CHAPTER I

INTRODUCTION
India was the first country in the post-war period to become independent from the British empire. Since independence, the relations between India and Britain have been shaped by a number of factors, like their shared historical tradition, the bond of the English language, similarity of legal and political institutions, an independent judiciary, strong economic and commercial linkages, defence cooperation, etc. They formed the stable bases of the relationship between the two countries since 1947.

The Second World War marked a turning point for Great Britain, as its victory in the war cost it the economic and military status it was enjoying as a great power prior to 1939.¹ The British withdrawal from India, unlike the French retreat from Algeria or Indo-China, was a comparatively smooth process, and brought an end to an era of frustration, hatred and misgivings that had bedevilled Indo-British relations during the preceding half-a-century.²

The new relationship between the two countries was

1. K. Raman Pillai, Pakistan, India and Britain: the Political Triangle (New Delhi, 1970), p.11.
based on a hard-headed assessment of realities and national interests, not on mere sentiments and emotion, and historical ties were too numerous to be severed by a simple Act of Parliament. This was recognised in India's decision to continue her membership of the Commonwealth which strengthened many of the existing links between the two nations and widened the area of cooperation between them.\(^3\)

During the period of colonialization the destinies of India and Britain were intertwined, but, at the same time, their relationship was marked by acrimony and conflict. It was out of this acrimony and conflict that there emerged, in India, forces of national liberation and unity. This past, marked by a common endeavour has proved to be advantageous to both India and Britain and has left behind a legacy of valuable institutions and ideals which has survived till the present date.\(^4\)

With the transfer of power in August 1947, the British Government was faced with the problem of an immediate change in its attitudes and policies towards the sub-continent. The liquidation of the British empire in

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India called for a new relationship between London and New Delhi. At the same time, as the transfer of power in India also involved the partition of the former Raj, and creation of Pakistan, the British government now had to deal with two main centres of power in the sub-continent — one in New Delhi and the other in Karachi (later Rawalpindi and then Islamabad).

The history of discord in Indo-British relations in the post-independent era must, to a considerable extent, be explained by reference to the antagonism between India and Pakistan, which has persisted ever since their emergence as sovereign states. The problem of Kashmir as it arose shortly after the independence of India, was in many ways a product of the political history of the Indian sub-continent. The clash over Kashmir was symbolic of the conflict of the two independent states which succeeded the British authority in India. The conflict was largely a result of fears, jealousies and rivalries that marked the political processes at work in India before its independence and culminated in the partition of the sub-continent. Although the British Government was not directly involved in the Kashmir dispute, it found it

5. Ibid.

difficult to formulate a policy that would have satisfied both India and Pakistan. India has resented Britain's pro-Pakistan bias in the Kashmir dispute — a bias which had its origin in the pro-Muslim League policies of the British Government in the undivided India. 7

At the early stages of the Kashmir dispute, between October and December 1947, the attitude of the British Government was non-committal. Its role in the Kashmir dispute had two aspects: (i) as a "neutralist" in the Commonwealth Prime Minister's Conference, ready to act as a 'mediator' if called upon by both parties to the dispute; and (ii) as a partisan, in the United Nations. 8 So far as the role of the Commonwealth in intra-Commonwealth disputes is concerned, the British Government supported India's contention that the Commonwealth being a voluntary association of independent states, should not, formally, intervene in disputes involving two member states, unless both the parties, so desire. 9 There has been a lot of deliberations, arguments and counter-arguments on this issue, but a solution of the Kashmir problem has eluded every one.

8. Ibid. pp. 90-93.
In 1957, Indo-British relations reached a new low because of what most Indians considered to be the anti-Indian posture of the British Government in the Security Council debates on Kashmir. After a period of direct negotiations between India and Pakistan which ended in failure, the Kashmir dispute was brought back to the Security Council by Pakistan in January 1957. In the Security Council, Britain, along with the United States of America, sponsored a resolution, which reaffirmed that the final disposition of the State of Jammu and Kashmir could be effected only through a free and impartial plebiscite held under U.N. auspices and that the convening of the constituent assembly or its resolution would not alter the status of the state. She also supported the Pakistani suggestion for the introduction of a temporary UN force in Kashmir for facilitating demilitarisation.  

Indian resentment against Britain ran high. Speaking in the Rajya Sabha on 9 September, 1957, Prime Minister Jawaharlal Nehru said:

by the representatives of great powers like the U.S.A., Britain and other countries, who are supposed to know about this matter, were so far

10. Draft resolution S/3787 of 14 February 1957 was sponsored by the UK, the US and three other powers. This was vetoed by the Soviet Union.
from truth, and even from a fair appraisal of the situation, that we were astonished.\textsuperscript{11}

Perhaps, the British Government's stand on the Kashmir dispute in 1957 was influenced by the policy of the Indian Government during the Suez Crisis in 1956, when Indians were far more critical of the British Government's action than the Pakistanis. In the House of Commons, there were many members of Parliament, particularly among the Conservatives, who made no secret of their resentment against Nehru and his government.\textsuperscript{12} However, the core of the British government's policy towards the Kashmir dispute — a settlement through plebiscite — remained unchanged throughout the 1950s.

