DEPENDENCE AND IMPERIALISM IN INDIA*

Introduction

Of all the ex-colonial nations that gained political independence in the aftermath of World War II, India appeared the most likely to escape foreign economic domination and pursue an independent path of economic development. First, with a large and varied endowment of natural resources and a huge population, India was not bound to depend heavily on external resources or external markets. And even though India emerged from colonial rule as one of the poorest countries of the world, its continental size offered a vast potential for mobilizing domestic resources.

Secondly, India at independence had already experienced some degree of industrialization, and a substantial share of modern business enterprise had come under the control of indigenous capitalists. Although factory establishments and mines accounted for only 6.5% of the national product and employed only 2.6% of the labor force in 1950,[1] modern industry was, in absolute terms, quite important. Furthermore, since the early nineteenth century, Indian capitalists had gradually improved their position vis-a-vis foreign (predominantly British) capital. A good deal of British capital followed the retreat of the colonial government to London, and by the early 1950's only a third of corporate business in India was still financially controlled by foreigners (mostly British).[2] Thus, India attained independence with a significant indigenous capitalist class that had a history of considerable antagonism towards foreign capitalist competitors. Unlike most other ex-colonial nations, India was not completely dependent on foreign business enterprise or managerial expertise.

Thirdly, at independence there already existed a significant class of indigenous professionals and administrators. This British educated elite had assumed increasingly important--though always subordinate--positions in the professions and in the colonial administration. Such educated and Westernized Indians naturally came to resent their enforced subordination and figured prominently among the leaders of the Indian nationalist movement. Their own professional competence, combined with their anti-colonial

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perspective, contributed both to the feasibility and to the desirability of limiting the role of foreign personnel and technical assistance in independent India.

Finally, the pronouncements of the leaders of the nationalist movement, who subsequently became the rulers of independent India, emphasized the restriction of foreign economic interests. Jawaharlal Nehru, the leading spokesman on economic matters and, as Prime Minister, India's most powerful political leader, set the tone for Indian economic policy by committing the ruling Congress Party to a "socialistic pattern of society."[3] Nehru's concept of socialism involved a strong emphasis on economic self-reliance to be achieved by centralized economic planning and a foreign policy of non-alignment. The government was clearly on record in favor of a path of economic development in which foreign aid, foreign private capital, and foreign personnel would play at most a minor and subordinate role.

Yet, in spite of the seemingly favorable conditions at the time of independence, the Indian economy soon became heavily dependent upon the capitalist powers. By the 1960's, foreign aid and investment had become critical to India's development plans, and foreign officials, businessmen, and advisors had come to play important roles in India's strategy of development. While this Western influence was less blatant and comprehensive than the earlier Britisn colonial control, it constituted, nonetheless a significant new form of Western economic imperialism.* How did all of this come about? In this paper I propose to examine and to explain the process whereby India's initial commitment to self-reliant development yielded, as in so many other Third World countries, to a strategy of growth dependent upon the major capitalist powers.

I. Toward Self-Reliant Development?

Few people were under any illusions about the magnitude of the task of economic development facing India at the time of its independence in 1947. Two centuries of colonial rule had brought about little, if any, growth in India's per capita income, which was lower than in almost any other part of the world. The colonial government had invested some resources in railroad construction, irrigation canals, and related infrastructural facilities, and a limited amount of modern industry had developed. The economy and the society, however, remained overwhelmingly agricultural, and the great majority of Indians eked out a precarious living by cultivating land under exploitative conditions with very inefficient techniques.[4]

Under such circumstances, a self-reliant strategy of economic development

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*Throughout this essay I shall be concerned with economic rather than other forms of imperialism. By economic imperialism I mean the exercise of power by nationals of one country to affect economic conditions within another country. Thus I shall not be concerned with the impact of foreign powers on such issues as India's international political relations.

called for organized effort on an unprecedented scale. Clearly the national government--now finally in Indian hands--would have to spearhead economic growth. Jawaharlal Nehru was particularly keen on establishing a framework for systematic centralized planning, to be implemented by means of a strong public sector encompassing many key industries as well as a private sector subject to careful government control. In rural areas, the government was to initiate an agrarian revolution which would free the cultivator from his innumerable social and economic burdens and release his energy for productive agriculture.[5]

It was not only India's political leadership that recognized the need for a strong state to promote economic growth. The Indian business class, having suffered through decades of discrimination at the hands of the colonial government, looked to the new Indian government for protection and stimulation. Business leaders were well aware that Indian private enterprise was not strong enough to promote economic growth without substantial aid and public investment, and they generally supported the kind of mixed capitalist economy in which a strong public sector would be complementary to a growing private sector.[6] Both business and government leaders were determined at the outset to rely largely on India's own resources and to limit the role of foreign capital; in this endeavor the state would necessarily play a critical role.[7]

In the early years following independence, however, the role of the state in the economy was quite limited. The disruptive effects of the partition of the subcontinent, and the inherent difficulties of establishing a new system of rule, placed a premium on stability and consolidation in the minds of the political leadership. Far from formulating a long-range policy geared to self-reliant development, the government concentrated on restoring production levels as rapidly as possible. Earlier pronouncements about nationalizing key industries in the private sector were set aside as the government relied on existing private enterprise to boost production. With the publication of the first Industrial Policy Resolution (defining the respective roles of the public and private sectors) in 1948, and subsequent government actions designed to stimulate private enterprise, it became clear that Indian private capital had little to fear from the kind of "socialism" practiced by the political leadership.[8]

Government policy with respect to foreign capital followed a similar pattern of retreat from initially strong positions. Although existing foreign enterprise (mostly British, and much of it in plantations and services[9]) was never threatened with expropriation, the Government of India at first did not encourage new foreign investment. The Industrial Policy Resolution of 1948 promised strict regulation of foreign capital "in the national interest," and India was generally unwilling to accord foreign investors the kind of conditions they expected. Only a year later, however, Nehru announced a new more liberal policy in a Statement to Parliament, and by 1953 a London business weekly affirmed that "the terms on which capital can be invested in India now match almost exactly the conditions laid down in the 'Code' (of the U.S. International Chamber of Commerce)."[10]

In spite of the progressive relaxation of restrictions, foreign investors remained suspicious of the Indian investment climate. During the first decade after independence there was little net inflow of foreign private capital, with the significant exception of the oil industry. In the early 1950's, the Indian govermment negotiated agreements with three major Western oil companies (Esso, Burmah-Shell and Caltex) to set up branch refineries on terms extremely favorable to the investors.[11]

While the official attitude toward foreign private capital mellowed quite rapidly, the attitude toward foreign public aid remained much firmer throughout the first decade. The urge to avoid reliance on external aid was strengthened by American efforts to use a wheat loan in 1950 to pressure India into modifying its neutral stance in the Korean War.[12] In public statements Indian leaders extolled the virtues of self-sufficiency, and sought to minimize the role of foreign aid in financing development programs.

With the establishment of the National Planning Commission in 1950, and the inauguration of the First Five Year Plan (1951-56) a year later, the government moved to implement its long-heralded policy of systematic planning for self-reliant development. The First Plan proved to be very modest in scope, consisting essentially of a set of projects most of which were already slated to be carried out by various governmental agencies.[13] It was only in the mid-fifties, as the process of formulating the Second Five Year Plan (1956-61) got underway, that a concerted effort was made to define a new strategy of economic development.

Several circumstances combined to favor a new strategy.[14] First of all, the overall economic situation had improved markedly since independence; a couple of good monsoons and a boom in private business activity produced an atmosphere of optimism among economic planners. Secondly, there was a growing popular demand that the Congress Party begin to fulfill its pledge to bring about a "socialistic pattern of society." This demand was reinforced after 1953 by key electoral challenges from the opposition socialist and communist parties. Finally, the Soviet Union began in late 1954 to demonstrate interest in developing economic relations with India. Accepting the domestic political status quo and displaying strong support for the Nehru government at the expense of the Communist Party of India, the Soviet government offered technical and financial assistance for major public sector industrial projects--notably the first big public sector steel plant. This Soviet display of friendship and assistance greatly encouraged those planners--among them Nehru himself--who favored large-scale planning and rapid industrialization of the kind achieved by the Soviet Union.

The initial formulation of the Second Five Year Plan owed much to the efforts of Professor P.C. Mahalanobis, head of the Indian Statistical Institute and principal economic adviser to Nehru, who prepared an influential "Plan Frame" outline published in March 1955.[15] Mahalanobis' Plan Frame called for the promotion of rapid growth "by increasing the scope and importance of the public sector" and through the development of heavy

industries "to strengthen the foundations of economic independence."[16] Although the final version of the Second Five Year Plan involved some modification of Mahalanobis' original suggestions, it did represent a dramatic departure from the conservative economic policies of earlier years.

Planned public expenditure for the Second Plan was more than twice as great as for the First Plan; the outlay on industry increased almost five-fold, and the share of the public sector in total investment was to rise from 44% to over 60%.[17] At the same time that this ambitious plan strategy was being formulated, the government undertook other measures to bring the economy more directly under state control. The (domestic) Imperial Bank and life insurance companies were nationalized, a major Companies Act (of 1956) was passed to permit closer government regulation of private enterprise, and a new State Trading Corporation was set up. In April, 1956, the Indian Parliament adopted a new Industrial Policy Resolution that was somewhat more emphatic about the role of the public sector than the first Resolution of 1948.[18] More than at any time since independence, it appeared that the government might take decisive control of the direction of the economy.

Formulating elaborate development plans and promising large government expenditures are relatively easy tasks under any circumstances, and this was especially true in the optimistic Indian climate of the mid-fifties. The more difficult and more crucial question, however, was whether the necessary financial resources could be raised. In 1955 a Taxation Enquiry Commission issued a report calling for major fiscal reforms to increase tax revenues.[19] But it soon became clear that the major increases in planned government expenditures would outstrip the anticipated rise in tax revenues. It was expected that additional financial resources could be generated from the profits of public enterprises, from a moderate dose of deficit financing, and from foreign aid. However estimates of foreign assistance remained fairly low, and the Minister of Commerce and Industry, T.T. Krishnamachari, reflected the prevailing spirit of self-sufficiency by categorically opposing foreign aid.[20] Even under optimistic assumptions about various sources of finance, there remained a significant gap between anticipated outlays and resources for the Plan--yet it was hoped that taxation could be further stepped up to meet any need as it arose.

