a long way.

The total sales of the group during the fiscal year 1981-82 (which ended March 31, 1982) exceeded Rs. 350 billion (\$39 billion U.S. dollars). The profitability ratio of the group measured in terms of gross profits as a percentage of total capital employed showed an improvement from under eight percent during the two previous fiscal years (1979-80 and 1980-81) to 11.6 percent during 1981-82. The group generated internal resources of the magnitude of Rs. 20 billion (about \$2.3 billion in U.S. dollars).

Record Production

A record production of 6.64 million tons of steel, 110 million tons of coal, 1.6 million tons of nitrogenous fertilizer, 16.2 million tons of petroleum crude production are some of the highlights of an equally impressive performance at physical levels.

India's public enterprises today cover both production as well as service sectors. To ensure managerial autonomy, consistent with their accountability to the Parliament and the Government—the Indian public enterprises are organized as joint-stock companies managed by autonomous boards of directors. A typical board consists of the chairman-cum-managing director, as the chief executive, assisted by a few full-time functional directors and some other part-time directors.

Productive Enterprises

The profile of "productive" enterprises includes electronic exchanges, computers, aviation and defense electronics, instrumentation systems; basic and key industrial inputs like steel, coal, petroleum and petro-

chemical products; non-ferrous metals; agricultural inputs such as fertilizers and pesticides, life-saving drugs, pharmaceuticals, other basic chemicals; other machines such as machine tools, plants and equipments for power generation, steel-making; transportation equipment like aircraft, ocean-going vessels, earthmoving machinery, etc.; as well as some consumer-oriented products like footwear, condoms, newsprint and newspaper, bread, supplementing the sizable share of such goods produced by the private enterprises.

Service Sector

The enterprises in the 'service' sector include air transport corporations, shipping lines, trading companies, construction and consultancy organizations. Public enterprises like Steel Authority of India Ltd., Coal India Ltd., Bharat Heavy Electricals Ltd., Oil and Natural Gas Commission, Indian Oil Corporation, Hindustan Machine Tools, Air India, Shipping Corporation of India, State Trading Corporation, Hindustan Aeronautics Ltd., Indian Petro-Chemicals Corporation Ltd., Bharat Electronics Ltd., are some of the leading names not only in the country's industry and trade abroad.

To quote India's Finance Minister, Mr. Pranab Kumar Mukherjee:

"It is this investment in the infrastructure and manufacturing sectors which has helped us from time to time. It has helped us in time of great difficulties, instabilities, and external threats. The wisdom of our planners in adopting the philosophy of large-scale public sector investments as the strategy for economic and industrial growth has stood vindicated on more than one occasion in the past."

Poised For More Growth

The public enterprises in India are today poised for further growth and consolidation. In view of the stakes involved, they are subjected to a continuous appraisal to achieve

improved performance. In the New Economic Program (N.E.P) announced by India's Prime Minister, Mrs. Indira Gandhi, in January, 1982, the improved working of the public enterprises "by increasing efficiency, capacity utilization and generation of internal resources" is included in the Government of India's 20-point program.

The N.E.P. also emphasizes liberalization of investment procedures, streamlining industrial policies to ensure timely completion of projects, development of handicrafts, handlooms, small and village industries so that greater coordination could be achieved between the public and the private enterprises in the mixed economy. The time has come in the country's economic development to combine, consolidate, synchronize our efforts in the public and private sectors so that no efforts are spared in tackling the urgent problems of poverty, unemployment and under-development to achieve balanced economic growth with stability.

It will be appropriate to recall Prime Minister Gandhi's observations on the role of India's public enterprises:

"We are apt to think of the public sector and of the private sector as if they were two different worlds. Efficiency is equally necessary for both. In both sectors every attempt has to be made to cut down costs, to eliminate waste and to make our products competitive in international markets. Towards this end, we must make the maximum use of science and technology, research and knowhow. It is through a reduction in costs rather than by exploiting the consumer in a sheltered market that industry can give an adequate return to shareholders who in the case of the public enterprises, have to be counted in hundreds of millions."

This admirably sums up the *raison d'être* of India's public enterprises.

Beyond Cliché: Common Themes in the World's Two "Largest Democracies"



Lloyd I. Rudolph
Professor of Political Science
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Susanne Hoeber Rudolph
Professor of Political Science
University of Chicago

That India and America are the world's two "largest democracies" is by now a well-worn cliché. Like many clichés, it is also true. As democracies, India and America in some respects have more in common with each other than with Great Britain which, via the positive side of the imperial legacy, bequeathed similar institutions on both ex-colonies. What makes India and America more alike is their size and diversity, which have led both of them in the direction of the kind of institutions that size and diversity encourage, such as federalism and judicial review.

Federalism

Federalism provides a strategy for unification by accommodating diversity. While the U.S. is less diverse than India, where regional linguistic, cultural and economic differences are more pronounced, the debate about the proper balance between the states and the center has affected both. In recent years, the U.S. and India have moved in opposite directions with respect to federalism: the Reagan administration's call for turning over many governmental responsibilities to the states can be compared to the Janata government's effort to strengthen local institutions in 1977-79. Since then, the Gandhi government has again tilted toward centralization of power in New Delhi.

One could argue that India has managed certain issues in federalism better than has America. The American agony over the impact of state electoral laws which in effect excluded Blacks,

was avoided in India by a national Election Commission that protects equal electoral access throughout the land. The U.S. lacks a forum, such as the Indian Finance Commissions, to periodically review and coordinate the needs of central and state governments and to allocate revenues according to principles that take account of differential need. Common criminal and civil codes save India from the maze of conflicting state legal systems that create in the United States a lawyer's nightmare.

Judicial Review

Judicial review has arisen in both countries in spite of the contrary British paradigm that influenced both India and America. Britain knows no such institution. Its political system embodies the concept of parliamentary sovereignty. Justice Marshall's decision in *Marbury v. Madison* early in the history of the American Republic, and the Indian Supreme Court's decision in the *Keshavananda Bharati* case, asserting that the "basic structure" of the constitution lies beyond the reach of parliamentary amendment, have served as basic documents buttressing the Supreme Court's role as guardian of citizens' and states' rights.

The role of the Supreme Court in India is now disputed in ways that recall Roosevelt's quarrel with the U.S. Supreme Court when it blocked his progressive social legislation. Even as the U.S. Supreme Court survived FDR's court-packing scheme in 1937, in part by becoming more responsive to a New Deal perspective, the Indian court

has responded to the supersession of more senior by more junior judges in 1973 in part by becoming more responsive to the progressive perspective of Congress governments.

