Collection:
Robinson, Roger W: Files
Folder Title:
SIG-IEP Meetings 09/28/1982-10/14/1982
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WITHDRAWAL SHEET

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Collection Name	Robinson, Roger: Files		***Withdrawer***
			SRN 2/22/2012
File Folder	SIG-IEP MEETINGS: 09/28/1982-10/14/1982		***FOIA***
			F01-052/3
Box Number	6		GRYGOWSKI
			43

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
131845	NOTES	RE: SIG-IEP MEETING	3	9/28/1982	B1
131848	MINUTES	SIG-IEP MEETING	2	9/28/1982	B1
131850	NOTES	DUPLICATE OF 131845	3	9/28/1982	B1
131853	MINUTES	DUPLICATE OF 131848	2	9/28/1982	B1
131857	MEMO	DONALD REGAN TO THE PRESIDENT RE: REPORT OF SIG-IEP MEETING, SEPTEMBER 28	2	9/29/1982	B1
131862	PAPER	RE: U.S.-INDIAN ECONOMIC RELATIONS	2	ND	B1
131866	PAPER	RE: RELATIONS WITH INDIA	5	ND	B1
131872	PAPER	RE: U.S.-INDIA TRADE RELATIONS	3	9/10/1982	B1

The above documents were not referred for declassification review at time of processing

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]
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43

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
131873	MEMO	DONALD REGAN TO THE DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET RE: WORKING GROUP	1	10/7/1982	B1
131874	PAPER	RE: AGRICULTURAL TRADE	2	ND	B1
131875	PAPER	RE: GRAIN FOR OIL	2	ND	B1
131876	PAPER	RE: GRAIN FOR OIL - ANALYSIS	5	ND	B1

The above documents were not referred for declassification review at time of processing

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Box Number	
6	43

ID	*Document Type* *Document Description*	*No of pages*	*Doc Date*	*Restrictions*
131845	NOTES RE: SIG-IEP MEETING	3	9/28/1982	B1

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6	43

ID	*Document Type* / *Document Description*	*No of pages*	*Doc Date*	*Restrictions*
131848	MINUTES SIG-IEP MEETING	2	9/28/1982	B1

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Box Number	
6	43

ID	*Document Type* *Document Description*	*No of pages*	*Doc Date*	*Restrictions*
131850	NOTES DUPLICATE OF 131845	3	9/28/1982	B1

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Freedom of Information Act - [5 U.S.C. 552(b)]

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Cr Bailey 9

OFFICE OF THE SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220

September 29, 1982

SIG-IEP minutes

UNCLASSIFIED
(WITH ~~SECRET~~ ATTACHMENT)

MEMORANDUM FOR THE VICE PRESIDENT
THE SECRETARY OF STATE
THE SECRETARY OF DEFENSE
THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE
THE DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET
CHAIRMAN, COUNCIL OF ECONOMIC ADVISORS
ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS
ASSISTANT TO THE PRESIDENT FOR POLICY DEVELOPMENT
UNITED STATES TRADE REPRESENTATIVE
DIRECTOR OF CENTRAL INTELLIGENCE
ADMINISTRATOR, AID

SUBJECT Senior Interdepartmental Group on International Economic Policy (SIG-IEP)

Attached please find the minutes from the SIG-IEP meeting held September 28.

David E. Pickford
David E. Pickford
Executive Secretary

Attachment

UNCLASSIFIED
(WITH ~~SECRET~~ ATTACHMENT)

sm 02/22/2012

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Collection Name Robinson, Roger: Files	*Withdrawer* SRN 2/22/2012
File Folder SIG-IEP MEETINGS: 09/28/1982-10/14/1982	*FOIA* F01-052/3 GRYGOWSKI
Box Number 6	43

ID	*Document Type* *Document Description*	*No of pages*	*Doc Date*	*Restrictions*
131853	MINUTES DUPLICATE OF 131848	2	9/28/1982	B1

