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FAR EAST-AMERICA COUNCIL
OF
COMMERCE AND INDUSTRY, INC.

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NOT FOR RELEASE
BEFORE 11:45 A.M.
FRIDAY OCTOBER 9TH

ADDRESS GIVEN BY MR. G. L. MEHTA

AMBASSADOR OF INDIA TO THE UNITED STATES

AT THE SOUTH ASIA SESSION OF THE FAR EAST CONFERENCE

OF THE FAR EAST-AMERICA COUNCIL OF COMMERCE AND INDUSTRY, INC.

ON FRIDAY MORNING OCTOBER 9TH, 1953

IN THE WALDORF-ASTORIA HOTEL

NEW YORK CITY

"INDIA AND THE UNITED STATES - SOME ASPECTS OF ECONOMIC
COOPERATION"

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Mr. Chairman, Ladies and Gentlemen:

I recall with pleasure that I was privileged to address this distinguished gathering last year about this time. I appreciate, therefore, all the more your kind invitation to speak to you at the South Asia Session of this year's conference.

I propose to confine my remarks to some aspects of economic cooperation between the United States and India - India as an integral part of South-East Asia. Economic cooperation is by no means a novel idea and in one form or another such cooperation has been increasing during the last half a century. Nevertheless, the world is only gradually realizing how vitally the stability and prosperity of any one country depend on the conditions and develop-

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economic dissimilarities.

Fortunately, the long-range objectives of the United States and countries in South East Asia such as India, Pakistan, Burma, Ceylon and Indonesia, are in broad harmony even if their immediate needs and problems may be different. India's primary objectives, for instance, are the establishment of a firm basis of economic growth and viability, raising standards of living which are woefully low and diversification of a predominantly agricultural and primary producing system which should have flexibility to adapt itself to dynamic economic factors. All this is in conformity with the wider interests of the United States whose security and material welfare are bound up, in the ultimate analysis, with stable, productive economies elsewhere. The United States and other highly industrialized countries are dependent on foreign sources of vital raw materials for their industries operating at high levels of production. It is, therefore, essential that these sources should be explored and developed if the industrial economies of countries like the United States are to be maintained and strengthened. We had an inkling of the problems involved in procurement and supply of raw materials during the Korean war when it was found necessary to set up an International Materials Conference for rationing of important raw materials as an emergency measure. Without the coordinating efforts of the Conference, several industries in different parts of the country, including the United States, would have been sorely pressed to meet their defense and civil commitments while others would have suffered

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from an overabundance of materials. Utilization of such raw materials and expansion of their production, provided it is done without any tinge of economic exploitation or political domination, would be in mutual interest. To the industrialized countries it would ensure sources of materials which could be steadily available and would be capable of expansion. For the underdeveloped countries it would mean greater foreign exchange earnings which could be utilized for purchase of machinery and equipment needed for economic development and it could also secure technical and physical development of an important sector of the domestic economy.

I must, however, enter one caveat here. From what I have said it must not be inferred that the primary producing and economically backward countries should concentrate exclusively on the development of exports of raw materials. Indeed, one of the fundamentals of development of such countries is a diversification of their economies so as to reduce their dependence on the production and exports of one or two commodities and to enlarge their avenues of employment. We have to see that a national economy like India's, for example, does not get out of balance and is not subjected to violent fluctuations because of variations in the prices of primary commodities which, as you are aware, are the most volatile of all prices. You will also appreciate that exports of such primary products are also exposed now-a-days to the serious risk of elimination through synthetic production in industrialized countries. The case of Chilean nitrates is, of

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course, classic. But similar have been the risks for other commodities like rubber or mica or shellac while the rapid development of plastics has also affected several raw materials. The instability resulting from such competition has been and would be seriously detrimental to the economies of underdeveloped countries. Production and exports of raw materials must, in other words, grow with the rest of the economy and must be supported by the ancillary forces of industry, power and transport which in themselves provide resilience and a stronger framework for withstanding trade cycle fluctuations.

