CHAPTER V
CHAPTER V

GENESIS AND GROWTH OF INDO-US ECONOMIC RELATIONS.

Before going to discuss the genesis and growth of Indo-US economic relations, it will not be out of the point to have a discussion of the American "Restrictionist" laws relating to Indian immigration. These laws stood on the way of a spontaneous growth of social, economic and political relationship between these two countries.

Indian Emigration to the United States:

There are no figures relating to the exact number of early Indian immigrants in the United States. The United States Bureau of Immigration Report began recording of Indian immigrants only from 1899 A.D. Most of the Indians settled on the Pacific Coast States such as Arizona, California, Nevada, Oregon and Texas. Their occupation was farming of rice, wheat, vegetable and cotton. Indians, settling in the Eastern seaboard States were numerically small and belonged to the working class and the business community.
The living conditions of these Indians were far from satisfactory. They were drawn from varied Indian ethnical and religious sections—such as, Hindu, Muslim and Sikh. Their belief and religious practice stood on their way of assimilation with the American society. "Their whole ambition seemed to be to save money, live in dirty and filthy surroundings with a little 'chulah' to cook their meals, not to raise their standard of living, not to worry about education, not to wear clean clothes. Because their aim was not to settle down in the United States of America. Their aim was to get back to their villages with enough money to build a little house or buy a piece of land, but they were not interested to live in the United States of America". J. J. Sing, a prominent fighter against the American laws against Indian immigrants, remarked in this manner about the early Indian settlers in the United States of America.

Under the Alien Registration Act, 1941 only 3986 Indians living in the United States were registered. Adding the un-registered Indians, during the early 1940s, there were more than 6000 Indians in the United States.

American Restrictionist Laws Relating to Indian Immigration.

There were a number of restrictionist laws relating to Indian immigration in the United States of America.
At the end of the First World War, the American Government, by the Act of 5 February 1917, created a "barred Zone" consisting of India, Siam, Indo-China, parts of Siberia, Afghanistan, Arabia and the Islands of Java and Sumatra, from which further immigration was prohibited. Citizenship eligibility rights for Indian settlers in the United States were frozen. Yet, Indian immigration seems to have taken place. Later in 1924, another Act was passed and free entry into the United States was practically stopped. This Act, however, had given a quota of 100 Indian persons per year. As a result, India's quota was used by those who were born in India of parents who were racially eligible to the American citizenship, such as, the English, the French and the Dutch. As many as 1020 such persons entered the United States during 1925-1944 under the Indian quota. Even the Nationality Act of 1940, excluded the Indian nationals from acquiring citizenship rights in the United States. On the contrary, there was a movement in certain American circles in favour of extension of the Indian quota. Till then no positive attempt seemed to make a liberal outlook for Indian immigration. Of course a more vigorous movement proposing the repeal of exclusion laws relating to Chinese nationals commenced in 1942. Madame Chiang Kai-Shek's visit to the United States in the winter of 1942-43 further generated an atmosphere of enthusiasm in favour of permitting the Chinese, and a bill with concrete proposals was first
introduced in the Congress providing for the repeal of the Chinese exclusion laws. This movement was responsible for a concerted campaign in press and radio towards the removal of oriental exclusion laws. More such bills were introduced in the U.S. Congress. After prolonged hearings, the House Immigration Committee admitted, that, that was fitting that the incongruity of discriminatory legislation, inconsistent with the dignity of both our peoples, should be eliminated.

On 21 October 1943, the Congress for the first time had liberalized its rigid policy of exclusion of Asiatic people, giving hope to those who favoured placing all orientals upon a quota basis. Despite the "restrictionist" efforts to resist such measures for liberalising the existing immigration laws, the prevailing spirit of international co-operation and the immediate strategic considerations had encouraged the movement towards liberalization. At the same time these measures had a profound effect on the relations of the United States and the two leading Asian Countries—India and China.

The India Immigration and Naturalization Act of 1946

The enactment of the Indian Immigration and Naturalization Act of 1946, marked a high point in the Indo-US. relations during the immediate post War years. In the late 1930s, however, the movement for repeal of immigration restrictions began to gather momentum with the emergence
of two important organisations interested in promoting American goodwill in India, they were:

(i) The Indian Chamber of Commerce of America Inc. (1988) and
(ii) The India League of America (1988).

