

ORAL HISTORY

Economic Diplomacy – Some Success Stories

Satinder Kumar Lambah

*Former Ambassador of India to Russia, to Hungary and to Germany;
Former High Commissioner of India to Pakistan and
Special Envoy of the Prime Minister (Since 2005)*

Ambassador Lambah, during his Presidency of the Association of Indian Diplomats (2005-06), initiated an in-depth study of 'Economic Diplomacy' through a series of meetings within the Association and with the Apex Chambers and other academics and experts. The study and recommendations were submitted to the government also. In this Oral History narrative, he recalls some of the 'success stories' in economic diplomacy during his career.

(Ambassador Lambah had earlier spoken to the Journal¹ on the establishment of two Chairs of India Studies at the University of California, Berkeley. It was the first such initiative at a university in the US, had been initiated by him.)

Indian Foreign Affairs Journal (IFAJ): As a part of your diplomatic career, you have been associated with 'Economic Diplomacy' for quite some time. In 2005, as the then President of the Association of Indian Diplomats, you had initiated an in-depth study on 'Economic Diplomacy'. In brief, could you tell us the context and its evolution?

Satinder Kumar Lambah (SKL): As was mentioned in that paper, I noted that the need for placing greater emphasis on economic diplomacy was universally recognised, and that 'Politics no longer drives economics - Economics must drive politics'. Hence, after a series of consultations within the Association and with the apex chambers, a Ten-Point Plan for making Economic Diplomacy more effective was prepared².

On behalf of the Association, I presented a copy to the then Minister for External Affairs, Shri K. Natwar Singh. Later, the Foreign Secretary invited

Satinder K. Lambah. 2010. 'Many Firsts - Establishment of Berkeley Chairs in India Studies', *Indian Foreign Affairs Journal*, vol. 6, no. 4, Oct–Dec 2010, pp. 461-473, <http://www.associationdiplomats.org/Publications/ifaj/Vol6/6.4/ORAL%20HISTORY.pdf>.

Satinder K. Lambah. 2006. 'Economic Diplomacy-Ten-point Plan for making it more effective', *Indian Foreign Affairs Journal*, vol. 1, no. 1, pp. 104-122, <http://www.associationdiplomats.org/Publications/ifaj/Vol1/ecodiplomacy.htm>

me for a discussion on the paper with a senior official of the Ministry of External Affairs. While presenting the report in 2005, I had mentioned that inspite of attempts since 1991 to make our economy more outward oriented, India's share of global trade in 2005 was around 0.7 per cent only. In contrast, the share of China was 5.8 per cent, Malaysia was 1.3 per cent, Thailand was 1.1 per cent, Brazil was one per cent, Indonesia was 0.8 per cent, etc. It was pointed out that foreign and economic policies can no longer be compartmentalised. We have to equip ourselves with the necessary instruments – both, in terms of human resources and intellectual wherewithal, to deal with the emerging global situation.

IFAJ: Let us now talk about some of the 'Success Stories' in Economic Diplomacy in which you have been directly involved.

SKL: I will be happy to give you details as far as I can recall. Some notes/papers that I have will supplement the details.

BrahMos Missile project

IFAJ: The latest newsletter of BrahMos, the India-Russia Joint Venture, mentions that you were conferred the 'Contributors Award' on February 19, 2013.

SKL: I was pleasantly surprised that BrahMos remembered my modest contribution over a decade earlier, when I was Ambassador in Moscow (1998-2001). I could not be present at the "Ardhik Diwas" - Partnership Day of BrahMos, but the CEO & MD, Dr. A. Sivathanu Pillai sent the plaque to me. I must state that a lot of work had been done by my predecessor Ronen Sen in respect of this project. I find from the newsletter that he too was given the same award.

When I was in Moscow everything connected with this Project was kept classified on a need to know basis. The Joint Venture and its work related to the supersonic cruise missile was a unique example of partnership between India and Russia in the critical areas of research and development. The work was related to monitoring test results, sharing of data, consultations on details of projects, adherence of time schedule etc. In those days I reported the developments only to the then Scientific Adviser to Raksha Mantri, Dr. Abdul Kalam (later President of India). I recall, when I signed the agreement with a senior Russian minister, only the two of us were present. We celebrated with champagne but obviously, there were no references in the media.

Over the years BrahMos has developed extremely well. The system has

since then been inducted in the Indian armed forces.

