CHAPTER III

GROWING DEPENDENCE ON US FOOD, 1961-64

Agricultural Performance in the Third Plan

The conclusion of the long term Agreement in 1960 assuring a steady stream of over four million tons of food-grains produced the immediate effect of improving the food situation in India, despite the shortfall in domestic output in 1959-60. The announcement effect of the agreement unearthed two million tons of grain from private heards. The open market prices fell in the latter part of the year at a time when the steady flow of grains from the US had commenced. The demand for grains from Government stocks had declined and the Government were able to increase their stocks substantially. The following year, output of foodgrains recorded an increase of 6.1 per cent. Imports were reduced from the level of five million tons in 1960 to 3.1 million tons in 1961. Government stocks which had increased by 1.4 million tons in 1960 were reduced. Even though apparently in conflict with the announced policy of steady imports for building a buffer

2 Interview with Shri S.K. Patil, the then Food & Agriculture Minister on 14 November 1973 in New Delhi.
3 Report, n.1, 1960-61, pp.1,3,10. The stocks of food-grains at the end of 1960 increased from the level of 7.8 lakh tons at the end of 1959 to 19.1 lakh tons.
stock, according to S.K. Patil, this measure had to be adopted for want of storage capacity. The available storage capacity, despite plans for expansion, was not keeping pace with the requirement of a rapid stock build up. The improvement in the grain situation, reversed the psychology of scarcity. There was a fall in grain prices. The zonal restrictions on the movement of wheat were liberalised to enable easier flow of grains from surplus to deficit areas. This step was taken to ensure that prices in surplus areas did not fall further, Patil explained in Parliament. He felt that any further fall in prices might adversely affect the farmer's incentive to increase production.\(^5\) With anticipation of a bumper wheat crop in the following year, Government even announced minimum support prices for wheat in March 1962. However, the overall crop prospects for the 1961-62 crop year did not appear to be good despite the increase in wheat production. In fact, 1960-61 turned out to be an exceptionally good year with the grain output being three million tons higher than what could be expected on the basis of past trends.\(^6\)

The overall crop in 1961-62 remained at the same level and declined in the two subsequent years. The first three years of the third plan were marked by virtual stagna-

\(^5\) India, Lok Sabha, Debates, series 2, vol.50, session of 1961, cols.12150,12155-7,12162-3, Statement of Shri S.K. Patil, Minister of Food & Agriculture on 18 April 1961, while replying to the debate on Ministry's demand for grants. By 1961-62 approximately 2.5 million tons of storage capacity was to have been added, but construction until the end of 1960-61 was only 6 lakh tons.

tion of output. Since demand was continuously growing, imports which were filling the gap also increased progressively from about 3.4 million tons in 1961 to 6.3 million tons in 1964. In 1964 the supplies from abroad were further supplemented by drawal of 1.4 million tons from Government stocks. The major part of these imports was from the United States under the May 1960 Agreement. On expiry of the period of this Agreement another Agreement was signed on 30 September 1964 for providing purchase of wheat, rice and vegetable oils worth $398.3 million during the US fiscal year 1965. The amount covered approximately four million tons of wheat, 10.3 million tons of rice and 0.075 million tons of vegetable oils.7

In the first two years of the third plan, prices were steady. A fall of 3.6 per cent in 1961-62 following a good crop was corrected by a like increase in 1962-63. However, since April 1963 prices showed continuously rising trends. In 1963-64 there was an increase of nine per cent and in 1964-65 8.7 per cent. During a major part of 1964-65, i.e., between April 1964 and 9 January 1965, the price rise was 16.2 per cent. Thereafter, there was a fall until 20 March 1965 when the upward trend resumed. That prices continued to rise in 1964-65 despite higher production and increased availability of foodgrains caused considerable concern. The 1964-65 crop was a record one with 10.2 per cent increase over the previous year. Since during the previous years output

was stagnant, the private stocks had been depleted. Part of the new crop was apparently used for re-building these stocks and market arrivals continued to decline. Despite this large increase in crop output the Government continued to import substantial quantities of grain.\(^8\)

The policy of large scale imports under the P.L. 480 programme was adopted in 1960 to stabilise prices in the third plan by building a buffer stock. During 1960 there was accretion of about 1.4 million tons in the Government stocks. Even the imports had to be slowed for want of storage capacity.\(^9\) Ever since 1962, however, the imports were increased for meeting direct consumption requirements arising out of shortfall in domestic production.\(^10\)

The performance of agriculture was disappointing during the third plan, despite the relative shift of emphasis from industry to agriculture. One of the expressly stated objectives of the third five year plan was "to achieve self-sufficiency in foodgrains and increase agricultural production to meet the requirements of industry and exports". Along with the shift in emphasis investment in agriculture was also increased. While planning the strategy for agriculture, it was felt that greater attention be paid to schemes such as intensive agricultural district programme, producing immediate results. Considerable stress was also laid on


\(^9\) Interview with S.K. Patil, n.2. The slowdown in imports was because India could not take physically the stipulated quantity. There was no cut back by the Americans.

\(^10\) Economic Survey, n.4, 1965-66, data from Table 1.4
agricultural research and education and formulation of a price policy which would provide encouragement to the farmers for increasing production.\textsuperscript{11}

The development plans were reviewed by the Government of India after the outbreak of hostilities with China in 1962 in order to provide funds for rising defence expenditure. As is evident from Prime Minister Nehru's speeches in Parliament and the National Development Council, the importance of development and specially on agriculture was recognised by the Government. Agricultural progress was considered necessary to provide food as also earn foreign exchange for building industry required for the defence effort.\textsuperscript{12} Agricultural programmes came into sharp focus in the mid-term plan appraisal in 1963 by the Indian Planning Commission.\textsuperscript{13}