Related to the problem of financing the large Second Plan was the problem of covering its foreign exchange requirements. The strategy of rapid industrialization with emphasis on large-scale projects in heavy industry was bound to generate rapidly increasing demands for imported raw materials and capital equipment. It was hoped that the foreign exchange to pay for these could be obtained from increased export earnings, from the curtailment of non-essential imports and from the use of some of India's sizeable stock of accumulated sterling balances. Another potential source of foreign exchange was, of course, foreign capital, but the planners did not want to rely excessively on foreign aid and the current inflow of foreign private capital was too limited to warrant much optimism.

Not surprisingly, the Western capitalist powers severely criticized the Indian planning effort. A 1956 World Bank Mission condemned the Second Plan as over-ambitious.[21] Subsequently the Chairman of the Bank, Eugene Black, addressed a letter to T.T. Krishnamachari berating the Indian planners for failing to accord a sufficient role to private enterprise and urging especially more positive measures to facilitate foreign private investment. Black went on to issue a stern warning:

> We feel that we would have to consider the pace and the scale of our further loan operation in India from time to time in the light of economic conditions and prospects and taking into consideration the economic policies pursued by your Government.[22]

This letter did not shake the confidence of the Government in its policies; it was in effect rejected by Krishnamachari. For the time being, at least, Indian decision-makers were in no mood to accomodate to the wishes of the World Bank.

II. The Drift to Dependence

Unfortunately for the proponents of the new strategy, the big plans and the bold rhetoric of the mid-fifties came crashing down to earth within a year after the Second Five Year Plan was initiated. The clearest symptom of the problem was an unprecedented foreign exchange crisis. The deficit on India's balance of trade, which had averaged about $200 million a year during the First Plan period, suddenly rocketed to almost $1 billion in 1956-57 and reached a level of more than $1.3 billion in 1957-58.[23] A large part of these deficits had to be paid out of India's sterling balances, which dwindled from $1.9 billion to $900 million within two years.

The dramatic increases in India's trade deficit were due to corresponding increases in imports at a time when export earnings remained static. This surge of imports can be attributed in considerable part to the failure of the Indian Government to exercise the control over the private sector necessary for the fulfillment of the Second Plan.[24] In the beginning of the Plan period the booming private sector had run into supply shortages, especially in the domestic provision of basic industrial goods. Anxious to obtain imported goods before foreign exchange itself became limited (a likely prospect in view of the size of the new Plan), private businesses indulged in an import spree. Far from restraining this spree, the Government handed out import licenses liberally and actually contributed to the problem with its own excessive use of foreign exchange. Only in 1957, when the drain of foreign exchange reserves had reached crisis proportions, did the Government begin to clamp down on imports. By the end of 1957, only "essential" imports were being licensed. But the damage had already been done: before many of the projects of the Second Plan had even begun, India had squandered most of its foreign exchange reserves.

The foreign exchange crisis was matched by a crisis in financial

resource mobilization for the Second Plan. Total development expenditures by the central and state governments rose from 6.9% to 10.2% of net national product (NNP) from 1955-56 to 1957-58, contributing heavily to an increase in total government expenditures from 14.0% to 17.7% of NNP.[25] But tax revenues increased only from 7.7% to 9.2% of NNP in the same period, and revenues from other sources barely changed at all. As a result, the overall government budgetary deficit increased from 1.6% to an unprecedented 4.4% of NNP. The initial optimism about financing the Second Plan had proved hopelessly naive.

The response of the government to these crises was to steer the economy in quite a different direction than that intended by the formulators of the Second Plan. In the first place, public expenditure on the Plan was cut back significantly.[26] Yet, even with this cutback it was clear that major efforts would have to be made to provide an adequate base of financial resources and foreign exchange for the rest of the Plan. Unable or unwilling to envisage any other course of action, the government turned its eyes toward the West.

Within a year after T.T. Krishnamachari had rejected the letter from Eugene Black and questioned the need for any foreign aid at all, the tune had changed.[27] In the summer of 1957, Krishnamachari himself (now Minister of Finance) led an official delegation on a tour of Western capitals in the first systematic effort to attract financial aid on a massive scale. This government effort was complemented in the same year by a foreign tour on the part of the Indian Industrial Mission, led by G.D. Birla (head of one of India's two wealthiest business houses) and including many of the most powerful representatives of Indian corporate business. Public officials and private businessmen alike sought to alleviate Western fears about Indian "socialism" and to affirm India's enthusiasm for an inflow of foreign capital. H.V.R. Iyengar, the Governor of the Reserve Bank of India, explained to an audience of industrialists in California that:

> The 'Socialism' contemplated in India does not, by any stretch of the imagination, mean communism; it does not mean state capitalism....It is a system under which private competitive enterprise has and will continue to have a vital role to play; it is a system which respects private property and provides for the payment of compensation if such property is acquired by the state. I submit there is nothing in the system which should be repugnant to the social conscience of the USA.[28]

And G.D. Birla assured an American Council for Commerce and Industry that the Government of India was "favorable and indeed much more receptive than in 1948" to foreign capital.[29] This was not mere rhetoric. In specific agreements, new tax concessions and formal invitations, the Government of India made clear that foreign majority ownership of joint ventures was acceptable and that foreign capital was welcome in a number of industries previously reserved for the state.

The response from the West was everything that anxious government officials and businessmen could have hoped for. The urgent appeals for help galvanized a small but influential pro-India lobby in the United States into action aimed at a massive step-up in American foreign aid.[30] The World Bank, apparently satisfied that the recent changes in economic policy were moving India in the right direction, set up a permanent mission in New Delhi in late 1957 and organized a prompt and substantial loan operation that enabled India to meet its immediate foreign exchange obligations. In August, 1958, the Bank gave institutional form to Western assistance by establishing a Consortium for India (known popularly as the Aid-India Club). Comprising representatives of the major Western donor nations as well as the World Bank and its affiliate, the International Development Association, the Consortium was to meet at least once every year to assess India's development plans and to coordinate the allocation of loans and grants. Thanks largely to the efforts of the Consortium, the level of gross aid utilized by India jumped from $425 million in the First Plan period to over $3 billion in the Second Plan period.[31] This foreign aid financed roughly 25% of total public development expenditure and a slightly larger percentage of total imports during the Second Plan.

Although foreign public aid came much more quickly and in much larger amounts, foreign private capital also began to flow in increasing quantities to India as the Second Plan neared its end. Abandoning its earlier enthusiasm for self-sufficiency, the government from 1958 on put pressure on Indian firms to associate themselves financially and technically with foreign partners. In order to obtain investment and import licenses, Indian firms found it advantageous and often essential to seek agreements with foreign firms who could provide the foreign exchange to cover the import costs of a project. Encouraged by the growing economic links between India and the Western capitalist powers, foreign firms entered increasingly into joint ventures with their Indian counterparts. The number of government licenses for new enterprises involving foreign financial participation rose from an average of about 10 per year in the period 1951-57 to over 30 in 1958-61 and over 50 in 1962-63; in more than half the cases control was granted to the foreign partner.[32] This growth of foreign participation in Indian business was reflected in a rise in the average annual level of long-term foreign capital inflow and a corresponding growth of the value of long-term foreign investment assets in the private sector.[33]

India's increasing dependence on Western assistance was reflected in agriculture as well as in industry. While the agricultural sector had recorded some growth in output during the 1950's (slightly over 3% per year), more than half of the growth was due to the expansion of acreage. It was clear that an adequate rate of growth in the future would depend on more rapid improvement in agricultural productivity.[34] The possible reasons for the limited improvement in productivity are diverse and difficult to evaluate comparatively. They include the limited attention given to agriculture vis-a-vis industry in the Second Plan, the failure of the much-heralded rural Community Development Program to reach most peasants, and the widespread ineffectiveness of the land reform bills that had been

passed by state legislatures to fulfill the Congress pledge of "land to the tiller." In short, the government had neither brought about its promised agrarian revolution nor had it provided the massive infusion of agricultural inputs and credit which might have improved productivity even in the absence of significant institutional change.

Within the agricultural sector, food production was particularly disappointing. As the demand for foodgrains outstripped the domestic supply, India became increasingly dependent on imports to feed its growing population. Throughout the 1950's there was an unmistakable upward trend in food imports, which averaged 1.8 million tons annually during the First Plan period, 3.8 million tons during the Second Plan period, and reached an unprecedented level of 5.1 million tons in 1960.[35]

In the context of the overall foreign exchange shortage that developed in the Second Plan, the burden of food imports became increasingly onerous. Under these circumstances, the availability of surplus agricultural commodities from the United States under Public Law 480 proved irresistible.[36] Most of the commodities shipped under PL 480 are provided free of charge to the Indian government for subsequent sale in the domestic market. Between 85 and 90% of the rupee proceeds--known as counterpart funds--accrue to the government in the form of long-term loans (repayable in rupees to the U.S.) for mutually agreed upon development projects. The remainder of the counterpart funds--as well as the debt service on the loans--is held in a rupee account by the U.S. government for local administrative expenses. The PL 480 program thus channels aid to India in a manner very advantageous to the two governments involved. The U.S. government simply disposes of surplus commodities that it has already obliged taxpayers to buy from American farmers, and it accumulates and spends rupees in India while at the same time exercising some leverage over development expenditures by the Indian government. The latter, in turn, gains substantial budgetary resources from the sale of the surplus commodities while reducing the severity of food crises.

Commodity assistance to India began in 1955 but reached significant proportions only after the foreign exchange crisis in 1957. During the Second Plan period as a whole, the total value of PL 480 assistance amounted to $1.05 billion dollars, representing approximately one third of the total value of gross aid utilized.[37] PL 480 food imports accounted for about 60% of overall foodgrain imports during the Second Plan and contributed significantly to the stabilization of food grain prices.[38] It was clear that unless major steps were taken to increase the rate of growth of agriculture Indian dependence on imported food would continue to exacerbate an already difficult foreign exchange problem.