Sakhalin-I

IFAJ: We also understand that ONGC Videsh Limited (OVL) recently honoured you and felicitated you in respect of your contribution to the successful completion of the Sakhalin-I Project, that was then the largest ever investment by an Indian firm in a foreign project.

SKL: On March 18, 2013, when OVL observed its 48th Anniversary, I was publicly felicitated in respect of the Sakhalin-I Project. Shri Mani Shankar Aiyer, the former petroleum minister was asked to present me the plaque and do the honours.

During the early days, in 2000-2001, when the Sakhalin agreement had just been signed, Shri Mani Shankar Aiyer was not very enthusiastic about the project. He had even written about it in the weekly *India Today*. However, to be fair to him, when he became petroleum minister, he strongly supported the project and said that he wanted to sign more such agreements. He was an active minister, who wanted Oil Diplomacy to become a part of the Economic and Political Diplomacy.

IFAJ: Tell us something about Russia's Oil sector and how 'Sakhalin – I' came about?

SKL: When I took over as Ambassador to Russia in 1998, I believed that the oil sector was one in which India and Russia could cooperate because at that time Russia was estimated to account for 4.7 per cent of the world's proven oil reserve and 33 per cent of the global gas reserves. In addition, we had excellent relations with Russia and the oil and gas sector was a traditional area of cooperation between India and the erstwhile Soviet Union. All this made Russia an obvious focus country for upstream projects from the perspective of our energy needs and security.

Initially, I concentrated on Tataristan. Along with a representative of OVL, I visited Kazan and met its then President Shaimiev. We discussed various forms of possible collaboration with Tatneft and possible procurement of oil interests. However, their local regulations prevented further progress at that time. I then started looking at Sakhalin.

I visited Sakhalin in April 2000 along with a cultural/business delegation. I had specifically requested OVL to depute a representative. The Managing Director could not come but he deputed, the Russian speaking Dr. Nayyar, as a member of my delegation. This was the first ever visit of an Indian

Ambassador or an official delegation to Sakhalin apart from a visit by our first Consul General in Vladivostok. My visit deliberately coincided with the 50th Birthday celebrations of the Governor of Sakhalin, Igor Fakhutdinov. The cultural troop gave a series of cultural performances, which were greatly appreciated. A private Indian firm opened an office in Sakhalin and more importantly the representative of OVL had detailed discussions with experts on the Sakhalin-I project.

IFAJ: What was the reaction of the Sakhalin authorities?

SKL: Governor Fakhutdinov told me, a year later, that during our visit they gave us the entire information because of the good relations between India and Russia. However, at that time they were sceptical whether India could make an investment of over US\$ 2 billion. Later, he said that they were pleasantly surprised at the prompt and positive reactions from India.

IFAJ: Can you give us some background of the Sakhalin-I project?

SKL: Sakhalin-I consisted of the development, production and marketing of Hydrocarbons from three offshore fields near Sakhalin (The Chayvo, the Arkutun-Dagi and the Oduptu fields). Its legal regime was a Production Sharing Agreement between the Russian Federation and the Sakhalin Oblast on one part and Exxon, Sodeco, Rosneft and SMNG-S on the other part. The consortium had the right to conduct hydrocarbon operations as well as to enjoy the ownership rights to a portion of the produced hydrocarbons from the three defined fields. There were no constraints on repatriation of hard currency by foreign investors. The estimated oil and gas reserves in Sakhalin I are about 340 million tonnes and 420 billion cubic metres, respectively.

IFAJ: How did the discussions and negotiations between India and Russia proceed?

SKL: At that time it appeared long but now, in retrospect, one can say that the negotiations were short and difficult in which various foreign companies, particularly British Petroleum, showed great interest and were keen to bag the contract. I found that the bureaucracies in both, India and Russia were against Indian participation in the Sakhalin project. But the political leadership in both countries were in favour.

During President Putin's visit to India in October 2000 it was agreed that the Indian request would be agreed to. However, three days after President Putin's visit, I got a message from Mr. Atul Chandra, MD of OVL that Rosneft had refused to have further discussions with India. I spoke to Deputy Prime Minister Klebenov on telephone and expressed surprise that the President of a

Russian state-owned company (Rosneft) was acting contrary to the wishes of the President of the country. He asked me to see him immediately. Accompanied by Rahul Kulshreshth, the Commercial Counsellor, I met Klebenov in the morning and discussed the latest position threadbare. He asked me to see him again at four p.m. I went again with Rahul to his office and was surprised to see over 20 senior officials including deputy ministers of the economic ministries sitting with him. He sternly read out the instructions he had received from the Kremlin that the Indian request for Sakhalin was the best and should be immediately considered favourably. When the officials left, the President of Rosneft did not shake hands with me. Klebenov observed this and told me that an agreement was preferable to a hand shake (when the agreement was signed later on, the President of Rosneft in addition to shaking hands also embraced me).