During the 1960s, there was a shift of emphasis in British policy. The British Government, no doubt, refused to accept New Delhi's claim that Kashmir was an integral part of India; but their emphasis now shifted from the insistence on plebiscite for determining the future of the State, to a negotiated settlement between the two parties. This was quite clear from Britain's role during the Security Council debates on Kashmir in 1962 and again in


1964. The British Government's policy towards the Kashmir dispute thus remained a recurrent cause of discord in Indo-British relations. Most Indians felt, and not unjustly, that it was because of the support she received from London and Washington that Pakistan could act as a diplomatic irritant to India. The wounds of partition had not yet healed and most of the Indians still believed that the partition was the result of the British policy of "Divide and Rule". This critical approach of the United Kingdom was validated by the British support to Pakistan in numerous ways and Britain accusing India as an aggressor in the Indo-Pak War of 1965.

Other issues which have bedevilled Indo-British relations during the 1950s and 60s were the divergent views of the two countries on several international issues, besides the problem of Hyderabad. India expected that the British Labour Government would adopt an impartial attitude regarding the Hyderabad problem but Britain's criticism of the police action disconcerted the Indian Government.

In the United Nations, India and Great Britain clashed

on the Indonesian question, on the question of 'settlers of Indian origin in South Africa' and on the question of 'South West Africa', which were basically problems of colonialism and racialism. Though Great Britain was still a colonial power, Indians expected that the British Labour Government would at least extend its moral support to the people who were struggling for liberation and independence. But, strangely enough, the attitude adopted by the British Government was paradoxical and self-contradictory.\(^{16}\)

The Suez crisis of 1956 was an important landmark in British foreign policy as well as in the post war history of the Commonwealth. The British military intervention in the Suez stirred up a controversy with Britain's traditional friends — both in the Commonwealth and outside — sharply divided over the wisdom of the course of action that Britain adopted in dealing with the crisis.\(^{17}\)

India's sharp criticism of the Anglo-French intervention in Egypt, during the Suez crisis led to adverse comments in Britain which caused strains in Indo-British relations. On the Suez question, Nehru

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16. Ibid, pp.152-154 For details on these issues, see especially pp.152-57.

explained: "The Government of India had to take a decision in the situation as it confronted them. India is not a disinterested party. She is a principal user of this waterway, and her economic life and development is not unaffected by the dispute, not to speak of worse developments in regard to it." 18

However, compared to India's vociferous criticism of the Anglo-French invasion in Egypt, its rather mild reaction to the Soviet-intervention in Hungary, again in 1956, caused much adverse comments in Britain. 19

The decolonisation of the Indian sub-continent and many other countries of Asia and Africa during the post-war period effected little change in Britain's strategic considerations regarding the Indian Ocean. Although Britain did not have any remaining dependency in the region, except the Seychelles Islands, it still had wide ranging economic interests there. Nevertheless, the British attitude towards the Indian Ocean area underwent a significant change during the first premiership of Harold Wilson between 1964 and 1970. The early years of Wilson's administration showed signs of Britain's developing cold

feet towards its continued role in the East of Suez. 20

However, the estrangement caused by India's attitude to the Suez crisis did not last long. Anthony Eden's exit and Harold Macmillan's assumption of the office of the Prime Minister in January 1957, created a new atmosphere conducive to the restoration of close friendship between India and Britain. 21 Macmillan's visit to India in January 1958 and his message of sympathy and support to India at the time of the Chinese aggression in 1962 went a long way in restoring and cementing the friendly ties between the two countries.

During the Chinese aggression of October 1962, the then British Prime Minister, Harold Macmillan though preoccupied with the Cuban crisis, was the first to extend his support to New Delhi. Britain upheld the Mcmohan line as the legal boundary between India and China and 'fully' supported "India's decision to defend her rightful frontiers." 22 Leading British national newspapers like The Guardian, The Observer, The Sunday Telegraph, The Daily


Telegraph, The Daily Express, etc. supported the Indian cause. Britain not only rushed military supplies to India, but, equally important, extended spirited diplomatic support also. Along with the US President, John F. Kennedy, Harold Macmillan successfully persuaded President Ayub Khan of Pakistan, not to embarrass India during its confrontation with China or take military advantage of India's difficulties and create trouble for India in Kashmir.\textsuperscript{23} There is no doubt that the open and massive British and American support for India was a powerful factor behind the Chinese decision to declare a unilateral cease-fire and withdraw.\textsuperscript{24}

Despite Harold Wilson's new East of Suez Policy declaration of January 1968, Britain's naval observers continued to take an unabated interest in the developing situation in the Indian Ocean. When Edward Heath assumed the premiership in 1970, he reviewed Harold Wilson's East of Suez policy and declared that the new government would continue a modest military presence East of Suez.\textsuperscript{25}

Britain desired that India should assume a more active power role in the Indian Ocean region without being

\textsuperscript{23} Ibid, pp.690-95.
\textsuperscript{24} Vivekanandan, n.17.
\textsuperscript{25} Vivekanandan. n.20.
subservient to any other major power. That was made explicit when Alec Douglas-Home, British Foreign Secretary, visited India in February 1972. At a press conference, in New Delhi on 8 February 1972, he said: "I have always hoped myself that India — it is again for her to decide, is certainly the most powerful nation in this part of the world — I have always hoped that India could be the foundation and basis for a collective security system in this area". The impression he gave was that if India was willing to assume the responsibility, Britain would support her building up a strong Navy which was essential to play an important role in the Indian Ocean. But to Britain's disappointment, India did not respond favourably to the proposal. 26