The Chamber, constituted by a few Indian businessmen, devoted to the task of development of Indo-American trade and Commerce. It made vigorous attempts to bring about an Indo-US. Trade Treaty. But India was relatively less important for American exports and therefore American interest for a 'trade treaty' with India was considered as un-encouraging. Even then, at the close of the 1980s about ten percent of India's exports and seven percent of imports were with the United States.

In the meantime, Britain announced the negotiations for the Anglo-American trade treaty. This made it easier for India to launch negotiations for a similar treaty with the United States. These tendencies of growing economic interests paved the way towards the repeal of American restrictionist laws. At the close of the World War II conditions became much more favourable.

The India League was founded out of the conviction that an organised American effort might promote the cause of Indians more effectively than existing groups and individuals scattered in the States. The League, under the outstan-
ding leadership of J.J. Sing, succeeded in the task of influencing the articulate sections of American society. But the League faced strong opposition from many quarters. The League left no stone unturned to introduce a bill in the House seeking immigration and naturalization of Indians in the United States. J.J. Sing, President of the League found Democratic Representative Emmanuel Celler and Republican Clare Booth Luce agreeable to the idea of proposing two similar bills seeking immigration and naturalization of Indians in the United States. These bills introduced (1944) by representatives of the majority and the minority party were just to give the cause of bipartisan support of the issue. The bills were very much similar to that of Chinese exclusion bill. With a view to mobilising further American public opinions in favour of Celler-Luce bills, the League organised public meetings wherein many people from varied walks of life - educator, author, civic leader, journalist, made forceful speeches.

Of the other organisations, working for the cause of Indian nationals in the States, mention may be made of the:

(a) Indian Association for American Citizenship and
(b) the National Committee for India's Freedom.

The National Committee in 1945, succeeded in influencing Senator Arthur Capper, Republican, to introduce a bill favouring citizenship for Indians in the United States.
After prolonged efforts, the House Committee commenced hearing of the Luce - Cellar bills on 7 March 1946. The Senate Immigration Committee also took the bills under consideration. The Departments of State and Justice also favoured the passage of the Immigration Bills. Under Secretary of State Dean Acheson made a very strong case for the passing of the Bill. He argued that the existing restrictions on Indian immigration and citizenship were an insult to a great nation. At last on 2 July, 1946, President H.S. Truman signed the Bill and the same became the "India Immigration and Naturalization Act of 1946".

The Act provided:

(1) That nationals of India, who are already in the United States and who legally entered the United States for permanent residence, will have the privilege of becoming naturalized citizens of the United States.

(2) It will entitle nationals of India to enter the United States under the existing quota for India of 100 per year which was established in 1924.

(3) A preference up to 75% of the quota will be given to nationals of India and others who are racially eligible to naturalization and were born in India and are residents in India. The balance of 25% will be available to nationals of India living outside India.28
At present immigration and naturalization of aliens are regulated by the Immigration and Nationality Act of 1952. The latest amendment of this Act in July, 1968 had done away with all national origins quotas. (Refer Statesman Year Book 1971-72- Pp 546).


Evolution of Indo-US Economic Relation:

Under the circumstances, Indo-US relation was sporadic all throughout the British Rule. We have discussed the evolution of United States foreign policy in Chapter III. Food-relief, military assistance and supply of technical know-how formed the basis of United States foreign policy and economic relation with other countries since World War I. The Government of U.S. was apathetic towards the economic problems of India. However, certain amount of trade took place between the two countries through private channels (Ref. Ch. X). India received food relief in times of famines of 1897, 1899 and 1943 provided by private American organisations and church authorities (Ref. Ch. VI).

American complacency in having a closer relation with India till the World War II period was because:
(a) Indian market was not much profitable for American exports and
(b) India's colonial status. American leaders considered that British Government should bear all responsibilities for the Indian Problems. Inspite of the establishment of Indo-US. diplomatic relation in 1941*, American attitude towards India was marked no spectacular change.

Even after India's independence, the U.S. Government attached no such importance to India and had apathetic attitude as to form any link with the country. Of all the American criticisms leveled against India, perhaps the major one was that she was neutral in her foreign policy, India, as a sovereign republic, maintained that her foreign policy was independent one i.e. uncommitted to either power block.