The contemporary official explanation for shortfall in the agricultural plan, as indicated in the President's address to Parliament on 10 February 1964, was successive years of bad weather.\textsuperscript{14} In a subsequent review, however,

\begin{itemize}
\item \textsuperscript{11} India, Govt of, Planning Commission, \textit{Third Five Year Plan}-(New Delhi, 1961), pp.48,61-2,503,321-3.
\item \textsuperscript{12} India, Govt of, Miny of Information \& Broadcasting, Publications Division, Jawahar Lal Nehru's Speeches, vol.4 (1964), pp.157-8, speech in Lok Sabha while moving the resolution on Chinese aggression on 8 November 1962; p.159 for speech at the meeting of the Standing Committee of the National Development Council, New Delhi on 18 January 1963.
\item \textsuperscript{13} India, Govt of, Planning Commission, \textit{Fourth Five Year Plan: A Draft Cutline} (New Delhi, 1966), p.173.
\item \textsuperscript{14} See for instance, India, Lok Sabha, Debates, series 3, vol.25, session of 1964, col.18 from the address by the Vice-President discharging the functions of the President on 10 February 1964.
\end{itemize}
the Planning Commission made an attempt to assess the role of weather and other factors. It was pointed out in the *Fourth Five Year Plan: A Draft Outline* that potential for higher production was created but was thwarted because of adverse weather conditions; otherwise it would not have been possible to reap a record harvest of eighty-nine million tons in 1964-65. Simultaneously, shortcomings in the agricultural plan were also analysed so as to adopt remedial measures. Among the reasons cited in the plan document were shortfall in fertilizers production and other inputs manufactured by industry, time lag in the utilisation of created irrigation potential, low priority to underground or surface water and distribution of power for agriculture and absence of an effective price policy.  

The critics blamed the Government for following inappropriate policies which resulted in a shortfall in output. A theory advanced by some Western economists, notably Theodore W. Schultz, that gained currency was that agricultural progress was retarded because of continuous flow of imports from the United States on soft and easy terms. This happened in two ways. Firstly, large scale imports of foodgrains depressed agricultural prices and adversely affected the cultivators' incentive to increase production. Secondly, the convenience with which grain imports were available during this period introduced an environment of complacency in the plan...

implementation machinery which was responsible for slackening of effort to improve agricultural production.\textsuperscript{16}

Whether or not the continued imports of grains from US affected agricultural output adversely, the point to note is that instead of removing the need for further imports at the end of the third plan, the country had become increasingly dependent on US food. Almost one-fifth of the US wheat crop was shipped to India in 1964.\textsuperscript{17} As the largest recipient of American surplus commodities since the inception of P.L. 480 programme, India had entered into nine agreements and seventeen supplementary agreements covering an aggregate value of $2,883.1 million (Rs 1,372.9 crores). The total supply of wheat provided for was 31.1 million tons, apart from 1.7 million tons of rice, 8 lakh tons of maize and milo and small quantities of supplementary food, like non-fat-dry milk, soyabean oil, evaporated milk, whole-milk powder, cheese and canned fruit.\textsuperscript{18}

Readjustment of US Farm and Foreign Aid Policies: 1961-64

Kennedy's "New Frontier" in foreign economic aid programme was designed to use aid, not as an instrument of

\footnotesize{\textsuperscript{16} Theodore W. Schultz, paper before the American Farm Economic Association and subsequently published as an article entitled "Value of US Farm Surplus to Under-Developed Countries", Journal of Farm Economics, vol.42, December 1960.}

\footnotesize{\textsuperscript{17} India, Lok Sabha, Debates, series 3, vol.36, session of 1964, col.2627.}

\footnotesize{\textsuperscript{18} US Information Service, Food for Peace (Public Law 480) (New Delhi, 1964), p.3.}
supporting military and short term political objectives but to further long range political objective of keeping friendly regimes oriented to the extent possible by assistance to promote constructive economic and social advancement. The change in approach from the narrower cold war rhetoric of the preceding period implied much larger size of US aid, multi-year commitment, coordination of various aid programmes and agencies and flexibility to adapt the programme to individual country requirement. In this scheme of things the surplus agricultural programme was viewed as an integral part of the foreign aid programme. The philosophy of disposal of unwanted agricultural surpluses was to transform into a positive programme to meet world food needs arising out of suffering from inadequate diet, malnutrition and even outright starvation in poor and food deficit countries. Such a course was viewed as promising the global security objectives of the United States.

Walt Rostow, the economic historian who had joined President Kennedy's staff, developed the idea of an Economic Development Decade, based on his theory of stages of economic growth. Eighty per cent of Latin America and well over half of the other under-developed portions of the "free world", including India, could be helped to complete the "take off


20 Report, "Food for Peace Program", 19 January 1961, Box No.78, President's Office Files, John F. Kennedy Library.
process" within a decade provided a massive dose of foreign aid was given, he argued. By 1970 these countries were expected to achieve "self sustaining growth". Once having reached this stage they would no longer require any significant external capital, except from private commercial sources. This concrete goal for the 1960s was conceived as having "... enormous power in catching the public imagination in all countries" as also assuring "the Congress that we ... are not getting into an endlessly expanding demand for American resources for development purposes," Rostow wrote in a memorandum to the President.21

A special office of Director Food for Peace was created in the Executive Office of the President, to implement the programme and to coordinate the activities of State and Agriculture Departments and other agencies, keeping in view the intimate relationships between foreign agricultural activities and foreign assistance programmes.22 Two months after taking over as the first Director of Food for Peace, George McGovern, in a memorandum to Kennedy, recommended expansion of concessional export sales for current consumption and national food reserves by ten to fifteen per cent. He also recommended a substantial step up of school lunch programmes and work projects using P.L. 480 food as wages.23

21 Memorandum, Walt W. Rostow to President, 2 March 1961, Box No.65, President's Office Files.

22 Memorandum, President to Heads of Executive Departments and Agencies, 24 January 1961, Box No.231, White House Staff Files - Executive, John F. Kennedy Library.

23 Memorandum, George McGovern to President, 28 March 1961, Box No.662, White House Staff Files - Executive.
The expanded food aid programme, however, could not by itself solve the problem of mounting surpluses. Food-grain stocks which were 20.1 million tons in 1952-53 went up to 84 million tons in 1960-61. Wheat stocks similarly increased from 256 million bushels to 500 million bushels. Heavy stocks meant high storage cost. The investment of the Commodity Credit Corporation had gone up to $8.5 billion at the end of fiscal year 1961. A comprehensive legislation, the Agricultural Act of 1961, was introduced in April 1961. The scope of the legislation, as favoured by the Department of Agriculture, was described to the President in a memorandum by Secretary Orville Freeman. The demand-supply imbalance which resulted in ever increasing surpluses was sought to be corrected by a more effective programme of supply adjustment and increasing domestic consumption, apart from providing for an expanded Food for Peace programme. A five year extension of Title I & II of P.L. 480 was also sought in the comprehensive bill. It was also proposed to increase the authorisation for Title I sales from $1.5 billion to $2.5 billion a year. While eventually the Congress agreed to extend the relevant provision in the law for a period of three