As the formulation of the Third Five Year Plan (1961-66) got under way in the late 1950's and early 1960's, Indian planners had few illusions about the extent of their dependence on external assistance.[39] The ruling Congress Party was still committed to rapid economic growth as a general objective, and to a major role for the state in achieving that objective.

Thus, an ambitious target was established for the Third Plan: $21.9 billion of net investment for the economy as a whole, of which about 60% was to be in the public sector. Including both current outlay and capital investment, total public development expenditures were to rise from an actual figure of $9.7 billion in the Second Plan to $15.8 billion in the Third.

The financing of these expenditures was linked clearly to anticipated inflows of foreign capital. The planners recognized that existing taxation would barely cover current government expenditures already committed, and they projected additional taxation of $3.6 billion to be raised during the Plan period.[40] But even after stretching as optimistically as possible this and other sources of revenue, there remained a gap of $4.6 billion which was explicitly sought in external aid. In fact, the cumulative trade deficit had been estimated in the Draft Outline of the Third Plan to reach $6.7 billion.[41] As a scholar of Indian planning has observed, "Essentially, this was an advance bill presented to the 'consortium' and other foreign powers presumed to be interested in the Third Plan's success."[42]

Foreign powers did in fact foot most of this bill--but, as will become evident later, not without extracting a significant quid pro quo. Although the real value of public outlay fell somewhat below the targeted level, gross foreign aid utilized during the Third Plan period doubled from its Second Plan level to $6 billion dollars.[43] Foreign aid financed 30% of total public development expenditures and nearly one half of total imports. Debt service on prior foreign loans claimed only $260 million during the Third Plan period, so that the net inflow of aid was only slightly lower than the gross inflow. Of the $6 billion in gross aid, more than 90% came from members of the Consortium and less than 10% from the Soviet bloc countries. Thirty percent of the aid was accounted for by PL 480 assistance from the United States, which financed the bulk of India's growing foodgrain imports. The production of food grew very slowly during the Third Plan period, and average annual foodgrain imports rose to 6.5 million tons--about twice the level during the Second Plan.[44]

The growth in India's dependence on Western aid was matched by the rapidly growing role of foreign private enterprise in the Indian economy. The value of outstanding long-term foreign investment in the private sector, which had increased from $930 million in December 1955 to $1.3 billion in December 1960, accelerated to $2.2 billion by March 1966.[45] This growth was marked by two significant shifts in the structure of foreign investment.[46] First, the share of manufacturing industry rose from 29% of the total in 1955 to 51% in 1966. Second, the share of British capital declined from 83% in 1955 to 51% in 1966, while the share of American capital rose from 9% to 23% in the same period. Foreign investors were clearly becoming much more interested in manufacturing than in the older extractive and service sectors of the economy, and American capital was gradually eroding the earlier dominance of British capital.

In the mid-1960's, foreign branches and foreign-controlled companies incorporated in India accounted for approximately 25% of India's total

private non-financial corporate assets.[47] But the true significance of foreign private enterprise is understated by such figures which identify foreign control with ownership of at least 40% of share capital.[48] The increasing involvement of foreign capital in manufacturing industries, typically in the form of joint ventures with Indian capital, has led to many instances of collaboration in which the Indian firm retains financial control but depends on technical assistance from its foreign partner. The number of government approvals for technical collaboration with foreign firms increased from an annual average of roughly 35 in the period 1948-55 to 100 in 1956-59 and 350 in 1960-65.[49] Most such collaboration agreements involve little or no financial investment by the foreign partner, who is rewarded by annual payments of royalties and various technical and service fees. But the foreign role in management and decision-making is often critical even where foreign equity participation is negligible.[50]

However the significance is measured, it is clear that Western public officials and private businessmen assumed increasingly important roles in the Indian economy from the late 1950's by virtue of India's increasing dependence on Western public and private assistance. With interests of their own to defend and to promote, it is hardly surprising that these foreigners attempted to exercise the power which their critical roles conferred upon them.

III. Case Studies in Economic Imperialism

A few preliminary points deserve emphasis before some specific cases are examined. Whenever there is a Western interest in a particular policy, there is bound to be a similar interest on the part of at least some Indians. Indeed, the policies promoted by Western capitalist powers are often intended precisely to create or strengthen Indian classes with similar interests. Thus, policy differences rarely involve an alignment of Westerners on one side and Indians on the other side of an issue. Rather, the typical case of economic imperialism is one in which Western power is used to influence decisions in favor of one side of a domestic policy debate, bringing support to that group of Indians whose own views and/or interests are found most congenial.

In contrast to the heterogeneity of Indian interests, the Western interest in India tends to be homogeneous because the interested community is small and closely-knit, consisting mainly of public officials and private businessmen. Articulated by the World Bank and the United States Agency for International Development (USAID) on behalf of the Aid-India Club, the consensus of Western officials and businessmen is that India should develop along capitalist lines by giving maximum latitude to private enterprise and opening the economy as widely as possible to trade and investment from other capitalist nations. This outlook results in an alignment of the Western powers with Indian capitalists both in urban and rural areas, especially those who are associated with foreign capital. At the same time, it brings the Western powers into conflict with the Indian government to the extent that the latter attempts to increase India's

economic independence by restricting private enterprise or interfering with the operation of market forces.

Agricultural Policy

The unsatisfactory growth of Indian agriculture has led to increasing concern among Indian planners in the late 1950's. The American Ford Foundation (represented in India by one of its largest overseas missions) entered the discussion of alternative policy measures with the publication of its Report on India's Food Crisis and Steps to Meet It.[51] This report, prepared after a whirlwind ten-week visit to India by a dozen American agricultural experts, spoke ominously of an impending food crisis and recommended major steps to deal with it.[52] The influence of the report was profound. The foundation assigned another team of agricultural experts to draft a program of action and the resulting Intensive Agricultural Districts Programme (IADP) was adopted by the Indian Government in June 1960. The principles embodied in the IADP, strongly supported by USAID, informed Indian agricultural policy throughout the next decade.[53]

The IADP selected one pilot district in each of the 15 Indian states which was to be supplied with all of the various agricultural inputs--fertilizers, pesticides, improved seeds, water, credit, marketing facilities, technical assistance, etc.--necessary to improve significantly agricultural productivity. Districts were selected from areas already favored by a well-organized community development bureaucracy, good credit and marketing facilities, an assured water supply, no major "farm consolidation problems," and "readily available local agrarian leadership receptive to change."[54] In other words, the new agricultural policy explicitly concentrated scarce resources in the hands of better-off farmers in favored areas in an all-out effort to increase output without regard to adverse distributional consequences. Notably absent from the initial Ford Report as well as from the IADP itself was any concern for land reform or related institutional changes.

The actual achievement of the IADP in raising output was described in disappointing terms a decade later by a sympathetic American economist, Dorris D. Brown, long associated with the Ford Foundation in India:

> Only 3 of the 15 IADP districts reported significantly higher rates of change in output and yield for foodgrains during the IADP years (than) during the previous five years. Only 2 IADP districts reported significantly higher changes in outputs of foodgrains than did bordering districts.[55]

Nonetheless, the principles of resource concentration and reliance on the "progressive" (i.e., wealthy) farmer to spearhead agricultural growth were further promoted in the mid-1960's by the extension of the IADP concept to the Intensive Agricultural Areas Programme (IAAP) and the introduction of a High Yielding Varieties Programme (HYVP) in selected areas with assured irrigation and rainfall. As described in glowing terms by John P. Lewis,

Minister-Director of the USAID Mission to India from 1964 to 1969, the new agricultural strategy:

> relied for its drive on the Indian cultivator's appetite for gain and upon his native intelligence for much of its implementation...it would take bold steps, despite the heavy drain on the country's scarce foreign exchange, radically to increase the importation of fertilizers and provide the new seed supplies; and follow up forthwith with swift expansion of (and recruitment of foreign private participation in) domestic production of fertilizer, seeds, pesticides and other agricultural inputs. The strategy would rely on the initial success of the seed-fertilizer combination in the hands of the more alert farmers to create effective pulls on other such potentially bottle-necking factors as agricultural credit and irrigation.[56]

Toward the late 1960's there was evidence that the increased use of fertilizers and new seeds in the so-called "Green Revolution" had contributed to an improvement in the agricultural performance of some crops in some areas (notably wheat in North India).[57] However, the extent of such improvement was in doubt, and it was clear that the benefits of the agricultural gains were distributed very unequally as among different regions and different classes of people.[58] The lion's share of the gains from the "Green Revolution" have accrued to large land-owners, who have used government programs to concentrate land and agricultural resources in their own hands. These beneficiaries of the new agricultural policy, now commonly referred to as "kulak" farmers, have become an increasingly powerful rural class that has derived much support from Western sources in promoting its economic interests. Meanwhile, the vast majority of the rural population--small-holding cultivators and agricultural laborers--have scarcely managed to maintain their standard of living, and many have lost what little rights to land they initially held.

Oil, Drugs, and Fertilizers

The oil and chemical industries are often the focus of economic imperialism because of the immense power of the major multinational oil and chemical concerns. This was conspicuously true in India where Western influence was brought to bear upon the development of the oil, pharmaceutical, and fertilizer industries. It should be noted at the outset that the Second Industrial Policy Resolution (1956) had classified oil in the first category of industries in which all new units would be established by the state while drugs and pharmaceuticals, as well as fertilizers, were classified in the second category in which new undertakings were to be established increasingly by the state.[59]

The Indian government had attempted initially in the early 1950's to set up several public sector drug plants with help from Western firms, but it proved impossible to negotiate any agreements satisfactory to both

parties.[60] In 1956 a group of Russian experts recommended an integrated multi-plant industry under state ownership. Soon thereafter, private Indian and Western interests began to register their opposition to the Russian suggestion, and they managed to generate an alternative proposal from within the Indian Ministry of Commerce and Industry that called for a private sector drug industry with aid from Western firms. In spite of a new Russian offer of substantial aid for the public sector project, the Indian government concluded a major agreement with Merck and Co., Inc., of the United States for the production of antibiotics, and encouraged other Western firms to enter the industry with Indian partners. Merck's production costs were nearly twice those envisaged by the Russians, and the cost to India in royalty payments, service fees and technical secrecy was far higher than in the Russian proposals. The Indian decision was clearly influenced by the exercise of Western power. As one American trade-journal reported it:

> Drug officials started looking at India about two years ago, just as the Russians began a big push to have India freed from the dependence on Western chemicals and pharmaceuticals. Soviet engineers, loans, and all else needed would be provided if the Indians would take USSR help and build the state-owned industry.
>
> Fortunately for the Free World, Merck and other U.S. and Western drug and chemical firms have not been idle since.
>
> Merck's efforts have helped in part to stall this Soviet offensive...the original Soviet offer.....is shelved, and the Indian Pharmaceutical Industry will not be a government monopoly.[61]

Since that time, the rapidly growing and highly profitable pharmaceutical industry has been dominated by foreign firms, whose patent rights and remittances have priced many important medicinal products out of the reach of the average Indian consumer.