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*Mr. Nehru in his 'India's Foreign Policy' (New-Delhi 1961 Pp.593) stated that President Roosevelt had great interest in India's freedom and exercised his great influence to that end. He realized that India was going to be important in the War. In the summer of 1941, therefore, the U.S. Government agreed with India and Great Britain to exchange diplomatic representatives. The U.S. Government appointed a Commissioner with the rank of Minister in New Delhi and India sent an Agent General with the same rank to Washington. In the spring of 1942, Roosevelt sent Colonel Louis Johnson to India as U.S. Ambassador. The date of appointment of the first Indian Ambassador to the U.S.A., Mr. Azeef Ali, was 20 Feb., 1947. Indo-US. diplomatic relation was strengthened on India's gaining freedom on August 15, 1947.
"The particular impediments stressed in the case of India are the nature of India's screening policy, which has denied admission of some types of investment and proved slowly and costly for others, the import, export, foreign exchange and other controls; a Government Policy which favours nationalization of some industries and Government participation in Industry in general; the unfamiliarity of American with Indian business ways; the relatively low stage of Indian economic development; and the absence of a double taxation agreement.\textsuperscript{24}

However, it is clear that U.S. interest towards India grew up after the Communist resurgence in China in 1949 and the U.S. leaders realised the emergence of India as a leader in Asia against China. In October 1949, Jawaharlal Nehru visited the U.S.A. and sought for U.S. assistance, in the form of surplus agricultural commodities and technical personnel to overcome India's serious food shortage and shortage of skilled technical know-how. India experienced a trade deficit of 90 million dollars in 1948 and 87 million dollars in 1949 with the United States. And in the absence of Governmental assistance, she found it hard to affect purchases of food and capital goods from the U.S.A. and to mitigate the trade deficit. Jawaharlal Nehru seemed to have been interested in having a first hand look at the U.S.A. He stated in a speech delivered in the U.S.A.: 
"The United States of America is not an unknown country even in far-off India and many of us have grown up in admiration of the ideals and objectives which have made this country great. Yet, though we may have known the history and something of the culture of our respective countries, what is required is a true understanding and appreciation of each other even where we differ. Out of that understanding grows fruitful co-operation in the pursuit of common ideals. I have come here, therefore, on a voyage of discovery of the mind and heart of America and to place before you our mind and heart."

It is worth mentioning here that as a result of separation of the country in 1947, India faced serious shortage of raw-materials, food-grains and foreign exchange. There was foreign exchange balance at the moment, of the rupee value of nearly Rs.1300 million, of which a percentage of share had to be allotted to the newly emerging Pakistan and this was another factor for India's foreign exchange deficit during the immediate post-independence years.

(II)

Let us now have a discussion on the international issues which were responsible for the growing American complacency towards India since India's independence.25

Apart from Indian policy of non-alignment, India's stand in the contemporary world issues like, Chinese issue,
Korean crisis, Japanese Peace Treaty etc. was viewed with much suspicion. India's decision to recognise the Chinese People's Government on December 30, 1949 might be regarded as the beginning of serious differences between the two countries over the Far Eastern situation. Even Jawaharlal Nehru championed the cause of Peking's entry into the United Nations Organizations. Concurrent recognition of China and Formosa was also obnoxious to India. On the contrary, the United States Government supported the cause of Formosa in her entry into the U.N.O. Although the difference in the approach of the two countries towards China and Formosa was fundamental, it would be wrong to assume that it would have created any serious differences in the absence of other issues.

Another remarkable source of friction was lack of Indian support to the Japanese Peace Treaty signed at San Francisco on September 8, 1951. India refused to participate in the San Francisco Conference held for the signing of the Treaty. India raised objection on the following points:

(a) Firstly, she objected to the United States taking over two islands from Japan.

(b) Secondly, with regard to the provision for the stationing of American troops in Japan, India suggested that this provision would cast a blow on the sovereignty of Japan.
(c) Thirdly, India urged upon the inclusion of a provision for the return of Formossa to China and Kurile and South Sakhalin Islands to Russia. Also India suggested that future of these islands should also be determined in the Treaty.

The United States outright rejected the Indian objections. India was also accused of siding with the Communist Block.

Another sore-spot in the Indo-US relations was provided by the North Korean invasion of South Korea on June 25, 1950. India did not want to get involved in the Korean War. She did not send any troop to South Korea and thereby she opposed the U.S. move.