In Delhi too, there were many who were opposed to the agreement, including senior officials of the economic ministries. It was only the forceful intervention of the then Principal Secretary to the Prime Minister, Brajesh Mishra, which changed their attitude. Thereafter, things moved fast and the agreement was signed on February 10, 2001 in Moscow in the presence of the Russian Deputy Prime Minister and India's then Petroleum Minister Ram Naik, who specially flew to Moscow for the occasion.

A few months later, at my farewell reception at Moscow, Atul Chandra, Chairman of OVL came from Delhi for half-a-day to attend the reception as a gesture of gratitude.

IFAJ: What were the salient aspects of the Sakhalin-I Agreement?

SKL: Under the Agreement signed on February 10, 2001, OVL acquired a combined 20 per cent in the project from Rosneft (from Rosneft an 8.5 per cent participating interest and from another Rosneft subsidiary Sakhalinmorneftegaz-Shelf an 11.5 per cent participating interest). Terms of the transaction envisaged that OVL will make a cash payment, pay its share of the further development of the project, and finance Rosneft for its remaining participation in the project until the project becomes cash flow positive. The total investments of OVL in the Sakhalin-I project were estimated to be in the range of US\$1.7–2 billion. OVL's share from Sakhalin-I was estimated at about 2-4 million metric tonnes of crude oil and about 5-8 million cubic metres a day of natural gas (which could be shipped for cash or crude). OVL was also to get crude kept aside from Rosneft's share as repayment of the loan it was giving to the Russian company.

IFAJ: Is there a larger significance of the Sakhalin agreement, in terms of our

policy on such matters?

SKL: I would like to mention first that there were large reserves and it was a major upstream project in accordance with international standards. Second, there were other important international participants as I have mentioned above – Sodeco, Rosneft and ExxonMobil, who were the operators of the project. Third, OVL got the status of an original participant with a right to appoint a Director in the Operating Committee. Fourth, this project proved to be the first step in transforming OVL into a global energy company. Fifth, at that time this was the largest international investment ever made by an Indian company abroad in any single project.

Hotel Project in Budapest

IFAJ: Let us now move over to Budapest, Hungary. You were our envoy there from 1986 to 1989. There again you were recognised for your contribution in getting a Hotel Project.

SKL: Three months after I left Budapest for San Francisco, I received the following Joint Fax message October 1989 from the Presidents of Hungar Hotels and of Industrial Exports, the Chief Executive of Industrial Exports and of Oberoi Hotels:

We have today signed a memorandum and Articles and Management Contract for the Gresham Palace Hotel. We all drank a toast to you as being the father of this project and we look forward to your presence at the opening.

With respect and regards from all of us to you and your family.

*Dy. Gyula Sykossy Bikki Oberoi Gautam Khanna
Csenki Gyorgy Dr. Sugar Peier*

IFAJ: Tell us about your involvement with the project.

SKL: Before I left for Hungary in September 1986, M/s Oberoi Hotels had shown interest in setting up a hotel in Budapest. Though they had written a letter to the Hungarian Embassy in New Delhi in May 1986, there was no response from the Hungarian government. On reaching Budapest, I took several steps:

During my initial calls on Hungarian leaders, I mentioned the Hotel Project. We got in touch with different Hungarian hotel companies. After discussions with the Hungarian trade minister, a meeting was fixed between M/s Pannonia and the Executive Vice President of the Oberoi Hotels. The meeting took

place in Budapest in December 1986, but yielded no results. We, thereafter, got in touch with a leading construction company, M/s Industrial Export. They introduced me to the Hungar Hotels, which was at that time a leading hotel company. Meetings between M/s Oberoi Hotels and the Hungar Hotels took place from 1987 to 1989. Different possibilities were examined and sites seen for an Indian hotel. Regular contact with the President and the officials of the Hungar Hotels was maintained. The item was also included in the Joint Commission agenda.

Detailed discussions also took place with the Department of Internal Trade which was in charge of tourism and hotel sites. M/s Oberoi Hotels got greatly interested in an old building called 'Gresham Palace' in the heart of Budapest, on the banks of the Danube. The city officials had a key role as the building 'Gresham Palace' was owned by the city. There were several meetings with different officials including my calls on the Mayor of Budapest.