24 Letter, John A. Schnittker to President, 31 January 1961, Box No.68, President's Office Files - Executive.


26 Memorandum, Orville Freeman to President, 17 April 1961, Box No.49, President's Office Files.
years only and reduced the total three year Title I authorisation to $4.5 billion; there was still no major difference of opinion on the prevalent view, that the programme was crucial for orderly disposal of surpluses and was also a potent instrument of foreign policy.27

The Agricultural Act of 1961 facilitated the expansion of the Food for Peace programme in the early sixties. The number of countries utilising aid for social and economic development increased eightfold. There was a new impetus given to certain social programmes too, especially the school lunch programme. The US also supported unilateral efforts through the Food & Agriculture Organisation which had recently established the Freedom from Hunger Campaign. Food aid, Freeman stated, was used increasingly as an instrument of growth. It was also used as part payment for labour engaged in irrigation, road building and other public facilities.28

At the same time, the supply adjustment programme started producing effective results in the very first year. Wheat production was affected by drought. Corn and sorghum was effectively reduced by farmer participation in the new scheme of voluntary cuts in acreages. The farmers were given payments for reducing the area cultivated. Exports in the financial year 1961 also increased by ten per cent over the previous


28 US, Department of State, Bulletin, vol.47, 13 August 1962, p.257 (McGovern's resignation from the Directorship of Food for Peace Program); vol.49, 15 July 1963, p.57 (Secretary Freeman's views).
year and four to five per cent over the previous record of FY 1957. The net effect was reduction in surpluses. By the end of 1961 surpluses were limited to only wheat and corn. The reduced surpluses enabled changes in style of diplomacy, according to John K. Galbraith, the then US Ambassador to India. The recipients could no longer imagine that they were helping the US in reducing their surplus, he argued.

The wheat situation underwent a radical change towards the end of 1963. In the context of the growing Sino-Soviet rift, the possible role that American food surpluses could play in case China looked for non-Communist sources of supply or the Soviet Union itself faced shortages, came to be taken note of in the executive branch. China had bought five million tons of wheat from Canada, Australia and Argentina in 1962. The reported harvest was poorer in 1963 and it was anticipated that total purchases in 1963 could be more than 1962. The harvests were also poor in Western Europe, USSR and Japan. USSR which had exported one million tons of wheat to Western Europe in 1962, was in need of wheat to meet domestic needs.

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30 J.K. Galbraith, Ambassador's Journal (London, 1969), p.295. The P.L. 480 deals were now conducted in secrecy as surpluses had diminished. According to S.K. Patil, the Kennedy Administration and Galbraith were as cooperative in releasing foodgrains for India as the previous team. As far as surplus situation is concerned, S.K. Patil never had any illusions. Even when US had surpluses, they had other commitments and could, therefore, afford to adopt the attitude if you do not want, don't take it. (Based on an interview with S.K. Patil, n.2).
requirements. A memorandum in the Theodore Sorenson Papers entitled "Questions in Possible Sale of Wheat to the Soviet Union" analysed the emerging situation. World trade in 1963-64 was expected to be 35-40 per cent more than 1962-63 and 20-25 per cent more than the record trade of 47 million tons in 1961-62. Out of the major producing countries only US and Canada were in a position to expand exports. The Canadian exports were up by six million tons, leaving 6 to 7 million tons to US. The Soviet Union had contracted purchases of about 8.6 million tons and were negotiating purchase of 4 million tons of grain from the United States. US wheat sales to Soviet Union did not require any legislative authority. The sales were through normal trade channels at international prices for US dollars or gold, either in cash or under normal credit on commercial terms. The export sales resulted in reduction of cost of storage and recovery of cost of wheat at international prices. In a communication to the presiding officers of the two Houses of Congress, Kennedy pointed out that there was an immediate gain both to the exchequer and the balance of payments. Sales of wheat to America's principal adversary did evoke some criticism, but was not politically unpopular as the measure was welcomed by the agricultural interests and resulted in reduction of surpluses.

31 Memorandum, "Questions on Possible Sale of Wheat to Soviet Union" (Q3b and 4), Theodore G. Sorenson Papers - Subject Files, 1961-64, John F. Kennedy Library.

32 Letter, President to the President of the Senate and Speaker of the House of Representatives, 10 October 1963, Box No. 53, President's Office Files.

33 Letter, John K. Galbraith to President, 10 October 1963, Box No.30, President's Office Files.
The initial fervour of the Kennedy Administration in seeming to accept global responsibility for social and economic reconstruction also did not last long. With growing Congressional criticism of foreign aid, the President appointed a Committee (Clay Committee) under the chairmanship of General Lucius Clay to review the extent to which aid programmes were serving US interests and recommend measures to improve it. The implications of the Clay Committee's report could be perceived in two memoranda by AID Administrator, David Bell, to the President. While the policy of long term country programming continued, increasing stress was laid on the necessity of the recipient countries undertaking self-help measures. The volume of aid was substantially reduced. 34 The concept of burden sharing and multilateral cooperation in aid became the theme in discussion with other industrialised nations in forums like the Development Assistance Committee. 35

When the P.L. 480 legislation was extended again in 1964, a businesslike review was conducted of terms and conditions. 36 Even though Kennedy's successor, Lyndon Johnson, recommended an extension for five years with an

34 Memoranda, David E. Bell to President, 23 January 1963, Box No.68 and 11 March 1963, Box No.68, President's Office Files.

35 Signing statement of the President on "Foreign Assistance Act of 1963", 16 December 1963, Box No.34, Theodore C. Sorenson Papers - Subject Files, 1961-64.

