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with compliments

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CALL BY MR L K JHA ON SIR CRISPIN TICKELL AT ODA, 21 MARCH 1985

Present:

Sir Crispin Tickell	Mr L K Jha, Chairman of the Economic Administration Reforms Commission, India
Mr Vereker	Mr R C Arora, Acting High Commissioner for India
Mr Stanton	Mr B B Tarei, First Secretary, Indian High Commission

During the initial courtesies Mr Jha said, in reply to Sir Crispin Tickell, that the question of the Westland helicopters contract had not been mentioned during his preceding meeting with the Prime Minister.

2. Sir Crispin Tickell outlined the British approach to the forthcoming series of international meetings: the OECD Ministerial meeting, the Interim and Development Committee meetings, and the Bonn Summit.

3. Mr Jha responded by outlining the Indian position. He referred to the Indian preference for an international monetary conference which had been called for by the non-aligned movement. Nonetheless, he said that the Indians would be prepared to go along with the proposal by the US Treasury Secretary that discussion should be held at the Interim and Development Committees. But the proposed agenda - which addressed itself to emergency problems such as debt and hunger - rather than longer term issues was too constrained. Speaking personally, because the new Finance Minister had yet to consider the question, Mr Jha believed that it would be easier for India to accept the proposed arrangements if it were understood that the informal session should consider how to pursue the longer term issues: possibly by means of a group of experts. This pragmatic approach would be consistent with the

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late Mrs Gandhi's preparedness to seek progress by little steps.

4. On the points of substance, Mr Jha said that the Indians could not accept the US concept that commercial loans, plus the conversion of debt to equity, was sufficient to take account of the needs of developing countries. India had avoided a debt crisis by taking advantage of concessional flows and observing discretion in regard to commercial and equity arrangements. The Indian intention to liberalize and otherwise open up the economy would encourage commercial and equity flows, but if concessional flows disappeared, bearing in mind that India had a negative balance on invisibles, there could be a debt crisis. He reiterated the late Mrs Gandhi's words that India should not be penalised for doing well. Mr Jha then turned to the question of the source of concessional resources. Naturally the US should do more, but he realised that this would be difficult. He rejected the US implication that concessional flows were "bad" rather than simply "not possible". The Indian share of other aid programmes could be increased. He criticised the idea that there should be more than proportionate decline in the Indian share of reduced IDA resources. He pointed out - while making it clear that he was not trying to disadvantage China - that IDA funds could not at present be ploughed into the Chinese economy but could only be used to augment their substantial reserves. He argued that, whilst India was exposed by the opening up of the economy, it should continue to get its traditional share of IDA. He also proposed that - bearing in mind that World Bank capital was not being enhanced - it was unreasonable to impose a 10% limit on individual country borrowing. Reasonable portfolio considerations did not preclude an increase to 15% for India.

5. He asked that longer term issues - such as interest rates and exchange rate management - should not merely be discussed in the OECD, but should also be discussed with the developing countries at the Interim and Development Committees. He recognised that interest rates were largely dependent on the US. On the idea of a Multilateral Investment Guarantee Agency, he wondered whether

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there could be some sort of insurance schemes for borrowing countries against fluctuations in currency and interest rates.

6. Mr Jha said he had spoken to Mr Brock in the US about trade liberalisation. He had pointed out that there had been no preliminary work on the liberalisation of trade in services, such as an examination of what changes were needed in IMCO, IARTA and UPU, and what other changes were required. He had pointed out that developing countries were chary of signing a services agreement of the GATT type. He had argued against making progress in GATT conditional on liberalisation in services, but had suggested, as an alternative, the establishment of an expert group of country representatives with a GATT - rather than an UNCTAD - secretariat.

7. Sir Crispin Tickell replied that we agreed that commercial investment and the conversion of debt to equity was not sufficient to meet the needs of developing countries. Nonetheless more aid for the poorer countries would be facilitated if the richer countries who counted themselves in the developing category got the money they needed from other sources. He suggested that India and China were not comparable with other developing countries, but were in a category of their own.

8. Sir Crispin Tickell welcomed Mr Gandhi's intention to move towards greater liberalisation. He assured Mr Jha that Britain would continue to support India in IDA. He agreed that China had substantial reserves, and said Britain was not, at the present time, thinking in terms of a bilateral aid for China comparable with that received by India, although we were still thinking about IDA. The demands of Africa were the biggest real problem today. Whilst he agreed that it was right to help countries who made the best use of such assistance, the problems in Africa were now so severe, that they had to take priority.

9. Turning to the question of the insurance of interest and currency risks, Sir Crispin Tickell pointed out that different countries faced different risks; for example, Latin Americans

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had borrowed almost exclusively in dollars, but the same did not apply to other countries. He thought that the proposed multilateral investment guarantee agency might help if the terms could be got right. The main idea was to encourage private investors. So perhaps it would be wise not to put them off by including such extras as a scheme for insuring against currency and interest rate fluctuations. After all recipient countries could make appropriate provision against these hazards themselves.

10. As regards GATT, Sir Crispin Tickell said that we thought services should be included but we accepted the need for more preliminary work. The suggestion that GATT might provide the secretariat for an expert group on Services needed consideration. He pointed out that European tariff and quota concessions to developing countries were so extensive that there was not much left to give away. Part of the problem was to get appropriate reciprocity from the newly industrialised countries. He mentioned that the Commonwealth Secretariat would be submitting an expert group paper to the Interim and Development Committees. In the meantime it would be helpful if the Indians could let us know in advance the specific questions which they intended to raise at the Interim and Development Committees.

11. In conclusion, Sir Crispin Tickell said that he looked forward to meeting Mr Jha again, during his proposed visit to India in October or November.

cc: Private Secretary
PS/Mr Raison
PS/PUS
Sir William Harding
Mr Braithwaite
Mr Wood
Mr Tait
Sir Crispin Tickell
Mr Browning
Mr Ainscow
Mr Arbuthnott
Mr Vereker
Mr Frost
Mr Ireton