India was also critical of Britain's joining the North Atlantic Treaty Organisation (NATO) in 1949, which Nehru described as being one of the most powerful protectors of colonialism. Pertinently Alec-Douglas Home, former British Prime Minister, in his autobiography, wrote: "It is possible to state with truth that the objectives of the foreign policy of the United Kingdom and India are identical. But it is right to admit that our differing experiences in Europe have sometimes compelled us to adopt

26. Ibid.
different methods by which we hope to reach the same goal.... To match strength with strength has been a policy of risk, which to you in Asia might seem unnecessary and dangerous; but the North Atlantic Treaty corresponds to a constructive and genuine need for self-preservation which is felt in Western Europe". 27 India's refusal to join the Western bloc had made the Indo-British relations uneasy. 28

Britain's concern for India's security did not cease with the ceasefire declaration. Premier Macmillan told the House of Commons:

We, for our part, would, of course, welcome a peaceful outcome if this can be obtained with justice and honour to India... In all these matters, we are maintaining the closest touch with the Indian government, and for this purpose a mission has left for India by air today... I know that the Indian people have been heartened by the support of government and people of Britain have shown to a fellow member of the Commonwealth in resisting oppression. 29

The anti-Indian posture of Pakistan frequently came in the way of Indo-British friendship. Time and again, Pakistan expressed itself critically of Britain's support

for India. As it was also a Commonwealth country, in which Britain had substantial economic interest, its criticisms and protests, until it left the Commonwealth in 1972, did make an impact on the thinking of Whitehall.30

When war broke out between India and Pakistan in September 1965, Britain suggested a cease-fire under the auspices of the United Nations. In the course of the war, it may be recalled, Pakistani forces crossed the international boundary in the Chhamb sector. This compelled the Indian army, for strategic reasons, to open a new front and march on Lahore although obviously it had no intention to annex Pakistani territory. Unfortunately, a pro-Pakistani faction in the Commonwealth Relations Office managed to convince the British Premier Harold Wilson that this purely defensive move by the Indian army was nothing short of an invasion of West Pakistan and to get a statement issued by him to that effect on 6 September 1965. The statement was conspicuously silent about the Pakistan Army's violation of the international border in Chhamb. The statement expressed Wilson's "deep concern at the news that Indian forces have today attacked Pakistani Territory across the international frontier in the Punjab," and said that it was a "distressing response to the resolution

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30. Vivekanandan, n.22, p.685. For details, see especially pp.675-85.
adopted by the Security Council on 4 September, calling for a ceasefire." 31

This hasty statement indicting India for its alleged aggression on Pakistan led to vehement criticism of Britain in India. Members of the Indian Parliament accused Britain of being partisan. In a resolution they said that Britain's "blatantly partisan" attitude and its "blind support" for Pakistan's repeated acts of aggression on India had severely strained India's link with the Commonwealth. 32

However, the Whitehall issued a statement on 3 October 1965, one which was almost a confession of Wilson's mistake. It explained that when Wilson criticised India on 6 September "for sending its forces across the international border" towards Lahore, he had no knowledge that Pakistan had attacked India in the Chhamb sector. 33

The then British High Commissioner in India, John Freeman, also admitted that there was "incomplete understanding" about the Indian position during the Indo-Pakistani conflict and that, when Wilson spoke on 6 September on the subject, he was not in possession of all the facts.

31. Ibid.
32. The Hindu (Madras), 20 September 1965.
33. The Hindu, 4 October 1965.
Freeman added that the general British attitude towards the Indo-Pakistani conflict in 1965 was one of "sheer sorrow and pity." 34

However, these clarifications, as well as a meeting between Wilson and S.K. Patil, personal envoy of Prime Minister Lal Bahadur Shastri, on 5 November 1965, considerably helped in clearing the misunderstanding between UK and India. Yet Wilson's mishandling of the situation during the Indo-Pakistani conflict had unforeseen consequences impalatable to the British. It turned out to be a watershed in Indo-British relations. Wilson's mistake provided an opportunity for the Soviet Union to enter into the affairs of the Indian Subcontinent in a big way and made it impossible for Britain to play a part in bringing about a rapprochement between the two Commonwealth countries of the sub-continent. 35

Wilson's statement on 6 September 1965 came at a psychologically sensitive moment; so much so that its adverse impact on the Indian psyche was unusually high. 36

As a pace setter to develop relationship with India,

34. The Hindu, 10 and 13 October 1965.
Edward Heath availed the earliest opportunity provided by the Jawaharlal Nehru commemorative dinner in London, on 17 November 1970, to speak on Indo-British relationship. He said: "I believe that the bonds between Britain and India have been strengthened in the mature post-independence relationship of equality and cooperation. I do believe that we do well to cherish the friendship between our countries.... There is a vast body of attention and admiration in this country for India. History has left its mark and has drawn our countries together. We must seek to use our common concern for humanity to break down the prejudices, the inequalities and divisions that confront mankind. 37