IFAJ: Did it require any intervention at higher levels of governments?

SKL: This project was included in discussions between officials prior to the visit of former Prime Minister Rajiv Gandhi to Budapest, during the visit to India by the Deputy Prime Minister of Hungary and also the Commerce Secretary's visit to Hungary.

I spoke to virtually every Hungarian leader. An obstacle, for instance, was removed when while attending a small dinner I talked to Mr. Rezso Nyers, the then Politburo member in charge of economic matters, who later became the General Secretary of the Hungarian Communist Party. He showed interest in the project and asked if he could have a paper by 11.00 a.m. the next morning as the Trade Minister was calling on him. Nyers spoke a bit of English, but a paper was prepared at night, translated into Hungarian and sent to him by 9.30 a.m. the next morning. That afternoon, I got a call from the Director General of the Ministry of Trade saying the matter was receiving positive attention at the highest level.

We also ensured the involvement of the Deputy Prime Minister Peter Meddassy (later Prime Minister), who was the co-Chairman of the Joint Commission. He played a very important role in getting the project through and issued instructions that the initialling of the agreement should be done before my departure from Hungary. This was adhered to.

However, in spite of our efforts, the story had a different ending. Years later, the Indian party- M/s Oberoi Hotel, I am told, had just a small minority share. The hotel, for which the entire spade work was done by us, is now run by a Canadian hotel chain.

However, the Oberoi hotels in their publications still talk of this project. In a book on the founder of the Oberoi Group of Hotels, which is available in all Oberoi hotels, there is a positive reference to the role played by the Indian Embassy. It reads as follows:

In 1987, finicky Biki finally spotted a European property that measured up to his standards. The only problem was that it happened to be the headquarters of the secret police. But Sati Lambah, the Indian Ambassador was convinced that an Oberoi hotel would work wonders for Indo-Hungarian ties. He helped the breakthrough with Hungar Hotels for the turn-of-the-century, palatial Gresham Insurance Company building. East Europe had just begun to taste the pleasures of privatization, but the third party, a Swedish financing group did not bite. In the meanwhile, Budapest got a new municipal government which, like all new brooms, swept out pending deals.

The determined Sati Lambah too had been replaced, but he passed on both his conviction and his perseverance to his successor, Mr. Malik. After two-and-a-half years of shuttling pendulum, the agreement for the Oberoi Gresham Palace was signed in 1991.

“Dare to Dream: Life of Rai Bahadur Mohan Singh Oberoi”

By Bachi J. Karkaria

The First Major Export of Cars from India

IFAJ: Your stay in Hungary also saw the first major export of passenger cars from India.

SKL: Hungary was the first country to buy Maruti cars from India. This was also the first time that any East European country imported a car from a non-Rouble area.

In 1987 Hungary bought 500 Maruti cars from India. Later an agreement for 5,000 cars was signed and 2,000 cars were scheduled to be sold in 1989 out of which, 670 had already arrived by the time I left Budapest in July 1989.

IFAJ: How did this come about?

SKL: Before going to Hungary as Ambassador, I had detailed discussions with the Managing Director of Maruti Udyog Limited in India who briefed me about their objectives and intentions. After presenting my credentials to the President of Hungary on the morning of September 23, 1996, my first call was not on any minister but on the President of Mogurt. R.C. Bhargava, then MD of Maruti accompanied me to the meeting as he had earlier not been able

to meet the President of Mogurt.

Contacts were established with Mogurt at all levels including the technical people who were evaluating the car. This was a government organisation, which was crucial to the success of our cause as it had to technically approve the car before it could be declared road-worthy in Hungary. We met the concerned people who were supplied with all the relevant information to ensure that from the technical point of view there was no problem. The report of the organisation was rather flattering for Maruti.

The sale of Maruti was included as an important point of discussion in all my official calls on the Prime Minister, Deputy Prime Ministers and other key officials. I even raised it in my meeting with Janos Kadar, the then General Secretary of the Hungarian Communist Party. This had a considerable impact as a meeting with him was not a usual event. When Janos Kadar received me on February 18, 1987, he was meeting an Indian Ambassador for the first time in fifteen years.

Close contacts were established with Mercur, a company which was to handle the publicity, spare parts and sale of the car to the public. Mogurt was only going to negotiate the commercial aspect of the deal while the sale and maintenance was to be looked after by Mercur. Contacts with Mercur were made at all levels, right from its president to the sales representatives. They were invited to India.

