

PLANNING COMMISSION  
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A note on discussions with Mr. A. N. Kosygin,  
First Deputy Chairman of the Council of Ministers  
of USSR.

Mr. A. N. Kosygin, First Deputy Chairman of the Council  
of Ministers of USSR, had two meetings with the Planning  
Commission on February 21 and on March 3, 1961.

2. In the first meeting the discussion was in general terms and  
was mainly devoted to an account of planning in USSR. However,  
in the course of the discussion, Mr. Kosygin suggested that as a  
temporary measure USSR could supply India with coke and take iron  
and steel in exchange. He went on to suggest that USSR could  
supply oil and oil products in exchange for jute and cotton  
textiles. Instead of spending valuable foreign exchange on  
purchasing oil from foreign companies, he said, India could use  
it to purchase equipment.

3. In answer to a question regarding the relative costs of hydel,  
thermal and atomic power and the priority given to the development  
of atomic power in USSR, Mr. Kosygin said that the USSR had two  
atomic power stations with a capacity of 200,000 k.w. and work on  
the construction of a third station with a capacity of 100,000 k.w.  
was in progress. If he were asked whether the USSR should build  
more atomic power stations, Mr. Kosygin added, he would say 'No'  
but, as the third station had been already started, it was necessary  
to complete it. In USSR they were not in favour of a large atomic  
power programme. They were, however, undertaking a large scale  
programme for experimentation. Their cheapest source of energy

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was gas, followed by hydel power and by coal.

4. Before his second meeting with the Planning Commission, Mr. Kosygin had visited the Bhilai Steel Plant, the oil wells at Ankleswar, the Integral Coach Factory in Madras and the Institute of Technology in Bombay. He was therefore able to offer a number of suggestions and criticisms based on his visits to these undertakings. These were:

(1) Technicians and workers at State enterprises were receiving smaller salaries and wages than were being given in the private sector. There was no reason why they should not receive similar remuneration, for a smaller remuneration might lead to discrediting the public sector and to men leaving public enterprises after they had received training. In rewarding work in industrial undertakings the 'principle of material incentives' was not being followed. In USSR at every level and in all enterprises substantial additional incomes were earned through the adaptation of this principle to the appropriate jobs.

(2) The Director of a State enterprise in India was not being given sufficient power. For instance, he cannot make appointments of superintendents of different shops in the plant. If he is responsible for such a large enterprise as a steel plant, there is no reason why he should not have the requisite powers. His powers should be expanded and the trust in him should be increased, for there are always problems cropping up in a new enterprise which the man in charge must be able to deal with on his own authority and initiative.

(3) Mr. Kosygin suggested that the Indian Planning Commission should have at its disposal groups of technicians who could study the

working of different projects and help improve their working. For instance, if there were a group of persons who knew metallurgical techniques, they could study the three steel plants in the public sector, stay there, if necessary, for a month or more and join them in improving their working and organisation. Having such a group, it would be much easier for the Planning Commission to offer practical criticisms and suggestions. In this connection he referred to the failure at Bhilai to plan the use of chemical bye-products of the steel plant, specially liquid tar, and to provide proper plans for the rolling mills and added that these mills were not given continuous orders for, say, six months at a time.

(4) Mr. Kosygin said that he had visited the Institute of Technology in Bombay and had been much impressed by young Indian specialists. He had been told that the Government of India had under consideration a proposal to invite a large number of foreign specialists. He would suggest that the Government should take large groups of young Indian specialists into the public sector plants and send them out for training wherever it might be necessary.

(5) Mr. Kosygin said that the oil at Ankleswar, which was of a quality as rich as that of Baku, could be utilised more fully. He would suggest giving all the funds required for development at Ankleswar and, if he were in our position, he would make the existing refineries use the Ankleswar oil until a new refinery was ready and, to begin with, he would try to get the companies to agree through persuasion.