36 US Congressional Record, 88th Congress, 2nd session, vol. 110, p.20412, Statement of Senator Allen Ellender (Chairman Senate Committee on Agriculture and Forestry) in the Senate on 19 August 1964.
authorisation (Title I sales) of $2.5 billion a year, the Congress approved extension for only two years authorising an average of approximately $1.5 billion a year.\footnote{US Senate, 88th Congress, 2nd session, Senate Report No. 1467, pp.31-3. Extension and Amendment of Public Law 480 (16 August 1964) from the Committee on Agriculture and Forestry (to accompany S 2687), from the letter of Secy Freeman to Carl Hayden, President pro tempore US Senate dated 18 February 1964; US Congressional Record, n.36, pp.22621-3, Conference Report (H.R. 1897) submitted to the House on 23 September 1964.}

The exchange rate provision for convertibility of foreign currencies to US currency, interest rate provision for loans to foreign governments were made stiffer, and the provision of giving foreign currency loan for transportation of commodities in US flagships (limited to fifty per cent) was scrapped, thus requiring dollar payments from recipients. Limitations of twenty-five per cent on private business was removed. Embargo for Titles I and IV sales was placed on countries permitting its ships or aircrafts under its registry to transport any equipment, commodity or materials to Cuba as long as it is governed by the Castro regime.\footnote{Memorandum, Kermit Gorden (Director Bureau of the Budget) to the President, 5 October 1964, Enrolled Legislation P.L. 88-638, S.2687, Lyndon B. Johnson Library, Austin.}

\textbf{Shifts in America's Indian Policy}

Kennedy had appointed a task force for defining US policy with respect to India before his inauguration.
A task force consisting of Max F. Millikan and Don D. Humphrey recommended that the Administration should provide full support for assuring speedy implementation of the third five year plan. The foreign aid requirements in their opinion would have been two or three times more than what had been estimated by the Indians. They had recommended a multi-year commitment on the lines already approved for P.L. 480 grains. The Administration followed up the recommendations with concrete proposals. Kennedy wrote to Nehru assuring US support to the financing of India's third five year plan and introducing flexibility in the use of aid funds, especially for financing non-project imports.

Despite initial enthusiasm, the emergence of some strain in Indo-US relations by the summer of 1962 served as a damper. Among the developments involved that aroused a critical Congressional comment were i) differences over liberation of Goa in December 1961; ii) US military aid to Pakistan; iii) India's project for obtaining Soviet jet aircraft (MiG); iv) the reaction of the Pakistan lobby in Washington to the allegedly "pro-India" bias of the Kennedy Administration. While dealing with Congressional critics

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39 Report of the task force on US Policy with Respect to India, 27 December 1960, Box No.689, Transition Files.

40 Letter from President Kennedy to Jawahar Lal Nehru, 25 May 1961, India Folder, Box No.118, President's Office Files.

gently and cautiously, the Administration saw in these developments no firm basis for a change in its course towards India. Spokesmen of the Administration explained to the appropriate Congressional Committees that even the purchase of MiG aircraft from the Soviet Union by India was not necessarily an unfavourable development from the American point of view. The Soviet overture to India in the background of growing Chinese threat to India was presented as an indication of increasing complications in the Sino-Soviet relations and was thus not unwelcome.42

The Chinese accusation against the Soviet leaders for appeasement on the Munich pattern in the latter's decision to remove missiles from Cuba, and Moscow's reluctance to endorse the Chinese position on the Indian border, and Soviet moves in deepening their commitments in India, were viewed by American policy makers as definite indication of intensifying Sino-Soviet cleavage. This perspective influenced Washington's view of the Soviet role in India. Whereas in the 'fifties the US increased its aid commitments to India in order to counter and reduce Soviet influence, it now saw the possibility of reducing responsibility to India, with resultant implications for Sino-Soviet relations. Both the super powers, for their own respective reasons, were interested in the preservation of the independence and national integrity of India. The Soviet assistance in setting up steel mills, for example, which had been viewed with suspicion and distrust by US policy makers in the early

42 Memorandum, Ralph A. Dungan to President, 21 May 1962, Box No.234, White House Staff Files-Executive.
'fifties, was viewed now from a different angle. The
provision of such Soviet assistance was seen as offsetting
obligations that the US might have had to meet to a consider-
able extent. This change from a "competitive" to a somewhat
complementary if not a "cooperative" approach eventually had
its impact on reducing US aid commitments.

Yet another factor in the changing global scene was
the increasing US involvement in South Vietnam. The Kennedy
years witnessed a "significantly deepening US involvement".
The "limited risk gamble" of the previous Administration was
transformed "into a broad commitment" to prevent communist
domination of South Vietnam. The domino theory was still
holding and the "loss" of South Vietnam to the Communists
was depicted as a development that would lead to the surrender
of the whole of South East Asia. The focus of US attention
shifted from the Indian Sub-continent to South Vietnam. The
Vietnam situation was one of the topics of discussion between
Nehru and Kennedy during the former’s visit to the United
States in November 1961. Chester Bowles, who was then the

by Roger Hilsman, Director Bureau of Intelligence and
Research before the World Affairs Council at Dallas,
Texas on 8 November 1962); vol.48, 6 May 1963, p.696,
Remarks by W. Averell Harriman, Assistant Secretary for
Far Eastern Affairs at the American Society of Newspaper
Editors at Washington on 16 April 1963. See also M.S.
Venkataramani, "Indo-American Relations: Some Develop-
ments in Recent Years", Commerce (Annual Number),
December 1962, p.445. He has cited similar views
emphasised by George W. Ball, Under Secretary of State
for Economic Affairs in 1962 and that of Henry R.
Labouirse, Chairman of a Task Force on Economic Assist-
ance set up by President Kennedy.

44 The Pentagon Papers, as published by New York Times
Under Secretary of State, records that "Nehru had indicated that a substantial consensus existed between the United States and India on the problem of South East Asia". He also records that "Kennedy had inferred from this early talk with Nehru that India would not object openly to some military advisers or military equipment in Vietnam, but would oppose intervention by US combat troops". 45 John F. Galbraith, the then US Ambassador to India, however, records in his letter to President Kennedy that "Nehru's visit left you and Washington with the feeling that the Indians were rather irresponsible in their view of events in South East Asia". 46 He also records the following regarding the informal discussion he, Kennedy and Nehru had on 6 November on South Vietnam:

The President and I pressed Nehru hard on what we should do to put down communist terror. Could Ho Chi Minh do anything? The UN? What about a UN Observer Corps? What could the I.C.C. do? Nehru was rather negative on all of these matters and most interested in making it clear that we should not send in soldiers. I agree heartily but we need an alternative with a plausible chance of success. 47

He further records that the subject was again discussed at the formal talks the following day which were "brilliant monologues" by Kennedy without evoking any response from Nehru. 48