At that time, Maruti was also trying to sell the car to other countries. When there was some progress in Czechoslovakia or the GDR, this was duly conveyed to the Hungarians. It was impressed upon them that other countries in the region were also interested in this product. However, till 1989 none of these deals materialised.

To help the Hungarians overcome difficulties from other Comecon countries and to smoothen matters with domestic manufacturers, dashboards and instrument panels were identified as items which Maruti Udyog could, in return, buy from Hungary. The idea of co-production appealed to the Hungarians and various possibilities involving long term sale of Maruti cars to Hungary were discussed. We successfully took up with the question of preferential rates for taxes and duties (on import from developing countries), with the Hungarian Finance Ministry, which reduced the sale price of the car in Hungary.

Some of the other steps and measures taken by us included – Translation in Hungarian of relevant literature; concerned persons were on different

occasions invited to see the Maruti factory in New Delhi; advertisements in automobile magazines; care was taken to ensure after sale service. Maruti technicians visited Hungary and conducted seminars for local technicians from various Hungarian cities.

IFAJ: Was there any appreciative statement from Maruti?

SKL: There are some letters from Mr. R.C. Bhargava, Managing Director of Maruti to me, extracts of which are reproduced below:

In fact, a large share of the credit goes to you for your efforts, which made it possible to conclude this business. May I express thanks on behalf of Maruti, and myself personally, for your contribution in reaching this agreement.

3rd April, 1987

The success which we are enjoying in our efforts to sell cars to Hungary is to a large extent due to your untiring efforts.

14th November, 1987

India's First Export of Iron Ore Pellets

IFAJ: You were involved with Kudremukh Iron Ore Company in India, while you were posted in New Delhi. Thereafter, you were instrumental in arranging the first export order of Iron Ore Pellets – a value added item, from Kudremukh to Hungary.

SKL: During my tenure as Joint Secretary in the Ministry of External Affairs, I was a nominated Director on the Board of Kudremukh Iron Ore Company during 1984-1986. As a Director, I was aware of the problems being faced by this company after the failure of its earlier agreement with Iran. During my Bharat Darshan tour, before proceeding to Hungary, I visited Bangalore and met the officials of this company. They told me about efforts being made to export iron ore pellets to Hungary. Now that I was on my way to Budapest, I took that to be one of my first tasks after reaching Hungary.

It was a matter of satisfaction that during my tenure as Ambassador, Hungary became the first country to buy iron ore pellets from India. In 1987, 370,000 tonnes were exported; in 1988 the figure was 510,000 tonnes. During 1989, 600,000 tonnes were purchased by the Hungarians and when I was leaving Budapest, the same quantity was being planned for 1990.

IFAJ: Could you, in brief, list some of the steps taken by you, in achieving this?

SKL: Personal meetings were held not only with the President, but also with

other officials of Metalimpex. Once it was learnt that the steel plant, which was to use the pellets would have a major say, we established direct contacts with the Chief Engineer of Duna Steel also. A market survey report was prepared by the Embassy.

Thereafter, the Embassy suggested to Kudremukh Iron Ore Company to depute a technical person to speak to the engineers of the steel plant and clarify some queries in respect of ash content in the pellets and other related matters.

With the Hungarian Government authorities, the possibility of using the 'counter-trade' route was mentioned and used as an additional argument for sourcing iron ore pellets from us. We knew that our competitors were Sweden and Brazil. It was pointed out to the Hungarians that they already had an adverse balance of payments with both these countries. On the other hand, they had a favourable balance with India. Hence, their preference should be for India. This did appeal to them.

The Chairman and MD of Kudremukh Iron Ore Company later acknowledged our contribution in a letter, mentioning that the initial impetus given by us to assist their entry into Hungary was instrumental in their entry into the world pellet market. Later, Kudremukh Iron Ore were able to sell to several other countries.

Indian Mopeds

IFAJ: To add to the list including hotels, cars and iron ore, you also introduced 'Indian Mopeds' into Hungary.

SKL: India's first order for large-scale sale of mopeds came from Hungary. Earlier on, a few hundred mopeds were sold, from time to time, to some countries, but on November 9, 1988, an agreement was signed for the export of 5,000 mopeds to Hungary. These arrived while I was still in Budapest and negotiations were going on for the purchase of another 10,000 mopeds.

IFAJ: Could you enumerate some of the steps taken to achieve this?