5. As regards possible expansion of trade between India and USSR, Mr. Kosygin said that such expansion should be undertaken if it were beneficial to both countries. USSR could supply diesel oil, petrol,

kerosene, tractors, agricultural machinery, etc. In return, USSR could take various vegetable oils, metals, pipes and pig iron (though these would not be available permanently), and agreed quantities of jute and cotton textiles with a view to balancing the trade between the two countries. If there were interest in this proposal, the Soviet Government would issue the necessary instructions to its trade representatives in India, and the proposal might materialise even during the current year. 31

6. Another subject touched upon in the discussion with Mr. Kosygin and a member of the Soviet Delegation, Mr. Ivanov (a Deputy Chairman in the Gosplan), concerned arrangements for ensuring continuity in planning. Mr. Kosygin explained that when a five or seven year plan was drawn up, the present Soviet practice corresponded to what had been described a 'rolling plan'. Thus, in relation to the seven year plan for the period 1959-65, when the plan for 1960 was prepared, simultaneously a view was taken upto 1966, that is, for a year beyond 1965. In this way each year, besides the current plan, the planning authorities looked ahead to a longer period, thus, blending "current planning" with "perspective planning". Similarly, major units in industry, which also had their five or seven year plans, undertook forward planning within their own fields. The expression "perspective planning" is used in the main to describe the five or seven year plans, but USSR are also working on a "general perspective plan" for a period of 20 years in which only such general tasks are formulated as, for instance, defining the material basis of communism, overtaking USA in production, etc.

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Note on the exchange of views between Mr. Kosygin  
and the Planning Commission, on 21st February, 1961.

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Welcoming Mr. Kosygin, Shri G.L. Nanda, Minister (Planning), said that the Planning Commission were looking forward to this meeting as they were finalising the Third 5-Year Plan and would like to draw upon the experience of the Soviet Union in matters of planning - with particular reference to their current Seven-Year Plan. The third Five-Year Plan of India was to be of decisive importance for the Indian economy. The second Five-Year Plan of India was double than the first, but its importance was not in its increased size but character of development envisaged and diversification of efforts but for which rapid growth of the economy would not have been possible. The experience of the Second Plan was, however, that while the country went ahead with industrialization and heavy industries were set up, during the period of the plan difficulties about agricultural production cropped up. One of the basic objectives of the third Five Year Plan was, therefore, to increase the basis of agricultural production to an extent as to make the economy secure in this respect. Due account had also been taken of the increasing population. When we started planning in India, the rate of increase in the population was assumed to be at 1.25%. However, at present it has risen to 2%. When we started planning the level of national income and consumption was low. The national income was only Rs. 250 p.a. This had increased by 40% over ten years, although the per capita income increased only by 20% because population increased simultaneously. Mr. Kosygin pointed out that the Soviet Union the rate of population increase was 2.5%. Mr. Nanda replied that India would like to complete in the rate of increase in the national income and not in the rate of increase of the population. Since the basis of computing national income was different in the two countries, it was not possible to compare the rate of increase in the national income.

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Mr. Nanda said that during the second Five Year Plan India had to depend on other countries for equipment and fluctuation in the prices of equipment imported completely upset the calculations. This difficulty was still there as complete control over resourceful planning was not available.

In reply to Mr. Kosygin's query: whether the Planning Commission revised or modified the plans once they had been finalised, Mr. Nanda said that the First Five Year Plan was revised and in fact the level of investment had been increased. As regards the second Plan, it had to be curtailed by 6% or so as in the middle of the Plan period it was found that resources were not adequate. For instance, many power projects had to be shelved. The principle objectives were however achieved and final outlay in the second Plan would work out to be more than the reduced outlay. This does not take into account the rise in prices which had been by about 25%. Generally speaking, the country had done well in increasing productive capacity of steel, coal and such other basic items. One difficulty which the Planning Commission were facing was that while they were trying to increase investment and production, expectations of people were increasing beyond what could be done within the existing resources. Similarly, since the second Five-Year Plan there was also increasing demand and pressure from various regions for locating projects in their areas, in the Third Five Year Plan. In the public sector, the outlay envisaged was Rs. 7,500 crores. This was limited to this amount as more resources were not available. Yet the minimum outlay was not less than Rs. 6,000 crores. The Planning Commission was, therefore, considering simultaneous

the physical targets in terms of needs and the financial resources available, and was trying to see that as far as possible the physical targets are achieved. Apart from increase in the resources, they were also expecting increased productivity and to achieve the higher targets and not lower targets which would be normally achieved from the financial resources available at present. In this connection Mr. Nanda added, the Planning Commission would particularly like to have a detailed idea of the process of planning and programming in the Soviet Union to enable them to make more effective use of the resources of India.