But the real breakthrough in Indo-British relationship came in the wake of the Bangladesh crisis in 1971. Notably, Britain was one of the very few western nations which had shown great understanding of the problems the atrocities of the Pakistani military regime created for India. The influx of 10 million Bangladeshi refugees into India during the crisis was viewed with great concern. When Swaran Singh, India's Foreign Minister made a world-wide tour in June 1971, to appraise the world of the Bangladesh situation,

Britain was one of those nations which showed understanding of the social tensions and financial strain caused to India by the colossal influx of Bangladeshi refugees. As a result, in a joint statement issued at the end of their talks, Swaran Singh and Douglas Home agreed that a political solution to the problem, "acceptable to the people of East Pakistan" should be found to the crisis. Britain stood firmly on this basic stand despite official protests from Islamabad. In fact, Britain was the first foreign country to declare so clearly that a political settlement in Bangladesh would be a pre-condition to the return of Bangladeshi refugees from India.38

While both the countries desired and made efforts to develop a warm relationship, some controversies had cropped up due to the signing of the Indo-Soviet Friendship Treaty of 1971. Despite loud pronouncements of British statesmen that Britain had no misgivings about India's treaty with the Soviet Union and that the treaty is in conformity with its traditional policy of non-alignment, many believed that the treaty contained many imponderables.39


39. Ibid.
Britain was one of the most important Western democracies to show concern over the ushering in of dictatorship in India by Indira Gandhi in June 1975. The British media criticised her for what they called her authoritarianism. In this connection, the proposed visit of the Prince of Wales was summarily cancelled, without citing any convincing reason. However, following the ouster of Mrs. Gandhi from power and the restoration of democracy by the Janata government in March 1977, there unfolded a new era of cooperation between the two countries.

IMMIGRATION AS A FACTOR IN INDO-BRITISH RELATIONS

During the 1960s, questions of race and colour assumed a new dimension in Britain's relations with the Commonwealth countries. Before 1962, citizens from the Commonwealth countries had the right of entry into Britain without any statutory restriction. Because of shortage of labour in post-war Britain, there had been a steady flow of immigrants into UK from the new commonwealth countries, and from Caribbeans. However, with the presence of a sizable minority of coloured population in Britain, questions of race and colour moved from the periphery to the centre of political discussions during the 1960s.  

40. See Banerji, n.2, pp.178-82.
Britain's immigration policy over the years was to "promote the national economy and to relieve distress by admitting immigrants to satisfy me (the Home Secretary) that they are desirable, so far as may fairly be done without detriment to the interests of the existing population." This policy, governed largely by economic considerations, was free from the racial factor at least until the 1960s, when Britain first introduced legislation to restrict Commonwealth immigration.\(^{42}\)

However, from 1958 onwards, the racial factor got mixed up with Britain's immigration policy. There were racial clashes in certain localities in England, and these generated tension. Perhaps, keeping these tensions in mind, on 1 November 1961, a bill was published. The objective of the bill, according to the preamble, was to "control the immigration into the United Kingdom of Commonwealth citizens from other parts of the Commonwealth and to ensure the deportation of such citizens on the recommendation of the Criminal Courts."\(^{43}\)


\(^{42}\) Vivekanandan, n.17, pp.188-90.

\(^{43}\) Ibid, pp.190-1.
The Commonwealth Immigrants Bill, 1961, sought, among other things, to control the immigration of British protected persons and of citizens of the Irish Republic for an initial period of five years. Persons exempted from the purview of the bill included those born in the United Kingdom; citizens of the United Kingdom and the colonies holding passports issued by the Government of the United Kingdom; other persons holding such passports in the Irish Republic; and dependents named in the passports of such persons. The Bill passed through Parliament as the Commonwealth Immigrants Act and came into force from 1 July 1962, despite a lot of opposition from the Labour Party.44

On 2 August 1965, the British government issued a White Paper elaborating its future policy on commonwealth immigration. This policy had two aspects. In the first place, it aimed at securing tighter controls on the entry of immigrants. Secondly, it envisaged some positive measures to secure for the immigrants and their children their 'rightful place' in the British society.45

The new regulations introduced by the government in 1965 further restricted the entry of Indian and other

44. Ibid, pp.191-2.
commonwealth citizens, to UK. 46 The new measures, however, failed to control immigration which continued on a considerable scale from India and Pakistan. This created new problems for the immigration authorities in Britain, and in many cases, led to harassment and refusal of entry to Indian nationals. 47 The passing of the Commonwealth Immigration Act in February 1968, curbing the entry of British passport holders, primarily of Asian origin, and at that time resident overseas, into Britain seems to have been based on racial bias, and continued to irritate Indo-British relations for the next decade as well. 48

The government of India's stand on the issues of colour and immigration has really been a continuation of the policy of non-interference evolved in the earlier years. While conveying to the British government India's anxiety over the incidence of racial violence, it has welcomed the statements of the British Prime Minister, James Callaghan and of the Home Secretary, made in the House of Commons denouncing all forms of racial discrimination and intolerance, and praising the immigrant