The Indian oil industry was completely dominated through the 1950's by the three foreign private oil companies, Burmah-Shell, Esso and Caltex.[62] The monopolistic position of these companies has only gradually and incompletely been undermined in the 1960's by the development of a domestic public sector capacity for oil extraction, refining, and distribution. The development of India's state-run oil operations depended crucially upon Soviet bloc assistance, and it has gradually improved India's bargaining position vis-a-vis the Western oil companies. However, the bargaining is almost continual, always hard, and often influenced by the power of the World Bank and its partners in the Aid-India Club.

A decisive point in the conflict between the Indian government and the oil companies was reached in 1960, when the Soviet Union offered to supply India with large quantities of crude oil at a price well below that charged

by the Western-controlled refineries.[63] Because a large part of the profitability of the major oil companies stemmed from the use of their own crude oil, they adamantly refused to process Soviet oil. The oil companies did offer to lower the prices charged for their own crude, but the Indian government remained dissatisfied and there were calls from various quarters for nationalization of the refineries.

The actual response of the government, however, was necessarily conditioned by India's economic dependence on the West. At the time of the debate over the Soviet offer of crude oil, the Third Five Year Plan was being prepared and the World Bank was carrying out one of the periodic assessments of the Indian situation on which it based its recommendations to the Aid-India Club. The Bank would clearly not stand for the forced introduction of Soviet crude oil, much less the nationalization of Western refineries.[64] In the event, the Indian Government stopped well short of nationalization or of any attempt to force the use of Soviet crude. Instead, it responded by setting up a new Oil Price Enquiry Committee, reasserting lamely the priority of state over private refineries, and refusing to allow the expansion of existing refineries or building of new refineries by the three Major Western companies. As one close observer put it:

> Western pressure, whether explicit or implicit, undoubtedly played a major role in the Indian government decision.[65]

Even this mild response, however, was subsequently moderated. Under pressure from the Aid-India Club, the general scarcity of foreign exchange, and the steady rise in domestic demand for oil products, the government soon permitted substantial increases in oil processing by the three major Western refineries, and it dropped its earlier policy of confining new refineries wholly to the public sector by agreeing to joint state refining ventures with foreign private firms.[66]

In spite of significant concessions to Western oil companies over the years, the development of an Indian national oil industry and the use of Soviet bloc assistance has freed India from total dependence on foreign private oil interests. At present India can meet approximately half of its oil requirements from domestic sources and the government continues to bargain with Western firms over the other half. During the 1960's, however, Indian dependence and Western imperialist influence has become increasingly evident in the rapidly growing petro-chemical fertilizer industry.

As noted earlier, one of the key elements of the new agricultural policy in India was a massive increase in the supply and use of fertilizers. At the end of the Second Five Year Plan, Indian fertilizer consumption was extremely low by comparison with most other countries.[67] To step up rapidly the supply of fertilizers, the Third Plan aimed at almost a ten-fold expansion of domestic production, and--the Industrial Policy Resolution of 1956 notwithstanding--the private sector was licensed to provide the major share of the increased capacity. But Indian businessmen found it difficult to interest foreign chemical companies--on whose technical assistance they

depended--in joint fertilizer ventures largely because the foreign companies rejected the Indian policy of domestic majority ownership in the fertilizer industry. As a result of both public and private sector shortfalls, fertilizer production lagged well behind its targeted level during the Third Plan, fertilizer imports increased rapidly, and the government found itself increasingly desperate for a solution to the food and fertilizer problem.

Under pressure from all sides, government officials met in 1964 with executives of major United States corporations interested in foreign investment in an attempt to improve the Indian investment climate, particularly for fertilizers. Soon thereafter a major proposal for building five new plants to produce one million tons of fertilizer (close to the actual target of the Third Plan) was put forward by the Bechtel Corporation. Negotiations with Bechtel were marked by disagreements over acceptable rates of return, control of marketing and distribution, and the extent of ownership and control by the Indian government. Although the government had by then agreed in principle to sanction new fertilizer ventures with majority foreign capital, the Bechtel proposal was ultimately rejected.

But in late 1965 and early 1966, the crisis in India deepened and the pressure from the West increased. On top of the mounting food problem of the early 1960's, India was struck by the worst drought of the century and in 1966 faced an enormous deficit of foodgrains. At the same time, India had incurred the displeasure of the United States and a temporary suspension of Western aid because of her involvement in the Indo-Pakistan War which broke out in August and September 1965. Under these circumstances President Johnson, as reported in the New York Times, "declined to sign a new year-long Food-for-Peace program, insisting that India must first take some hard decisions about food policy."[68] Moreover, "The United States government and the International Bank for Reconstruction and Development have insisted that India provide easier terms for foreign private investment in fertilizer plants as one condition of resumed economic aid."[69] It should come as no surprise that in December 1965, the Indian government announced a reversal in policy that gave private fertilizer plants full control over their own pricing and distribution for seven years; and in May 1966, the government signed a collaboration agreement with the American International Oil Company in which management control was to be split 50-50 although the government retained 51% of equity in the joint venture.

Liberalization and Devaluation

The pressure brought upon Indian fertilizer policy was part of a more wide-ranging effort by the Western powers to change the whole tenor of Indian economic policy.[70] World Bank Missions to India had long complained about the extent of government controls over both domestic and foreign private enterprise. Beginning with the Bell Mission Report of 1964, increasing pressure was brought to relax these controls, to simplify licensing procedures, to allow greater freedom in the use of foreign exchange, and--as a key element and striking symbol of the whole strategy of economic

"liberalization"--to devalue the rupee.

The nature of the pressure applied by the Western powers was blatant enough to offend almost all segments of Indian opinion and to produce a vocal, if impotent, nationalist reaction. First of all, most of the Western aid suspended during the Indo-Pakistan war was not resumed until April 1966--long after the fighting had ceased. Secondly, President Johnson held up PL 480 shipments and eventually authorized them only on a month-to-month basis under near-famine conditions. Finally, the World Bank made it unmistakably clear that future consortium aid was contigent upon economic liberalization and the devaluation of the rupee.[71]

The inevitable outcome was announced in early June 1966, when the Indian government devalued the rupee from 4.75 to 7.50 rupees per dollar and simultaneously liberalized its import licensing policies. The economic impact of these measures is a matter of some controversy. There can be no doubt that economic conditions in India failed to improve, but this failure is sometimes attributed to exogenous factors such as the second successive year of drought in 1966-67.[72] Nonetheless, the World Bank, on behalf of its consortium partners, continued in subsequent years to promote policies of liberalization and to "load its advice with the promise of aid."[73] As explained in a New York Times dispatch (under the significant heading: "Drift from Socialism to Pragmatism"):

> Much of what is happening now is the result of steady pressure from the United States and the International Bank for Reconstruction and Development, which for the last year have been urging a substantial freeing of the Indian economy and a greater scope for private enterprise.
>
> The United States pressure, in particular, has been highly effective here because the United States provides by far the largest part of the foreign exchange needed to finance India's development and keep the wheels of industry turning.
>
> Call them 'strings,' call them 'conditions,' or whatever one likes, India has little choice now but to agree to many of the terms that the United States, through the World Bank, is putting on its aid. For India simply has nowhere else to turn.[74]

IV. The Political Economy of Indian Development

The pattern of economic development in India since independence poses a number of important questions. Why did Nehru's conception of a self-reliant "socialist" development strategy not prevail? Why did India turn to the West to bail out the economy in the late 1950's, rather than impose a domestic austerity program, or seek greater assistance from socialist countries? Why was the government unable or unwilling to bring about significant agrarian reform, and why did it turn instead to an agrarian

strategy based on strengthening the rich farmer? To answer such questions, one must examine the class structure of independent India as it emerged from the history of British colonial rule and the nationalist movement.[75]

Two centuries of British hegemony on the sub-continent had a significant impact on the traditional pattern of social stratification based upon the hierarchical Hindu caste system. The introduction of new property rights and new forms of taxation, as well as an increasingly rapid growth of population, led to an increasingly economic stratification of agrarian society. At the apex of a multi-layered pyramid was an elite group of native princes, absentee landlords and money-lenders who owed their comfortable position entirely to the British, with whom they jointly maintained order in the countryside. Below this parasitic elite were many intermediate layers of cultivators with varying rights to land, ranging from a very small percentage of farmers with large holdings to a mass of peasants with some (usually tenuous) claim to a plot of land barely sufficient to provide for one family. At the bottom, representing roughly a quarter of the rural population, was a class of landless and often serf-like agricultural laborers. This structure of economic classes was correlated with, but not identical to, the traditional caste hierarchy.

In contrast to the pre-capitalist relations of production that characterized almost all of Indian agriculture, a limited amount of modern capitalist industry had emerged under British rule. Although the colonial government consistently favored British capital, an indigenous Indian capitalist class began to develop slowly in the second half of the 19th century from among earlier trading classes which had collaborated with the British. Because of the obstacles faced by Indian capital, the indigenous capitalist class remained highly concentrated among particular families and regions of India. Furthermore, its relations with British capital were highly ambivalent; the Indians generally depended upon the British for technical and managerial assistance, but they became increasingly competitive with the British in marketing their output. In the last decades of British rule Indian capitalists gained financial control of an increasing number of industries formerly dominated by the British, and by the beginning of the Second World War they had become a wealthy and powerful national bourgeoisie.