Mr. Nanda also said that the USSR had helped to put some of the essential programmes on more secure basis. They would also like to hear the views on how to increase the level of trade between the two countries.

Mr. Kosygin said that in the Soviet Union also there was an increasing desire and demand for more and more projects from various regions and planners had to resist unnecessary or non-essential demands and give priority to most important projects first.

In so far as their current Seven-Year plan is concerned, it will be over in 1965. However, in branches like heavy engineering and steel industry, the targets were already over-fulfilled. Secondly, in the Plan modifications were made in some fields particularly after new raw material resources such as gas, copper, tin, diamonds etc were found and it was realised that it would be more profitable to invest capital in their development. Similarly, more investment was directed towards new irrigation projects combined with hydro-electric power projects. The planners in the Soviet Union were keen that the agricultural economy should be freed from the natural vagaries. It is proposed to increase the area under cotton cultivation in the regions which would be receiving irrigation from the proposed projects.

As regards steel industry, the current year's production was 71 million tons against the production in the USA which was to the tune of 82 to 83 million tons. Whereas the productive capacity in the USA was 125 to 130 million tons their production next year would be only 85 million tons. The rate of production of steel per capita in blast furnace was higher in the USSR than in the USA by 40% as the Russian techniques were superior. Mr. Kosygin added that in the case of steel industry in India also it would be advisable to utilise the full capacity of both old and new steel plants. Experts should particularly examine the requirements of various raw materials for this industry. For instance, if there is a shortage of coking coal, Soviet Union could supply the necessary coking coal in exchange for some other products - may be steel. Similarly, USSR could supply oil and oil products in exchange for textile goods, jute products. This was not a commercial proposition but only a suggestion so that India may be able to save the foreign exchange needed. As and when they wanted to discontinue the arrangement, Soviet Union will have no objection because they were not suggesting any commercial deal. Next to what they were keen was that gradually India should meet her own steel requirements. As far as her requirements for steel and gas, according to the Russian experts, India had very rich resources of oil and once the industry is developed, you will not only have enough for your home consumption but may also be able to export.

Mr. Kosygin then turned on to the new features of Soviet Union. He first mentioned the planning of capital works and said that apart from drawing up period-wise plans, the planners were also taking into account the time each major project will require for completion. This enabled them

to provide funds for such projects and wherever necessary on the basis of priority some such projects could even be completed before time by diverting the financial resources. Secondly, in the Soviet Union they were now planning not on the basis of Five or Seven Year Plans only but also perspective planning. One particular plan may end ~~the~~ but economic activity goes on as the economic system has to have a perspective. Therefore, every year the planners ~~have~~ think Five Year ~~Plans~~ ahead and go on doing continuous planning and introduce such modifications or changes as may be considered necessary. This has the added advantage that when one particular plan ends, they have a clear picture of what the next plan should be.

Mr. Nanda then asked Mr. Kosygin about the comparative economics of hydro-electric/thermal/and atomic power and also the extend of development in the USSR. Mr. Kosygin said that they had two atomic stations already with the capacity of 100,000 k.watts and they were constructing a third one with a capacity of 200,000 k.watts. However, a policy decision had been taken not to build more atomic stations. The cheapest source of power was considered to be the natural gas. Then came crude oil and coal. Of course, hydro-electric power was the cheapest of all. But it required very heavy initial investment. However, if combined with irrigation it ~~might~~ would compare very favourably with other sources of power. The advantage with gas was that it could be transported by pipes over long distances. For example, gas was being transported from Bokhara to a distance of 2500 k.meters.