SKL: These included a market survey conducted by the Embassy, which revealed that Hungarians were in need of mopeds of less than 0.5L because (a) there was less duty on these mopeds, and (b) no helmets were required for this category and hence, they were popular with the working women in small towns. Comparatively, the prices of Czech mopeds were higher than what India was quoting.

Three Indian companies, Suzuki, Kelvinator and Honda, showed interest. Judging from our experience in respect of the sale of Maruti cars, we advised the Indian companies to get approval for road-worthiness while simultaneously starting the commercial negotiations. They were advised to hold demos and I myself attended one such event. My presence enabled, both the Indian company and Hungarian company, to note the interest of the mission and thus also to invite the Director General of the Ministry of Trade.

Translation in Hungarian of all technical literature was done, which not only helped in getting approvals but also tremendously helped in the sales efforts. Concerned firms were advised to invite key officials of the purchasing company to visit India to see their plants, first hand. Video films of the plant in India were shown by firm representatives to selected audiences in Budapest. 'Counter-trade-argument' was used in this case also and the matter was brought within the purview of the joint commission.

All these steps ensured the entry of this item also into the Hungarian market.

Indian Tobacco for Italy

IFAJ: Let us talk about some of your success stories in Italy. You were there as the Commercial Representative of India from 1974 to 1978. Tell us about the breakthrough in the exports of Indian Tobacco.

SKL: During my briefing in India, before I went to Italy to take over my new post, I was told that we have not been able to sell tobacco (one of our major export items) to Italy. Tobacco in Italy was purchased by a state monopoly. Within a year of my arrival in Rome, we succeeded in breaking through their reluctance.

This was achieved through sustained and perhaps ingenious efforts of the mission. To begin with, efforts had to be made to meet Engineer Odone who was at that time the Director General of the state monopoly. As he had earlier been reluctant to meet Embassy representatives, I spoke to the Head of the Italian Foreign Trade Ministry, Dr. Fracassi, and some others saying that I should be at least allowed to put forward my case. Innumerable direct messages were also left for him. Finally, he received me. In the initial meetings I only asked for a token purchase from India even if it was for 'One Dollar'. Finally, when they decided to buy substantial quantities of FCV Tobacco from India, I was told in jest that it was 'far more than a dollar'.

To obtain the first order, we had to ensure that the samples were sent to

the Italian State monopoly in time. The Indian Tobacco Board was requested to inform the Indian exporters to send correct samples of the relevant categories of FCV Tobacco required by Italy and also ensure that the quality would be thereafter ensured. Once the samples arrived, we kept in constant touch, both verbally and in writing, with the tobacco monopoly and the Italian Ministries of Trade, Agriculture and Foreign Affairs. .

When the Italian state monopoly showed reluctance, it was subtly told to them that the visiting Indian tobacco exporters, were about to call a press conference to state that the Italian state monopoly preferred buying more expensive tobacco from Latin America rather than from India. This did perturb some of the officials.

It was realized that the Ministry of Agriculture and not Foreign Trade had an important role to play. After the first order was placed, Our Deputy Commerce Minister, Shri George, came to meet the Italian Deputy Minister of Agriculture. After the meeting, we ‘impromptu’ dropped in on the concerned Director of the Department – in the same building, who was the key official! This ‘gesture’ certainly helped.

Indian Scooters for Italy

IFAJ: During your stay in Italy, you were also instrumental in pushing export of Lambretta Scooters to Italy - the original home of that two-wheeler.

SKL: It does look like ‘selling coal to Newcastle’ but the situation was favourable and was exploited. In the late 60s when scooters were becoming obsolete in Italy, Lambretta sold their entire plant to Scooters India, a public sector company in Lucknow. However, after the oil crisis, when oil prices soared, Scooters India increased production of the same Lambretta, which was earlier being made in Italy. We were sure that Italy, that was used to scooters / small 2 wheelers, in the past could again be enticed.

IFAJ: Please walk us through your efforts.

SKL: After Scooters India confirmed their interest in selling Lambretta scooters to Italy, the Commercial Section of the Embassy tried to contact different people who would be interested in purchasing Indian scooters. Initially, there was no response.

Thereafter, we obtained a list of old distributors of Lambretta in Italy and sent letters to them. In the days when electronic typewriters were not available and cyclostyling was the only mode of sending circular letters, we decided on getting individual letters typed to each of the former distributors of Lambretta

and mentioned to them that the scooter, which were made in Italy a few years ago was now available at a cheaper price from India. A firm in Savona showed interest and two of its representatives (Mr. Gambetta and Mr. Potmeti) were introduced to Scooters India.