With the growth of modern industry and related services (e.g., railways and communication) India developed an organized industrial working class. Because of the limited spread of industry, however, it represented only a small fraction of non-agricultural workers. A larger number of wage-earners were employed as white-collar workers in government services. Together, these blue-collar and white-collar workers constituted a relatively privileged labor aristocracy. The great majority of the non-agricultural working force belonged neither to the capitalist nor to the organized working class. Instead, they were either self-employed persons in services and household industry or part of the unorganized lumpen-proletariat irregularly employed by small enterprises of one kind or another.

Finally, a very important class to emerge from the British colonial period was the elite, highly educated class of professionals and administrators. Like the Indian capitalist class, its relations with the British were highly ambivalent. As recipients of an English education, they were very much oriented to Western culture and very much at home with their British counterparts. On the other hand, in spite of the British policy of gradual "Indianization" of public administration, they grew more and more resentful of their subordinate status in the colonial hierarchy.

The Indian nationalist movement had its origins in a moderate group of professionals--both English and Indian--who formed the Indian National Congress in 1885 to press for reforms that would improve the position of the Indian upper class within the framework of continued British rule. Leading Indian capitalists soon supported and participated in the organization as their interest in promoting Indian industry coalesced with the aims of the Indian intelligentsia. But only after the First World War, when the nationalists began to press seriously for independence from British rule, did the Congress become a mass movement. By the Second World War the Congress had gained support among the urban middle and lower classes as well as many strata of the peasantry. Although the most downtrodden and the most isolated groups were largely unaware of or indifferent to the Congress, only a few groups that were very closely linked to the British (e.g., native princes, large absentee landlords, and a few members of the urban upper class) actually opposed independence.

From the point of view of subsequent developments, the most important aspects of the nationalist movement were (1) that the Indian bourgeoisie and intelligentsia remained in firm command of the struggle for independence and (2) that the attainment of independence involved no revolutionary social upheaval, but simply a transfer of power from the retreating colonial rulers to the dominant Indian classes. Indian independence left the indigenous class structure and distribution of political and economic power basically unchanged, with the exception of the few pro-British groups who lost some of their power and privilege.

While it is beyond the scope of this paper to analyze why the nationalist movement did not become a revolutionary one, a few points may be mentioned. First of all, the British colonial rulers did not completely repress the development of modern elites in India. Rather, they permitted and to some extent fostered the growth of an Indian bourgeoisie and intelligentsia that were quite Westernized and hence not implacably hostile to their colonial rulers. This elite proved powerful enough to dominate other indigenous classes. Secondly, a number of potentially more revolutionary groups in India were won over to the Congress movement by the personal appeal of leaders such as Mahatma Gandhi and Jawaharlal Nehru. Gandhi obtained mass support among the peasantry with his commitment to the ideals of the Indian village and his promotion of certain aspects of Hindu religious philosophy. At the same time, Nehru gained support among left-oriented workers and youth by raising the banner of socialism in India. Neither Gandhi nor Nehru, however, posed any real threat to the conservative

tenets of the national bourgeoisie whose financial backing was essential to the Congress. On numerous occasions during the history of the nationalist movement, Gandhi and Nehru backed away from radical measures and aligned themselves with the less visible but no less powerful conservative forces in the movement.

A lack of alternative leadership and organization, and the continual vacillation of the Moscow-dependent Communist Party of India, prevented any effective challenge to the Congress from the left. Only the religious division between Hindus and Moslems placed a limit on the authority of the Congress leadership, as they were eventually forced to yield the territory of Pakistan to the rival Muslim League. Finally, the fact that the British rulers were ultimately ready to negotiate compromise settlements with the Indian nationalist movement, rather than force the issue to a more violent plane, facilitated a relatively peaceful and non-revolutionary transfer of power.

The Congress Party that took power in independent India was controlled by a narrow elite of businessmen and professionals which enjoyed widespread support from other classes. The Western orientation of the new leadership, and the natural desire of dominant classes to limit the threat of radical upheavals, contributed to the establishment in India of a framework of parliamentary democracy in which persuasion rather than coercion was expected to bring about social and economic change. In the absence of any social and economic revolution, this framework served in fact to maintain an extremely inegalitarian class structure as the stronger classes fairly easily dominated the weaker classes in the political arena.

The strongest urban class was clearly the big bourgeoisie, with substantial financial power. To some extent the highly educated professionals exercised independent power through their control of government administration, but their strength ultimately depended on political support from outside the government. The most important new development in the class structure was the emergence of a new landed elite in the rural areas. The old elite of princes and large absentee landowners was discredited by its association with the British and became early victims of Congress legislation. In its stead rose the next layer of agrarian society, the relatively wealthy large land-holding farmers who dominated the villages. Their ability to deliver the rural vote (which constitutes 80% of the total) gave them a strong base of political power.

Against this background, it becomes clear that socialism in any meaningful form was out of the question for India in the period following independence. The political base of Congress Party rule precluded serious challenges to the sanctity of private property. The exigencies of electoral politics did demand, however, that the Congress Party raise the banner of social and economic change as well as that of nationalism. To this end the rhetoric of a "socialistic pattern of society" as well as "self-reliant development," as propounded by Jawaharlal Nehru, proved very useful.

However, the effort to carry out self-reliant development in India appears in retrospect to have been doomed by the basically capitalist economic framework to which the Indian leadership was committed. To achieve self-reliant development in India, it would be necessary (1) to mobilize sufficient financial resources from domestic sources to finance massive development expenditures; (2) to shape the structure of the economy in such a way as to limit the demand for foreign goods and services; and (3) to mobilize the full productive potential of the rural population so as to make constructive use of the vast reservoir of idle and under-utilized labor. The history of Indian economic policy-making since independence brings out clearly how the capitalist framework of the economy--and the class structure upon which it was based--inhibited the achievement of any of the above measures essential to self-reliant development.

In the two decades since the inauguration of economic planning in India, the rate of net domestic savings as a proportion of net national income has rarely exceeded 10%.[76] Why were higher rates of saving not achieved? In part this was due to the continual difficulty of raising taxes from the powerful upper-income groups who control a substantial share of the taxable surplus. To this day there is almost no taxation of agricultural income in India, even though it is recognized that great fortunes have been made by large land-holding farmers. While wages and salary earners cannot escape the income tax net, much business and professional income goes undeclared and untaxed. Incentives for private saving have been limited by the operation of a consumption "demonstration effect" propagated by the opulent standard of living of foreigners and many indigenous elites. In the context of limited private saving and limited public ability to raise tax revenues, the government soon found it much easier to seek foreign financial resources than to take serious steps against domestic surplus-holding classes in order to promote development.[77]

The failure of Indian economic decision-makers to limit effectively the demand for foreign goods and services is closely related to the failure to raise adequate domestic savings. For the limitation of such demand would require curtailing the purchasing power of the richer classes whose expenditure involves goods and services with a relatively high foreign input content.[78] But the political and economic power of the rich has prevented sufficiently stringent control of their luxury expenditure and thereby contributed to the so-called "foreign exchange problem."

Finally, the economic history of independent India points to an enormously costly failure to mobilize the full productive potential of the rural population. On the one hand, much of the cultivating population has too small or too uncertain a stake in land to be motivated to work efficiently; thus the spread of modern farming techniques has been limited to the wealthier land-holders.[79] On the other hand, in spite of much talk about the desirability of employing idle labor on large-scale rural development works, such programs have in fact been extremely limited in scope.[80] The attainment of equity and cooperation in rural areas has been blocked by the power and influence of large land-holding farmers, who have prevented

the implementation of most of the land reform bills enacted by various state legislatures.[81] Large-scale labor-intensive public works programs have run up against the obstacles of inadequate resource mobilization and a lack of collective spirit, both of which were due in considerable part to the persistence of a grossly inegalitarian rural society. After the failure of initial efforts to bring about agricultural improvement on a new foundation of equity and cooperation, the government--with a strong push from the Western capitalist powers--turned instead to a strategy of "kulakization" involving heavy foreign involvement in the supply of chemical fertilizers, tractors, etc.

In sum, the political economic base that characterized India at independence offered a choice between virtual economic stagnation or an incomplete, inegalitarian and dependent form of economic growth. The government recognized this partially in its early moves to attract foreign private capital and came to understand it fully in its later drive for foreign aid. Indian business leaders, at first distrustful of foreign competition, soon came to realize that their own interests would be served far better by collaboration with foreign firms in industrial ventures than by the more difficult effort to develop indigenous technological capability. Given this logic of dependent growth, it made sense for the government and for private capital to seek help wherever they could find it. But it remains to be explained why India became so heavily dependent on the Western capitalist powers and did not at least balance its dependence between East and West so as to improve its bargaining position.

In the first place, it should be noted that some 5-10% of the total aid received by India has come from the socialist countries.[82] This aid has helped India to set up some important public sector projects, and in some cases (notably the oil industry) it has enabled the government to bargain for better terms from Western firms. Yet on the whole the flow of financial aid and other forms of assistance from the East has been too small to reduce significantly India's dependence on the West.

The major reason for India's Western orientation appears to be the predominance of Western-oriented class forces within India. Both the urban bourgeoisie and the urban intelligentsia are culturally inclined to the West. More important, the basic economic interests of the Indian propertied classes--both in urban and rural areas--are much closer to those of Western capitalists than Soviet officials. While differences may well arise over issues such as tariff protection and import restrictions, the Indian propertied classes share with their Western counterparts a common stake in the sanctity of private property and related rules of the capitalist game. The only significant force in India operating to promote closer relations with Soviet bloc countries is the desire of the government bureaucracy to extend state control over economic activity. The history of Indian economic policy demonstrates clearly, however, that the government bureaucracy does not have the power to impose its will on private groups when the interests of the two come into serious conflict.