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12

NSC/S PROFILE ~~SECRET~~ ID 8290782

RECEIVED 30 SEP 82 12

TO	PRESIDENT	FROM REGAN, D	DOCDATE 29 SEP 82
		FULLER, C	30 SEP 82
		DARMAN, R	30 SEP 82

SIG-IEP
Sanctions

KEYWORDS: ECONOMICS SIG

IEP POLAND

SUBJECT: RPT OF SEP 28 SIG IEP MTG RE POLISH DEBT SITUATION & PRIVATE SECTOR INITIATIVE ON AID TO POLAND

ACTION: FOR RECORD PURPOSES DUE: STATUS C FILES IF

FOR ACTION	FOR CONCURRENCE	FOR INFO
		NAU
		BAILEY
		ROBINSON
		BLAIR
		DOBRIANSKY

COMMENTS RECD COPIES FM DARMAN & FULLER -- ORIG NOT RECD

REF# 072919CA LOG 8290766 NSCIFID (C / C)

ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO

DISPATCH W/ATTCH ---

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Collection Name Robinson, Roger: Files	*Withdrawer* SRN 2/22/2012
File Folder SIG-IEP MEETINGS: 09/28/1982-10/14/1982	*FOIA* F01-052/3 GRYGOWSKI
Box Number 6	43

ID	*Document Type* *Document Description*	*No of pages*	*Doc Date*	*Restrictions*
131857	MEMO DONALD REGAN TO THE PRESIDENT RE: REPORT OF SIG-IEP MEETING, SEPTEMBER 28	2	9/29/1982	B1

The above documents were not referred for declassification review at time of processing

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]
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U.S. Government Humanitarian Assistance for Poland

A. Fiscal Year 1982

For fiscal year 1982, U.S. Government assistance to the Polish people included $73.8 million in food aid -- $41.2 million from P.L. 480 Title II and $32.6 million in Commodity Credit Corporation sales to private voluntary agencies -- plus $5 million for disposable medical supplies and drugs from the Economic Support Fund (ESF).

All activities are administered by U.S. private voluntary agencies. CARE is providing Title II food supplements for 2.2 million children and elderly persons in Polish Government pre-school, day care, and health facilities under CARE and Ministry of Health supervision. Catholic Relief Services (CRS) assistance is targeted toward the elderly, handicapped, invalids, infants and small children, and large families with small children. Beneficiaries number approximately 1.8 million. The program uses the extensive infrastructure of the Polish Catholic Church to identify needy individuals and distribute food to them through charity committees in each church parish. ESF assistance is administered by Project HOPE, which provides medical supplies to Polish obstetric and pediatric hospitals to alleviate life-threatening shortages. HOPE has an agreement with the Polish Government to permit church monitoring of distribution to 16 such hospitals.

B. Fiscal Year 1983

In May 1982, the President decided to continue P.L. 480 food aid during the first quarter of FY 1982 at a level of $12.5 million, and for the year as a whole at a maximum level of $40 million, with the exact amount to be determined after the Polish harvest when a more accurate assessment of food needs would be possible. As in FY 1982, all food assistance will be channeled through CRS and CARE. The $12.5 million level for the first quarter permits a continuation of voluntary agency programs for approximately the same number of recipients who received assistance in FY 1982. The program is expected to phase down during the last three quarters of the year, either in terms of number of recipients or size of rations. Food assistance is not contemplated after FY 1983.

No ESF funding is planned in FY 1983. However, implementation of Project HOPE assistance, funded late in FY 1982, will be largely disbursed during FY 83.

NE/EA:RMisheloff:la:9/29/82

90782 16

~~SECRET~~ (ATTACHMENT)

THE WHITE HOUSE
WASHINGTON

CABINET AFFAIRS STAFFING MEMORANDUM

DATE: Sept. 30 1982 NUMBER: 072919CA DUE BY: --

SUBJECT: Report of Senior Interdepartmental Group on International Economic Policy: September 28, 1982

	ACTION	FYI
ALL CABINET MEMBERS	☐	☐
Vice President	☐	☐
State	☐	☐
Treasury	☐	☐
Defense	☐	☐
Attorney General	☐	☐
Interior	☐	☐
Agriculture	☐	☐
Commerce	☐	☐
Labor	☐	☐
HHS	☐	☐
HUD	☐	☐
Transportation	☐	☐
Energy	☐	☐
Education	☐	☐
Counsellor	☐	☑
OMB	☐	☑
CIA	☐	☐
UN	☐	☐
USTR	☐	☐
CEA	☐	☐
CEQ	☐	☐
OSTP	☐	☐
______	☐	☐
______	☐	☐

