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Tim de Mello  
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Canada.

Dear Tim:

This is in response to your letter of May 29. It was good to learn of the Goa-Net organization and of your views on the current situation pertaining to investment in Goa.

You spoke of Nairobi. We may have met there in our school days. I was in the Goan School for some of my elementary school years. I have been out of Nairobi close to 30 years now. You and your brother, Dr. A. de Mello, have my very best wishes for a great future.

I would like to commend you on your thinking relative to growth and development in Goa, and to wish you all success in your ventures. In March and April this year, I spent five weeks in Bombay and Pune, but I was not able to include Goa in my itinerary. I experienced first hand a little of the economic activity on the national scenario in India and the impact on citizens at specific levels. I was able to talk with several Goans, including those who had visited Goa last year and those who had been there in January/March this year. It was interesting listening to their assessments, positive in most respects, but at times without the essentials in the inter-relationship with the Indian and the global situation.

Let me now address some of the issues referred to in your letter. There are three main sectors in this deliberation - Goa's prioritized needs, Goa's and India's leaders' possible actions now and in the future, and the investors' goals and concerns based on financial and other factors. There must emerge a critical common ground in most, if not all of this. If progress is to be made, and if a viable organization involving non-resident Goans is to be created, a close matching blend in these three sectors is paramount. Goa's prioritized needs will require close assessment and review. Over a time-period, I have heard a diversity of thinking on this from investors. Since for funding, much depends on the investors' thinking, reconciling the viewpoints of those involved and to be involved can be a substantial initial issue.

As you know, India is one of the newest entrants in the reform process that is sweeping Asia's economies, once intensely regulated for half a century and more. In the very recent past, India has liberalized trade and investment. In an investment, concerns arise regarding unilateral unpredictable policy changes and political instability, some of which was seen in Maharashtra, India's financial hub, in the first quarter of this year. The credibility of decision-makers, who now, and can in the future, exercise power is a concern.

On Goa's prioritized needs, what potential investors regard as desirable in their links with the enterprise may not be the thinking of Goa's Government. A major issue is investment in the infrastructure. In any investment, the financial involvement in terms of monetary values invested (apportioned among non-resident Goans and local investment of the Goa Government and Goa entrepreneurs), with wanted decision making responsibilities by all parties are some of the factors that will play a part. Before the organizers embark on the project, a comprehensive feasibility study on the specific project in the context of the total national economy should be completed and made available for independent examination.

A foreign-financed infrastructure program (to which you refer) can be a primary element that will not yield a direct return. In any investment project, foreign and domestic investors will be influenced by a reasonably early return, a minimum return, a comparatively equitable return or a consistent return.

In the formation of banks, for example is the bank to be headquartered in Goa, or is it to be headquartered in a foreign country with a branch established in Goa. Laws in banking are not the same in Canada, in the U.S. and in India. Significant guarantees and reserves would have to be established by bank investors, some decreed by law and some required by investors. On the whole, the less complex method, but the greater investment risk, may be financing projects in Goa without establishing some control in a foreign bank.

Another consideration is that there are two divisions of non-resident Goans - those who are permanently abroad with no present or future intention of returning to live in Goa (most Goans in Australia, Britain, Canada and the United States, among some countries) and those who live abroad and may and will return to live in Goa in the next two decades (Goans in the Gulf areas and in settlements including Africa). The investment motives for each division can be distinctly different, and the risk/return trade-off for them in the capital markets must be given weight, since in a personalized assessment these may not be identical or comparable.

The tax consequences (income and estate) in India and in investors' foreign countries, and the convertibility and the repatriation of invested capital will be part of the

individual decision-making process. Other issues such as regulatory changes in foreign exchange and trade will be involved. These should be examined in detail before commitments are made. Short-term and medium-term liquidity of the investors' commitment should also be reckoned with as some investors will have this as an element in their investment objective.

Investors should also be apprised of India's improving economic position, and the fact that positive and negative changes, over which foreign investors have no control, can take place in the laws and the operations affecting foreign investment because of local politics and local economic issues. The non-resident organizers of these programs have special responsibility in assessing the possible impact of the changes on non-resident investors. A sense of patriotism and the love of Goa which have a commendable abode in us should, however, not be paramount in investor decisions.

As you may know, when my schedule permits, I continue to be involved in economic issues on the global scene, participating, among other activities, in conferences, including world economic development congresses where some 90 nations are represented. I do not attend as a representative of any nation (these are senior ranking appointees), but I am in a small group of economists invited to this large forum. This gives me an opportunity to meet with country senior leaders and to become aware of some of the logic in the pattern of world occurrences. It also provides me a chance to exchange thoughts with a few of the world's thinkers. I also attend other conferences dealing with the exploration and mining of precious metals worldwide, as this gives me a deeper insight into this area of the economy. I lecture periodically to select groups with interest in investment, personal finance and estate planning.

I would inform you that I will be in Toronto in early August, and I could consider a mutually acceptable meeting date, between August 6 and August 18, with you and also with a Goan group, if this might be of interest to those concerned with the global scene today. There will be no financial commitment or service or product promotion on either side, but all meeting arrangements will require to be made by the local promoters. While in Toronto, my contact will be Fabian Correa in Thornhill (55 McKelvey Drive, phone 731-4209), or I can be reached at my Oakland address before this.

Best wishes to you.

Sincerely,



Maurice Gracias.