Passion for Association

A passion for association is another common feature of India and America. Alexis de Toqueville, the brilliant young Frenchman and ambivalent friend of democracy who held up a mirror to the Americans in the 1830's, feared that democracy, by rendering citizens equal but powerless threatened liberty. But he was quickly reassured: whenever a handful of Americans met, he wrote, they formed associations to advance some common purpose. The result was to enhance democratic participation even while protecting liberty. The impulse to associate is shared across the East-West divide: Indians too have formed associations, both traditional and modern. The Indian National Congress, the bearer of Indian nationalism was formed from a host of pre-existing voluntary associations created in the various presidencies to express common political and cultural purposes. Other associations based on familiar communities of religion, language or caste resemble America's organized Italian, Irish, Chinese, Chicano ethnic communities. That Indians in America unite both traditions is evident from the various India associations found in many American cities.

Associations abound, too, in India's organized economy and cultural and intellectual world. More recently there

has been a rash of voluntary local associations to protect consumers, to block dowry abuses, to prevent environmental erosion, to help poor villagers wend their way through bureaucratic mazes.

This plethora of associations may support a new cadre of idealistic younger leaders prepared to fill the

niches left empty by the passing of the nationalist generations.

Common Institutions

Behind the cliché that India and America are the world's two largest democracies lies a more complex reality. Indeed, India and America share common political and social institutions and processes, such as a

federal system, judicial review, the pursuit of balance between too strong or too weak government, and a lively associational life. Distracted by too large or too narrow a view, by global or provincial perspectives, America and India have failed to attend to these genuinely common themes.

New Economic Bridges Between the United States and India



*Avijit Mazumdar
Managing Director
Tractors India Limited, Calcutta*

*Leader of the Indo-American Chamber of Commerce Delegation
(1982) to the United States*

President Ronald Reagan in his message of greeting to the delegates of the Indo-U.S. Joint Business Council in Washington in June, 1981 said "Ours is a growing and expanding relationship. Although India and the U.S. may be half a globe apart, relations between the private sectors of our countries have produced trade and investment ties resulting in a strong and lasting collaboration among our great people." The American President has truly reflected the sentiments of the private sector of two of the world's greatest democracies.

While India's imports from the U.S. are approximately 12 percent of her total imports, U.S. imports from India are less than 0.5 percent of her total imports. U.S. investment in India is less than 0.2 percent of her total worldwide investment. This shows that there is much scope for greater economic ties between the U.S. and India.

The Indo-American Chamber of Commerce, headquartered in Bombay, has so far sent three delegations to the U.S. to promote trade relations between the two countries. They visited eleven cities in northeast U.S. where they met a wide cross section of senior executives of medium-size U.S. corporations.

Unfortunate Image of India

The image of India in the U.S. is unfortunately that of pre-Independence prior to 1947. This image is often associated with Hollywood productions depicting snake charmers, roaming tigers, elephants, maharajas and starving millions.

The fact that the "new India" was born in 1947 and that in the course of the last 35 years it has carved for itself a prominent position in the world economic and industrial scene, is little known to our business friends in the U.S.

The main objective of our last delegation to the U.S. was to convey to our American business friends what the "New India" is all about. The fact that today we are self-sufficient in our needs for consumer goods, in our needs for food, clothing, medicines, household appliances and leisure equipment is not known. The fact that we have built a strong industrial base and that we are now manufacturing for our own needs a wide range of transportation equipment such as automobiles, bicycles, scooters, ocean-going vessels, jet planes and railroad equipment is also not known.

Tenth Largest Industrial Nation

India has the largest reserve of iron ore and is the world's largest producer of cotton yarn. It is the second largest producer of scooters. India has the third largest pool of trained manpower. It is the fifth largest producer of coal, sixth in production of sugar. In sum, India today is the tenth largest industrial nation in the world.

India is also the world's largest democracy. We have a stable government duly elected by democratic process and, ever since our Independence, our record of foreign debt repayment is clean and totally unblemished. India offers amongst other benefits, lower labor costs, low cost of living and the advantage of English being widely spoken.

Potential for Collaboration

With the industrial base that India has developed, development in human resources, material resources and a stable government, India offers the U.S. great potential for collaboration in the following areas:

1. Transfer of advanced technology based on a reasonable compensation.

(continued)

2. Joint ventures involving technology transfer and financial participation.
3. Export of advanced technology goods and services. India is now in the market for advanced technology products and skills.
4. Imports from India. As any student of economics will argue, no trade can be lasting unless it is balanced. If the U.S. wishes to export to India for which there is considerable scope, the U.S. must also be willing to purchase goods and services from India which are economical and acceptable to the American market.
5. Third country joint ventures. Since 1973 the Middle East in particular and Southeast Asia and Africa in general have opened up new vistas for possibilities of joint ventures in those regions. Advanced technology from the U.S. with manpower and materials from India could be blended to form new joint ventures which could be profitable and beneficial not only to the U.S. and India but also to the host country. Indian contractors are currently involved in a number of multi-million dollar projects in the Middle East totaling over several billion dollars where they have entered into joint ventures for technology and sophisticated equipment from many European countries and Japan. Regrettably very little of this is with the U.S.
6. Design, Research and Development. India with its abundant supply of skilled engineers, scientists and technicians could, I believe, be considered for setting up institutions which could carry out research and development at much cheaper cost than perhaps the U.S. or even Europe.

Opportunities in India for transfer of technology, joint ventures and third-country joint ventures are unlimited. To cite a few examples, one can consider activities in the areas of petroleum exploration, petro-chemicals, basic chemicals, electronics, heavy engineering, pharmaceuticals, tourism, etc.

Export opportunities to India are also extensive. India has recently liberalized her Import Policy and new

avenues have opened up for import of oil exploration equipment, mining equipment, transportation equipment, advanced technology machine tools, complete power plants, fertilizer and chemical plants, to name a few. As for imports from India, today we offer high quality handicrafts, excellent jewelry, advanced textile products, a wide range of engineering goods, basic electronic componentry, marine products, chemicals, food products and more.

Doing Business in India

Many erroneous impressions exist in the minds of the U.S. business community regarding doing business in India. Common myths include equity participation, control, repatriation of profits, high taxation, inordinate bureaucratic delays. The real facts are quite different.

India's record in these areas is among the best compared to many countries. It is just that different conditions prevail under different circumstances. For instance, majority participation by foreign collaborators is still permissible provided it involves advanced technology and a certain amount of export commitment. Taxation, if there is properly planned investment, can be brought down to the figure zero. One of the largest companies in the private sector in India has announced in its annual report that it has not paid any tax for the last two years and does not anticipate any for the next few years even though they are making a profit. This has been possible through a planned investment program as prescribed by the government. Once the Government of India approves a collaboration agreement, it undertakes to provide all facilities for repatriation of profits, payment of royalties, technical fees, and dividends. Certain formalities, however, have to be complied with and an efficient Indian partner is able to accomplish this within reasonable time.