	ACTION	FYI
Baker	☐	☐
Deaver	☐	☐
Clark	☐	☑
Darman *(For WH Staffing)*	☑	☐
Harper	☐	☐
Jenkins	☐	☐
______	☐	☐
______	☐	☐
______	☐	☐
______	☐	☐
______	☐	☐
______	☐	☐
______	☐	☐
CCCT/Gunn	☐	☐
CCEA/Porter	☐	☐
CCFA/Boggs	☐	☐
CCHR/Carleson	☐	☐
CCLP/Uhlmann	☐	☐
CCNRE/Boggs	☐	☐

REMARKS:

The attached information memo from Secretary Regan concerns the SIG/IEP. It is being forwarded for appropriate review and handling.

~~SECRET~~
(ATTACHMENT)

UNCLASSIFIED UPON REMOVAL OF CLASSIFIED ENCLOSURE(S)
MN 02/22/2012

RETURN TO: ☑ Craig L. Fuller
Assistant to the President
for Cabinet Affairs
456-2823

☐ Becky Norton Dunlop
Director, Office of
Cabinet Affairs

~~SECRET~~
ATTACHMENT

Document No. 17

~~6740~~

WHITE HOUSE STAFFING MEMORANDUM

DATE: 9/30/82 '82 SEP 30 A9:42 ACTION/CONCURRENCE/COMMENT DUE BY: ______

SUBJECT: MEMO FROM SECRETARY REGAN RE POLISH DEBT

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☐	☐	FULLER	☐	☐
MEESE	☐	☐	GERGEN	☐	☐
BAKER	☐	☐	HARPER	☐	☐
DEAVER	☐	☐	JENKINS	☐	☐
STOCKMAN	☐	☐	MURPHY	☐	☐
CLARK	☑	☐	ROLLINS	☐	☐
DARMAN	☐P	☐SS	WILLIAMSON	☐	☐
DOLE	☐	☐	VON DAMM	☐	☐
DUBERSTEIN	☐	☐	BRADY/SPEAKES	☐	☐
FELDSTEIN	☐	☐	ROGERS	☐	☐
FIELDING	☐	☐	______	☐	☐

Remarks:

For appropriate action. Note: this pertains to today's NSC meeting.

Richard G. Darman
Assistant to the President
(x2702)

Response:

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srn 02/22/2012

NSC/S PROFILE ~~CONFIDENTIAL~~

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on 02/22/2012

ID 8290792

RECEIVED 06 OCT 82 12

TO CLARK

FROM REGAN, D

DOCDATE 04 OCT 82

18

SIG-IEP
India

KEYWORDS: IEP SIG

INDIA ECONOMICS

SUBJECT: SUMMARY OF SEP 28 SIG IEP MTG ON US - INDIAN ECONOMIC RELATIONS

ACTION: FOR RECORD PURPOSES DUE: STATUS C FILES IF

FOR ACTION	FOR CONCURRENCE	FOR INFO
		NAU
		BAILEY
		KEMP
		WHEELER

COMMENTS FORWARD TO CLARK IF APPROPRIATE

REF# LOG NSCIFID (C / C)

ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO

DISPATCH ______ W/ATTCH FILE ______ (C)

19

THE SECRETARY OF THE TREASURY
WASHINGTON

October 4, 1982

MEMORANDUM FOR THE HONORABLE WILLIAM P. CLARK
ASSISTANT TO THE PRESIDENT FOR
NATIONAL SECURITY AFFAIRS

Subject: U.S.-Indian Economic Relations

On Wednesday, September 28, the Senior Interdepartmental Group on International Economic Policy (SIG-IEP), as President Reagan directed, discussed ways in which the United States might improve cooperation in order to enhance Indian economic development.

The SIG-IEP agreed on the recommendations contained in the attached paper, "U.S.-Indian Economic Relations," which is herewith presented to you.