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47. See Banerji, n.2, pp. 178-83.
48. Ibid. For details, see Part II, Chapter 4, pp. 178-83.
leaders for their moderate stand.\textsuperscript{49} One welcome feature, in the otherwise unhappy developments leading to the outbreak of racial violence, was the close cooperation among the governments of India, Pakistan and Bangladesh, all of whom had advised their countrymen to maintain their cool.\textsuperscript{50}

The Immigration Act of 1971, which is in force presently, placed Commonwealth citizens and aliens, for the first time, under a single system of immigration control. The Act created a new right, the "right of abode", for a certain kind of Commonwealth citizens, the patrials. A non-patrial would need a work permit, specifying his job and place of employment, to gain entry into Britain, and he would also be subjected to certain conditions of stay. A patrial, would be on the other hand, free from immigration control. A patrial was defined as one (1) who was a British citizen by birth or who became a citizen by adoption, registration or naturalisation; (2) who had come from across the sea and who had at any time previously settled in Britain for a continuous period of five years or more; or (3) who, being a Commonwealth citizen, had a


\textsuperscript{50} Arun Kumar Banerji, "Unburdening an imperial legacy: Colour, Citizenship and British Immigration policy, \textit{India Quarterly} (New Delhi), Vol.XXXII, No.4, October-December 1976, pp.440-42.
parent born in the United Kingdom. 51

The cumulative effect of this varied and restrictive legislation was a marked decline in Commonwealth immigration into Britain. The number of those who held employment vouchers was 30,000 in 1963; it declined sharply year by year to 4,700 in 1968 and to a bare 1,803 in 1972. The various kinds of legislations enacted in Britain since 1961 to restrict Commonwealth immigration adversely affected relations between Britain and other countries of the Commonwealth, especially India because of the racial undertones attached to these laws. 52

The Commonwealth was another link between India and Britain. The transfer of power to India was so smooth and was carried out in an atmosphere of such cordiality between the nationalist leaders and the departing Imperial Power, that the Indian people were persuaded to be in the Commonwealth even after Indian independence in 1947. 53 To quote Prime Minister, Jawaharlal Nehru: "We join the Commonwealth obviously because we think it is beneficial to us and (to) certain causes in the world that we wish to

51. Vivekanandan, n.17, 199-200.
52. Ibid, pp.201-3.
53. Ibid., pp.8-9.
However, the decision of the Indian government to continue its association with the Commonwealth helped the other colonies achieve independence and to retain the Commonwealth link. For India it was an effective forum. Therefore, the link between India and the Commonwealth has been actually beneficial and reciprocal.

In the 1960's, India and Britain moved apart, but despite Britain's decision to apply for EEC and India's liberation of Goa, conflict and amity were kept 'in balance'. While Britain supported India in the war against China in 1962, Prime Minister Harold Wilson's remarks during the Indo-Pak war of 1965 did create some misgivings in the relationship.

However, in the 1970's, three events changed the strategic environment in South Asia radically. First, Bangladesh's independence and India's role in defeating Pakistan, which made India, the dominant regional power. The British Prime Minister, Edward Heath showed understanding of the problem the Bangladesh crisis created for India and, therefore, didn't oppose India's

55. Vivekanandan, n.17, pp.73-4.
intervention. Apart from this, the reproachment between the USA and China substantially changed the strategic environment in South Asia. The third major change in India's strategic environment in the 1970 was the moves of superpower navies in the Indian Ocean, and the development of Diego Garcia as a joint Anglo-American naval base. 57

In 1978, Indo-British relations were placed on a firm footing. A successful visit by British Prime Minister James Callaghan in January 1978, which reaffirmed his close personal relationship with the Indian Prime Minister, Morarji Desai, was complemented by Morarji Desai's visit to London in June 1978.

ECONOMIC RELATIONS (1947-79):

At the time of the transfer of power, India's dependence on Britain, in economic matters, was overwhelming. British investments constituted nearly 80 percent of the total foreign investments in India, and in 1947-49, Indo-British trade accounted for more than a quarter of India's total foreign trade. The trade links were strengthened by India's membership of the sterling Area, and by a system of preferential trading arrangements

with the Commonwealth countries, evolved under the Ottawa Agreement of 1932.

The main trends in economic relations between Britain and India can be depicted in terms of: the changing pattern of trade between the two countries; and, Britain's involvement in India's economic development as a donor of economic aid and as a supplier of foreign investment.\textsuperscript{58}

**TRADE**

The period 1947-50 was one of expanding trade between India and Britain. The total value of mutual trade between the two countries rose from £238 million in 1948 to a record level of £268 million in 1951. An outstanding feature of Indo-British trade during this period was the very high proportion of capital goods in the British exports to India, a factor which was of great significance in the context of the developing economy of India. At the non-official level, the British firms and traders financed and helped the development of many commercial and industrial enterprises in India.\textsuperscript{59}

Britain, in 1978-79, accounted for roughly 40 percent of India's total exports to Western Europe. While it

\textsuperscript{58} Banerji, n.2, pp. 200-1.

\textsuperscript{59} Gupta, n.15, p. 156.
provided a stable market for important Indian exports like sugar, coffee, tea, tobacco, textiles, leather, cotton-piece goods, jute, floor coverings, etc, India provided a regular market for British exports like medicines, fertilizers, chemicals, non-metallic mineral manufactures, iron and steel, machinery, transport equipment, etc.

