

From New Delhi by Ramtanu Maitra

Japan extends a helping hand

Indian Finance Minister Dr. Manmohan Singh concludes a successful visit to Tokyo.

The Japanese government and industrialists made sure that Indian Finance Minister Dr. Manmohan Singh's hectic three-day April 8-10 visit to Japan was a success. Endorsing India's recent economic reforms, Japanese Prime Minister Kiichi Miyazawa assured his Indian guest of "full support" in making it a success.

Officials quoted Miyazawa as saying that in considering the two countries' four decades of ties, he personally cannot forget the friendly stance India took toward Japan in the aftermath of World War II.

Dr. Singh's visit was preceded by the Japanese Bond Research Institute lifting India from the "credit watch" category, imposed in 1991 when India's financial crisis erupted. As a followup, a visit to Japan by India's Prime Minister P. V. Narasimha Rao is scheduled for this summer.

Leading a high-level delegation consisting of top Indian industrialists and high-ranking government officials, including the governor of India's Central Bank, the Reserve Bank of India, Dr. Singh met with the Japanese prime minister, Finance Minister Hata, and a host of leaders of the business community to explore the possibility of strengthening India-Japan economic relations.

Japan's finance minister assured Singh that India's request for a "quick disbursal" loan of \$500 million, about half of its total Official Development Assistance (ODA) pledged to India for 1992-93, has been accepted. The money is not tied to specific projects but will help in bridging India's "ex-

ceptional financing requirements." Japan is expected to make the announcement on this matter at the Aid India Consortium meeting in Paris on June 24-25.

Japanese industries also responded warmly to Dr. Singh's request to increase investment in India. Mitsubishi Corp., Japan's largest industrial conglomerate, has decided to set up a \$60 million float-glass manufacturing unit, and is also considering several new investment proposals in the hydrocarbon, power, chemical, and allied sectors.

C. Itoh, a leading Japanese industrial group, is reportedly in the process of deciding to invest in four major projects in India, including a \$300-400 million equity participation in a petrochemical refinery to be set up on the west coast of India in collaboration with the Reliance Industries Limited, a leading Indian industrial group. C. Itoh is also considering investments in petrochemical projects using methanol as feedstock to produce high-value-added petrochemical products.

Within weeks, high-level delegations from Mitsubishi, C. Itoh, and the Mitsui group, consisting of Toyo, Tore, Mitsui Chemicals, and Toshiba, will be in India to investigate specific investment proposals.

If all goes well in the coming days, it is widely anticipated that the Japanese investors will be bringing in a significant amount of foreign exchange in the form of equity participation, a lot of high technology, and will set up plants which will not only boost

India's faltering industrial growth but will also provide much sought-after employment.

In this context, the Japanese Prime Minister Miyazawa's meeting with Dr. Singh is of particular significance. It seems that the Japanese, unlike the Germans, whose verbal generosity has outweighed the actual enhancement of economic ties, are ready to put their money where their mouth is. However, since Japanese investment proceeds with caution and is preceded by rigorous investigations, a firm decision to invest will take longer. But, once the decision is reached, the process becomes a healthy demonstrative effort.

There are reasons to assume that Japan acknowledges India's quick recovery on the foreign exchange reserve front. One clear indication of that is the removal of India from the "credit watch," which will enable the government-owned Oil and Natural Gas Commission, as well as the Industrial Development Bank of India, also government-owned, to raise about 100 billion yen from the Samurai bond market.

Indian optimism was clearly reflected in Finance Minister Manmohan Singh's upbeat press conference, held at the Tokyo Chamber of Commerce on April 10 prior to his departure.

On that occasion, Dr. Singh said: "We have opened up large areas of industrial activity for big foreign investment, which in the past had been slow. It is our hope that in the coming two to three years we can get a flow of foreign investment of \$2-3 billion per annum."

According to official estimates, India requires about an additional \$3-4 billion annually for the next three years to ease the foreign debt pressures and allow the economy to grow at a significant rate.