DTR

Donald T. Regan

Attachment

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ID	*Document Type* *Document Description*	*No of pages*	*Doc Date*	*Restrictions*
131862	PAPER RE: U.S.-INDIAN ECONOMIC RELATIONS	2	ND	B1

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ID	*Document Type* *Document Description*	*No of pages*	*Doc Date*	*Restrictions*
131866	PAPER RE: RELATIONS WITH INDIA	5	ND	B1

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Negative Legislative Views on U.S.-Indian Economic Relations

The Congressional attitude towards India is a major constraint on expanding MDB lending to India or granting it any non-reciprocal trade concessions. Misconceptions about India on the Hill may partly account for this attitude. An Administration effort to correct the state of misinformation on India might help defuse Congressional opposition to Administration attempts to "relate positively to India in its development efforts," as the President has directed. Recent Indian economic successes and improvements in policy, as well as background on Congressional views, are summarized below.

India -- Improved Climate for Economic Development

Prime Minister Gandhi's present government is giving greater scope to the Indian private sector, foreign investors, and market mechanisms in the nation's economic development strategy. Further liberalization of the business environment together with continuation of the responsible macroeconomic and pricing policies implemented during the first year of India's 3-year IMF program would make India a more open and dynamic economy and one with which the United States could expect greatly increased commercial ties. Some recent developments encouraging for expanded U.S.-Indian economic relations are summarized below:

1. Three-Year International Monetary Fund Program

In November 1981, the IMF approved a three-year Extended Fund Facility (EFF) for India. This loan, in the amount of SDR 5 billion ($5.8 bilion), represents the largest loan that any IMF member country ever received.

During the first year, the Indians implemented the program well and important steps toward structural adjustment, long advocated by the World Bank as well as the IMF, were taken. Price controls on iron and steel were lifted. Significant progress was made toward reducing government control of the cement market. Imports were liberalized. As percentage of GDP, the government managed to reduce expenditures and raise revenues. Monetary growth declined. Real interest rates available to savers turned positive, reflecting both the decline in inflation and higher nominal rates.

In July 1982, the IMF approved the second year of the EFF Arrangement. Although the United States abstained on the first year of the program because of doubts about the need for a loan of this size and India's commitment to adjustment, it supported the second year because the Indians had met all performance criteria and were making significant progress towards achieving the necessary structural adjustments. On the basis of the good performance to date and a continued need for large balance of payments assistance, the United States would expect to support the third year of the program.

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2. Policy Toward Foreign Investment. While the government retains a highly selective stance toward foreign investment, it has begun to promote foreign "collaborations" (Indian parlance for direct investments or licensing agreements) to manufacture export-oriented products or to provide technology not available locally. The climate has evolved considerably from the 1970s when "Indianization" was on a marked rise -- and Coca-Cola and IBM closed their Indian operations as a result. Approvals of foreign collaborations have risen dramatically in recent years, and the United States has led all other countries in the number of ventures. Despite a number of improvements, however, multinational corporations generally continue to be wary of India's insistence on minority equity ownership for foreign investors and a significant export commitment. U.S. companies view India's efforts with cautious optimism and feel that, although India has taken some measures to make foreign investment more attractive, more could be done.

3. Trade Policy. On April 5, 1982, the Indian Government announced a new import/export policy which: 1) liberalized the import of raw materials, components and machinery to strengthen India's domestic production base and to further stimulate exports; 2) linked imports to export promotion for the first time; 3) simplified or removed import procedures, encouraging manufacturers/exporters to expand output and make their products more competitive in international markets. It contained virtually no additional restrictions and removed numerous procedural constraints across the board. It signalled a marked acceleration of the trend initiated with the 1978-79 import policy, which was tentative and heavily qualified. India has also aided U.S. objectives in North/South discussions on trade in UNCTAD and in the GATT by taking positions considerably less strident than many of its G-77 cohorts.