45 Chester Bowles, n.41, p.476.
46 J.K. Galbraith, n.30, p.269.
47 ibid, p.246.
48 ibid, p.248.
The Kennedy Administration had no reason to convey to Nehru the fact that American plans were well advanced on an interventionist course in Vietnam. Such convergence of views on Vietnam, as materialised between Kennedy and Nehru, were clearly the result of the limited information on American intentions that the American side provided to the Indian visitor. With the focal point shifting to South East Asia, a "downgrading" of US level of interest in India was in the cards.49 Despite prompt support to India during the Chinese invasion of 1962, the United States kept its level of military aid to modest dimensions and continued to be cool on giving long term military assistance to India. The issue was finally given up in the summer of 1964.50

Such was the broad context in which US-Indian moves relating to food were made. American spokesmen tended to express growing disenchantment with the performance of Indian agriculture. Shortfalls in production targets were resulting in ever increasing shipments of US food, even as US surpluses were shrinking. There was considerable criticism and review of prospects in the Congress during the debate on extension of P.L. 480. Consequently, the Johnson Administration directed its efforts towards providing more technical assistance to India for improving its agriculture. Orville L. Freeman, the Secretary of Agriculture, visited India in April 1964 to review the situation. The theme that he

49 Letter, John K. Galbraith to President, 30 September 1963, Box No.30, President's Office Files.

took up with the Government of India was that agriculture must get a very much higher priority in both administrative concentration and in increased allocation of resources. A memorandum Freeman wrote to President Johnson outlines other points stressed by the former during his visit to India. No agricultural improvement was possible without higher investment inputs, especially fertilizer. Fertilizer production could be substantially increased by securing cooperation of American industrial firms. The distributive mechanism for supplying inputs to farmers could be improved by introduction of private companies alongside the Government and cooperative agencies. The importance of providing incentive to the farmer by giving stronger price support and lower input prices was also emphasised. Freeman returned home satisfied with the outcome of his talks.  

Ambassador Chester Bowles confirmed to Freeman subsequently that the policy line indicated was being followed up by him in New Delhi.

Thus, during 1961-64 definite trends both in declining US agricultural surpluses and diminished importance of India in their global view of US interests had set in. Whereas the United States continued to pour in grain during this period, it was apparent in 1964 that it may not be easy to meet the growing Indian requirements of food from the United States on the easy terms of the first decade of

51 Memorandum, Orville Freeman to President, 27 April 1964, Executive Files, Lyndon B. Johnson Library, Austin.
52 Letter, Ambassador Chester Bowles to Orville Freeman, 21 July 1964, Chester Bowles Papers, Sterling Memorial Library, Yale University, New Haven.
P.L. 480. This was publicly acknowledged by both the American and Indian Governments, which almost simultaneously laid stress on promoting self-reliance in agriculture. In pursuance with this thinking, the Government of India introduced a programme for bringing about an agricultural revolution based on new technology. The new strategy was based on improved seeds, large doses of fertilizer, pesticides and greater stress on research and the transformation in production. To facilitate introduction of new technology, a new approach was also adopted to the payment of remunerative prices to the farmers. The prices were to be based on recommendations of an expert committee set up on an ad hoc basis for 1964-65 and of an Agricultural Prices Commission to be set up on a permanent basis thereafter. To administer the prices policy, Food & Agriculture Minister, Chidambaram Subramaniam, announced in the Lok Sabha the Government's decision to set up a new foodgrains corporation. The US also gave up the policy of long term agreements when the 1964 agreement was limited to the fiscal year 1965.


54 Debates, n.53, cols.1011-33, statement of C. Subramaniam, The setting up of the Corporation was announced. It was actually constituted on 1 January 1965.

While agreeing to double the wheat imports under the P.L. 480 programme during the fiscal year 1965, the United States Government also expanded its assistance programme to help India increase its agricultural production. Whereas the massive grain shipments were designed to relieve the food shortage and curb inflation, the Indian agricultural programme was backed by US technical assistance and financial assistance for purchase of fertilizers. Ambassador Bowles stated at a press conference that American companies also would be willing to build indigenous fertilizer capacity of about a million tons a year. The American public statements increasingly emphasised the importance of achieving self-sufficiency in food. 56

Analysis of Public Opinion - Indian

In 1956, when the first Indo-US agreement under the P.L. 480 was signed, it was generally welcomed in the press. The Hindu saw imports under the P.L. 480 as an anti-inflationary device both by adding to the quantity of food-grains as well as by the provision of resources for development publicised through the sale of grain instead of through taxation and or deficit financing. 57 The three year agreement

56 Chester Bowles' Press Conference, n.53. See also U.S.I.S. News Feature released on 17 February 1965 quoting a recent statement of Ambassador Bowles: "The major problem is to produce your own food and I firmly believe you can achieve self-sufficiency in food production within a few years".

57 The Hindu (Madras), 31 August 1956, editorial "A Good Deal".
would thus contribute towards price stability. Since the grain was being obtained only for Rupee payment, the *Times of India* felt there will be a saving of precious foreign exchange. The agreement had an added significance as it was signed just at a time when the rise in prices was suspected to be of an inflationary nature and doubts were being expressed regarding the scale of investment in the second plan. The inflationary pressures could have affected the financing of the plan in two ways, namely, reducing the scale of deficit financing or forced the use of scarce foreign exchange to buy foodgrains and raw materials in short supply. The commodities agreement would help by avoiding recourse to either alternatives, according to the *Indian Finance*. There were few voices against the agreement in Parliament, though there was criticism of failure to achieve self-sufficiency. Even the "leftists" did not oppose the agreement. In fact, in an article in the *New Age*, the political monthly of the Communist Party, a plea was made for "a more vigorous drive to obtain foreign aid from all countries". It added, "There is no objection to getting such aid from America and Britain provided no strings are attached".

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58 *Times of India* (Bombay), 31 August 1956, editorial "A Welcome Deal".

59 *Indian Finance* (Calcutta), vol.57, 1 September 1956, p.393.