We maintained continuous contacts with the Italian government, the firm in Savona and with Scooters India. The details of the agreement were sorted out between the Chairman of Scooters India and Mr. Gambetta. I, too, visited Savona. We also translated technical literature into Italian.

There was not much encouragement from the Italian authorities because of pressure from Piaggio, the Italian two-wheeler major who manufactured 'Vespa'. They were unhappy with India as they had lost a lucrative order in Indonesia to the Indian manufacturer 'Bajaj'. It was explained to the Italian authorities that supporting Indian exports of such small, but new, items like scooters, would help in projecting a better image of Italy, which was at that time interested in selling several items to India. This argument did cut some ice.

IFAJ: Scooters India must have been appreciative of your efforts.

SKL: I got a very nice letter from them that reads,

I am extremely grateful to you and Mr. Thomas for the amount of interest you have taken in our export drive. It was indeed kind of you to have arranged discussions with Mr. Gambetta and Mr. Pometi in your office on 2nd September, 1977 and the subsequent dinner in your house where we continued the discussions till almost 11.00 PM. I am not exaggerating a bit when I say that in my long experience with Indian Missions abroad your, perhaps, is the first one where everyone from the Ambassador to the Desk Officer had evinced such keen interest in the export drive of our product.

*S. Soundararajan
Chairman & Managing Director of Scooters India Ltd.
September 10, 1977*

'Recommencement' of Indian Economic Assistance to Afghanistan

IFAJ: You have been involved with Afghanistan for nearly three decades. India has given economic assistance to Afghanistan of around US\$ 2 billion. Please share with us the beginning of the 'recommencement' of the Indian economic assistance to Afghanistan.

SKL: India has been a traditional donor to Afghanistan since our independence.

However, in the 90s, all our contacts with Afghanistan came to an end. After the fall of the Taliban government, we revived our contacts with Afghanistan and immediately offered economic assistance, which was greatly appreciated. As Special Envoy for Afghanistan at that time, I led the first delegation of any country to post-Taliban Afghanistan on November 22, 2001 when I went to Kabul to establish contacts with the new leadership. A few days later, I led the Indian delegation to the Bonn Conference and on return accompanied the then External Affairs Minister, Shri Jaswant Singh at the inauguration of Mr. Hamid Karzai as interim President on December 22, 2001. President Karzai, whom I had known earlier, asked me to see him after a few days.

I reached Kabul on December 30, 2001. I was also accompanied by a team from Jaipur, which provided artificial limbs to the victims of the Afghan war. A thousand artificial limbs were provided to the victims of the war in one month. During my meeting with President Karzai, I asked him what kind of assistance was needed from India. He said, 'You are the first to ask me this question. Others are giving things without consulting us'. Our emphasis right from the beginning was that our assistance should be according to Afghanistan's requirement. He asked if we could provide buses immediately for transport in Kabul. I readily agreed. He then wanted to know if TATA buses could be sent. (They already had a few of those buses with some facilities for its repair and maintenance). I laughingly told him that as he wanted a specific brand it would expedite the process as issuing tenders could take a long time. We also discussed details of other assistance including short training courses for officials of different ministries and the President's Office. These became the model for our future cooperation. The UN Secretary General Special Representative, Brahimi, had also mentioned the urgent transport requirements of Kabul.

Immediately on return to Delhi, we got approval for 40 TATA buses and asked the Afghan government to send about 60 Afghan drivers and technicians, who were given the requisite training. The ownership of the buses was transferred to the Afghan government, which facilitated the buses going through Pakistan (later that was not to be the case). Today Indian buses of different make ply in different Afghan cities. This was the beginning of our re-engagement with Afghanistan.

Earlier India was kept out of international efforts for the reconstruction of Afghanistan. In May 2002, Mark Malloch Brown, the then Administrator of the UNDP and I, jointly sent letters of invitation for a conference, which I co-chaired with UNDP in New Delhi on South-South Cooperation for rebuilding Afghanistan. This recognised India's role. We also had a series of meetings

with CII, FICCI and other Chamber of Commerce to encourage the Indian private sector to take interest in Afghanistan. Their response was positive and prompt.

IFAJ: Your earlier efforts in ensuring that Indian assistance was principled is certainly appreciated by Afghanistan and noted by all. What is the present stage of that exercise you initiated?