Choosing the Right Partner

The most important ingredient in any economic tie with India or for that matter any country whether it be in the area of import, export, transfer of technology or joint ventures, is choosing the right partner. This is as important as a marriage between a man and a woman. If failure cases are studied, quite often they will reveal that the problems could be attributed to the

partnership rather than the law of the country. It is therefore very important that the right partner is selected carefully through various processes of selection and elimination, including on the spot interviewing of prospective candidates, bank references, government references, community references, and the like.

Once the partner has been selected, it is equally important that all matters relating to India, such as obtaining government permission, administration of the joint venture, running of the plant, should be left in the hands of the Indian partner. The American collaborator's main role is to provide technology both in product and manufacturing processes and he should restrict his involvement to these. After all, it is the Indian who was born in the Indian environment and best knows how to tackle the local problems.

Keen Interest Generated

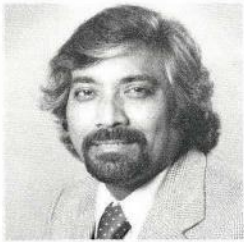
The IACC delegation had the opportunity of meeting over 400 senior U.S. business executives and reports indicate that a keen interest has been generated in the American business community about doing business in India.

Prime Minister Mrs. Indira Gandhi's visit to the U.S. is indeed an historic occasion. The entire business community in India is looking forward to fruitful discussion between the two great leaders. We may have ideological differences, and they will continue. What is important is that we learn to respect each other's ideology and learn to develop a trust for each other. If this climate can be established, many new economic bridges can be built to the benefit of both countries.

"The salient feature of the evolution of South Asia during the past few years has been India's emergent as a significant economic and military power. . ."

**Report prepared by the
Congressional Research Service
for the House Committee on
International Relations**

Technology Transfer— Perspectives and Possibilities



*S. G. Pitroda
Vice president, Telecommunication
Rockwell International*

In an effort to modernize its industrial base, the Government of India appears to be encouraging technology transfer from advanced countries of the world to accelerate development in the key areas such as energy, transportation, communication and electronics. This aggressive posture is reflected in new policies with less controls and more incentives such as liberalized imports, export tax credits, equity participation from abroad and export promotional zones.

Two New Developments

It is evident that the new confidence generated among India's economic policymakers is based on two new developments:

- (1) The successful search for oil, which since 1974 has yielded enough promising finds to make India 70% self-sufficient in the next two years.
- (2) The ability of the economy to absorb key technologies aimed at increasing production and efficiency.

A virtually close Indian economy emphasizing small scale industries for over 20 years has fallen behind the rest of the world in crucial areas. It is now experiencing heavy influx of new technologies for specific product or production knowhow through joint ventures, licensing, collaboration, equipment imports and turnkey projects. For example, in little over a year giant turnkey projects worth over \$8 billion have been signed for such diverse products as cars, aircraft, steel, aluminum, fertilizers and power plants.

Such product-oriented transfers, though needed, do not represent an organized effort toward fostering

culture and the infrastructure necessary for technology building. These one-shot deals work as transplants but are not necessarily sensitive for the integration of modern technologies into the traditional Indian environment. In fact, these deals remain as foreign entities and many times get rejected because the technology culture—new management techniques, quality consciousness, reliability, maintainability, manufacturing, testing, serviceability, distribution network, technology migration, documentation, training—does not blend into local conditions.

Major Changes Needed

An organized effort toward successful technology transfer must focus on broader issues related to nation building, such as rural development, labor-intensive programs, capital sensitive alternatives and national integration and mobility through improved transportation and communication. It requires appropriate and mass production technologies to meet India's growing demands. This can only be met by making major changes. These include job-oriented education, participatory management by objectives and a thorough revamping of existing organizational structures.

U.S. Playing A Vital Role

The U.S. can play a vital role in this process for the following reasons:

- The U.S. has an open education system with emphasis on industrial technologies.
- The proliferation of small entrepreneurs in high technology fields in the U.S. provides flexibility to structure collaborations.
- India offers a major growing market for the U.S.
- The U.S. is a major world market in which India could gain a greater share.
- The American high technology, sophisticated equipment and management skills can be combined with India's vast reservoir of scientific and engineering manpower for joint ventures in third world countries.
- Technology transfer back to the U.S. is feasible in areas such as computer software where the U.S. is experiencing significant manpower shortage as it moves from an industrial to information society.
- A large number of India-born scientists and engineers are in key positions in high technology fields in the U.S.

The Catalyst Role

Technology transfers from the U.S. to India can be significantly enhanced if India-born scientists and engineers play the role of catalyst. They have an understanding of modern U.S. technology and traditional Indian environment necessary to transfer technology culture, vital to economic growth of both countries.

The author is a telecommunications expert with interests in technology transfer. He holds over 50 worldwide patents in digital switching and has published numerous papers.

Conference on Technology

A Conference on Economic Technology Transfer is being held at Madras, India, August 16-19, 1982. This conference is being sponsored by the Volunteers for India's Progress (VIP) Club, VIP Club India and several organizations in India. For details please contact VIP Club President Atul Patel, P.O. Box 617, Matawan, NJ 07747, Phone: 516-586-4425; VIP Club Vice president Mangal Gupta, Phone: 201-688-4310; or VIP Club Founder President Dr. M. Sankaran, Phone: 203-673-6710.

India: A New Era for Private Enterprise



Craig A. Nalen
President
Overseas Private Investment Corporation
Washington, D.C.

Since the close of World War II, the United States has implemented a variety of programs designed to accelerate social and economic progress in the developing nations. Generally speaking, foreign assistance efforts have fallen into two major categories: one, government-to-government or concessional aid; and two, the encouragement of private U.S. investment in Third World markets.

Over the past few years, however, worldwide inflation, rising energy costs and the growing burden of external debt have hampered growth and weakened the economies of many developing nations. At the same time, the industrialized nations faced problems of their own as collective annual growth rates dropped to less than two percent in 1981 and world trade suffered a similar decline.

The "Development Gap"

Because of this troubled economic situation there has been a steady decline in the levels of concessional aid at a time when the needs of developing countries are on the increase. This has created a "development gap," and more and more developing nations are seeking increased foreign investment to build stronger private sectors. And since the developing countries are the world's fastest-growing markets, investors in the United States and other industrialized nations are looking for joint venture possibilities which will produce mutual benefit in the form of jobs, profits and new growth potential.

As one of the world's most promising markets, India has long been an area of special interest, although the rate of investment has slowed in recent years because of certain problems. At base, these problems, in the U.S. at least, have

centered around the perception that India is a difficult place to do business. Essentially, there have been two areas of primary concern: one is the perception that government regulations are ponderous and complex; the other is that there is low profitability in doing business in India.

