

# Rao visit opens a great opportunity for German-Indian relations

by Mary Burdman

German Chancellor Helmut Kohl and Indian Prime Minister P.V. Narasimha Rao emphasized the importance of close collaboration between their nations as they opened the "German-Indian Economic Conference" during Rao's state visit to Bonn on Feb. 3. This was Prime Minister Rao's second state visit to Germany, and he came after attending the World Economic Forum in Davos, Switzerland. He had come to Germany as his first foreign state visit after taking office in 1991; he is returning the official visit to India of German President Richard von Weizsäcker in March 1991. Chancellor Kohl visited India in February 1993, to receive the Nehru Prize and be the guest of honor at the Indian Engineering Trade Fair in New Delhi. An indication of the importance of the German-Indian relationship is that Prime Minister Rao has not visited India's former close ally Russia, and has not even been invited to visit the United States.

Chancellor Kohl, citing repeated personal visits over two and a half years, said that German-Indian cooperative relations have taken a very favorable development. He said that he and Rao had discussed in detail how Germany wants to concentrate on the Asia-Pacific region. In 1991, the Indo-German consultative group was formed to make practical proposals for further cooperation; a year ago in New Delhi they had discussed the importance of national cooperation. Now, German industry has created the Asia-Pacific Commission (APA), because it is essential for Germany to be present in Asia. At their Bonn meeting, Kohl said, India and Germany agreed to set up the Indo-German Commission for Science and Technology.

On the political front, Prime Minister Rao had said in Davos that while there is no ambiguity about India pursuing the path of economic liberalization, the nation would brook no interference in its internal affairs, particularly on Kashmir. Rao received assurance from Kohl that Germany would remain neutral on Kashmir, although Germany had been one of the harshest critics of Indian policy last year. German politicians of all parties said that there was "multi-party support" for the German initiative toward India. The leader of the Social Democratic Party, Rudolf Scharping, as well as the parliamentary leaders of the Christian Democratic Union/Christian Social Union and Free Democratic Party all called on Rao while he was in Bonn. All endorse Germany's "readi-

ness to do everything in its power to play its part to impart further impetus to the development of industrial and technological cooperation between the two countries," according to German press reports.

On the economic front, Germany is one of India's most important partners. The special relationship with India is a great opportunity for Germany; the question remains if, as with eastern Germany and eastern Europe, this will become another great opportunity thrown away. Rather than rebuilding eastern Germany and making the new states a bridge to Poland, Russia, and Ukraine, the German Treuhand (the agency responsible for privatization of industry in the eastern part of Germany) has dismantled *two-thirds* of the industry; official figures put unemployment at 17%.

As J.N. Godrej, head of the Indian economic delegation to Germany, said at the meeting, a survey of Indian industrialists conducted by the Confederation of Indian Industry shows that of any foreign nation, cooperation with Germany is the first choice of Indian industrialists. Germany has a top-level position among foreign investors in India. Key areas for investment are machinery, electronics, chemicals, pharmaceuticals, steel, and vehicles production. Germany had been the second biggest investor in India after the United States, but went down to 10th place after 1990. Trade volume is increasing, however; in 1992-93, Germany was the third largest importer of Indian goods.

## Sins of omission

Kohl's emphasis, instead of focusing on what German technology and science could do for India, was about how "enormously important" is the cooperation for the "successful conclusion of GATT," the General Agreement on Tariffs and Trade. Instead of building Indian industry, the effect will be the opposite.

As is frequently the case with Kohl, it is his sins of *omission* which are the greatest. Heinrich von Pierer of Siemens, the head of the German APA who opened the conference, said that India is Germany's "first partner" in the Asia-Pacific. But missing, at least in the public discussion, was the crucial idea, put forward by von Weizsäcker and reaffirmed by Rao in 1991, that India must be Germany's "bridge" to the nations of the South. India, with its industrial

and scientific achievements and 5,000-year-old culture, has a unique position among developing nations. Economists and political leaders including Lyndon LaRouche and the late Nahum Goldmann have emphasized the essential role India must play in any development program for the Middle East. The culture of India's leaders is indicated by the fact that Rao himself knows 12 languages. The relationship with Germany is also unique. After World War II, India was the first nation outside the Allies to recognize the Federal Republic. Indeed, for many historical reasons—especially India's own struggle for freedom against Britain—the potential for an German-Indian alliance against the current British “divide and conquer” policy is great. But the subject for such an alliance must be the development of all Eurasia. This was not on the agenda in Bonn. Trade, not development, was the subject.