The tenor of U.S.-India trade relations will be affected in considerable measure by India's ultimate policy stance with respect to the U.S. initiatives for the GATT Ministerial. The United States has taken, and continues to take, gradual steps to improve our trade relationship with India, particularly in view of India's import liberalization moves. It should be noted, however, that even our limited steps in this direction are made more difficult by India's own policy positions (e.g., continued import restrictions on certain U.S. products and disagreements about the administration of our countervailing duty law) and by the Congressional and domestic criticism these generate.

Background

There is considerable opposition in the Congress, particularly among conservatives, to the past World Bank practice of allocating 40 percent of IDA resources to India. Increased IBRD and/or ADB lending to India could also generate similar criticism, even among non-conservative supporters of the institutions.

Critics of past MDB lending levels to India have cited both a political and an economic rationale for their position. On the

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political side, India's often well publicized views on such issues as Vietnam, Pakistan, and North/South have fostered a widespread perception that India's "neutral" foreign policy is both "pro-Soviet" as well as detrimental to U.S. interests.

In the economic area, India is often perceived as one of the classic cases where a combination of inward looking statist and socialist policies have wasted or significantly diluted the impact of large-scale foreign assistance inflows. Policies which have discouraged foreign investment and other private flows -- reinforced by India's tendency to view North/South cooperation primarily in terms of "aid" -- have also left India without the private sector interests on which other major LDCs (e.g. Mexico and Brazil) can rely to influence Congressional opinion. The fact that India is a nuclear power which has not signed the Nuclear Non-Proliferation Treaty and the widely shared impression that India maintains high defense expenditures (fostered perhaps by its well publicized purchases of foreign military equipment) have further diminished Congressional sympathy for India's development problems. (In fact, however, as percent of GDP, India's defense expenditures are less than the LDC mean, i.e. 3.08 compared to 3.95 for the LDC average).

On the other hand, there has also been broad Congressional support for the Administration's position that concessional IDA resources should be better concentrated on those low-income LDCs which, unlike India, do not have either the access to, or the ability to sustain, both official and commercial borrowings on harder terms.

In addition, budget conscious Congressmen have been wary of India's large absorptive capacity, a concern accentuated by the recent emergence of China as another potentially large claimant on MDB resources. With regard to Indian access to ADB resources, there is a strong Congressional feeling that Indian borrowing would be highly detrimental to the ADB's other, generally small and medium size, borrowers and fundamentally alter the nature and character of the institution. (The fact that the ASEAN countries and Korea currently receive 90 percent of the ADB's capital resources has been a major selling point for ADB legislation on the Hill.)

In sum, given current Congressional views, expanding Indian access to MDB resources could generate Congressional opposition sufficiently strong to place all pending MDB legislation at risk, e.g. Indian access to the ADB could have a negative spillover effect on IDA and GCI legislation.

Many members of Congress, and in particular those on the House and Senate trade subcommittees, view India as a difficult trading partner that pushes for increased access to the U.S. market without demonstrating any willingness to open up its own market in return. Many in Congress strongly opposed as too weak the commitment on subsidies which Ambassador Brock signed with the Government of India in 1981. Further, some believe India should be treated as a more advanced developing country and should graduate to some degree from the preferential trade status it now enjoys. Thus, Congress is unlikely to look favorably upon Administration proposals for increased non-reciprocal trade concessions for India.

CHANGING INDIAN BUSINESS CLIMATE

Prime Minister Gandhi's present government has come to recognize that the Indian private sector and foreign firms can make important contributions to India's economic development. If current policies are maintained and expanded, India could become a more open and dynamic economy. The United States has tried to encourage this liberalization in bilateral meetings with Indian government officials. We have also tried to foster greater awareness in both countries' private sectors of the new opportunities for increased trade and investment ties.

Industrial Policy. Since independence, India's industrial policy has emphasized import substitution, heavy industry and state capitalism. The record of India's nationalized industries, which hold 3/4s of the country's industrial assets and contribute only 1/3 of its industrial output, has resulted in a situation where industrial jobs have not kept pace with growth of the labor force. Former Prime Minister Desai began and Prime Minister Gandhi has continued to try to reduce obstacles to business growth. Prime Minister Gandhi's relations with large private industrial firms have been good. Her present inclinations suggest that the private sector may enjoy a freer hand over the next few years.