New Approach Welcomed

Justified or not, these perceptions gave rise to some negative thinking on the part of the U.S. business community, but recent action taken by the Indian Government to simplify administrative procedures, liberalize industrial licensing requirements for export-oriented firms and for projects in free-trade zones and other positive steps have done a good deal to create a more attractive investment climate. This new approach, combined with India's long-recognized potential bodes well for the future.

As the U.S. Government agency charged with the responsibility for encouraging private investment in the developing nations, the Overseas Private Investment Corporation (OPIC) will be an increasingly important factor in implementing President Ronald Reagan's policy of broadening the role of private investment in the development process. OPIC does this by providing incentives through its political risk insurance and finance programs to reduce or eliminate risks which often deter the private investor from making commitments abroad.

OPIC Active In India

OPIC is presently quite active in India with outstanding insurance contracts of approximately \$177 million covering 55 projects. In

addition, 18 potential projects involving \$50 million in new investment in the insurance and finance areas are currently under review.

The general experience of OPIC-assisted investors in India has been one of solid growth. A 1980 survey of four manufacturing projects in India showed sales growth of nearly 170 percent over the investors' original projections made at the time of the initial investment. This kind of success is bound to impress others considering future commitments in the country.

"Magic Of The Marketplace"

President Reagan has stated that "nearly all the countries that have succeeded in their development over the past thirty years have done so on the strength of market-oriented policies and vigorous participation in the international economy. Those countries which have achieved the most spectacular economic progress in the shortest period of time all share a common characteristic, they all have a willingness to believe in the magic of the marketplace."

Promising Potential

In light of the new directions charted by the Indian Government, U.S. private investors can look ahead to new and promising potential, and OPIC intends to play a vital role in increasing the flow of private investment to India.

"India is on the move and the old order passes. Too long have we been passive spectators, or even the playthings of others. The initiative comes to our people now and we shall make the history of our choice. Let us all join in this mighty task and make India, the pride of our heart, great among nations, foremost in the arts of peace and progress. The door is open and destiny beckons to all."

Jawaharlal Nehru

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New Dimensions In Indian Engineering Exports



*G.D. Shah
Chairman
Engineering Export Promotions Council of India*

The Indian engineering industry has come of age offering not only a wide variety of engineering products from consumer goods to nuclear plants but its experience and expertise as well in design and consultancy, including undertaking of civil engineering and construction works. In fact, it is now recognised as a force in the international market.

Our engineers and technocrats are working on joint ventures in many parts of the world and thereby helping to set up telecommunication systems, railway networks, dams and bridges in the Middle East, Africa and Southeast Asia.

Tenth Largest Industrial Power

This vast transformation has come about mainly after India's independence through planned development that has made it the tenth largest industrial power in the world. Indian engineering industry is manufacturing a vast array of goods ranging from consumer goods to nuclear plants and equipment for launching satellites. The industry is also in a position to share the fruits of its development with both the developed and the developing countries of the world.

Indian enterprises are now partnering British, West European, American and Japanese engineering groups as equipment suppliers and sub-contractors for executing massive joint ventures and turnkey projects in the developing world.

We have a large number of engineering units both in private and public sectors manufacturing different types of industrial plants and machinery of worldclass quality, design and specifications.

Trade Links With The U.S.

Although India's trade links have been stronger with Third World countries than with the developed countries, her trade links with the United States over the years have been mutually fruitful.

Indian engineering exports to the U.S. have grown appreciably. The export performance:

Year	U.S. Dollars (in millions)
1975-76	15.54
1976-77	27.40
1977-78	36.13
1978-79	50.85
1979-80	67.00
1980-81	71.00 (estimates)

On an analysis of the above table, it would be evident that engineering exports from India to the United States have constantly been maintaining an upward trend.

Targets For 1982-85

Keeping in view the trend of growth in our exports to the U.S. and the level of technical capacity and sophistication achieved by the Indian engineering industry, the following targets for 1981-82 to 1984-85 have been fixed:

Year	U.S. Dollars (in millions)
1981-82	80.00
1982-83	95.00
1983-84	115.00
1984-85	150.00

Over the years, India has developed a strong industrial base and evolved technology in diverse fields of manufacture, consultancy and services. There is scope for cooperation with the U.S. firms in projects involving (a) civil engineering and construction, (b)

technical consultancy and (c) supply of plants and equipment in the Middle East and African countries.

Important Role of EEPCC

The Engineering Export Promotion Council (India) has been instrumental in introducing Indian engineering goods and services in the international market.

Sponsored by the Government of India and established in 1955 to promote exports of Indian engineering products and services, the Council (EEPC) today has over 7,000 members consisting of manufacturers, export houses, technical and consultancy services and other specialist associations.

The Council has a worldwide network of 13 overseas offices situated in different geographical regions of the world. There are two offices in the United States located in Chicago and Los Angeles. Another office has recently been set up in Toronto, Canada. These offices will assist our buyers with any additional information on the product range and the services available.

For further information contact:

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Engineering Export Promotion
Council of India
American Bureau
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Chicago, Illinois 60601
Phone: 312-236-2162
Cable: ENEXPROCIL
Telex: 25-4638

Indo-American Relations: Perceptions and Misconceptions



*Mohammad Islamullah Khan
Professor of History
Clarion State College, Pennsylvania
Past President
Mid-Atlantic Region of the Association for Asian Studies*

The history of Indo-U.S. relations during the past two centuries is quite impressive and on the positive side. We have much in common that fascinates each other. There have been set-backs and yet, a fundamental interest between the two countries kept the bond of friendship and mutual understanding basically intact.

History is witness that the British, while searching for new colonies for economic exploitations after being thrown out by the American colonies, at last decided to stay in India permanently. While Americans were freed, India was enslaved for about two centuries. A friend in need is a friend indeed!

Tipu Sultan, a native south Indian patriot sent greetings to Benjamin Franklin on the eve of their independence. Both faced their common enemy, General (and later Lord) Cornwallis, though at different times.

India was the second important country after France to have friendly relations with free American colonies. There was a continued exchange of goodwill between the two people even before India achieved independence. Among others, Mark Twain and Ulysses Grant visited India. The two countries had trade relations as well during this period.

During her struggle for freedom, India looked toward America as a great friend. The exchange of Gandhi-FDR letters during this era demonstrates mutual understanding. In an All-India Congress Committee (AICC) resolution of 1942, Nehru declared the next hundred years as "the Century of America."

Two Largest Democracies

India and the United States are the two largest democracies in the free world. But India faced massive problems, having more than three times the population, yet only one-third of the land area, compared to the United States. To hold seven general elections, once every five years, was in no way an easy job. The number of Indians who actually voted in 1980 was more than the whole population of the United States. Moreover, India is a secular democracy which twice elected a Muslim (11% of India's population) as the President of the Republic. More recently, a Sikh (3% of India's population) was elected to the highest office.