In sum, India's economic dependence on the Western capitalist powers has arisen as the natural consequence of the class structure that characterized India at the time of independence. The class basis of the dominant Congress Party led to a commitment by the leadership to a fundamentally capitalist path of development, which in turn precluded a self-reliant strategy and led inexorably to dependence on Western capital. Moreover, once such channels of dependence are established they tend to become self-perpetuating. As the links between Indian and Western interests (both in the private and the public sector) grow stronger, there is a corresponding growth in the number and significance of those Indians with a stake in continued links to the West. Thus the domestic balance of power in India has shifted more strongly in favor of those classes--e.g., urban capitalists and rural "kulaks"--who share the desire of the Western capitalist powers to promote a path of dependent capitalist growth.

V. Conclusions

The main conclusion to be drawn from the experience of independent India is that, in the absence of a revolutionary transformation of the domestic class structure, an ex-colonial underdeveloped country faces a choice between economic stagnation or economic dependence on the major capitalist powers. The latter course opens the country to Western imperialist influence, which in turn reinforces the dependency relationship by strengthening those domestic classes most interested in a Western-oriented capitalist path of economic growth. Thus, dependence and imperialism are closely woven together in the fabric of international capitalism.

That the economic growth of underdeveloped countries such as India is predicated upon close links with the major capitalist powers is a proposition that will be widely accepted. However, the negative judgment suggested by the use of terms such as "dependence" and "imperialism" will be just as widely disputed. Most Western observers--social scientists, public officials, and private businessmen--view the integration of the Indian economy into the world capitalist system as highly beneficial to all parties concerned. They reject the notion that the advice, the influence and the exercise of power associated with Western public and private capital in India represents any form of economic imperialism. It seems appropriate, therefore, to conclude this essay by summarizing the grounds for critique of the Western economic role in India.

In the first place, Western influence on economic policy in India is objectionable because it involves the arrogation of considerable decision-making power by foreigners who have no claim to represent the Indian people. The very process by which foreigners influence national policy tends to impugn national integrity and to undermine the dignity and morale of the indigenous population. This objection applies no matter how the decision-making power is actually used by foreigners, whether it is ostensibly for "the people's own good" or not. What is at stake is the principle of self-determination, the right of people to participate in and control the

decisions that affect their own lives.

The above objection might be set aside, however, if it could be argued that the policies encouraged by Western influence were in fact beneficial to the Indian people. The most important objection to the Western role in India is rooted in a critique of the overall strategy of economic growth promoted by the Western powers and their Indian allies. The strategy calls for a basically capitalist economy, closely linked through trade and investment with the world capitalist system; it relies on domestic and foreign private enterprise, aided by sympathetic public agencies, to bring about economic growth. This strategy must be condemned both for the inadequacy of the rate of growth that it yields and for the character of the economic and social conditions that it fosters.

From 1948-49 through 1969-70 the average annual rate of growth of real national product in India was approximately 3.3%, and the corresponding rate of growth of per capita income was just over 1%.[83] The rates of growth were actually lower in the 1960's than in the 1950's. While this performance represents an improvement upon the economic stagnation that characterized the colonial period, it falls far short of the objectives of the Indian leadership as well as the aspirations and needs of the Indian people.

Many of the obstacles to more rapid economic growth in India stem from the capitalist framework of development.[84] The strength of private upper income groups in India has limited the ability of the government to finance its development plans, and the propensity of the rich to consume luxury goods has limited their own private saving. The inconsistency of appeals to collective social effort with the dominant capitalist ethos has contributed to the widely recognized failure to mobilize idle labor. And many institutional changes that could motivate a much greater application of human resources to production (e.g., land reform) have been inhibited by powerful propertied interests. The foreign aid received by India since independence has scarcely compensated for such obstacles. At its peak, the net inflow of foreign capital averaged little more than 3% of India's national product.[85] With a rapidly mounting burden of foreign debt repayment cutting into a steadily diminishing supply of new aid from foreign donor countries, it has become clear that India cannot expect the inflow of foreign resources to make up for the grossly inadequate level of domestic resource mobilization.[86]

But even if such obstacles to economic growth are somehow overcome, what kind of growth does capitalism offer a country like India? Many of its characteristics are visibly associated with the limited growth that has occurred since independence. In the first place, it is growth that is based upon steadily widening inequalities of income and wealth. Reliance on urban capitalists (domestic and foreign) and on kulak farmers to bring about growth can only succeed to the extent that those groups are rewarded with high income and consumption levels. Most of the economic gains that India has realized in the past two decades have been enjoyed by a limited

set of middle- and upper-income classes.[87]

Secondly, the capitalist strategy of growth does not provide adequate employment opportunities in a labor-surplus economy. The purchasing power of the rich, and the influence of foreign practice on the choice of production techniques, tend to generate excessive demands for such scarce resources as capital, skilled labor and foreign exchange, and insufficient demand for unskilled labor.[88] Moreover, a capitalist government is typically incapable of putting idle labor to work. During two decades of planned development in India, the problems of under-employment and unemployment appear to have grown steadily worse.[89]

Finally, capitalist growth brings many of the undesirable qualities that characterize the rich capitalist societies in the contemporary world. Human values such as community, spirituality and brotherhood are undermined by the competitive logic of the market. Traditional forms of security are replaced not by new social arrangements catering to the same basic needs, but by increasing insecurity and alienation. Cultural life is continually threatened by homogenization to the lowest world-wide common denominator, gradually losing its distinctive indigenous character under the onslaught of Coca Cola bottles and James Bond films. There are already numerous signs of such changes in India, even though capitalism has not yet fully penetrated the country.

In sum, the most fundamental criticism of the Western role in independent India is that it helps to promote an internationally-oriented capitalist development strategy whose long-run consequences for the great majority of the Indian people are bleak indeed.

EPILOGUE

In recent years events have taken place in India that may suggest a departure from the syndrome of dependence and imperialism described in this essay. Successive years of poor rainfall and bad harvests from 1965 to 1967, the humiliating episode of devaluation in 1966, a three-year postponement of the Fourth Five-Year Plan (originally scheduled to start in April, 1966), and generally deteriorating economic conditions had contributed to an atmosphere of growing unrest in the late 1960's. The ruling Congress Party was increasingly attacked for its failure to achieve self-reliant growth and a "socialistic pattern of society." In effect, India's capitalist framework of development was being challenged, and the Congress Party had to move to meet the challenge.

First of all, the Congress leadership began to adopt a more nationalistic stance on economic questions. The virtues of self-reliance, which seemed to have been gathering dust during the previous decade, were once again brought out and extolled at public forums. Since aid prospects were in any event becoming increasingly gloomy--because of dimming enthusiasm on the part of the major donors (especially the United States) and the mountin

burden of debt service on past loans--the new posture may largely have reflected the making of a virtue out of necessity. But government spokesmen did seek to align themselves with the critics of aid dependence.

Secondly, Mrs. Gandhi sought to project her Government as the champion of the poor by initiating a series of measures designed to display its socialist bona fides. These measures included the nationalization of India's 14 largest private commercial banks in July, 1969; the subsequent firing of a Finance Minister (Morarji Desai) long identified with the conservative wing of the Congress Party; a continuing effort to strip the former rulers of princely states of some remaining special privileges; and, most recently, the promotion of legislation aimed at facilitating state acquisition and redistribution of private property with ample discretion over the amount of compensation due.[90] This apparent lunge to the left provoked an intra-party dispute within the Congress that led ultimately to its formal split into two distinct parties, with a substantial majority of the old party members adhering to Mrs. Gandhi's ruling "new Congress" party. Riding a new wave of popularity, but suffering from a slight minority position in the national assembly, Mrs. Gandhi abruptly called a new general election in March, 1971, and emerged with a stunning victory over all the opposition parties.[91]

The events in Bangladesh in the following year helped to reinforce the new trends. With the Soviet Union emerging as India's major political ally (although still a minor contributor of economic aid) and the United States becoming one of India's major political enemies, pro-Western forces in India suffered a serious setback. When the United States suspended part of its aid to India, the rhetoric of self-reliance became all the more insistent. The Moscow-oriented Communist Party of India was welcomed by Mrs. Gandhi into domestic electoral alliances, and her Congress Party gained further strength on the Left. Finally, in the elections to state assemblies in March, 1972, Mrs. Gandhi rode the crest of her popularity for the liberation of Bangladesh to further electoral triumphs.[92] More than at any time since the mid-1950's, India seemed poised to launch a genuinely new economic policy.

In many ways, the current situation resembles that of the mid-1950's: a popular leader committed to socialism and self-reliance; warm political relations with the Soviet Union and coolness towards the United States; and a domestic class structure dominated by strong propertied classes. But Mrs. Gandhi in the 1970's appears to be more strongly committed to change than was Nehru in the 1950's, and less inclined to compromise with opposing interests. The prospects of aid from the Western powers are not as good as they were in the 1950's, although foreign private capital is probably more enthusiastic than before. And the Indian masses are no doubt much more politicized than they were in the early 1950's, more aware of their needs, and more capable of pressing their demands. All of these points suggest a greater likelihood that the ruling Congress Party will bring about significant change now than in the past.

However, in one important respect the present situation poses a much stronger barrier to evolutionary change than was true in the past. The capitalist pattern of development that has characterized India during the last two decades has greatly strengthened those classes most committed to a Western-oriented capitalist strategy. The Indian urban bourgeoisie, the rural kulak farmers, as well as foreign investors and collaborators, are all much more firmly and powerfully entrenched in Indian society than they were two decades ago. It seems probable, therefore, that only a revolutionary redistribution of power--of a kind that has never taken place in modern India and is certainly not on the agenda of Mrs. Gandhi's government--could usher in a genuinely new pattern of economic development.

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NOTES*

[1]These figures are drawn from Table 28, p. 106, and Table 5, p. 23, of FRNIC (1954).

[2]This estimate is based on calculations made by the author using data on the total assets of foreign branches and foreign-controlled rupee companies in IFLA (1950) and IFLA (1955), and data on the total assets of all public and private limited joint stock companies in FSJSCI (1967). Mazumdar (1959) arrives at a similar figure in Table 9, pp. 72-3.