Last year, India introduced a series of measures to promote industrial production including provision of institutional finance for modernization to all industries and simplification of industrial licensing procedures. Units producing solely for export are now exempt from controls on expansion, import duties, local excise taxes and limits on foreign ownership. Previously, only companies setting up in two specially designated export zones (one in Bombay, the other in Kandla) had been given this status. Now the whole country is, in effect, an export zone.

Trade Policy. On April 5, 1982, the Indian Government announced a new import/export policy which:

Liberalizes the import of raw materials, components and machinery to strengthen India's domestic production base and to further stimulate exports.

Links imports to export promotion for the first time.

Simplifies or removes import procedures, encouraging manufacturers/exporters to expand output and make their products more competitive in international markets.

It contains virtually no additional restrictions and removes numerous procedural constraints across the board, representing a signficant disengagement of the import regulatory mechanism. It signals a marked acceleration of the trend initiated with the

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1978-79 import policy, which was tentative and heavily qualified. The policy entails a considerable risk, since it removes many of the qualifications implicit in the 1978-79 policy, reduces significant procedural impediments to imports, and does so at a time when India's foreign exchange reserves are declining. India faces a near record level trade gap. Indian export growth has been slow due to domestic supply constraints, the strong pull of the large domestic market and an increasingly unfavorable international trading environment.

Foreign Investment Policy. While the government retains a highly selective stance toward foreign investment, it has begun to promote foreign "collaborations" (Indian parlance for direct investments or licensing agreements) to manufacture export-oriented products or to provide technology not available locally. The climate has evolved considerably from the 1970s when "Indianization" or greater Indian ownership of industry, was on a marked rise--and Coca-Cola and IBM closed their Indian operations as a result. Approvals of foreign collaborations have risen dramatically in recent years, and the United States has led all other countries in the number of ventures.

U.S. Policy and Initiatives. The United States has tried to encourage Indian government officials to continue in liberalizing directions. While the Indian Government's continuing actions indicate commitment to these policies, there are a number of risks involved. Should the Indian economic situation and balance of payments deteriorate seriously, the Indian Government could come under increasing pressure to replace controls and protect the home market.

In an effort to translate this liberalized business climate into the reality of increased commercial relationships, the Commerce Department is attempting to encourage Indian companies to look to the United States for technology as well as equipment. Commerce is also attempting to make U.S. business aware of the changing Indian business climate and the new opportunities it offers.

Secretary Baldrige invited the Indian Minister of State for Science and Technology to visit the United States last May in order that he might become acquainted first-hand with the latest U.S. innovations in his fields of interest. Commerce also was heavily involved in the planning and support of an eleven-city U.S. visit by leading Indian industrialists from the Indo-American Chamber of Commerce last spring. The aim of this mission was to update U.S. business perceptions of India and to stimulate interest in collaborative arrangements with Indian private firms.

Commerce:
R.D.Harding

INDIA - IMPROVED CLIMATE FOR ECONOMIC DEVELOPMENT

I. Background - Development Progress

The Indian economy in 1981/82 demonstrated conditions of continuing growth and stability. Real growth was 5% and in line with the GOI's (Government of India's) target for the current Sixth Five Year Plan. Foodgrain production exceeded by 3% the previous year's level and reached a new record of 134 million metric tons. India appears to have its foodgrain supplies under a sound management system which will assure it food security under all but the most severe drought conditions. Increases were recorded also in industrial production and in exports, the former by 8% and the latter by 11%. Oil imports decreased by 8% as a result of increased domestic oil production, providing relief to the balance of payments deficit. The IMF recently approved a second tranche of its $5.6 billion loan to help meet the balance of payments deficit. Shortages in the supply of industrial products were also significantly reduced as administrative and distribution bottlenecks were ameliorated. On the investment side, both public and private corporation levels increased significantly over prior years. Inflation, which had been on an accelerated course, was decelerated. In short, the Indian economy is healthy and following the right path to further growth and assured stability. The climate it provides for broad-based development efforts is agreeable and conducive to these efforts.