As a non-aligned nation India liked to mediate during any War. The United States authorities took Indian efforts of mediation as appeasement and were strongly criticised. Even after the War, Indo-American relation did not ease, because India, as Chairman of the Neutral Nations Repatriation Commission, could not satisfy the U.S.A. in deciding about the prisoners of war exchange.

India was always opposed to any Defence Pact. She, however, had refrained from criticisms of the North Atlantic Treaty Organization, where United States was involved. India branded the South East Asian Treaty Organization as a viola-
tion of the spirit of the United Nations Charter. Pakistan was included in this Treaty (SEATO) and this frustrated India's aim of building an area of peace in Asia, America's role in the Indo-Pakistani affairs is another factor causing difference between the two countries. Both countries have also differences in respect of the Indo China issue.

Since 1953, the relations gradually began to improve; Indian policy of democracy and non-alignment began to gain American appreciation. The United States Government would have much appreciated if India had aligned with her. But India's strong stand on her avowed policy of non-alignment and co-existence for mutual benefit and peace, seems, ultimately to gather appreciation even in the United States of America and more particularly, this great nation becomes highly interested in India's strategic position in South Asia.

(III)

Over and above, a number of international issues standing on the way of Indo-US relations, India's dedication to socialism was another reason of American complacency towards India. India began to move towards the goal of socialism, by constantly enlarging the State-owned public sector and according to some, stifling the private sector. Americans believed that to aid India was to subsidize socialism in India. The U.S. philosophy of free enterprise and minimum State intervention seems in direct opposition to
India's economic philosophy is reflected in the Industrial Policy Resolutions of 1948 and 1956. The Industrial Policy Resolution of 1956 was drafted following the Resolution of the Indian National Congress at its Avadi Session in 1955. The Avadi Resolution read "Planning should take place with a view to the establishment of a 'socialistic pattern of society' where the principal means of production are under social ownership or control". This objective was reiterated in the Government of India's Industrial Policy Resolution, 1956 as such:

"The State will progressively assume a predominant and direct responsibility for setting up new industrial undertakings and for developing transport facilities. It will also undertake State trading in an increasing scale. The adoption of the socialist pattern of society as the national objective, as well as the need for planned and rapid development, require that all industries of basic and strategic importance, or in the nature of public utility services, should be in the public sector. The Second Five Year Plan also reiterated, on the same lines, the increased role of the State in the process of economic development of the country. Many American economists raised objections to foreign economic assistance to such neutral, socialist oriented under-developed countries like India."
Of course, there were strong opinions favouring extension of U.S. economic relation with India and other less developed countries of the world on the basis of economic and humanitarian rationales.

Prof. W. Arthur Lewis pointed out that the large role of Government in financing capital formation was not entirely due to modern socialistic trends; it was due, to a greater extent, to the burden of initiative which fell on the Governments in the underdeveloped countries where entrepreneurs were scarce and risks large. Everyone looked to the Government to pioneer, and to mobilize finance from some where. So it was not appropriate to compare the role of Governments of Asia or Africa with those of the U.S.A. or Canada. Hence the Government ultimately realized that the U.S.A. should give aid for aid's own sake. As a rich nation, she should feel morally obliged to help in the development of the poor countries of the world. In the meantime, since Chinese resurgence in 1949, the U.S.A. deeply realized the strategic position of India in Asia and considered the growth of economic relation with India to be inevitable. Thus Indo-U.S. economic relation has not only brought the two nations nearer but also paved the way for a better understanding. And as will be seen in latter discussions, the economic relation withstood, political divergences to a considerable extent.
Phases Of The U.S. Aid To India.

A brief historical review of Indo-US economic relation during the years of this analysis, shows how the mutual suspicions of the two nations were gradually transformed into mutual respect for common interests and common differences. Let us now state in brief the different phases of growth of Indo-US aid relations.

FIRST PHASE:

The Indo-US economic involvement during the early years of planning had been of less significance. The first phase actually is said to have begun in the year 1951. The phase began with the United States adhoc grant of 4.5 million dollars in 1950 to India to buy foodgrains to meet a chronic shortage. It goes without saying that East Bengal had all along been India's largest supplier of rice. This fertile region was merged with Pakistan in 1947. This was a serious blow on India and she, since 1947, gradually continued to experience food deficits. India arranged to buy some 675,000 Tons of food grains in the U.S.A. utilizing the above aid.