This, then, is the broad basis of economic development for countries like India. In my address to this assembly last year, I surveyed our Five Year Plan in some detail and I do not wish to repeat myself to-day. I shall only say this. The main burden of the cooperative effort to attain economic stability and achieve agricultural and industrial progress rests and must necessarily rest upon India herself. The sacrifices and national discipline involved in a projected development outlay of 4.3 billion dollars in a period of five years is considerable in view of the very low income levels of the people and the consequent limitations on the possible rate of saving. In fact, out of this total capital outlay, the amount of foreign assistance visualized is in the neighbourhood of 25 percent so that nearly three-quarters of the total expenditure of the Plan is to be undertaken by the nation itself through additional taxation, borrowing and even deficit financing under proper safeguards. Already, during the last two years, foreign

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grants and loans extended to India amount to about 380 million dollars which include loans from the International Bank, the U.S. Food Loan, assistance under the Indo-U.S. Technical Cooperation Agreement, aid under the Colombo Plan and other forms of assistance from such bodies as the Ford and the Rockefeller Foundations. Other underdeveloped regions are in a similar position and their peoples are fully aware of the fact that their economic salvation must eventually depend on their own effort, determination and vision. But they also recognize that international cooperation in the widest sense is a crucial factor and they are accordingly seeking ways of assisting each other towards the common goal. I might add that India is giving economic and technical aid to her neighbours in a limited form consonant with her own capacity, chiefly in the nature of technical training and agricultural research services and receives similar help in return. The sphere of this regional cooperation will enlarge significantly in future both in the technical and commercial spheres.

The fundamental problem of an area that is in a process of industrialization and economic development is to overcome the serious handicaps imposed by dearth of capital, capital equipment and technological knowledge and experience. In theory, capital goods may be earned by increased exports but this only begs the question as to how exports are to be expanded without heavy capital investment in the industries concerned. There is a vicious circle which can be broken by the initial absorption of certain measure of foreign capital. It is pertinent to emphasize this

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point in the present discussion if only because the United States is now the major source of investment capital and accordingly could express her policy of international cooperation in that form. It is true that a certain "investment climate" or an "investment psychology" is a prerequisite for stimulating the flow of private capital abroad. Undoubtedly, the creation of such "climate" can be assisted through relief in taxation, guarantee of non-discrimination, facilities for remittance of dividends and profits and repatriation of capital, exchange convertibility and the like. But such "climate" is not less complex than New York weather; it cannot be brought about only by statements of policies or legislative measures. It is fundamentally a question of confidence which can only grow by working together.

There is, however, one thought I would like to leave with you. It is true that domestic investment opportunities in the United States and its neighbouring countries like Canada are so attractive that the risks of investment in far-off countries do not always seem worth undertaking. The attitude is understandable provided that full facts regarding the possibilities of development at home and abroad are fully known and understood. It is essential that whatever judgment is made is on the basis of a knowledge of market and investment conditions so as to determine the comparative advantages of branching out in India or in other regions. This cannot be done without considerable outlay in surveying the field and analyzing conditions of raw material and market, local cost of

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production and labor conditions. There is, moreover, nothing to induce such firms to expend large sums on market and industry research abroad unless they first have reasonable anticipation of success.

I wonder whether it would not be possible to rely on the services provided by an organization which could give basic data in detail to firms and investment houses interested in placing capital in the underdeveloped regions. It would also seem desirable to establish some kind of machinery through such a body as yours with a committee of leading industrialists, bankers and business men in India for exchange of information and views and for exploring definite lines of collaboration and cooperation. The main purpose would be to fill an obvious gap in economic intelligence. Similar institutions operate in the domestic investment field and the idea could be developed so as to establish a large-scale foreign investment advisory organization in this country.

We have heard for some time now the doctrine of "trade, not aid." I do not wish to enlarge upon this theme here but it is necessary to point out that apart from the fact that these two are not mutually exclusive or conflicting objectives, there is a third line of international economic cooperation and that is investment of capital, both public and private. If the immobility of private capital in prosperous countries continues to be a serious problem for the underdeveloped regions, we have to explore ways and means of obtaining such foreign assistance as is necessary

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through institutions like the International Bank, schemes like the Colombo Plan and agencies of important Foundations. Time is the essence of the whole problem and the economic development of poorer countries cannot be made to wait indefinitely. Such assistance must, however, be for specific purposes and fully integrated with development plans of the countries concerned which should be well conceived and properly administered.

One final word. India, on her part, is sparing no effort to reach the level of economic development which will enable her to stand as a bulwark of democracy in these times of change and uncertainty and which will assist her in playing her part in international economy. We in India value friendship with the United States whose technical and economic assistance has been a vital factor in international reconstruction and development. We cherish this friendship all the more because we feel that we can and must cooperate for preservation of those institutions and ideals which we both hold essential for our common good as well as for the welfare of mankind.