Mahatma Gandhi and Dr. Martin Luther King carried the torch of toleration and brotherhood in our two countries and both had their dreams come true. The Chester Bowles years were the golden era of Indo-American friendship. President Eisenhower was deeply moved by the outburst of love and affection from the Indian masses during his visit. The loss of President John F. Kennedy was equally mourned by Indians. However, during the post-Kennedy years, the contacts have been rather more extensive than intensive.

Inaccurate Picture Of India

Unfortunately, most Americans have an inaccurate picture of India. There was a period when Ganga Deen was the best known Indian in America! Most Americans think of India as a nation hopelessly overcrowded, incapable of feeding itself and existing only because of generous donations of American food.

They see little, if anything, in the U.S. news or educational media to dispell this and other incorrect and unfair stereotypes. The inaccurate images through films—the snake-charmers and the rope-trickers, the cows crowding the streets and naked fakirs (sadhus) on the burning ghats—merely re-enforce such gross misconceptions about India.

Most Americans are simply not aware that India has substantially increased its foodgrain production, a record 131.4 million tons in 1978-79 as against 55 million tons in 1950-51, through the application of modern agricultural techniques, thus making India not only self-sufficient in food but enabling it to export agricultural products.

The industrial growth of India is no less impressive. India is an exporter of a variety of industrial products such as steel, railroad rolling stock, locomotives, refrigerators, T.V. sets, bicycles, shoes and various other electronic and farming goods. India even exports such sophisticated products as machine tools to the United States!

Great progress has been made in rural electrification, construction projects and social and economic developments. How unfair and unjust it is that most Americans are led to believe that India is a stagnant nation looking to its past rather than towards its future! It is high time to accentuate the positive progress India has made, through the American media.

Ignorance About India

Many American friends have asked me questions such as: Do you have rivers in India like ours? . . . Do you get snow in India? . . . Is it not true that "millions" die because of starvation? . . . Do Indians use chairs and tables while eating? . . . Are all Indians Hindus? . . . And why is the sacred cow worshipped?

We have to explain to them that India is the land of many religions: Hinduism, Islam, Christianity, Sikhism, Judaism, Zoroasterianism, Buddhism and Jainism. India is a country with the second largest Islamic population in the world and the sacred land where St. Thomas the Apostle arrived and where his relics are enshrined.

There was a time in the early 70s when many young Americans expressed an apathy toward Third World countries, including India, and their justification

for doing so was the strange reasoning: "We are No. 1. Why do we have to know about countries like India?" As a consequence, when the Perkins Commission was appointed by President Jimmy Carter, I was one of the many invited to testify, expressing serious concern about the education in this country.

Indifference By U.S. News Media

It is unfortunate that the American media has not acted in the right direction to this day to help strengthen

the Indo-American understanding and friendship. Only the other day, I called a major newspaper in western Pennsylvania, requesting to publish a feature article on the eve of Prime Minister Indira Gandhi's forthcoming visit. I was surprised when a member of the editorial staff remarked: "Is she coming?"

I was saddened when he told me further that the newspapers were interested only in the material popular with the readers and that he found no such interest in this visit!

It was President Kennedy who once remarked that the United State had a deep stake in India's stability and survival. On numerous occasions, Mrs. Gandhi expressed a desire that Indo-American relations might develop deeper roots. In one of her messages to the Americans, she referred to "the great American nation whose friendship we truly value." It is with this firm conviction that the Indian Prime Minister will soon be visiting this great land of liberty and freedom.

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India's Lakshmi (Goddess of Wealth) Invites You



Margaret L. Herdeck
Investment Insurance Officer
Overseas Private Investment Corporation (OPIC)
Washington, D.C.

India will spend billions of dollars over the next few years for energy exploration and development, power generation and transmission systems, transportation, chemicals, agriculture, electronics and new industrial technology. American firms, already a leading source for new technology and capital for India, should be planning now to increase their participation in India's new industrialization thrust. India invites U.S. companies to do so.

Why then are many American companies hesitant to take advantage of the obvious bonanza awaiting them in one of the most exciting growth markets in the world today?

First, many American firms are put off by negative hearsay, spread perhaps by firms, American or foreign, already doing business in India. Second, as many U.S. corporate officers with international experience know, American firms are still enamored of the domestic market, unwilling to enter new territories which can often provide openings additional to, even richer than, the old home market. Finally, even more pervasive is the sleepy attitude that the world "out there" never changes, never improves or declines.

But India, for one, has well entered its fourth decade since independence and is on the move. Forget the stereotypes from Kipling or 30-year old newspapers.

During a recent tour I made with an Indian business delegation to eleven U.S. cities, U.S. company executives listening to the delegation's

presentation about India's investment climate repeated over and over again two concerns: "I have heard that you cannot get your money out of India," and "I have heard that it takes forever to get anything done, to get approvals, etc."

India's Excellent Record

In contrast, the record shows that India has an excellent history of permitting repatriation of investment and profits. If the investment is properly registered, full repatriation, less withholding tax, is allowed. Even in times of the worst foreign exchange shortages caused by oil price increases, the Indian government did not stop the flow of capital repatriation to parent companies abroad.

As for the issue of red tape and delays, it is true that foreign investment and purchases of goods involving foreign exchange expenditures require government approval and/or licenses. Recently, however, the Indian government has made impressive efforts to shorten approval time for new proposals and a record number of foreign collaborations has been approved in the last year; even more progress is promised for the future.

What many U.S. companies do not realize, however, is that their own corporate approval process appears just as dilatory to energetic Indian business executives. Typically, they say, a larger U.S. company spends at least a year, maybe more, studying an overseas investment proposal, presenting it to committees and, finally, to the board of

directors. No one, least of all a businessperson, likes delays.

Thus, it is incumbent upon both the Indian and American executives involved in a collaboration to keep each other well-informed of why delays occur. It is not a matter of placing blame, or losing face, but one of keeping communication channels clear for more substantive issues. Explaining respective approval processes to your partner prior to embarking on the venture negotiations may dampen initial enthusiasm for the partnership, but it will preclude buildup of potentially damaging frustration over the long run.

What else should an American executive do?

I recommend that once you have learned what you can about the new India and are clear in your own mind what it is you can do there, *go to India yourself*. Ask your questions again. A personal visit will not only save you a lot of unnecessary handwringing, but you will be sure to meet your European or Asian or American competitor as you check into your hotel. Their presence may give you pause, but should also reassure you that India obviously has many opportunities for investment. And, as an American, you may have a slight advantage over your Continental or Asian competitor.

The Indians you will meet will very likely have been educated in the U.S. and so will understand your American accent. They share your love for personal freedom and lively political debate. They will be overwhelmingly hospitable if you show genuine curiosity and enthusiasm for their country. Most important, they enjoy doing business.