SKL: The Indian assistance has increased considerably since 2001. India's pledged assistance to Afghanistan, as you mentioned, is at US\$ 2 billion. All projects are undertaken in partnership with Afghanistan and in accordance with Afghanistan's National Development Strategy. Our assistance programme is spread across Afghanistan and spans almost the entire gamut of economic and social development activities. Despite daunting logistical and security challenges, we successfully completed the construction of 218 km of road from Zarang to Delaram in Nimroz Province and the construction of 220 KV Transmission Line from Pul-e-Khumri to Kabul, together with a sub-station in Chimtala. On capacity building and humanitarian front, our assistance includes scholarship to 2,000 Afghan students every year; training of Afghan civil servants; food assistance of wheat and biscuits; setting up of an Afghan Agricultural University; reconstruction of the Habibia School; setting up of CII-run India-Afghan Vocational Training Centre for training 3,000 Afghans as well as a SEWA project for setting up Women's Vocational Training Centre in Bagh-e-Zanana.

Construction of Afghanistan's new Parliament Building and Salma Dam are amongst the major infrastructure projects likely to be completed in 2013-14. India hosted the Delhi Development Summit on Afghanistan in New Delhi in June 2012. There has been modest cooperation in the defence sector. India has removed basic custom duties for all SAARC LDCs of which Afghanistan is a beneficiary. In December 2011, a seven-company public-private consortium of Iron ore mining and steel companies led by SAIL won a tender for three out of four blocks of Hajigak Iron ore reserves.

I wish to emphasise that I have been personally involved with only a few of the above projects, but all these are the result of the beginning that was made in December 2001.

Some Recommendations

IFAJ: Thank you for sharing with us your recollections of some of the successes in 'Economic Diplomacy' during your diplomatic career. Do you have any

specific advice for today's practitioners of economic diplomacy?

SKL: As has been mentioned in the report on Economic Diplomacy that I recalled earlier, some of the basic objectives of Economic Diplomacy are promotion of trade and investment; energy security; to achieve objectives in multilateral trade negotiations, and the realisation of political objectives through economic action.

Some selected tasks for the practitioners of economic diplomacy could be:

- influence economic and commercial policies of the host-country to make them most conducive for the country's national interests, which include those of business and other stakeholders;
- work with rule-making international bodies for shaping their decisions in the interest of the diplomat's own country;
- forestall potential conflicts with foreign governments, economic actors and NGOs so that risks of doing business etc. are minimised, and,
- use multiple forums and media to enhance and safeguard the image, capability, reputation and credibility of their own country and enterprises.

IFAJ: Finally, in addition to various steps and instances mentioned in the above success stories, could you highlight some specific measures, which contributed to their successful outcome?

SKL: The following could be of interest, though most of them are based on practical experience and commonsense.

- 1. Perseverance:** It is very important not to lose heart after an initial rejection. In most of the deals we got a negative response to begin with, but my experience showed that repeatedly pursuing the case at all levels helped.
- 2. Taking it up at the highest level:** It is important wherever possible to take up the matter at the highest level. If a government is involved, then it should be taken up with the Head of the Government or the Minister in charge, and in case a company is involved, with the Chief Executive, while at the same time explaining the case properly at the working level.
- 3. Homework:** It is extremely important to do one's own homework and know all the facts about the product being offered.
- 4. Translation of technical material in the languages of the country:** Translation of literature, particularly, technical literature in the official language of the country is also important.

- 5. Sympathetic concern for the other country's exports:** While trying to sell a product, it is important to show concern and be helpful about exports of the other side. It was in this context that the counter-trade was effectively used.
- 6. Make use of Joint Commissions if they exist:** The advantage of Joint Commissions, wherever in existence, should be taken. Public and Private sector companies should also be involved. Joint Commissions can be useful when they meet at a high level.
- 7. Contacts/entertainment/gifts:** The key people at all levels should be taken notice of through meetings/entertainment/gifts. At times a head of mission or a commercial representative taking special notice of people at lower levels is very productive and rewarding.
- 8. Market survey reports:** I have found market survey reports to be very useful. During my tenure as Commercial Representative in Italy, we prepared over a dozen market survey reports. In Hungary, during my tenure as Ambassador, 25 such reports were prepared with the help of a local research agency, KOPINT. In San Francisco, we have so far prepared three market survey reports. These help the Indian business community to get a better view of the local conditions.

IFAJ: Thank you for this exhaustive account, which will be of interest both to the readers and to the younger officers of the Ministry of External Affairs.