**TABLE-I**

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<td>284.00</td>
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**AID**

At the time of independence, Britain was India's largest bilateral aid donor. Aid was provided in the forms of technical assistance and training. Britain was an active participant in the formation of the Aid India Consortium in 1958, and the aid it has extended since then has contributed, in no mean measure, to the success of democratic planning in India. Since 1973, all bilateral aid from Britain to India has exclusively been in the form of

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grants. The gross aid disbursement rose from £45.9 million in 1969-70 to £75 million in 1974-75. In 1977-78, it was as high as £144 million.\textsuperscript{62}

Table 2 gives an idea about the percentage distribution of Import trade between UK and India and also export trade between the two countries.\textsuperscript{63}

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<th>YEAR</th>
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<td>U.K.</td>
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<td>1979-80</td>
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* Provisional

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<tr>
<td>1979-80</td>
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* Provisional

Table 3 gives an idea about the source and type of assistance given to India by Britain over the years.

\textsuperscript{62} Vivekanandan, n:22, pp.694-5.

1966-67 to 1979-80 clearly indicating that since 1975-76, all forms of British assistance has been in the form of grants.

**TABLE-3** *(In Rs. crores)*

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<tr>
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<td>Grants</td>
<td>---</td>
<td>---</td>
<td>----</td>
<td>---</td>
<td>---</td>
</tr>
</tbody>
</table>

The nature of aid (i.e., the terms of aid) has been as important as the quantum of aid. For example, Britain was one of the earliest donors to recognise the importance of non-project aid to the developing countries; and out of a total of £463 in British aid to India up to 31 January 1971, nearly 68 percent (£318.5 m) was in the nature of
non-project aid, the major portion (70.3 percent) being in the form of general purpose assistance. 64

British technical assistance to India covers a wide range of activities both in Britain and India. The more important of these are:
(a) education and training;
(b) supply of experts and consultants; and
(c) the supply of equipment for training and research. 65

INVESTMENT

The British private investment in India has been mainly direct. The British capital dominated India's private foreign sector in 1947, and the British companies found such participation profitable and by the end of the 1950s, the British capital in India was well over the 1948 level. As for sectoral distribution of British private capital within India during the 1960s, manufacturing comprised the major share of British private capital holdings in India and most of the giants of the British economy, like the ICI, Dunlop, Levers, British Leyland and

65. Ibid.
General Electric Company Ltd., were major investors in India dominating their particular product groups.  

Since the 1960s, there has also been an overall decline in India's economic dependence on Britain as a result of the diversification of India's international economic connections. The loosening of economic links between Britain and India can be seen from the changing pattern of their bilateral trade and Britain's declining share of the net inflow of foreign (private) capital to India. In 1960-70, for example, Indian exports to Britain constituted 11.7 percent of the total exports, and imports from United Kingdom constituted a meagre 6.4 percent of the total imports to India.

The following table will give an idea about India's economic relations with Britain, particularly, in the fields of trade, aid and investment:

Table to follow

---------------------
68. Ibid.
Direction of India's trade with UK (£ million) 69

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports Total (1)</th>
<th>Exports To UK (2)</th>
<th>Imports Total (1)</th>
<th>Imports From UK (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973</td>
<td>2958</td>
<td>294</td>
<td>3234</td>
<td>334</td>
</tr>
<tr>
<td>1974</td>
<td>3892</td>
<td>384</td>
<td>5064</td>
<td>266</td>
</tr>
<tr>
<td>1975</td>
<td>4364</td>
<td>414</td>
<td>6198</td>
<td>322</td>
</tr>
<tr>
<td>1976</td>
<td>5020</td>
<td>486</td>
<td>5102</td>
<td>305</td>
</tr>
<tr>
<td>1977</td>
<td>6168</td>
<td>637</td>
<td>6678</td>
<td>515</td>
</tr>
<tr>
<td>1978</td>
<td>7273</td>
<td>563</td>
<td>9655</td>
<td>740</td>
</tr>
<tr>
<td>1979</td>
<td>8514</td>
<td>707</td>
<td>11651</td>
<td>1066</td>
</tr>
</tbody>
</table>

Foreign investment in India:— 70

As at the end of March 1969 1973

As at the end of March 1969 1973

1619.3 1816.3

Total of which

UK 634.7 649.6
W. Germany 104.0 156.2
Italy 73.4 78.7
France 56.0 47.2
USA 453.9 509.7
Japan 81.4 49.3

Indo-British trade had declined as a percentage of


India's foreign trade, with imports from Britain declining at a faster rate than that of exports to that country. Secondly, British investments in India have declined as percentage of total foreign investment in that country. During the late 1960s, for foreign assistance, India became more dependent on US than on UK. However, it is important to note that, in spite of these changes, Britain still remained an important factor in India's economic links with the outside world. British investments in India has deep historical roots. British capital is still associated with such export staples as tea, cotton, textiles and jute. The most recent study undertaken by the Reserve Bank of India's international investment position was published in January 1967 and surveyed the four year period 1961-65. One of the most encouraging features of the Survey was that it showed that, despite the many problems which the Indian economy had to face during this period, it nevertheless continued to attract foreign capital on a large scale.