Famine conditions still prevailed in India and the Government of India requested the Government of the United States for a substantial long-term loan for food imports. The United States Congress was then piqued over India's neutral role in the Korean War and towards the Western Communist struggle. After prolonged debate, Congress passed the historical
"India Emergency Food Aid Act of 1961", which enabled India to purchase 2 million tons of wheat on a long concessional term loan of 189.7 million dollars. This loan was not, however, sanctioned in terms of the Mutual Security Act, but it was quite a special sanction.

The first phase of Indo-US economic relations in terms of 'aid' or 'assistance programmes' got off to a bad start. Facts relating to such unhealthy developments are already discussed earlier in this chapter. Charles Wolf gives a sober appraisal of this situation. He remarked, "If India showed neither understanding nor sympathy toward America's international problems, what was the value to the United States of showing sympathy and ever-increasing generosity to India's domestic problems?" Thus the first phase of Indo-US aid relations was marked by certain unavoidable misunderstandings of each other's foreign policies. Despite the fact that Indo-US aid relations began during the tenure of Ambassador Chester Bowles, whose ebullient liberalism seemed to reflect the spirit of the Truman's Point Four Programme, there were unfortunate misgivings and suspicions on both sides. And friction between the two Governments also was compounded by India's particularly voluble and doctrinaire advocacy of public enterprise during the early years of the First Five Year Plan. Many American legislators urged upon termination of aid to India and accordingly the Congress reduced aid to India in 1962.
In fact the Post War American foreign aid policy was primarily aimed at resisting the spread of Communism and winning allies. India's neutralism, non-alignment and advocacy for socialism had therefore had no favourable reception in American circles. Professor Friedman exclaimed, "Though foreign economic aid may win us some temporary allies, in the long run, it will almost surely retard economic development and promote the triumph of communism". 29.

However, inspite of so much opposition, the two countries seem to come closer and closer and in successive phases American aid to India continued to increase. Economic and human considerations appeared to withstand political differences and both the countries began to promote long-standing economic relation.

SECOND PHASE:

The above phase was rather crucial enough and the same passed amid serious debates and counter debates. The spirit of 'Point Four' programme was further extended. This phase however, began as a result of the establishment of the 'Technical Co-operation Mission' under the Technical Co-operation Administration in 1952. The objective of the "Technical Co-operation Mission" programmes was to aid the peoples of the economically underdeveloped areas to develop their resources and improve their working and living conditions by encouraging the exchange of technical knowledge
and skills'. The Technical Co-operation Mission in India had the following components:

(1) to supply American experts and personnel to work on specific technical and economic problems in the Indian development programmes under the Five Year Plans. Each expert was assigned to work in training, demonstration or advisory capacity with an Indian counterpart in a Government Agency, a manufacturing plant, a training institute or an educational institution, a research centre and so forth,

(2) to train Indian personnel in the U.S.A. or in any other country to impart to them the technical knowledge and skill so as to enable them to contribute with required capacity to their country's economic growth,

(3) to supply materials and resources to India necessary for a technological build-up.

Under the Mission, Sixty four American experts came to India to participate in different Indian Projects, under the Five Year Plans. Mainly it aimed at:

(a) developing human resources with necessary training and technical knowledge and

(b) increasing productivity and reducing bottlenecks resulting from lack of technical knowledge and organizational experiences.
During the period of three years (1952 to 1954) India obtained technical aid from the U.S.A. In 1952 the United States allotted 53 million dollars (35% of the total U.S. aid to South Asia) to India. The First Indian Plan was agriculture oriented and therefore most of the American aid during this phase was utilized in the development of agricultural programmes, such as, irrigation projects and establishment of fertilizer plant and import of agricultural equipments and fertilizer. The signing of the Indo-American Technical Co-operation Agreement in January, 1952 was a remarkable development in the process of Indo-US. economic relations.

During the course of these years, American complacency and bitterness were found to have gradual disappearance. Communist expansion was responsible for such a change in the American attitude toward India. American aid to India was increased by 20 per cent, for, India was considered a special care. Assistance to other South Asian countries was proportionately reduced.