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A note on the second meeting between H.E. Mr. Kosygin and the Planning Commission, on the 3rd March, 1961.

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In answer to various questions put by the Planning Commission, Mr. Kosygin observed as follows:-

1). The first question was regarding management of industries and measures for incentives for increased output. Mr. Kosygin said that it was necessary for each unit, division and finally the entire plan to have its plan of production based on norms worked out both for technical and non-technical jobs. Those norms were to be related to a given output in a given period of time. If a worker exceeded the norm, he should be paid extra. In other words, the principle of material interest should be introduced.

a)- Giving the example of the Bhilai Steel Project, Mr. Kosygin said there was no such principle observed. Whether one works more or less, he got the same salary. There was no material incentive for more work.

b)- Another rather delicate question which was being wrongly tabled was the wage level in the plants in the public sector. Wages were lower than in similar plants in the private sector - by 30 to 40%. Bhilai plant was, for instance, very well located, and well equipped; the selling price of the metal was the same as of the private sector. It followed, therefore, that costs should be lower in the absence of profit motive and with better management, and that wages should be on a comparable level. If wages continued to be lower, public enterprises will only be used for acquiring experience by technical personnel who will shift to private plants for higher wages at the appropriate time. In India at present public sector was losing in this field.

c)- The stress should not be on the employment of maximum man-power, but on the higher productivity of each labour unit. If more employment was to be achieved, it could be got for instance by having four shifts, instead of three. More numbers will be employed with lesser hours of work. But let the emphasis be on the productivity and not number.

d)- The Planning Commission should consider appointing a committee of experts industry wise. In the case of steel industry, the group should visit all the plants, study the organization and supervision of technical processes at each plant for six to eight weeks, and then offer its constructive criticism. The group will be able to look at not only production aspects critically but may also be able to offer useful suggestions regarding distribution and marketing of products. In the Soviet Union, the Gosplan was not only supervising production in this way, but was also supervising distribution and marketing organizations also.

In the Bhilai plants byproducts from coking chemistry could be usefully increased. It should not be difficult to obtain phenol if necessary by burning liquid tar as the ultimate advantage would be more in that case. Similarly, rolling mills were not given proper plans. Orders were given on a temporary basis, and not even on a six-monthly basis. The mills could not, therefore, be working to its maximum capacity. Blooming mill was also idle for a while. It might be useful also to look into the power and authority of the officer incharge of each plant so that he may be able to get in touch with the engineer direct and call him when he needs him.

There was another point which struck Mr. Kosygin. While the new steel plants were working on the metric system, the machine building was on the inch system. There should be uniformity otherwise difficulties arising out of lack of uniform measurement should arise in the three steel plants and the machine building industry.



e)- In the field of technical education, after completing their studies, the students had to look for jobs. At the same time there was shortage of trained personnel in the public sector, why could the Government not take groups of young graduates, specialise them and assign them to various industries in the public sector. The human material in India was good, and the workers seem to have pride in their own plant. If they were provided with proper incentives, it will be possible to get the best results. At this point Mr. Nanda said that wage boards were going to be appointed in the very near future for standardisation of wages in each industry.

2). Mr. Kosygin offered the following suggestions for expanding trade between the two countries. Soviet Union could supply dried oil, benzine, kerosene and other oils required, tractors, agricultural machinery etc. in exchange for pig iron or better still rolled stock, steel pipes, other metals, castor oil, jute goods, textiles etc. This was a tentative list, but he would be asking the Soviet Trade representative in India to take up this matter further.

3). As regards development of oil resources, Mr. Kosygin said that the Ankaleshwar oil fields had very bright prospects and necessary funds must be made available for their development. Until the Government had their own crude oil refinery, they could perhaps make other use the oil on a voluntary or if necessary compulsion basis. The quality of oil at Ankaleshwar was of a high quality. It did not contain any sulphur which means there won't be any corrosion of machines. The wells may be producing 150 tons a day - may be more. Engineers in the designing offices were experienced, but it was necessary to send more 'oil men' to USSR for specialised training. The new equipment from Soviet Union had arrived in India, and each unit will drill 7 wells a year. There were nine such units and they will drill an aggregate of 65 wells a year.