61 *New Age* (New Delhi), vol.6, September 1957, p.20. "Foreign Exchange Crisis" by Economicus.
As the food and foreign exchange crisis of the late 'fifties deepened, there was increasing awareness of the receding goal of self-sufficiency, as pointed out by the Times of India. It was felt that whereas imports could relieve the current distress the long term solution of the food problem lay in increasing domestic production. The "leftists" like Renu Chakravarty were even more critical on the subject and expressed strong disapproval of Government's agricultural failures, especially the slow speed of agrarian reforms. After the signing of the record agreement in June 1958, Charan Gupta, writing in the New Age, criticised P.L. 480 loans for harmful inflationary affects and creation of American influence through loans to the private sector. During the course of the discussions in Parliament also, both the agricultural failures and the policy of imports to fill the food gap came in for sharper criticism from even members of the ruling party, like Ram Subhag Singh. The deficiencies in the agricultural production programmes were pointed out in the Lok Sabha and a plea was made to give increasing attention to the problems of domestic farmers. Apart from

62 Times of India (Bombay), 4 June 1958, editorial, "From Hand to Mouth".


providing facilities for better inputs and credit, they needed to be given fair price.66 This demand for a fair price to the cultivator became stronger in subsequent years.67

During the 'fifties, as mentioned earlier, even though there was criticism of Government's food and agriculture policy, there were only a few voices raised against the Indo-US agreements bringing in American grain on easy and concessional terms. In 1960, however, a controversy developed even as negotiations for the biggest deal (4 May Agreement) were progressing. B.R. Shenoy stated in an article in the Times of India that P.L. 480 aid was not an unmixed blessing as these imports had helped in enlarging hoards of grain with traders and producers. This, instead of bringing price stability, helped to create inflationary pressures in the economy.68 This view evoked sharp response. N.A. Khan, writing in the AICC Economic Review, argued that the inventory accumulation was taking place in the background of food shortages caused by shortfall in grain production and undue emphasis on heavy industries. Grain from abroad provided a cushion against runaway inflation and provided additional funds for executing development projects.69 P.R. Brahamanand

66 India, Lok Sabha, Debates, series 3, vol.8, session 5 of 1968, col.178, statement of Ajit Singh Sarhadi. See, for example, statement of P.R. Patel in 1959.


68 Times of India (New Delhi), 28 June 1960.

69 See, for example, N.A. Khan, "Food Aid Under P.L. 480", AICC Economic Review (New Delhi), vol.11, 1 March 1960, pp.9-12.
wrote in the *Times of India* that the increased flow of grain was designed to enable a higher level of activity to be sustained with price stability. The use of funds generated by sale of P.L. 480 grain was analogous to deficit financing. The increased flow of grain, however, countered the inflationary effect of increase in money supply, he added.  

Notwithstanding this controversy, news of the Four-Year Agreement of 1960 was as well received as that of the initial agreement. The massive grain shipment on generous terms for a long span of four years was seen by the *Times of India* as a way "to combat inflationary pressures" and enable the country to "devote its energies to expanding food production and industrial output". The grain shipment would, apart from meeting the consumption requirements, help the country to build a buffer stock of five million tons, thus ensuring price stability, the *Hindu* declared. The purchase of this grain would not impose any strain on the country's meagre exchange resources. *Commerce* wrote that the gift:loan ratio (of equal shares) was liberal and that the counterpart funds would help economic development. The journal even argued that but for the US assistance it would not have been possible to make the economic advance that was achieved in the previous decade.

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71 *Times of India* (Bombay), 5 May 1960.

72 *The Hindu*, 4 May 1960, editorial "Foodgrains from the U.S.".

In Parliament, however, the measure was viewed with increasing suspicion even though it was considered indispensable. Some argued that grain exports under the programme were being resorted to by the United States for solving their own problem of surpluses. The continuance of the imports would be detrimental to India in as much as it would make it perpetually dependent of the United States. Large scale imports would depress prices and ruin the cultivator and the domestic agriculture, some contended. The "leftist" criticism became even more strong. While the P.L. 480 programme would solve the food problem, the use of counterpart funds would start a dangerous process of American infiltration into "our economy, into our universities, into our administration which is taking place because of the P.L. 480 mechanism," H.N. Mookerji of C.P.I. asserted. Even those who had been taking a more sympathetic view of the policy of imports were perturbed over the slow progress of agriculture. They were of the view that during the third plan investment in agriculture was being increased and that the real bottleneck was not finance but effective implementation. A plea was also made for fair price to the cultivator as part of strategy for

74 India, Lok Sabha, Debates, series 2, vol.40 & 41, session of 1960, cols.6790-835,6990-7142,7249-395,debate on demands of Ministry of Food & Agriculture, 18-22 March 1960. See, for example, statement of Mrs Sucheta Kripalani and Rajendra Singh during the course of the debate on 18 March 1960, cols.7005-13,7033-44; statement of Rajendra Singh, col.7039; statement of Ram Subhag Singh, col.7065.
raising domestic output. Food Minister S.K. Patil told the present writer in an interview that the opposition to the policy of imports was mainly from the Communists and based largely on theoretical and imaginary arguments.

During the early 'sixties (upto the end of 1964) with the increasing dependence on US grain supply and crop failures greater attention was paid to farm problems. The view that no farm progress is possible without assuring a reasonable return to the cultivator was gaining ground. Since importing of wheat resulted in lowering of prices it was felt that wheat production would go down as it would affect the agriculturist adversely. Concern was expressed in Parliament over growing dependence on foreign food which would implications for national security. Nonetheless, there was no specific objection to import grain under P.L. 480 to

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76 Interview with S.K. Patil, n.2.

tide over temporary difficulties. The Government was increasingly criticised for failure of agricultural programmes.

By 1964 more voices were heard in Parliament and outside expressing concern over what was termed as "mortgaging our country to the foreign interests" through foreign food. Since the policy of imports was resulting in "permanent crutches", the solution lay in devising steps to increase domestic production. The ship-to-mouth existence had undermined "the nation's economic morale and bred complacency on the agricultural front," argued Commerce which had earlier supported the P.L. 480 programme. The communist New Age particularly criticised the P.L. 480 programme for the loans


82 Commerce, vol.108, 2 May 1964, p.784. The paper was earlier a supporter of P.L. 480 aid, see n.73.
given to the Indo-US private enterprises and depicted it as a "symbol of India's dependence and a rather grim reminder of the woeful legacy from the colonial past". But few were the critics who demanded an outright ending of the programme forthwith. Indeed, there was a sense of relief in the press when import of food through a fresh agreement was announced in August 1964 (after the expiry of the 1960 Agreement). Even the Patriot, a leftist newspaper generally critical of the US, appeared to share the sense of relief. It went on to add:

And yet, this is the logic of P.L. 480 which in spite of its altruistic gloss, has not ceased to be an instrument of the United States' policy to further the interests of its capitalists. To escape from it requires both a determination to raise production at home and vigilance against going in for non-commercial purchase of foodgrains.