THIRD PHASE:

Second Phase of Indo-US. aid relation was mainly dominated by 'development assistance' and food aid. The years 1954-57 witnessed the 'third phase' of Indo-US. economic relations. The characteristic features of this stage are:
(a) The 'development assistance' programmes under the Technical Co-operation Mission was terminated and replaced by 'loan' from the newly set up agency known as Development Loan Fund (DLF). The United States Export-Import Bank (EXIMBANK) was also brought under the programme of foreign economic assistance and collaboration. The EXIMBANK loans were used in the financing of many Indian imports from the United States since 1955.

(b) The first sales-agreement between the two countries was signed. This included large amounts of commodity aid for India. India began to receive from that country a wide variety of semi-finished and finished capital goods and raw materials, such as, food-grains, railway-equipments, steel, fertilizer etc.

(c) More American technical experts were deputed to India (207 in 1957) to assist and co-operate in the India's planned projects under the Second Five Year Plan.

(d) The Agricultural Trade Development and Assistance Act, popularly known as the 'Public Law 480', was enacted by the United States Government in July, 1954. Under this law, India continues to receive United States commodity supplies since August, 1956.

**FOURTH PHASE**

The Fourth phase began in 1957. By this time India
faced serious foreign exchange crisis. For the Industry
oriented Second Five Year Plan, India needed huge foreign
exchanges, India continued to receive multi-currency finan-
cial assistance through the Aid-India Consortium*. The Aid
India Consortium for international aid to India was largely
participated by the U.S.A. The Club proposed, under Ameri-
can initiative, to raise a multinational aid of 2.5 billion
dollars for India to overcome her chronic foreign exchange
difficulties. The United States contributed nearly 40% to
this Consortium Aid to India.

During this phase (1967 to 1961) the 'Development
Loan Fund' became untied to military considerations and
India's democratic planning process for overall growth
began to attract a wide circle of influential elements
within and outside the Congress. The tumultuous reception
given to President Eisenhower in Delhi, 1959, revealed the
average India's extraordinary appreciation of America's help
and support to India. In view of the increasing awareness on
the part of India of the soundness of the United States Aid
to India, Ellsworth Bunker, American Ambassador in India, in
his Foreword to "India's New Horizons" stated:

*The Aid-India Consortium is a multinational institution
sponsored by the World Bank to co-ordinate free-world multi-
currency assistance to India. The original members are the
U.S.A., Austria, Belgium, Canada, France, West Germany, Italy,
Japan, United Kingdom and the Netherlands. India has received
assistance upto nearly 1200 million dollars of which nearly
40% of the total is contributed by the U.S.A."
"We believe, too, that the aspirations of people for a fuller, more significant life can best be achieved under democratic institutions; that democracy is a force which holds possibilities of unlimited progress for mankind. It is in this belief and in this spirit that we in America are ready to join hands with you in India in your great efforts to achieve a better life for all your peoples."

On the whole, the climate of the Indo-US. economic relationship became bracing.

**FIFTH PHASE**

It has already been clear that Indo-US. relationship has become significant towards the end of the 1950s. This phase is characterized by much integrated policies for strengthening mutual interest of the two countries. Laudable efforts on both sides had been made to create better and healthier understanding.

The United States created a new post by combining the offices of the Economic Minister in the U.S. Embassy and the Director of the Technical Co-operation Mission. This ensured a much needed integration in the American-Indian economic relationship. The appointment of C. Tyler Wood, in the new office, resulted in a high level of co-ordination and a single and effective source through which all aid requests from India can be channeled.
The most remarkable development during the early years of this phase (1961-1963) was the Government of India's and Planning Commission's appreciation for the 'Private Sector' for India's rapid economic growth. But the socialist objectives had not ceased. This new attitude was mainly to attract more private capital from abroad, particularly from the United States. The 'Indian Investment Centre' was set up on February 16, 1961, in Delhi with the following objectives:

(a) to promote wider knowledge and understanding in the capital exporting centres of the World of conditions pertaining to investment opportunities in India,

(b) to advise and assist Indian industrialists on matters necessary to attract foreign private capital and technique,

(c) to maintain co-ordination between foreign and Indian business communities. For this purpose, a branch of the Centre was opened in New York in 1962,

(d) to undertake studies and surveys of foreign investment possibilities in relation to particular industries and

