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BERNARD R. BELL FILES

"Indian Food & Agriculture"

OECD Meeting
March 1967



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Bernard R. Bell Files: OECD Meeting, Indian Food and Agriculture - Correspondence

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3/27 OFFICE MEMORANDUM

TO: Mr. George D. Woods

DATE: March 24, 1967

FROM: Bernard R. Bell *BRB*SUBJECT: O.E.C.D. Council Meeting on Indian Food and Agriculture Problem
- March 21, 1967

In accordance with your request, John Crawford and I gave an exposition of the Indian food and agriculture problem to the O.E.C.D. Council on March 21st.

Secretary General Kristensen opened the meeting with a brief statement indicating that a number of the member countries had objected to Council discussion of this subject but that most of them had favored it and he considered it appropriate, simply as a means of further education of the member countries. After this brief statement, he introduced John Crawford and myself. I spoke for about 20 minutes and John Crawford did the same; the rest of the time was taken by questions put to us by virtually all of the members and our replies.

Although the discussion had originally been scheduled to end by lunch time, they decided to continue the question-and-answer session after lunch and it finally ended about 5 p.m. Actually it continued through a lunch given by Secretary Kristensen for us, some of his staff and a few Council members and, also, through a dinner that night given by U.S. Ambassador Trezise at which seven or eight ambassadors were present along with myself and Indian Ambassadors Dayal (to France) and Swaminathan (to E.E.C.).

Secretary Kristensen and a number of the ambassadors remarked to me at dinner that night that, despite the advance opposition to the discussion, they were quite pleased with it. I gather that the Europeans tend to regard the food aid proposition as aid to the U.S. French Ambassador Valery who, as might be expected, expressed this quite clearly, told me that he could nevertheless see that it really was aid to India and that he would send a cable, classified secret, to the French Government reporting on the discussion. This is the form of communication he uses, he said, when he really wants his messages given attention.

There was no indication at the meeting or subsequently of the action which the member governments might take.

BBell:emcc
BANK

cc: Mr. Cargill

Thanks - I'm glad you could be there - I'm sure they learned a lot about a difficult problem

BRB

3/27

The Outlook for India

John Crawford and I thought, in accordance with Mr. Ottinger's suggestion, that we might together take about ten minutes to outline the Indian situation as we see it. I will take about half that time to talk about the Indian situation as a whole and Sir John will focus more specifically on what is happening in Indian agriculture and the food situation.

I strongly suspect that this group is fully familiar with the course of development in India in the last fifteen years but it may be worthwhile to review it quickly. Fifteen years ago, shortly after the achievement of independence and construction of the Indian State, the Government of India set out on a course of planned economic development. At the time India was a nation of some 360 million people. Some 70 per cent or more of the working force was engaged in agriculture, perhaps 10 per cent or 15 million people were working in industry, including household industry, small workshops, service establishments, mining and construction. Less than 3 million were employed in factory establishments. The textile industry was by far the largest, producing cotton textiles both for the domestic market and for export and jute textiles principally for export. There were the beginnings of a steel industry producing not quite 2 million tons of crude steel, a fair amount of coal mining producing about 33 million tons, some modest production of iron ore to supply domestic steel-producing operations and a few cement plants producing altogether about 3 million tons per year. Electric power generating capacity was only about 2 million kilowatts, which is approximately the installed capacity serving the Washington area. The rail transport network was fairly extensive but not adapted to carrying large volumes of traffic. There were less than 100,000 miles of surfaced roads and about 100,000 commercial vehicles in operation. Agriculture

contributed about 50 per cent of national product and industry, including mining and construction, about 16 per cent. Almost two-thirds of the value of agricultural production was represented by foodgrains, the balance consisted principally of other food and fiber crops, including cotton and jute plus some plantation crops such as tea and coffee. Agricultural production was conducted for the most part with little in the way of inputs except human labor and animal power. The use of fertilizers and plant chemicals was almost unknown. Virtually no farm equipment or machinery was used and tools and implements were simple and inefficient. Something like 100 million people were working on about 300 million acres of cultivated land. Yields were on nearly all crops as low as anywhere in the world.