II. Agricultural Development

A. The Spread of Agricultural Technology

The adoption of producer oriented pricing policies, a strong emphasis on research and extension and the introduction of High Yielding Variety (HYV) strains on wheat and rice had a dramatic impact on Indian agriculture. As of 1981, HYV wheat accounted for 80 percent of all wheat acreage and HYV rice accounted for 52 percent of all rice acreage. Wheat and rice have averaged annual yield increases of 1.8 and 1.6 percent respectively since 1970. Cereals production has nearly doubled since 1965.

B. Irrigation

Irrigated areas have increased from 18 percent to 29 percent of net sown area over the past 30 years. However, production is still heavily dependent on the highly variable summer monsoon rains. Continued expansion of the irrigation systems is essential to increasing foodgrain yields and net incomes to farmers. India plans to double its irrigated acreage from 55 million hectares to 107 million hectares by the year 2000. Over the past 3 years, the GOI has shown an increasing awareness that effective irrigation systems require more than proper engineering structures. The GOI has demonstrated a determination to address the managment and institutional constraints on the efficiency of current and planned irrigation systems. Given the availability and quality of U.S. expertise in this area, the GOI is highly receptive to U.S. technical collaboration in developing new institutions for irrigation management, training and technology development.

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III. Economic Reforms

India has introduced a large number of policy reforms in response to donor entreaties (especially from the IMF and the IBRD) but also as part of its recognition of the need to introduce major reforms if the Indian economy is to grow at a rate greater then its population. This section will briefly discuss some of the changes made in four sectors of the economy.

A. Prices/Subsidies

An integral objective of the Donor Community and India has been to increase prices administered by the government so as to rationalize the pricing system and reduce the burden on the government's budget. For example, petroleum prices were revised substantially in June 1980, January 1981 and July 1981. Petroleum prices are currently considerably above oil import costs and constitute progress toward the more efficient utilization of gasoline and its conservation. The July 1981 adjustments tripled the price of domestically-produced oil, the first increase since 1975. Also, steel and aluminium prices were raised by about 18 percent and 20 percent respectively; pig iron was raised by 38 percent; fertilizer prices were raised in FY 1980/81, resulting in a savings in the fertilizer subsidy bill of RS 10 billion.

B. Trade

Since 1980 a number of reforms have been introduced to stimulate exports and remove restraints on imports. Specifically, a scheme for 100 percent export - oriented units now permit these units to be set up anywhere in the country with the same duty-free access to imports that normally are provided only in free trade zones. An Export - Import Bank was established in 1980 to finance long-term export credit. A new scheme was introduced to meet the import requirements of the small-scale industries through export houses and the Small Industries Corporation of the State Governments. In addition, forty-seven items were added to the list of items eligible for duty drawback on exports and restrictions on imports have been relaxed to permit increased access to raw materials and intermediate goods. A large number of goods can now be imported under an open general license. Moreover, the GOI has made an explicit commitment to the IMF that it will pursue realistic exchange rate policies.

C. Agriculture

Agriculture contributes 40 percent of India's GNP. The growth of agricultural production, particularly foodgrains, generally has been satisfactory in the past few years. This growth results from a number of factors, including irrigation and HYV, but also from several policy reforms that moved the agricultural sector in the right direction.

--Support prices for foodgrain have been increased by 10 percent for paddy and 11 percent for wheat.

--Official grain stocking efforts have generally been successful and prevented serious disruption to food supplies due to the 79/80 drought. In order to ensure that stock levels are maintained, the GOI imported grains in 1981 and 1982.

D. Private Sector

Policies relating to private sector industry are aimed at encouraging production, investment and economic efficiency. In July 1980, the GOI issued an "Industrial Policy Statement" that permits automatic capacity expansion approval for 19 industries (in addition to the 15 industries that previously had received this approval). At the same time, incentives were established for any unit that is 100 percent export oriented; this includes duty free imports of capital goods and raw materials and concessions in central government exise taxes. In 1981, 14 groups of industries were added to the list of those eligible for specific investment related tax concessions and surcharges on income tax payable by all classes of companies were reduced from 7.5 percent to 2.5 percent. Also, in 1981, the GOI permitted the private sector to establish new power plants to supplement public sector electricity generation.