(e) to undertake by the diffusion of such knowledge and information, implementation of programmes designed to encourage and promote the flow of private capital into India in a manner most helpful to the Indian economy and the Five
During this phase, Indo-US. economic relations in terms of 'economic aid' and trade reached a favourable stage. American interest towards India grew-up rapidly as a result of Chinese aggression of 1962. China was considered 'common enemy' for both the countries and Chinese resistance was considered very important for promoting human progress and World peace. India continued to receive massive economic assistance from the U.S.A. throughout the Kennedy regime and afterwards. Mr. J.K. Galbraith strongly backed the case of India saying. "She has a highly educated and trained elite and growing literacy; a first rate administration; she has a substantial measure of social justice, a good judicial system; and she has a clear-cut program of economic development. Thus nearly all the domestic ingredients necessary for advance are there excepting external capital, and foreign aid should fill this gap."

To affect the much needed large scale U.S. aid-programmes, the United States Government enacted the Foreign Assistance Act, 1961. Under the purview of this Act, the Government set up the United States Agency for International Development (U.S.A.I.D) on November 3, 1961. This new Agency was entrusted with the responsibilities of the erstwhile T.C.M., D.L.F. and the Public Law 480 deals.

Towards the close of the last decade, it appears that Indo-US. relation has strained. Already India is bur -
dened with nearly Rs. 7000 crores grants and loans from the U.S.A. This is equal to 56.5% of total foreign aid received by India since 1950-51 upto March, 1971. India is the largest recipient of U.S. aid. Currently India grows up to be prosperous foreign trade partner with the great U.S.A.

Formerly, all United States 'aid' was tied to military purposes or to specific projects or to American import. The current 'Nixon Doctrine' favours free-flow of aid to the less developed world. Nixon Administration has emphasized the extension of untied loans in lieu of grants and tied loans. The system of tying of aid or imposition of 'strings' on the receiving countries naturally hinders the thrift and spontaneous economic growth. The Pearson Commission suggests the increased contribution of the developed countries for the cause of the less developed countries. They should contribute to the extent of 0.70% to 1% of their national product. The Commission also argues that foreign aid should be channelled through multilateral World Financial Agencies like the World Bank Group. This suggestion becomes popular in recent years. World Bank Group has played an increased role in financing the member countries. Under the current circumstances bilateral donors like the U.S.A. are found to reduce their 'foreign aid' bills to a considerable extent.

The United States attitudes towards India in the recent years (1967-1971) appears to be most unsympathetic.
Their role in the Indo-Pak crisis and Bangla Desh issue was strongly resented in India. Further, recent 'Indo-Soviet Treaty of Peace, Co-operation and Friendship' arouses much misgivings in American circles towards India. The present radical Government of India has adopted speedy socialist programmes in recent years. All these appear to stand on the way of Indo-US. relations in recent years.

(V)

A statistical break-up of the U.S. Assistance to India through all these phases are furnished below:

TABLE 1A.

Patterns of U.S. Aid to India upto March 1971: (in Millions dollar).

(i) Technical Co-operation Programme.

(a) Development grants - not repayable - 450.1
(b) Loans repayable in dollar or Rupee - 154.1

(ii) Development Loans by U.S.A.I.D.

(a) Repayable in dollar - 2633.4
(b) Repayable in Rs. - 505.8

(iii) Public Law 480 Title-1

Grants and loans repayable in Rs. - 4787.0

(iv) Public Law 480 Title-II non-repayable relief grants - 649.40
(v) Special Food Relief (1950, under China Area Act) - 4.5
(vi) Export-Import Bank Loans Repayable in dollar - 522.3
(vii) Wheat Loan - Repayable in dollar (1951) - 189.7

Total Dollars - 9896.3

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<td><strong>Categories of Aid</strong></td>
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<tr>
<td>(1) Grants not repayable</td>
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<td>(ii) Loans Repayable in Dollar</td>
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<td>(iii) Loans repayable in Rupees Convertible into Dollar</td>
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<td>(iv) Local currency (P.L.480) Repayments (Loans repayable in Dollar or Rupees at the option of the Govt. of India and Cooley Fund Loans to Private Enterprises in India)</td>
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<td><strong>Total</strong></td>
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<th>TABLE I.C.</th>
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<td><strong>Plan-wise break-up of the U.S. Aid to India: In million dollar First Five Year Plan 1951-56:</strong></td>
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<tr>
<td>Authorised</td>
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<tr>
<td>Utilised</td>
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<td><strong>Second Five Year Plan 1956-61:</strong></td>
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<td>Authorised</td>
</tr>
<tr>
<td>Utilised</td>
</tr>
</tbody>
</table>
**Third Five Year Plan, Annual Plan and Fourth Five Year Plan**