[3]This term has figured prominently in statements by Congress leaders, and it was declared to be an official policy objective in a resolution passed by the Congress Party in its session at Avadi in 1955. See the Indian National Congress (1969), pp. 86-9.

[4]For a detailed analysis of the state of the Indian economy at independence, see Bettelheim (1968), Part I.

[5]The economic policies favored by the ruling Congress Party were set out in numerous documents published both before and after independence. A particularly comprehensive (and ambitious) presentation of these policies is contained in the statement on "Objectives and Economic Programme," issued by the All-India Congress Committee in November 1947. See the Indian National Congress (1969), pp. 18-32.

[6]For a summary of the views of Indian businessmen on the economic role of the state, see Kidron (1965), pp. 72-4. Kidron quotes a business weekly to the following effect: "The real choice before the country is not between Government versus private enterprise but it is between Government-cum-British enterprise versus Government-cum-Indian enterprise."

[7]As Kidron expressed it, "the Congress Government entered Independence confident that its existence was alone sufficient to release the springs of economic growth. Pre-independence thinking in both business and political circles was agreed on this." See Kidron, p. 97, and also pp. 71-2.

[8]For documentation on this paragraph, see Kidron (1965), pp. 74-97.

[9]The pattern of foreign private investment in 1948 is shown in Table 5.

[10]For documentation on this paragraph, see Kidron (1965), pp. 97-102; the quotation is from p. 102.

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*Abbreviated references refer to statistical sources identified at the end of the list of bibliographical references.

[11]See Eldridge (1969), pp. 118-19.

[12]See Eldridge (1969), pp. 29-31.

[13]For a detailed description of the First Five Year Plan, see Hanson (1966), Chapter 4.

[14]See Kidron (1965), pp. 113-16 and 128-30.

[15]This and the following paragraph draw heavily on the thorough analysis of India's Second Five Year Plan in Hanson (1966), Chapter 3.

[16]Quoted in Hanson (1966), p. 126.

[17]See Hanson (1966), Table 7, p. 134; and Kidron (1965), p. 136.

[18]For details, see Hanson (1966), pp. 460-62.

[19]See Government of India, Ministry of Finance (1955).

[20]Hanson (1966), p. 132.

[21]This was the verdict reached by the McKitterick Mission of the World Bank in its report released in August, 1956; see Hanson (1966), p. 152.

[22]Quoted in Kidron (1965), p. 154.

[23]The figures cited in this paragraph are drawn from Table 1.

[24]The points made in this paragraph are suggested by Kidron (1965), pp. 123-27.

[25]The figures cited in this paragraph are drawn from Table 2.

[26]Although the financial outlay was to be reduced from an initial level of Rs. 48 billion only to Rs. 45 billion, the real value of the new figure was much lower because of the inflation that had occurred in the first few years of the plan. See Kidron (1965), pp. 126, 141.

[27]This paragraph is based on the account given in Kidron (1965), pp. 156-59.

[28]Quoted in Kidron (1965), pp. 157-58.

[29]Quoted in Kidron (1965), pp. 158.

[30]This pro-India lobby "was spearheaded by such personalities as the former ambassadors Bowles and Cooper, Professor J.K. Galbraith...and Senators Kennedy, Kefauver, Humphrey, Mansfield, and Fulbright;" see Eldridge (1969), p. 32.

[31]The figures cited in the paragraph are drawn from Table 3.

[32]The figures are given in Kidron (1965), p. 259 and pp. 274-75.

[33]See Table 4. The value of long-term foreign investment assets should be distinguished from the value of the total assets controlled by foreigners. The former includes some foreign investment in Indian-controlled companies; while the latter includes a substantial amount of Indian investment in foreign-controlled companies.

[34]According to ES (1971), Table 1.5, agricultural acreage increased by 21.2% and yield per acre by 17.5% between 1950-51 and 1960-61.

[35]These figures for the two Plan periods are given in Eldridge (1969), Table 33, p. 112; the figure for 1960 is from ES (1971), Table 1.9.

[36]See Eldridge (1969), Chapter 6, for a concise discussion of American aid to India under the PL 480 program.

[37]See Table 3.

[38]Eldridge (1969), pp. 112-13.

[39]The Third Five Year Plan is analyzed in Hanson (1966), Chapter 6. The figures on anticipated Third Plan expenditures cited in this paragraph were drawn from Table 15, p. 204, and Table 17, p. 206, in Hanson (1966); rupee values have been converted into dollars at the official exchange rate of 4.75 rupees per dollar.

[40]The figures on anticipated Third Plan revenues cited in this paragraph were drawn from Table 20, p. 212, in Hanson (1966); rupee values have again been converted into dollars at the official exchange rate.

[41]Hanson (1966), p. 194.

[42]Ibid.

[43]The figures on foreign aid cited in this paragraph are drawn from Table 3.

[44]The figures are given in Eldridge (1969), Table 33, p. 112.

[45]See Table 4.

[46]The structure of foreign investment in India in 1948, 1955, and 1966 is shown in Table 5.

[47]This estimate is based on calculations made by the author using data on the total assets of foreign branches, foreign rupee-controlled companies, public and private limited joint stock companies from annual articles in the

Reserve Bank of India Bulletin monthly (Bombay) on the finances of a large sample of these types of company.

[48]Foreign-controlled companies are defined precisely but arbitrarily by the Reserve Bank of India as all subsidiaries of foreign companies "40% or more of whose shares are owned abroad in any one country, or 25% or more of whose shares are owned by a foreign or foreign controlled joint stock company, or which are managed by foreign controlled managing agents;" see IFLA (1964) (1964), pp. 25-26.

[49]See FCII (1968), Table 1.

[50]For a discussion of the increasing significance of technical collaboration agreements as a mechanism of foreign control, see Alavi (1966).

[51]The Ford-sponsored report was published by the Ministry of Food and Agriculture and Ministry of Community Development and Cooperation of the Government of India; see Government of India, Ministry of Food and Agriculture and Ministry of Community Development and Cooperation (1959).

[52]For a penetrating critique of the Ford report on the food crisis, see Thorner (1962).

[53]For an enthusiastic account of the new agricultural strategy by the head of the USAID mission to India from 1964 to 1969, see Lewis (1970), pp. 1212-15.

[54]The quotations are from p. 13 of Brown (1971), who provides a good descriptive account of the IADP.

[55]Brown (1971), p. 59. Brown goes on to note that cultivators in IADP districts fared somewhat better with cash crops than with food crops, but that this had little to do with the IADP program itself.

[56]Lewis (1969), pp. 1212-13.

[57]From 1965-66 to 1970-71, the official index numbers of overall agricultural output as well as yield per acre recorded impressive gains (see the Indian Eastern Economist, Annual Number 1972, p. 1240, and 1243). But 1965-66 was an exceptionally bad year due to drought conditions. T.N. Srinivasan (1971) has compared trend rates of growth for the periods 1949-50 to 1964-65 and 1949-40 to 1969-70; he concludes that only in wheat has there been any dramatic improvement in the late 1960's, while in some crops there has been relative deterioration.

[58]For evidence on the distributional impact of recent agricultural growth in India, see Ladejinsky (1970), and Frankel (1971).

[59]See Hanson (1966), pp. 461-62.

[60]The account in this paragraph is a summary of the information presented in Kidron (1965), pp. 163-65.

[61]Quoted in Kidron (1965), pp. 164-65.

[62] The following paragraphs are based on descriptive accounts of the development of the Indian oil industry in Eldridge (1969), Chapter 7, Kidron (1965), pp. 166-75, and Tanzer (1969), Chapters 13-18.

[63]This offer was almost simultaneous with the Soviet offer to supply crude oil to Cuba, which led ultimately to the nationalization of the Western oil companies by Fidel Castro's government. On the striking contrast between the behavior of the Cuban and Indian governments, see Tanzer (1969), pp. 344-49.

[64]See Tanzer (1969), p. 189.

[65]Ibid., p. 192.

[66]See Kidron (1965), pp. 172-75.

[67]The account in the following paragraphs relies heavily on the description of the development of the Indian fertilizer industry in Tanzer (1969), Chapter 19.

[68]From the New York Times, December 18, 1965, quoted in Tanzer (1969), p. 254.

[69]From the New York Times, May 15, 1966, quoted in Tanzer (1969), p. 254.

[70]For a well-documented account of Western aid policy in the 1960's, see Eldridge (1969), pp. 34-36.

[71]According to two very well-informed Indian economists specializing in international economic relations, "That the (devaluation) measure was adopted under heavy pressure from this source (the World Bank) is indisputable"; see Bhagwati and Desai (1970), p. 487.

[72]Bhagwati and Desai (1970), Chapter 22, argue that the drought, the associated industrial recession, and the lack of enthusiasm with which the government pursued the new strategy of economic liberalism obscured the beneficial effects of the policy. This argument has been strongly contested by other Indian economists (e.g., N.K. Chandra) who view the new policy as ineffective at best and harmful at worst.

[73]In the words of an editorial in the Economic and Political Weekly of Bombay, April 8, 1967; see also other editorials in a similar vein on the subject of aid in the issues of November 19, 1966, May 6, 1967, and July 8, 1967.

[74]From the New York Times, April 28, 1966, quoted in Tanzer (1969), p. 255.

[75]The historical account that follows is based upon a variety of sources on Indian social, political, and economic history, particularly Moore (1966), Chapter 6; Clairmonte (1960), Chapter 2; Brecher (1959); Desai (1959), Pavlov (1964); Sen (1962); and Sinha (1965).

[76]See Table 6.

[77]For a similar analysis of the difficulty of mobilizing domestic resources in contemporary India, see Chakravarty (1970).

[78]Hazari (1967) has demonstrated statistically that the goods and services purchased by the upper classes in India have on the average a significantly higher foreign exchange content than the goods and services purchased by the lower classes.

[79]See, for example, Frankel (1971).

[80]See Dandekar and Rath (1971), Part VII, for an instructive discussion of the failure of the Indian plans to provide adequate rural employment opportunities.

[81]The failure of Indian land reform legislation is described and analyzed in Dandekar and Rath (1971), Part V.

[82]See Tables 3 and 7.