IV. Role of Foreign Assistance

A. Official Flows

The concessional assistance provided primarily by the members of the World Bank-led India Aid Consortium, and the balance of payments relief from the IMF's Extended Fund Facility (EFF) play very significant roles in agricultural development and in macroeconomic policy reforms.

The major donors in the agriculture sector, the World Bank and the U.S., emphasize increasing the efficiency of irrigated water use through complementary capital and PL 480 Food for Work projects, although their approaches differ. Nevertheless, the technological changes that are being introduced through both donors projects agree and are producing policy changes to improve how irrigation systems are constructed, operated and maintained.

All of the donors with major programs in any agriculture sub-sector, e.g., irrigation, extension, research, are influencing policy changes in that sub-sector, regardless of whether the change has a production, technological, or administrative focus, or a combination of these. To a lesser extent, donors have been able to influence key areas of overall sector policy, such as procurement pricing, subsidies, and food stock levels.

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B. Private Foreign Investment

For years, India has been a challenge for foreign business, with profitability rarely greater than eight or nine percent, restrictions on repatriation of profits and dividends, and forced dilution of equity held by foreign-owned firms. The result has been an outflow of investment funds by investors weary of legal disputes and complicated bureaucratic procedures. Recently, however, the Indian position regarding foreign investment has been changing, and a new policy is emerging, primarily due to the country's need for new technology and a severe balance of payments deficit. Despite a number of improvements, however, multinational corporations in general continue to be wary of India's insistence on minority equity ownership for foreign investors and a significant export commitment. U.S. companies view India's efforts with cautious optimism and feel that, although India has taken some measures to make foreign investment more attractive, more could be done.

The United States is the second leading source of foreign investment in India behind the United Kingdom. At year end 1980, the U.S. direct investment position in India stood at $396 million, up 16 percent from $341 million at year end 1979 and up eight percent from its former peak of $367 million in 1975. The United States followed closely by the U.K. and Germany, has emerged as the major supplier of technology. The other sources of technology inflow were Japan and Switzerland, followed by France and Italy. On average around 15 percent of collaboration agreements had some financial implications though the amount of foreign equity investment was extremely small--a total of US $70.6 million in the years 1971-80. US companies again tended to have a relatively higher proportion (22 percent) of financial participation.

In sum, private foreign investment in India has been and continues to be quite small. Since 1980 a sense of cautious optimism has emerged in the U.S. business community regarding new investment opportunities in India. This mood is in direct contrast to the prevailing feeling of frustration evident in earlier years.

ASIA/DP/PL:9/3/82

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ID	*Document Type* / *Document Description*	*No of pages*	*Doc Date*	*Restrictions*
131872	PAPER RE: U.S.-INDIA TRADE RELATIONS	3	9/10/1982	B1

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131873	MEMO DONALD REGAN TO THE DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET RE: WORKING GROUP	1	10/7/1982	B1

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SIG-IEP agenda

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MEMORANDUM FOR THE VICE PRESIDENT
THE SECRETARY OF STATE
THE SECRETARY OF DEFENSE
THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE
THE SECRETARY OF ENERGY
THE DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET
CHAIRMAN, COUNCIL OF ECONOMIC ADVISORS
ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS
ASSISTANT TO THE PRESIDENT FOR POLICY DEVELOPMENT
UNITED STATES TRADE REPRESENTATIVE
DIRECTOR OF CENTRAL INTELLIGENCE

SUBJECT: Senior Interagency Group on International Economic Policy (SIG-IEP)

Attached are papers for the SIG-IEP meeting which will be held on Friday, October 15, at 3:00 PM in the Roosevelt Room:

Agenda Item 1 U.S. Agricultural Export Policies; and

Agenda Item 2 Grain-For-Oil Barter.

Joanna R. Shelton
for David E. Pickford
Executive Secretary

Attachments

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131874	PAPER RE: AGRICULTURAL TRADE	2	ND	B1

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131875	PAPER RE: GRAIN FOR OIL	2	ND	B1

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131876	PAPER RE: GRAIN FOR OIL - ANALYSIS	5	ND	B1

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