So when you go to India, talk business. Remember that Indians, like many business people the world over, like to do business with human beings, not balance sheets or legal documents.

In face to face negotiations, come out from behind the paperwork. Be assured your potential partner will have absorbed all those details beforehand. Save the negotiating sessions for getting to know your partner and his or her India. Ask about the wide variety of financial facilities available in India to fund your projects. Learn to do business the Indian way.

A Way of Life

For long-term success in the Indian market, though, it is also essential to realize that India is not just a market of 700 million potential consumers of your product. It is a way of life. India is a rich mix of many cultures whose beauty and dignity will quickly envelop you. To show proper deference to the deities, therefore, you must allow time during your visit for appreciation of the country itself. You will then quickly grasp the meaning of the often heard phrase, "India invites you."

The views expressed herein are solely those of the author.

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Getting to Know India: Suggestions for Indo-U.S. Business Relationships

Joan L. Erdman
Anthropologist

*Coordinator of the South Asia Language
and Area Center Outreach Educational Project
University of Chicago*

As Marco Polo found out on his journeys across Central Asia, and as many travelers and traders have learned since then, it is good to know the peoples you are dealing with, both outwardly in their manners and customs, and, if possible, in the deeper interiors of their history, literature, religions, and culture. Doing business with India is enhanced by more than a superficial knowledge of the country and its inhabitants, and the accessibility to Americans of knowledge about India has grown considerably in the past twenty-five years. Eight South Asia Language and Area Centers in the United States (listed in the accompanying box), jointly funded by federal and university resources, offer persons considering business relationships with India a fund of cultural clues and information. Some examples of the kinds of materials these centers provide will be helpful.

Cultural Cues and Clues

Gordon Roadarmel, in an article entitled "Cultural Cues and Clues for the American in India," starts out by saying that

Newcomers to India, however extensive their previous study about the country, are likely at times to find themselves in baffling or embarrassing situations as a result of their ignorance of local attitudes and customs.

He points out that learning to understand and adapt to the culture of a new country is part of the pleasure of living or working there. While Roadarmel's article was intended for visitors and scholars rather than business and clients, its cues and clues are valuable to all who plan association with their counterparts abroad. Recognition of different customs

regarding working hours, management styles, contract negotiations, and governmental approvals are part of the information search which must accompany any business dealings with India.

Common goals with regard to outcome, development, and negotiation can be found without disregarding differences. Gestures and manners are usually taken for granted in national business dealings, but have to be adjusted if communication is to be achieved between persons of differing cultural and social experiences. Keeping in mind the common goal while recognizing the differences is the key to success.

Book Aids U.S. Tourists

Another recently-published aid to the American visiting India or entertaining Indian visitors is Veena Talwar Oldenberg's small but thorough *Say It In Hindu* (New York: Dover Publications, 1981. \$3.50). Filled with phrases and words useful in contexts ranging from social to pragmatic and functional to esoteric, the volume offers a glossary, phrases in transliteration, and vocabulary for topics ranging from baggage, travel, telegram and telephone to foods, banking, seasons, and shopping. While most business negotiations between U.S. and Indian firms can be conducted in English, an understanding of the Indian vocabulary of everyday life is useful for travel in India, and for entertaining business clients in the U.S.A.

Many Americans, inspired by meetings with Indian residents in the U.S.A., are now considering business relations with India. With an influx of several hundred thousand Indians into the U.S.A. since 1965, many Americans find Indian children in their children's

(continued)

classes, India-born workers in their place of employment, Indian doctors in hospitals and clinics, and Indian shops and restaurants in their neighborhoods. Due to this significant Indian population in the U.S.A., Indian cultural events, previously accessible only in India, are now available here, including films, classical and popular programs of music and dance, celebrations of festival days, and Indian products and manufactures.

Elegant Indian Products

Although Asian Indian imports have

not yet rivaled Japanese success with cars, items manufactured in India are both inexpensive and impressively elegant, produced for mass marketing and for fine arts collectors, and in line with current market trends. In Chicago, Indian goods are available in department stores, as well as designer shops like the Gallery of Stray Thoughts in suburban Wilmette, and offer ideas for decorators and investors.

Getting to know India through its peoples and products, its cultural programs, and its agencies and officials,

American business persons can enter an arena of growing potential for import and export, for exchange and initiative, and for communication and trade.

For those who would travel to India on business, or want to study India's peoples and current economic development, contact with both Indian Government Tourist offices, and university South Asia centers will be useful and fruitful.

South Asia Language and Area Centers: Outreach Programs

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The Sari: In Fashion For 5,000 Years

Shobha Shah

The sari—as exotic as an Indian sunset and as feminine as a woman herself—is the longest, most popular style in the history of women's fashions. *Sari* represents a picture of elegance and beauty.

The sari has been women's most popular dress in India for thousands of years. The wonderful fabrics—hand-woven cotton, dyed silk, embroidered with gold and silver, sometimes in brocade or wool, has graced India's women for over five centuries.

Over time, there have been changes in sari styles and design, but its charm and elegance endure.

The Indian Woman's Statement to the World

The diversity of Indian people is reflected in the wide variety of materials used for a sari and the way it is draped in different parts of the country.

The sari can be of varying length, from five to nine yards of fabric. It is long, yet uncomplicated to wear. Simple, yet beautiful. Five and a half yards of material can make a dress, kaftan or a flowing evening gown; or it can be worn in the traditional Indian style. The traditional six-yard sari is a classic and allows for generous pleating and draping around the body and over the shoulders—almost Grecian in its elegance.

It can be of shimmering silk or the finest gauzy cotton. . . perhaps a pastel-hued solid color or a riot of woven flowers. It may be embroidered with golden threads, or finished with a richly tasseled border. The sari speaks of romance, riches, sobriety or gaiety, of sophistication or innocence.

Elegance with Simplicity

The success, and durability, of the sari through the ages can be attributed to its simplicity and practical comfort, as well as the sense of luxury a woman experiences.

The sari is mentioned in Hindu literature and depicted in Hindu painting as far back as 3000 B.C. Each of India's regions has its own fabrics, designs and weaves for their saris. Each is a work of art.

From Varanasi come rich Banarasi silk saris, woven with gold and silver, perfect for formal evenings. Tanchoi saris feature the Karahi weave as delicate as embroidery. Then there are Banarasi cut-work and shadow-work cottons, organza saris and 'chikan' shadow embroidery on muslins and cottons.

West Bengal saris are as graceful as its women. They use fine weave cotton Daccai Jamdani saris, Tangail, Shantipurai and Dhaniala Kali cotton weaves, fine silks of Bishnupur and Shantipur, hand-blocked printed silk saris from Murshidabad.