### **Strategic economic partners**

Prime Minister Rao came closer to the issue when he emphasized the importance of Indian-German relations, not just for these two nations, but for the entire world. He said that the two nations are “strategic economic partners,” and that the issues under discussion must be the totality of economic relations. In 1991, Rao had come to Bonn at a time of “momentous changes.” India has just suffered the assassination of former Prime Minister Rajiv Gandhi, and a serious economic situation, when the nation was, for the first time in its independent history, in danger of defaulting on its foreign debt.

India survived that crisis. Indeed, Kohl later expressed appreciation of India's resilience at the Munich Wehrkunde conference on Feb. 5. In a discussion on Russia, Kohl said that in the 1940s, when the British pulled their troops out of India, the international press wrote that India was unfit for democracy, that it would end up in chaos and violence. Granted, India had and still has many problems, Kohl said, but Indian democracy today need not fear being compared to other western democracies, and not even to that of its former colonial master.

Rao welcomed the “Asia offensive” by German business, and said that the reforms of India's economy presented an ideal opportunity. He was emphatic that there would be “no hesitation” in India pressing ahead with the reforms begun two and a half years ago. Because it was just three weeks before the budget was to be presented, the prime minister said he could say no more at the moment, but wanted to assure German industry that India was proceeding in the direction of enhancing its liberalization program and wants much more foreign investment. He said to the industry and business leaders present that he hoped no problems arose in their discussions that would have to come to the attention of himself or Kohl, but if this occurred, the problems would be solved.

### **Ties desired to German ‘Mittelstand’**

Chancellor Kohl was immediately presented with a problem. J.N. Godrej said that Germany is most responsive to

India, but a genuine partnership approach is still needed. He expressed concern over the problems with technology transfer, and said that there must be a review of policies and procedures to liberalize the flow of technology from Germany to other nations. German “red tape” needs Kohl's attention, he said. Godrej also said that now it is very important to involve the German *Mittelstand* (small and medium-size entrepreneurs) in India, and an 18-month plan to improve relations and ties with the *Mittelstand* must be enacted.

Tensions also emerged over the so-called “Kohl memorandum.” Kohl had given Rao proposals for deregulation and liberalization of the Indian economy when he was in Delhi in 1993, and Rao brought his reply. The memorandum, “Proposals on Economic Policies and Procedures of the Government of India,” prepared by the Federation of German Industries and the Indo-German Chamber of Commerce, called for lowering foreign equity requirements, liberalization of the chemical and pharmaceutical industries, and elimination of certain taxes on enterprises.

In his 20-page reply, Rao stated categorically that India would not implement an “unlimited hire and fire policy.” (Germany, of course, has extremely protective labor laws.) According to Indian press reports, the prime minister said that that India cannot concede to German investors' demands to implement western-style standards regarding protection of the environment, and that Germany cannot expect uniform rules to be applied in all states. “Inconvenient” issues were laid at the door of the “federal system”—a system Germany also has.

On his return to India Feb. 6, Rao said at a New Delhi press conference that he was highly satisfied with his trip. Officials accompanying him, including Principal Secretary A.N. Verma, said: “The insistent pressure on India to speed up the reforms process has been resisted by the assertion that the country would not blindly follow the prescriptions laid down by people sitting thousands of miles away, but would instead choose its own model of development, suited to its genius and circumstances. Potential investors have been assured of the government's commitment to the reform process but with the caution that all their demands would not be met.

“There is a standard check-list with these people before they take investment decisions. Has the country deregulated, has it lowered tariff barriers, has it privatized, has it liberalized labor laws, etc. We have said ‘yes’ to some of these points and ‘no’ to others. That is our position and it has been made clear to the investors what to expect from India.”

The German elites certainly have been aware of Lyndon LaRouche's proposals for India for over a decade. In May 1980, LaRouche's program for the emergence of India as one of the world's great economies, titled “India in the Year 2020,” was presented at a conference in Frankfurt am Main. The policy proposals, including nuclear energy development and “great projects” to master the subcontinent's water resources, are as valid now as then.