CHAPTER I
PURPOSE AND SCOPE OF THE STUDY.

It has been attempted in this work to make an analysis of the varied aspects of Indo-US economic relations since India's independence with particular emphasis on the period of twenty years from April, 1951 to March, 1971. Indo-US relations before India's independence was practically insignificant. Only some amount of trade took place between the two countries through private channels. The Government of the United States had adopted restrictionist policy towards Indian immigrants to that country. An effective Indo-US relationship, therefore, could not evolve even up to the last Great War. The enactment of the Indian Immigration and Naturalisation Act of 1946 marked a high point in U.S. Indian relations during the immediate post-war years. This Act provided for naturalisation...
of Indians one hundred per year, who had already been in the United States and had entered the United States for permanent settlement. Further the Immigration and Nationality Act of 1962 and its subsequent amendments in 1965 and 1968 had done away with the national origins quota system. From 1 July 1968 all national origins quota have been abolished.

It may be recalled that President Franklin Delano Roosevelt and his successor President H.S. Truman had commendable contributions in developing Indo-US relations. President Truman, the architect of post-war American foreign policy announced his liberal foreign economic policy particularly towards the underdeveloped countries of the world and this opened the real path for a closer Indo-US relations.

A new economic outlook grew up in India also just after the independence in 1947. The process of growth of such a new economic outlook has been discussed in Chapter II. During the last part of 1940s India's economic condition was almost stagnant with a very low per capita income which was below Rs.300.00 per annum and domestic savings were highly unsatisfactory. The national Government, therefore, devised policies to reconstruct the country's economy; but at the moment domestic capital was quite meagre for the purpose and this com-
pelled the Government of India to consider inflow of foreign capital inevitable to bridge the gap between national saving and required volume of capital for national economic expansion in order to bring about the desired economic growth. The Government, therefore, sought economic and technical assistance and cooperation of the advanced countries for the country's revolutionary programmes of economic re-building. Though indifferent and unenthusiastic towards Indian affairs at the beginning, the United States Government was later on attracted by the Indian programmes of revolutionary socio-economic development and transformation.

Even until 1941-42 the United States of America remained almost isolated from the world economic affairs. President Truman, with his enlightened policies, had led the country in playing effective role in the world affairs in general and in the affairs of the underdeveloped countries in particular. The story of evolution of American foreign economic policy has been discussed in the Chapter III. The American policy was responsible for the evolution of the concept of 'foreign aid' which had become one of the main features of international economic relations in the post-war decades. The concept of foreign aid and its rationales are discussed in the Chapter IV. Foreign aid or external assistance for national economic growth...
has been playing a very crucial role in the post-war international economic relations. The advanced countries like the U.S.A., the U.K., the U.S.S.R., Japan, West Germany, Canada and Australia and the world multilateral institutions like the International Bank for Reconstruction and Development and its affiliates continued to offer economic assistance to the underdeveloped countries of the world for their economic regeneration. In this atmosphere of international cooperation for national economic emancipation, the newly emerging independent countries with their stagnant economies took to revolutionary economic plans for sustained growth and it enabled expansion of economic activities on their parts. India also joined this race of revolutionary economic regeneration. Under the circumstances American interests tended to grow up towards Indian problems gradually since 1947 and the Government of the United States of America opened official economic links with India in the early part of 1951. The genesis and the process of growth of Indo-US economic relations since 1947 have been discussed in the Chapter V.

During the British rule, there had been no positive attempt to effect desired economic growth of the country and as such, the pattern of the economy remained almost stagnant all throughout. Therefore, the Government of the United States of America, like other potential aid-
giving countries had very little scope in having a purposeful economic relation with India. The Indian economy during the British rule had more or less been a closed one tied to the British economic interests only and leaving very little scope for developing economic relations with other countries. As such the United States authorities considered India's economic development to be the exclusive responsibility of the British colonial Government. Some relief offered by certain private institutions and groups and church organisations were all that India had received from the United States sources even during periods of serious famines of 1807, 1899 and 1943. Indo-US trade was also insignificant during the period.

The United States economic assistance and technical cooperation for the development of Indian agriculture, industry, transport and infrastructures and social welfare programmes began to grow rapidly since 1950-51 and these aspects of Indo-US economic relations are discussed in Chapters VI, VII and VIII respectively. American relief programmes in India and American private assistance to the Indian development programmes are discussed in Chapters VI and IX respectively.

We already have referred that trade between these two countries was insignificant until 1950-51. The
Chapter X is devoted to discuss Indo-US trade relations in general with emphasis in the developments during the period covered under this study. Even during the immediate post-independence years, American interests towards India cannot be termed as very encouraging. It may be due to the absence of a definite economic policy—domestic and foreign—in India during the early few years of independence.

Since 1961, through the Five Year Plans of India, foreign aid in general and the economic and technical assistance from the United States in particular, have been playing considerably effective role in the process of transforming India's national economy. Foreign economic aids have bridged the wide gap between India's national savings and capital requirement. Besides, the question of supply of technical know-how and supply of plant and machinery to our much-needed capital and heavy industrial structure and wide range of infrastructure such as transport and communication, fertiliser, was also deeply related to the growth of foreign economic assistance. It is quite interesting that since the real growth of Indo-US economic relations in 1960-61, India has obtained from the U.S.A. up to March, 1971 nearly 57% of her total foreign aid receipts. Hence to have a detailed assessment of Indo-US economic relations is the main objective.
of this thesis.

At this juncture it will not be out of the point to emphasize the importance of foreign aid for the proper implementation of the economic plans of a developing country like India. At the first stage aid is necessary to bridge the gap between national savings and the desired level of investment. Flows of economic aid and technical assistance from the United States to India have definitely produced certain tangible and intangible effects on the Indian economy. Probable impacts of the United States aid to India have therefore been analysed in Chapter XI. A critical discussion on the whole theme of foreign aid for economic development of underdeveloped countries has been made in the concluding Chapter XII with special reference to India and our own observations and views also have been put forward here in the same Chapter.

The function of external capital in a development programme is not directly to raise standard of living in the recipient countries but permit them to make the transition from socio-economic stagnation to self-sustaining economic growth. The question of trade comes in at the second stage. Therefore, the economic relations gradually assume the pattern of equal partnership for mutual economic wellbeing. Thus, the evolution in the form of
International economic relations is also to be studied with special emphasis to the Indo-US economic relations.

The process of evolution in the economic relationship shall reveal that economic relations must lead to qualitative changes in the economy of the aid-receiving country. Therefore, to analyse how far the Indo-US economic relations have been instrumental in transforming the Indian economy is the subject matter of this thesis, and the same be judged from this angle, that is, its role in the growth of the Indian economy as a whole.