4). Mr. Kosygin then touched upon aspects of planning in particular the concept of perspective planning. The point was further elaborated by Mr. Ivanov. In the past when there was no such concept as perspective planning, when one plan came to an end, fresh thinking was given to drawing up another plan. Now planning in USSR is continuous and each year, planners look five years ahead which gives them a proper and dynamic perspective of the economy each year for the next five years. This helps them to draw up a proper balance between production and consumption, as well as help them to keep the year to year development of various projects in tune with the overall perspective and needs the economy. Under perspective planning is also included continuous planning in respect of major capital works. Apart from overall 5 or 7 period plans, for each major capital project a plan for the entire period is also drawn up in which the project is expected to be completed.

The advantage of this technique is that by the time a Five or Seven year plan is nearing its end, there is a clear perspective of the next five years, and detailed planning in various sectors of economy becomes easier.

Mr. Ivanov also explained the working of the Gosplan. There were three types of divisions.

- (i) Divisions dealing with various branches of economy;
- (ii) functional divisions, such as labour, health, prices, education, culture etc.
- (iii) synthetic or coordinating divisions.

While planning, first of all balanced distribution of investment in various branches of economy was drawn up. Since each branch will have limited resources, the same will be rationally distributed among concrete list of enterprises. While selecting

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such enterprises location factors, availability of factor equipment, regional distribution of industry and such other factors were taken into account. The trend was also to use maximum capacity of each plant, and also increase labour productivity by suitable incentives. Funds were also available with each industry (set aside from profits) for further research, as well as for furthering the welfare of workers.

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A note on the exchange of views between H.E. Mr. Kosygin and Sardar Swaran Singh, Minister of Steel, Mines and Fuel, on the 23rd February, 1961.

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Sardar Swaran Singh said that they were meeting at an appropriate time when the results of the projects, in which Soviet collaboration had been significant, could be seen. In regard to the steel programme, the target of total output of 4½ million tons would be achieved at the end of the Second Plan period. This was small in comparison to the output in the Soviet Union, but in India achieving this necessitated expansion of the two existing steel plants and starting of three new ones. Bhilai project had been a happy experience, and the plant has now been virtually completed. In the Third Plan also it was proposed to give high importance to the development of additional production capacity for steel, and the target was additional 4 million tons, out of which 1.5 million tons was to come from the expansion of the Bhilai plant.

In regard to coal, at the beginning of the Second Plan, the total annual production was 38 million tons. By the end of the plan period it was expected to increase by 20 million tons. Looking at the figures of the monthly production in the current year, it should not be difficult to achieve the target of 60 million tons a year. However, at the end of the Third Plan, the total requirement taking into account expansion programme of railways, cement industry and power plants, would be 97 million tons a year. In this field also Soviet Union had extended assistance, and a coal washery plant had been set up at Colba with their aid.

In India the problem of hauling of coal over long distances was serious and there were often temporary shortages in some distant regions. There was need therefore to find new reserves in such distant places. Gujrat was, for instance, far from coal-bearing areas. However, discovery of rich oil reserves at Cambay and Ankleshwar would solve the problem of that area. Similarly, in the extreme south Neyveli project had been started with the Soviet help to work the lignite mines, and it was proposed to develop iron and steel industry in the south with lignite and other non-ferrous metals. Non-ferrous metals like copper, zinc etc., had been located, and in the next plan we would like very much to develop smelters.

In reply, Mr. Kosygin observed as follows:

(1). India had chosen the correct way of expanding various steel plants. Once the iron ore reserves were discovered and there was the trained personnel, higher targets would be achieved without much difficulty. For instance, Bhilai plant could be expanded to produce more than 2.5 million tons of steel. Expansion of the existing plants was the cheapest and the quickest way of increasing the production capacity. Large furnaces upto the size of 1730 cubic metres had been built at Bhilai. They were good furnaces and would produce high quality steel. In the Soviet Union, the trend was towards installing plants with maximum capacity not only in the steel industry, but also in the power, chemicals and other industries.