[83]Data on the annual level of per capita income in India from 1948-49 through 1969-70 are given in ES (1971), Tables 1 and 2; the growth rates cited in this paragraph were computed from this source.

[84]For a more thorough discussion of the limitations of a capitalist strategy of growth in modern underdeveloped countries, see Weisskopf (1972).

[85]See Table 6.

[86]The net aid (gross aid minus debt service) utilized by India declined steadily in the late 1960's and by 1969-70 had fallen to less than half of its level in the mid-1960's; see Table 7.

[87]For evidence on the worsening distribution of real income in independent India, see Mukherjee and Chatterjee (1967) and Dandekar and Rath (1971), Part I, Section II.

[88]This argument is elaborated in Weisskoff (1972).

[89]For statistical evidence on the worsening employment situation in India, see the note on "Growth of Employment: 1950-51 to 1968-69," in the

Reserve Bank of India Bulletin, December 1969, pp. 1909-14.

[90]The first three measures are described in Lewis (1970), pp. 1211-12. The new legislation on which Mrs. Gandhi's government initiated action in the summer of 1971 involves four parliamentary bills, labelled collectively the "socialist package." These bills seek to "restore Parliament's authority to change the fundamental rights (affirmed in the Indian constitution), do away with the concept of market-value compensation for acquired property, and abolish privy purses and privilege of Princes and ICS (the pre-independence Indian Civil Service) officers." See the Statesman (overseas) Weekly, July 24, 1971.

[91]After the split of the Congress Party in 1969, Mrs. Gandhi's faction held only 220 of the 522 seats in the Lok Sabha (national assembly). In the national election of 1971, Mrs. Gandhi's "ruling Congress" Party won 350 seats. The complete election results are reported in Link weekly, March 14, 1971.

[92]For a report on these elections, see the Statesman (overseas) Weekly, March 18, 1972.

Table 1: Foreign Trade and Foreign Exchange Reserves (all figures in $ million)

Time Period	Imports	Exports	Trade Balance	Foreign Exchange Reserves[a]
Consecutive Periods[b]				
1950-51	1367	1361	-6	2161
1951-56 (Plan I)	1538	1309	-228	1895
1956-61 (Plan II)	2275	1290	-985	638
1961-66 (Plan III)	2577	1573	-1004	626
1966-70	2462	1726	-736	1095
Selected Fiscal Years[c]				
1955-56	1628	1348	-280	1895
1956-57	2320	1338	-982	1430
1957-58	2596	1250	-1346	885
1958-59	2164	1212	-952	796

[a]At the end of the period.

[b]The trade figures are annual averages for the period.

[c]The Indian fiscal year was from April 1 to March 31.

Sources: Imports, exports and trade balance: IBP (1963), Table I*; BSRIE (1969), Table 55*; ES (1971), Table 6.3.
Foreign exchange reserves: ES (1971), Table 6.1.

*Rupee values converted to dollars at the official exchange rate.

Table 2: Government Expenditures and Revenues[a]
(all figures represent percentages of net national product)

Time Period	Development Expenditures	Total Expenditures	Total Tax Revenues	Budgetary Surplus
Consecutive Periods[b]				
1950-51	3.8	9.4	6.6	+0.1
1951-56 (Plan I)	5.0	11.2	7.2	-0.7
1956-61 (Plan II)	9.2	17.6	9.1	-1.6
1961-66 (Plan III)	10.9	24.2	13.0	-1.1
1966-68	9.5	23.8	12.8	-1.0
Selected Fiscal Years[c]				
1955-56	6.9	14.0	7.7	-1.6
1956-57	8.2	14.6	7.9	-2.3
1957-58	10.2	17.7	9.2	-4.4
1958-59	9.5	16.9	8.6	-1.1

[a]Consolidated figures for central and state governments.

[b]All figures represent annual averages for the period.

[c]The Indian fiscal year runs from April 1 to March 31.

Sources: Rupee values for all items were obtained from BSRIE (1961), Table 46; BSRIE (1963), Table 50; and BSRIE (1969), Table 68. Percentage figures were calculated by dividing rupee figures by corresponding rupee values of net national product given in ES (1971), Tables 1.1 and 1.2.

Table 3: Foreign Aid During the First Three Plan Periods

	PLAN I (1951-56)[a]		PLAN II (1956-61)		PLAN III (1961-66)	
	$ million	%	$ million	%	$ million	%
GROSS FOREIGN AID UTILIZED	423	100.0	3009	100.0	6038	100.0
From socialist countries	-	0.0	160	5.3	516	8.6
From non-socialist countries	423	100.0	2849	94.7	5522	91.4
From consortium members	410	96.9	2824	93.9	5477	90.7
Under PL 480	11	2.6	1145	38.0	1795	29.7
DEBT SERVICE PAYMENTS	50	11.8	250	8.3	1141	18.9
NET FOREIGN AID UTILIZED	373	88.2	2759	91.7	4897	81.1
GROSS FOREIGN AID UTILIZED as a % of						
Net national product		0.4		2.3		3.3
Government development expenditures		8.0		25.2		30.5
Total imports		5.5		26.5		46.8

[a]The figures include all aid utilized up to the end of Plan I; a limited amount was utilized prior to 1951.

Sources: Gross foreign aid utilized: ES(1968), Table 7.3*.
Debt service payments: ES (1971), Table 7.5*; ES (1968), Table 10.
Net foreign aid utilized: subtract debt service from gross aid.
Net national product: see sources for Table 2.
Government development expenditures: see sources for Table 2.
Total imports: see sources for Table 1.

*Rupee values converted to dollars at the official exchange rate.

Table 4: Growth of Long-Term Foreign Investment[a]
(all figures in $ million)

Time Period	Net Capital Inflow[b]	Value of Outstanding Investment[c]
June 1948		539
Dec. 1953	48	825
Dec. 1955	34	930
Dec. 1956	76	1007
Dec. 1957	114	1120
Dec. 1958	61	1186
Dec. 1959	42	1229
Dec. 1960	105	1337
Dec. 1961	95	1431
Dec. 1962	84	1550
March 1964	170	1880
March 1965	223	2104
March 1966	141	2248
March 1967	224	2580

[a]Includes foreign investment in the Indian private sector only.

[b]Average annual inflow since previous date of reference. These figures are exclusive of asset revaluations which also affect the value of outstanding investment.

[c]At the end of the period.

Sources: Net capital inflow: IBP (1963), Table X*; FII (1966), Table 2*; IIIP (1969), Table 3.6*; IIIP (1971), Table 3.6*. Value of outstanding investment: FII (1966), Statement III*; IIIP (1971), Statement XI*.

*Rupee values converted to dollars at the official exchange rate.

Table 5: Structure of Long-Term Foreign Investment[a]

	1948	1955	1966
Total Value of Outstanding Investment ($ million)	539	930	2248
% DISTRIBUTION BY COUNTRY OF ORIGIN			
United Kingdom	80.4	82.8	51.4
United States	4.3	9.1	23.1
Others	15.2	8.1	25.5
% DISTRIBUTION BY SECTOR OF DESTINATION			
Plantations	20.3	19.7	10.5
Mining	4.7	2.0	0.9
Petroleum	8.6	23.5	16.0
Manufacturing	27.7	29.2	50.6
Services	38.7	25.6	22.0

[a]Includes foreign investment in the Indian private sector only.

Sources: See sources for Table 4.

Table 6: Savings, Capital Inflow and Investment
(all figures represent percentages of net national product)

	Fiscal Year[a]	Net Domestic Savings	Net Foreign Capital Inflow	Net Investment
	1950-51	5.7	-0.1	5.6
P	1951-52	5.3	+2.2	7.6
L	1952-53	4.2	-0.2	4.0
A	1953-54	5.4	0.0	5.4
N	1954-55	8.0	+0.4	8.4
I	1955-56	9.7	+0.6	10.4
P	1956-57	9.5	+3.3	12.9
L	1957-58	7.0	+4.3	11.3
A	1958-59	7.4	+3.2	10.6
N	1959-60	8.5	+2.0	10.5
II	1960-61	10.3	+3.7	14.0
P	1961-62	9.8	+2.7	12.5
L	1962-63	10.1	+3.1	13.2
A	1963-64	12.1	+2.8	14.9
N	1964-65	10.7	+3.2	14.0
III	1965-66	10.8	+2.8	13.7
	1966-67	7.9	+2.2	10.1
	1967-68	8.1	+2.0	10.0
	1968-69	9.0	+1.1	10.1
	1969-70	8.5	+0.5	9.0

[a]The Indian fiscal year runs from April 1 to March 31.

Sources: Rupee values for all items were obtained from ESIIE (1965), Table VIII; Bhatt (1971), Table 5.* Percentage figures were calculated by dividing rupee figures by corresponding rupee values of net national product given in ES (1971), Tables 1.1 and 1.2.

*The figures for net foreign capital inflow given by Bhatt for 1966-67 through 1969-70 were corrected to reflect the predevaluation exchange rate so as to maintain comparability with the earlier years; this correction also affected the figures for net investment, obtained as the sum of net domestic saving and net foreign capital inflow.

Table 7: Foreign Aid During the 1960's (all figures in $ million)

	Fiscal Year[a]	Gross Foreign Aid Utilized			Debt Service Payments	Net Foreign Aid Utilized
		Total	From socialist countries	From non-socialist countries		
P	1961-62	714	53	661	215	499
L	1962-63	934	69	865	168	766
A	1963-64	1241	109	1132	242	999
N	1964-65	1524	171	1353	254	1270
III	1965-66	1625	113	1511	262	1363
	1966-67	1478	74	1404	366	1112
	1967-68	1595	80	1515	444	1151
	1968-69	1204	116	1088	500	704
	1969-70	1155	96	1059	550	605

[a]The Indian fiscal year runs from April 1 to March 31.

Sources: Gross foreign aid utilized: ES(1968), Table 7.1*; ES (1971), Table 7.3*.
Debt service payments: ES(1968), Table 10; ES(1971), Table 7.5*.
Net foreign aid utilized: Subtract debt service from gross aid.

*Rupee values converted to dollars at the official exchange rate.

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