In Maharashtra (West India), Poone saris are light and airy. Expensive silks from ancient Paitan with their tarnished gold woven borders are alluring. Tussars from the Vidarbha region are charming.

Among the many styles of sari, the heirloom quality of Patola silk saris from Gujarat state stands out. A whole day's work of a sari worker yields only an inch or two of silk. The reversible Tanchoi saris with brocadelike silk weave designs, zari borders of Surat hand embroidery and mirror-work are in beautiful colors. The raised Khari prints of Kutch and Saurashtra are unique and lasting.

The silks of Kashmir with prints—modern and traditional—are fascinating, and provide an unending array of colors and motifs. Chiffon, georgette fabrics, available in a wide range, are designed for today's fashions.

The elegant cotton saris of Andhra Pradesh, the Gadhwali saris of Hyderabad and Venkatagiri and Kothakota fine cottons with gold are

gorgeous. Tamil Nadu's riot of colors and fabrics are unbelievable. These silks, durable and elegant, are passed down the generations. Kanchipuram silks and cottons are as dignified as the temple gateways of Southern India. Kerala's Kasavu saris, off-white cotton with solid gold borders, are different from all others. Karnataka's traditional silk saris come from Bangalore and Kollegal.

The Tika Tradition

As with the classic wrapping of the sari, the tika is a distinctive adornment of the Indian woman. The tika (sometimes referred to as "tilak" or "bindi") is traditionally a small red dot in the center of the forehead.

In India, the legend holds that red, being the color of blood, is a source of life and energy. Traditionally a powdered vegetable dye, no Indian woman would be seen without it. The tika has semi-religious overtones and plays a significant part in any auspicious and happy occasion. Indians welcome a visitor with a garland and a tika, a father "gives away" the bride, the priest marks religious rites with a tika, a friend wishes you good luck and God-speed, a Sadhu wears a large U-shaped mark on his forehead.

The tika sign on the forehead of an Indian woman also indicates that she is married. A widow generally does not put tika on her forehead as her husband is no longer living.

Today, the use of the tika has strayed from its original meaning and is considered more of a decoration or makeup. It can take many shapes or colors depending on the ingenuity and artistic imagination of the wearer. It may be color-keyed to the sari or dress. It may be a paisley or teardrop, a diamond or a circle.

Given or received, the tika carries a message of love and goodwill, warding off evil spirits and propitiating the heavens!

Based on literature released by the Government of India Tourist Office and Air-India.

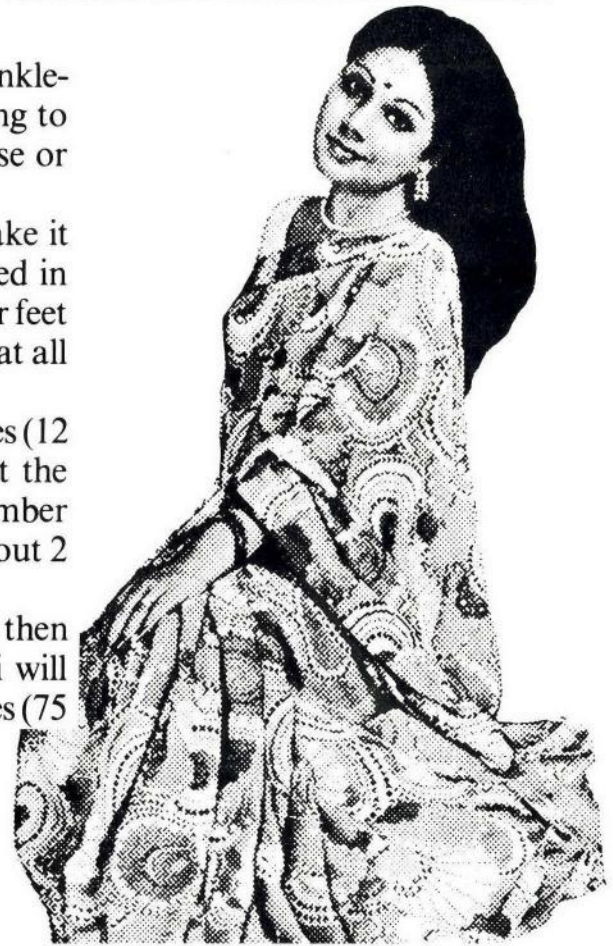
How to Wear a Sari

Wearing a sari is simple but elegant. Get yourself an ankle-length slip of petticoat matching your sari with a draw-string to hold it tight around the waist (elastic will not do). The blouse or choli is fitting.

Tuck the top end of the sari into your petticoat. Then take it around from your left and bring it back to where you started in one complete circle. The lower end of the sari must cover your feet (and the heels of your shoes). Tuck the sari into your petticoat all around.

Starting at the free end, make 6 to 8 pleats of about 5 inches (12 to 14 centimeters) each. Tuck these pleats into the waist at the center so that the pleats are turned leftwards. Adjust the number of pleats so that by the time you tuck them in, you have about 2 yards (1.8 meters) of material left.

Take the remaining material around you once more and then over your left shoulder from the front. The end of the sari will hang down from your left shoulder at the back about 30 inches (75 centimeters).