(2). Secondly, it would be far more preferable and economical to use natural gas and oil than brown coal for the steel industry. In India there were good prospects of finding oil and natural gas. Until then it would be better to undertake intensive prospecting of coking coal instead of setting up new types of plants. Similarly, efforts should be made to have uniform type ofovens and earth moving equipment so that problem of spare parts could be solved. However, Soviet Union would gladly relieve temporary shortages of coking coal in exchange for iron ore or steel. They had a similar arrangement with Japan. Similarly, USSR could also supply oil products. As soon as India had developed the oil industry or had enough coking coal, the arrangement could be discontinued.

S. Swaran Singh said that while there were some difficulties, India could by and large meet her requirements of coking coal and was not interested in importing any at present. But we would have to consider in greater details the other suggestion for exchange of oil products with steel products. For instance, India could export pipes to meet Soviet needs of steel pipelines for carrying oil over long distances. India may need petroleum oil in particular furnace oil for use on the western coast and Soviet Union may consider supplying it under the rupee payment agreement. This would also help progressive switching over from coal to petroleum products, and once India started producing her own oil products, she could use them.

The Minister further stressed the need for expanding training facilities for the technical personnel in India now that the industrial sector was taking shape. Mr. Kosygin advised that instead of asking Soviet or other foreign experts to come to India, it would be better to send young Indian graduates for training abroad. Soviet Union was prepared to help. At the Institute of Technology at Moscow there were 12 Russian Professors. It might be useful, he added, to start faculties for steel and petroleum in the Institute so that trained personnel may be available by the time the industry comes up.

A note on the exchange of views between H.E.Mr.Kosygin and Shri K.D.Malaviya, Minister for Mines and Oil, on the 21st February, 1961.

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Shri Malaviya expressed gratitude for the Soviet help in the development of oil resources in India. The process of co-operation had begun with Mr. Mikoyan's visit to India four years back, and was now at its peak. Oil had been discovered in the Western and the Eastern parts of India with the help of Russian experts and equipment. When the work started, Russian and Indian technicians were in equal numbers, but now there were only a few Russians left. Ultimate objective was complete Indianisation of staff with Soviet help. At this point Mr.Kosygin said the quicker this happened, the happier would Soviet Union be.

Shri Malaviya said further that the construction of the Barauni Refinery was already in hand with the Soviet aid, and would be completed by the target date. For the second oil refinery at Gujrat, Russian experts had come and work was to start, but refinery was to be completed only by 1965. India wanted Soviet co-operation and help so that the Gujrat refinery may be completed earlier - if possible by the time the first refinery at Barauni is to be completed. Several wells had been drilled at Cambay. At Ankaleshwar 8 wells had already been drilled; in another three months the number will go upto 16, and by the end of the year to 30. One well was capable of producing 600 - 700 barrels of oil. By the end of next year they expected to produce 2 million tons of crude oil from this area, and would therefore like to utilise it as soon as possible. Hence the urgency for the Gujrat refinery to be completed as soon as possible.

Mr. Kosygin observed that in the pre-war years, the Soviet Union was lagging behind in oil prospecting. Now new oil bearing areas have been discovered in various parts of the country, and the oil industry was developing fairly well. The current annual production of oil was 161 million tons, and it was expected to increase annually by 17 to 18 million tons. In recent years natural gas was also developed and its output now was already as much as the oil output in 1956-57. There was no reason why oil industry should not develop fast in India. Shri Malaviya said that in the public sector, there was complete control of production of oil and construction of oil refineries, and in the next few years, the output of oil should increase considerably.

Mr. Kosygin referred to the discovery of copper ore deposits in the USSR 2½ years ago. By next year the copper ore output would be 40,000 tons a year, and was expected to increase gradually to 150,000 tons per annum. Prospecting had been completed, and there were also plans in the next five years to set up electric copper smelters.