While there were no two opinions on the desirability of achieving self-sufficiency of foodgrains in the longer range, after 1960 a controversy had developed on whether P.L. 480 had beneficial or harmful effects on the economy. While Shency continued to hold the view that P.L. 480, by depressing grain prices, was adversely affecting production, others held the view that at least till early 1962 prices


84 See the editorial comments on announcement of four million tons in FY 1964-65 by Chester Bowles, US Ambassador to India in the following i) Times of India (New Delhi), 1 August 1964; ii) The Statesman (New Delhi), 1 August 1964; iii) Northern India Patrika (Allahabad), 2 August 1964. See also the editorial comment in The Hindu, 5 October 1964, after the signing of the 1964 Agreement.

85 Patriot (New Delhi), 24 August 1964.
had not been depressed to uneconomic levels. \(^{86}\) V.K.R.V. Rao and Dharam Narain took the view that "on the whole, taking the available data on acreage under cultivation, agricultural investments and farm inputs, it seems that import of P.L. 480 foodgrains has not adversely affected production". The other issue in this controversy related to the influence of these imports, and the mechanism to finance the same, on the general level of prices. Whereas Shenoy considered the impact of this aid inflationary, others held that these imports had a stabilising influence on prices. Since the counterpart funds were spent on projects included in the plan, they did not lead to expenditure above the plan, thus causing no additional inflationary effect, Rao and Narain argued. \(^{87}\)

While the controversy in the early 'sixties was restricted to academic circles, it gradually crept into Parliament

\(^{86}\) Commerce, vol.104, 24 February 1962, p.311, reported the consensus expressed by a group of economists at a seminar held at the Institute of Economic Growth, New Delhi. This view was expressed after the impact of grain arrivals under the Agreement of 1960 and the good 1960-61 crop. Thereafter food prices have been rising on account of stagnancy of agricultural output.

American Public Opinion

The first P.L. 480 Agreement of 1956, was widely hailed in the American press as a step both in American and Indian interest. The Agreement involving a large outflow of grains was expected to make a sizeable dent in the multi-billion dollar stockpile of grain bought by the Government to support farm prices. The arrangement would enable the United States to reduce the exorbitant storage bill, the Washington Post stated. The measures would also serve foreign policy interests of the United States as in the critical struggle to maintain a power balance. "by protecting independent countries against Soviet influence, we are helping India to stand on her feet," declared the New York Times. Apart from disposal of farm surpluses, the agreement would enable the United States to become a bigger supplier of economic aid as compared to Soviet Russia, the Christian Science Monitor noted. The measure was beneficial to India also as it would enable it to obtain reserves for fighting famine and inflation and use counterpart funds for vitally necessary economic development projects, said the St. Louis Post Despatch. The agreement was "a good example of how

88 See, for instance, the following excerpts from Sunday Standard editorial "Food for Peace". "The fear that American food shipments would have a depressing effect on our food production programme has thus finally dispelled. Undoubtedly prices have dropped to a reasonable and stable level, but they have not become uneconomic."; Times of India (New Delhi), 18 May 1963, editorial "Premature", on the other hand, held the view that P.L. 480 Agreement was generating complacency in regard to agricultural programme.
imagination and ingenuity can be put to work in unwinding red tape," Saturday Review wrote. There were only a few skeptical voices, like the Washington Daily News, which viewed the measure as eventually leading to loss of taxpayer's money. 89

The biggest food deal, namely, the P.L. 480 Agreement of 1960, was greeted with no less enthusiasm. The Washington Post, extolling the virtues of the long term agreement, stated that food is going where it is most needed, not only for feeding hungry people but for building reserves to stabilise grain prices and financing of development plans. The Washington Post Daily News saw no better use for "Uncle Sam's immense surplus than providing food to India as no man can think much about freedom or democracy until he has first had something to eat." The Washington Evening Star found in the agreement a good way of reducing costs on storing surplus grain. It went on to ask whether US could not find any more such customers? The New York Times declared that the agreement was a positive sign of demonstrating Indo-US friendship as a sequel to President Eisenhower's visit to New Delhi the previous year. Appreciating the support the

food aid will provide to India's Third Plan, the New York Herald Tribune prognosticated that the transaction "... is likely to have a more enduring effect on the current history than a thousand more 'dramatic' occurrences." The measure was in mutual interest of both India and US, declared the St. Louis Post Dispatch. 90

When the question of renewal of P.L. 480 came up in 1964, after the expiry of the four year long term Agreement of 1960, there was a noticeable change in the editorial comments appearing in the American press. While there was no major criticism of US policy of continuing food aid to meet shortages in India, the focus of attention had shifted to measures adopted in India for improving agricultural performance. The Christian Science Monitor appreciated Secretary Freeman's concern despatching grain to India for meeting "dangerous" food shortages. The Newsweek appreciated the new initiatives of the Shastri Government in India in shifting priority from industry (by postponing projects) to agriculture, and providing incentives to the farmers for raising agricultural production and thus relieving India's food crisis. The New Delhi Correspondent of the New Leader

appreciated the Government's determination to tackle food crisis by their new accent on agriculture, in an article entitled "Shastri's Hundred Days". 91

Despite Indo-US differences on specific issues like Goa and Kashmir, there was considerable support in American public opinion both for providing development assistance in general and food aid in particular. Paul W. Sayres, Chairman of a Committee on Food Distribution Assistance for India, explained in his India Report, written after extensive travels, that "the Communists have taken one step along the way in China" and their "political conquest of India would trigger a vicious chain reaction in the rest of Asia and in Africa which would be impossible to control." If this is to be avoided, he argued, India must be supported. "Food is the basic fact of life. To India, it looms above political and economic squabbles." Under these circumstances assistance "in their great food problems could mean the turning of the tide in our favour in Asia". 92

Speeches of Congressmen and Senators, columnist stories and


newspaper editorials repeatedly expounded this view.⁹³

Chester Bowles, writing in the *New York Times*, classified the prevailing American opinion in matters of foreign policy and foreign aid as those advocating "a policy of maximum rigidity" and others believing in "a policy of maximum manoeuvrability". While the former drew tough lines of division between the communist and non-communist world and excluded neutral nations as of any significance in the struggle, the latter believed that "the balance of forces within the communist world is in a state of flux, and that this flux creates increasing pressures for change within each country and in their relations with one another."