Through the First Plan the Government of India set out on a course of action which, with variation in emphasis from time to time, has remained consistent through the fifteen years of the three Plans. Broadly it aimed at a major change in the structure of the economy by a great expansion and diversification of its industrial capacity. For this very large investments were required in industrial machinery and equipment of all types and in the closely related infrastructure of electric power generating distribution facilities and transportation facilities. Although the need for increases in agricultural production was recognised and frequently declared, it was hoped and expected that this would come about simply as a result of further extension of cultivated land area and by additional inputs of labor. It was not believed any structural transformation of agriculture or any significant change in technology or any significant investment was required except some designed to provide irrigation water in areas of variable and uncertain rainfall. It was believed essential that, to the maximum extent possible, the internal savings that could be generated and mobilised either by taxation or through savings institutions of one sort or another be used to create the infrastructure and

the industrial facilities obviously needed and also to extend the then very limited Government services, such as education and health. The Government made determined and rather successful efforts to increase Government revenues and to encourage private savings (personal and business) for these purposes. During the 1950s it used, for the same purposes, the large foreign exchange reserves which had been accumulated during World War II and once those had been used it asked for and received assistance from abroad, from Governments and international institutions.

Very roughly we estimate that something equivalent to about \$40 billion has been devoted in the fifteen years to expanding India's productive capacity. Inflow of capital from abroad, both from Government and international sources, net of principal payments in the fifteen years has amounted to about \$9 billion or a little less than one-fourth of the total investment expenditure. This sounds like a large amount but all number relating to India are so large as to defy comprehension and would be positively misleading. The total investment expenditure per member of the working force has not amounted to more than approximately \$20 per year which is obviously not an amount sufficient to bring about the transformation of India into a modern economy. The \$9 billion of net capital inflow in the fifteen-year period amounts altogether to about \$20 per capita for the whole period which is less than the amounts received by some countries per year and which puts India about at the bottom of the range of all the countries which have been receiving aid.

India has made economic progress in the fifteen years and our Indian friends are anxious always to make this clear. The fact is, however, that this has been, in relation to the size of the problem, very limited and very modest progress. Overall, in the course of the fifteen years, national output increased at the average rate of somewhere between 3 and 4 per cent per year. Some people

regard this as a reasonably satisfactory rate of growth. I think it should be regarded as a totally unsatisfactory rate of growth. It does not compare badly with similar rates in the United States or some of the countries of Western Europe but this is a completely false comparison. Among other things, a number of the less developed countries have records of growth in about the same period which are two or even three times as high. The developed countries start from a high base and relatively full employment of the labor forces. The Indian situation is entirely different. The start is from a very low base with output per capita hardly one-fortieth of that in the United States and with millions of reasonably able-bodied workers either totally unemployed, unemployed for good portions of the years or working with so little in the way of tools and equipment that output per man is minuscule. In this situation enormous increases in productivity and in output are possible and go way beyond the limits of anything conceivable in the developing countries.

MR. ARTHUR KARASZ
INTBAFRAD
PARIS

MARCH 17, 1967

LT

FRANCE

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ANSWER TO BOTH QUESTIONS AFFIRMATIVE WILL TELEPHONE
YOU SOMETIME MONDAY MORNING

BELL

Bernard R. Bell

Projects

BB:emcc
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INCOMING CABLE

DATE AND TIME
OF CABLE:

MARCH 17, 1967

522PM

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TO:

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TEXT:

171 FOR BERNARD BELL

PRIMO U.S. AMBASSADOR TREZISE WISHES DISCUSS WITH YOU BEFORE
MEETING. COULD YOU MEET WITH HIM SAY MONDAY MARCH 20
AFTERNOON?

SECUNDO HE ALSO INVITES YOU FOR DINNER TUESDAY MARCH 21.

PLEASE CABLE ON BOTH QUESTIONS

KARASZ

FCA