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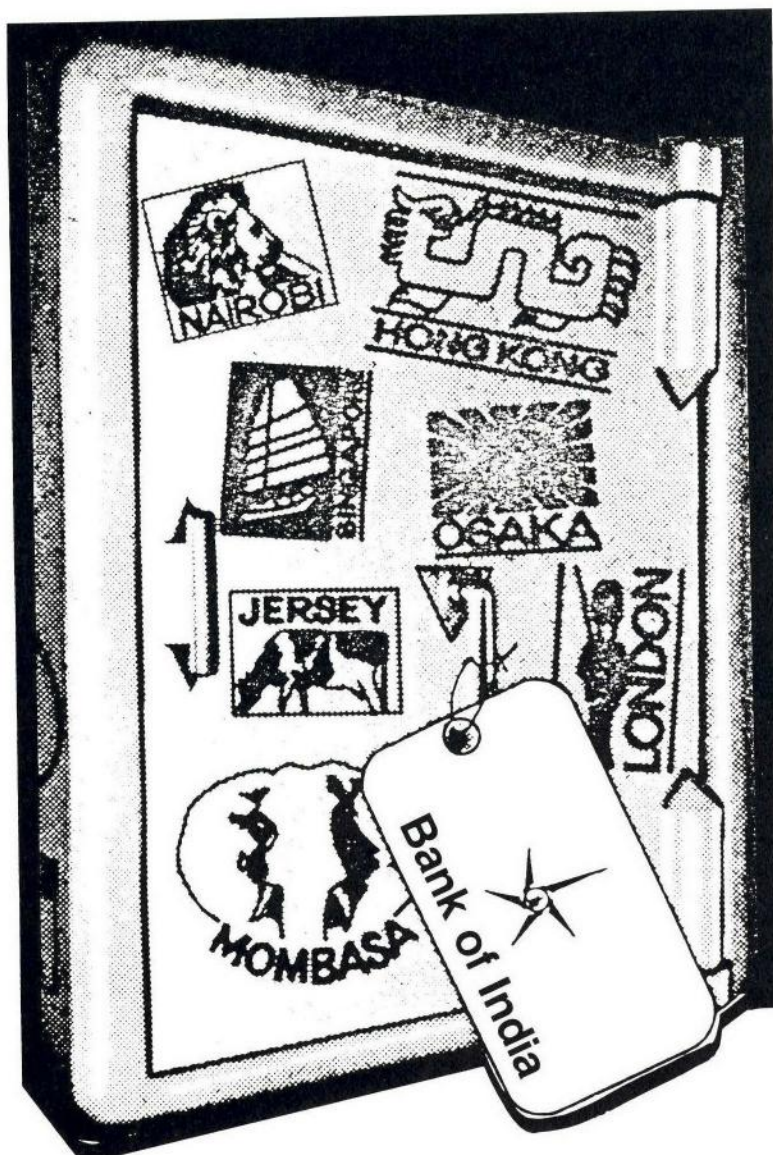
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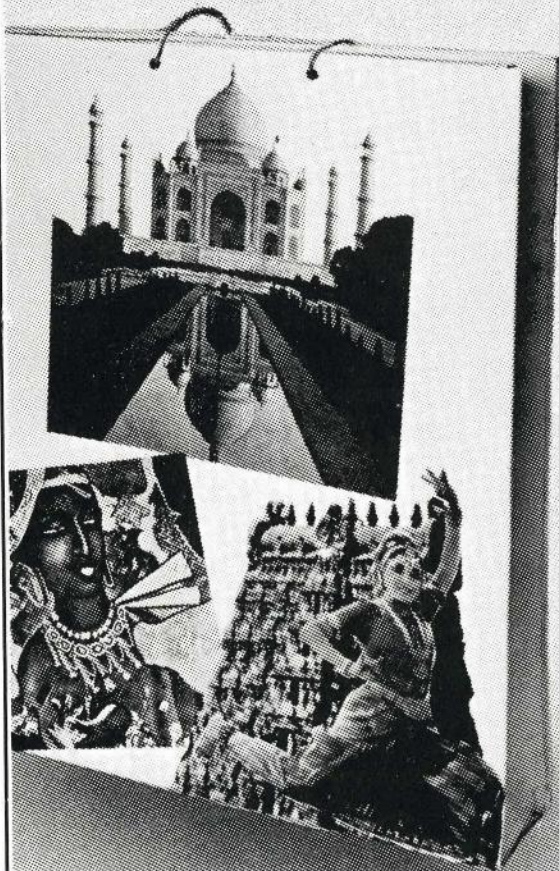
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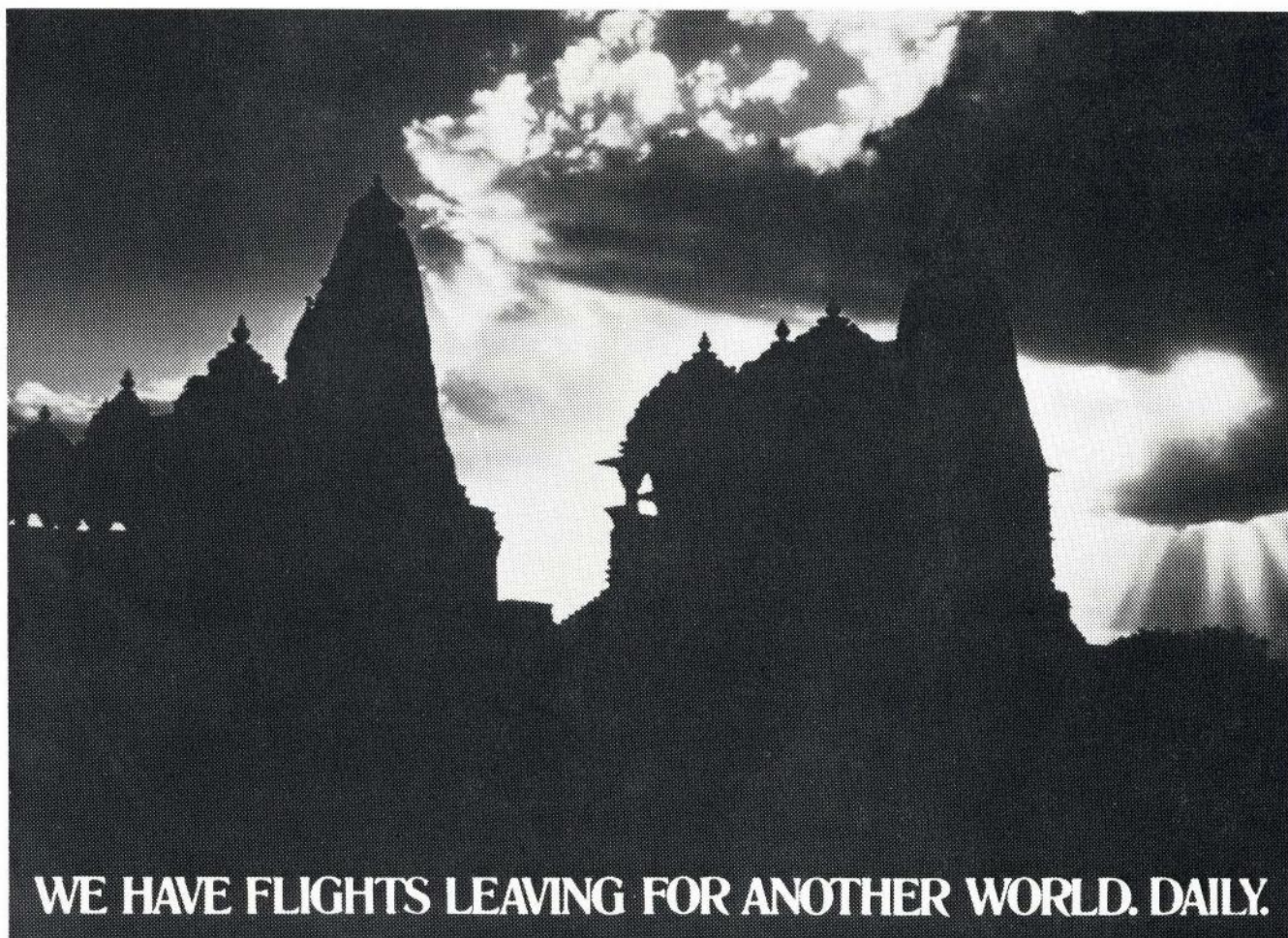
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