During these years, foreign capital grossed an average annual rate of nearly Rs 700 million or Rs 570 million (net). This annual inflow produced an increase in the value of outstanding foreign investment in the private sector of

72. Geoffrey Tyson, "Despite Changes, the Bond is Unbroken" in Grover, ed., n.4, pp.89-90.
nearly 40 percent (Rs. 6,798 million to Rs. 9,358 million) distributed in the following proportions:

Outstanding Foreign Investment in India as in March 1965

<table>
<thead>
<tr>
<th>Country</th>
<th>Rs. Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>5,293</td>
</tr>
<tr>
<td>USA</td>
<td>1,923</td>
</tr>
<tr>
<td>Germany</td>
<td>245</td>
</tr>
<tr>
<td>France</td>
<td>197</td>
</tr>
<tr>
<td>Others</td>
<td>1,700</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9,358</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Industry</th>
<th>Rs. Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>4,586</td>
</tr>
<tr>
<td>Petroleum</td>
<td>1,778</td>
</tr>
<tr>
<td>Services</td>
<td>1,662</td>
</tr>
<tr>
<td>Plantations</td>
<td>1,221</td>
</tr>
<tr>
<td>Mining</td>
<td>121</td>
</tr>
</tbody>
</table>

Thus the table shows that UK still accounted for well over 50 percent of total foreign investment in the private sector in India.

73. Ibid., pp. 90-1.
But there was one significant aspect to the flow of funds from the UK, quite apart from its size, which was still considerable. (33 percent of the total in 1964-65); that was the change that had occurred in its direction, in the different sectors of the economy. Thus by 1965, the plantation industries accounted for less than a quarter of the total value of British investment. 74

### Distribution of UK Investment in India as in March 1965

<table>
<thead>
<tr>
<th>Rs. Million</th>
<th>As proportion of</th>
<th>As proportion to</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>1,911</td>
<td>36</td>
</tr>
<tr>
<td>Petroleum</td>
<td>1,166</td>
<td>22</td>
</tr>
<tr>
<td>Services</td>
<td>937</td>
<td>18</td>
</tr>
<tr>
<td>Plantations</td>
<td>1,207</td>
<td>23</td>
</tr>
<tr>
<td>Mining</td>
<td>72</td>
<td>1</td>
</tr>
</tbody>
</table>

All these figures show that the British investment in India had undergone a radical transformation in recent years: and this fact is reflected in the composition of the personnel employed in Indian industries whose total monthly emoluments of Rs. 1000 increased from 4,863 to 21,067 in foreign owned or controlled companies between 1956 and 1967. 75

74. Ibid.
75. Ibid.
Indo-British trade has declined as a percentage of India's total foreign trade, with imports from Britain declining at a faster rate than that of exports to India. Secondly, British investments in India have declined as a percentage of total foreign investments in that country. During the late 1960s, for foreign assistance, India became more dependent on US than on UK. 76 However, it is important to note that, despite these changes, Britain still remained an important factor in India's economic link with the outside world.

INDO-BRITISH DEFENCE TIES

Britain made a valuable contribution to the reorganisation and modernisation of the defence forces of India during the initial years of independence. Independent India constantly refused to join any military alliance as a matter of policy, nor has she entered into any mutual security agreement with Britain. Nevertheless, she maintained close links with United Kingdom. After 1947, India depended on Britain as the major supplier of arms and weapons, and although she always paid for them - at least till the Sino-Indian conflict of 1962, excessive dependence on UK, could, and in some cases did, affect India's freedom

of action. This was evident from the diplomatic row preceding the Indo-Soviet MIG deal in 1962, and from the Anglo-American political pressure on India to reopen negotiations with Pakistan on the Kashmir issue, immediately after the cessation of hostilities with China in 1962. The Sino-Indian war and the reorganisation of India's armed forces, however, marked the beginning of a decline in Britain's importance to Indian defence.77

During the years immediately after independence, co-operation with UK became a practical necessity for India's armed forces. Cooperation with Britain for training officers was even more important for Army, Navy and the Air-Force.

Besides the facilities for training, India's membership of the Commonwealth provided opportunities for cooperation and consultation at other levels as well. As part of the Commonwealth scheme of co-operation, permanent military connections is maintained between London and New Delhi, through the posting of Senior Service Officers in the Diplomatic Missions of the two countries as advisors to

77. Ibid.
their respective High Commissioners.\textsuperscript{78}

It was in the field of military hardware that the Indian dependence on Britain was more obvious. In 1947, all the equipment of the Indian army were of British origin, or produced in India on British designs. Most of the artillery pieces of the Indian army were of British origin. Above all, the Army with its emphasis on regimental tradition, remained a thoroughly British institution in organisation, training and outlook.\textsuperscript{79}

The Indian Navy was most dependent on Britain even after the attainment of independence. Its cooperation with Britain resulted in India's acquisition of its first aircraft carrier, \textit{INS Vikrant} in 1957, and 'leopard' class submarines, anti-submarine frigates and 'sea-hawk' fighter planes etc. On the eve of the conflict with China in 1962, the Indian Navy was almost entirely of British origin.\textsuperscript{80}

Like the army and the navy, the Indian air-force also depended on Britain as the principal source for supply of aircraft. Between 1945 and 1955, India acquired 120

\textsuperscript{78} In 1965, for instance, there were 14 service officers attached to the Indian High Commission in London: in 1966, the number was 13. UK, Commonwealth Foundation, \textit{Year Book of Commonwealth 1966}, (London, 1967), p. 217.