Chester Bowles argued that US policies should be designed to encourage and take advantage of this trend. Since the Soviet bloc began seeking support of neutral nations, US foreign policy should aim at excluding their influence in such nations by helping them "to establish their independence with an increasing measure of political stability and

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economic progress".94

Both views received considerable attention during the public debate on foreign aid in the mid-'fifties. Paul G. Hoffman in an article entitled "Blue Print of Foreign Aid", published in the New York Times Magazine, expounded the view that it will be in US interest to support the uncommitted poor nations with expanded aid programme. Henry Hazlitt, writing in the Newsweek, dubbed this thesis as "Foreign Aid Mania".95 Public opinion continued to swing in favour of aiding India, as more and more people came to accept the belief that crucial US interests would be served by the preservation of freedom and democracy in India. Increasing publicity of Chinese excursions in the Himalayas helped the supporters of aid to expound their views. The opposition to aid, however, found support in Congress towards the end of 1961 with the expression of American resentment at the Indian use of force in Goa and differences on Kashmir. Commenting on the Senate's foreign relations decision to apply twenty-five per cent cut in aid to India, the Newport Post wrote


that "the vote was motivated by discontent with India's policies - its seizure of Goa, its intransigence toward Pakistan, its hostility towards the United States alliance policies in South East Asia". 96 Senator Stuart Symington, Chairman of the Sub-Committee on Near East and South Asia of the Senate Foreign Relations Committee, in a letter to President Kennedy, examined by the present writer in the John F. Kennedy Library, enclosed a note on "Aid to India", explaining the stand adopted by him against aiding a "Pro-Soviet" neutral while neglecting allies like Pakistan. India, instead of resolving its differences with Pakistan and joining together in the common defence of the sub-continent, was diverting "a disproportionate share of its relatively limited economic resources to attain superior military strength."

American aid to India, he argued, thus enabled her to adopt "aggressive attitude" to Pakistan and commit "open aggression" in Goa. 97

The Chester Bowles papers examined by the present writer in the Yale University Library provide ample evidence


97 Letter, Stuart Symington to President, 11 May 1962, Box No.118, President's Office Files.
of the difficulties faced by the Kennedy Administration in securing acceptance to the Aid India programmes in the Congress. President Kennedy, along with his colleagues, made positive efforts in winning Congressional support, as pointed out by him in a letter to Prime Minister Nehru.98 As indicated by John K. Galbraith in his letters to Ambassador Chester Bowles, he continued his efforts with Congressmen and Senators soon after his return to Washington after laying down office as US Ambassador to India.99 Chester Bowles also used his direct influence with his friends and associates.100

The central issue that developed during the public hearings on surplus disposal policy before the House Committee on Agriculture in 1959 was "whether the disposal of agricultural surpluses under Public Law 480 should tend more and more in the direction of donations and semi-donations foreign policy, or whether the emphasis should be on export of agricultural surpluses on as nearly a business like basis as possible". Even when the pressure for disposal was strong and the Committee felt that both the objectives could be simultaneously fulfilled, the general view was that the programme be carried out "on as sound and businesslike a basis as possible and with the greatest possible return to the American taxpayer". The concrete businesslike proposition made was emphasising the role of barter in preference

98 Letter, President to Prime Minister Nehru, 16 August 1963, Chester Bowles Papers.
99 Letters, J.K. Galbraith to Chester Bowles, 8 August and 4 October 1963, Chester Bowles Papers.
100 Letter, Chester Bowles to Senator Wayne L. Morse, 5 August 1963, Chester Bowles Papers.
to sale for foreign currencies. 101 This view highlighted by Senator Ellender, Chairman, Committee of Agriculture and Forestry, gained currency as with the disposal of surpluses the United States had started accumulating foreign currencies for which it had no use. Senator Humphrey argued on the other hand that the programme should be designed to use American agricultural abundance imaginatively and not merely as a surplus disposal programme. The programme should "further the objectives of American foreign policy to relieve human suffering and want, and make a contribution to the betterment of mankind at home and abroad," he emphasised. 102

This view implied greater emphasis on sale for foreign currencies and greater use of surpluses for economic development to countries like India. While he continued to plead his view for not treating surpluses as a "headache" but an opportunity, the powerful agricultural interests, such as those represented by Congressman Harold D. Cooley, Chairman, House Committee on Agriculture, resented what was described as charging the cost of executing a foreign policy to the farm programme. 103

101 US Congress, House of Representatives, 86th Congress, 1st session, House Report 908, Committee on Agriculture, Extension and Amendment of Public Law 480, pp.6-8,8-12.


103 US Congressional Record, n.27, p.6568 (Statement of Senator Hubert Humphrey in the Senate on 23 April 1961; p.6738, Statement of Harold D. Cooley, Chairman, House Committee on Agriculture, in the House on 26 April 1961.
These differences which were reflected while extending and amending the law for farm surplus disposal had no practical relevance to the Food for Peace Program, as long as pressure for finding an outlet continued. Once the surplus situation was under control in 1964, the votaries of the businesslike approach did succeed in hardening the terms under which sales, especially Title I (concessional) were being made. It came to be generally recognised that the programme was essentially a foreign aid programme required more to fulfill foreign policy objectives than a surplus disposal programme. 104 Congressman Paul Findley, supporting reduced authorisation for Title I, unambiguously stated on the floor of the House:

If we want a Public Law 480, we have to pass a bill that can be administered and which will carry out a program of disposing off agricultural products. I would call the attention of those who are peculiarly interested in a foreign aid bill that if you put this under foreign aid and if you make foreign aid that much larger, I think then that most ardent advocate of foreign aid knows that he is not going to let any foreign aid bills pass. 105

Senator George McGovern, who had seen the first decade of Food for Peace Program as "the near perfect blend of American self-interest and international humanitarianism," did not appreciate the stiffening attitude of his colleagues. Likewise, Hubert Humphrey described the programme as "the

104 US Congressional Record, n.36, pp.20406-20410-25 (Senate debate on 19 August 1964); pp.21412-50 (House debate on 2 September 1964).

105 ibid, p.21433.
most effective, the most powerful, the most important instrument of diplomacy, of foreign policy and of national security that any nation on the face of the earth has today. 106

106 US Congressional Record, 56, pp. 20417, 22768, for George McGovern's views on how American largesse could solve the problem of poverty. See War Against Want: America's Food for Peace Program (New York, 1964).