*(April 1962 to March, 1971.)*

Authorised : 7168.7 dollar  
Utilised : 6951.4 dollar  

**TABLE 1D.**

*Foreign-aid to India between April, 1961 and March, 1971.*

<table>
<thead>
<tr>
<th>Countries</th>
<th>Authorised.</th>
<th>Utilised.</th>
<th>Per Cent.</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.A.</td>
<td>Rs. 7422.23 Crores.</td>
<td>Rs. 6784 Crores.</td>
<td>56.5%</td>
</tr>
<tr>
<td></td>
<td>(9896.3 Million Dollar)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>World Bank</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group.</td>
<td>Rs. 1764 Crores.</td>
<td>Rs. 1478 Crores</td>
<td>12.3%</td>
</tr>
<tr>
<td>West Germany</td>
<td>1004 &quot;</td>
<td>907 &quot;</td>
<td>7.6%</td>
</tr>
<tr>
<td>Britain</td>
<td>849 &quot;</td>
<td>735 &quot;</td>
<td>6%</td>
</tr>
<tr>
<td>Russia</td>
<td>1031 &quot;</td>
<td>670 &quot;</td>
<td>5.5%</td>
</tr>
<tr>
<td>Canada</td>
<td>648 &quot;</td>
<td>532 &quot;</td>
<td>4.4%</td>
</tr>
<tr>
<td>Japan</td>
<td>372 &quot;</td>
<td>328 &quot;</td>
<td>2.7%</td>
</tr>
<tr>
<td>France</td>
<td>184 &quot;</td>
<td>132 &quot;</td>
<td>1.1%</td>
</tr>
<tr>
<td>Others</td>
<td>677 &quot;</td>
<td>424 &quot;</td>
<td>3.8%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Including Australia, New Zeland, Hungary, Czechoslovakia, Belgium, Sweden, Yugoslavia, Norway, Netherlands etc)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>Rs.13,951.23 Crores.</td>
<td>Rs. 12,000 Crores</td>
<td>100%</td>
</tr>
</tbody>
</table>
Now we would pass on to examine Indo-US economic co-operation in respect of different sectors of the Indian economy, food and agriculture, industry and so on:

NB. (1) A huge amount of the entire repayable U.S. Loan has been repaid at old exchange rates upto June, 1966 (Dollar 1 = Rs. 4.76). Subsequent loans sanctioned after this date upto March 1971, be settled in terms of the ruling rate of exchange (dollar 1 = Rs. 7.50). The EXIMBANK Loans are repayable @ 6% and other loans are to be repaid (Long term upto 40 years with 10 years of grace) at varying rates of interest 0.75% to 3% and revisable from time to time.

NB. (2) A comparative statement of foreign aid received and utilised by India from all other sources has been given. It is interesting that rate of utilising foreign aid is now declining. The break-up is as below:

<table>
<thead>
<tr>
<th>Plan</th>
<th>% of Total Plan Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Plan</td>
<td>5.9%</td>
</tr>
<tr>
<td>2nd Plan</td>
<td>13.2%</td>
</tr>
<tr>
<td>3rd Plan</td>
<td>28%</td>
</tr>
<tr>
<td>Annual Plans</td>
<td>36%</td>
</tr>
<tr>
<td>4th Plan</td>
<td>17%</td>
</tr>
</tbody>
</table>

Ref. #23 - Dr. R. Narayanan's - India Immigration and the India League of America - "Indian Journal of American Studies" Vol 1, May 1972, PP-1 to 29.
24- Benjamin Higgins - Economic Development (Pp 284-285)
30- Ellsworth Bunker - India's New Horizon" (U.S., 1959.
31- J.K. Galbraith - A Positive Approach to Economic Aid - in Foreign Affairs - 1961, P 445-446

General Ref: (1) Bauer - Indian Economic Policy And Development.
(2) John P. Lewis - Quiet Crisis in India (Brookings-U.S.A.)
(4) Ragnar Nurkse - (a) International Trade and Development Policy.
(b) Economic Development of Underdeveloped Countries.
(5) Frederic - Economic Aid to Underdeveloped Benham Countries.