\textsuperscript{79} Banerji, n.2, pp. 239-41

\textsuperscript{80} Ibid.
military jet aircrafts from foreign countries of which nearly half were of British origin, and the rest were of French origin. Britain also had a dominant position in India's air-craft industry till 1961-62. The Hindustan Aeronautics Ltd. (HAL), which provides the nucleus around which the aircraft industry was developed in later years, was originally set up as a private limited company in 1940.81

However, since the Chinese invasion of 1962, India's defence policy has been dominated by diversification, the quest for independence, and a higher priority for defence spending as such. In 1960, India depended largely upon military equipment manufactured in or designed by Britain. By 1969, the growing influence of the USSR as a supplier and India's own developing defence production organisation had begun to alter the picture.82

That Britain was no longer the principal supplier of arms to India was quite evident from India's Annual Report of 1963-64.83 Britain's contribution to India's new


82. Banerji, n.2, pp. 264-66

defence build-up was only marginal. By the end of the 1960s Britain lost her position as the principal supplier of arms to the three wings of the defence forces. At the same time, reliance on Soviet Union increased. In the field of training officers, India no longer depended on U.K., as most of the officers were trained within the country. However, the continuation of cooperation in the matters of exchange of information regarding scientific and technical developments, and holding of joint air and naval exercises from time to time could maintain the diminishing link. 84

EDUCATIONAL, SCIENTIFIC & CULTURAL TIES:

The Indian educational system was developed largely on the British pattern and as such, Indo-British educational, cultural and scientific cooperation made rapid strides after 1947. Substantial help was received from Britain in the form of equipment under the Colombo Plan. During the period, 1951-61, 23 national laboratories (including institutes) and three regional research laboratories were established. Most of these institutes received equipment and assistance with staff training from Britain. 85

84. Lipton and Firn, n.66, pp. 180-85.
85. Deboprosad Barooah, Indo-British Relations (1950-60) (New Delhi, 1977), pp. 274-78
Again, under the Colombo Plan, the UK government provided for the training of a large number of Indian students in the UK, mainly in scientific and technical subjects. The Indian government also availed of the opportunity of sending scholars to UK under scholarship schemes offered by the British industry. One such scheme was the Nawker - Siddery Industries Commonwealth scholarships. For the academic year 1960-61, the UK government offered 40 scholarships to Indian nationals for post-graduate study or research in science, humanities, engineering, technology and fine arts. 86

Independence in 1947 did not mean banishment of the English language from the life of Indians. Though Hindi was made the official language, English continued to be the link language with the outside world. India's largely English speaking elite has facilitated Indo-British educational, scientific and cultural cooperation to a great extent. The British Council helped the Indian educational system to make rapid progress, especially in the teaching of the English language. The British Council's library service in India deserves a special mention in this regard.

86. Ibid.
Indo-British scientific cooperation has been maintained and developed both at the Commonwealth multilateral and governmental bilateral levels. A number of organisations, like the Indian Scientific Liaison office, London, established in 1943, the Commonwealth collection of Micro organisms, the British Commonwealth consultative space Research Committee, British Commonwealth Scientific Committee, Commonwealth Agricultural Bureau etc. through the interchange of scientists provided by such occasions as the annual meetings of the British association for the Advancement of Science and the sessions of the Indian Science Congress. Interchange of scientists is also made possible by certain scientific research scholarship schemes. British assistance was made available in India in a very important field of modern research, nuclear energy. An agreement was concluded between the Department of Atomic energy and the UK Atomic Energy Authority in September 1955 under which enriched maximum fuel elements for a 'swimming pool' type 'reactor' were to be supplied by the UK. 87

Before independence, India had practically no cultural exchanges with foreign countries excepting Britain. Therefore, after independence, cooperation was established between the two countries. The British Council deserves 87. Ibid, pp. 274-9.
special reference in this regard, especially regarding promotion of visits of cultural delegations from both the countries.

India and Britain are two leading powers which have considerable moral stature and influence in Asia, Africa and Europe. Both believed in conciliation and dialogue for resolution of differences. Both represented the forces of moderation in their respective spheres. Together they had contributed substantially to the task of building bridges between the developing world and the developed world. 88

In a speech delivered in New Delhi on 3 March 1955, Anthony Eden, British Prime Minister, said:

The relationship between India and the United Kingdom in itself is a good example for others. This is a relationship of being completely independent and yet attempting to be friendly with each and to cooperate with each other. We do meet often, we discuss many problems, and we agree often. We disagree sometimes, but that does not make a difference to our mutual regard for each other's bonafides, which is the basis. In effect, we agree far more than we might disagree. Each country has the freedom to evolve along the line of its own genius and choice and find its fulfillment. 89

This speech had comprehended the basic character of Indo-British relationship. In spite of their pursuing independent foreign policies, and having differing perceptions towards various international issues, a certain kind of closeness and affinity characterised the relations between India and Britain which has been strengthened in the decade of the eighties, an analysis of which is presented in the following chapters.