The Indo-United States economic and technical aid during the last decade (1951-1961)

Surendra Singh Singhvi

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THE INDO-UNITED STATES ECONOMIC AND TECHNICAL
AID DURING THE LAST DECADE (1951-1961)

A THESIS
SUBMITTED TO THE FACULTY OF ATLANTA UNIVERSITY IN
PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE
DEGREE OF MASTER OF BUSINESS ADMINISTRATION

BY
SURENDRA SINGH SINGHVI

SCHOOL OF BUSINESS ADMINISTRATION

ATLANTA UNIVERSITY
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S.S.S.
# TABLE OF CONTENTS

ACKNOWLEDGEMENTS ........................................................................................................... ii

LIST OF TABLES .................................................................................................................... v

LIST OF EXHIBITS .................................................................................................................. vi

Chapter

I. INTRODUCTION .................................................................................................................. 1

   A Resume of the Indo-United States Contacts ................................................................. 2
   The Need of the United States Aid .................................................................................. 4

II. THE UNITED STATES FOREIGN ECONOMIC POLICY AND AID TO
    INDIA DURING THE LAST DECADE ........................................................................... 9

   The Broad Objectives of the United States Foreign
   Economic Policy ........................................................................................................... 10
   The Role of Foreign Economic Policy ......................................................................... 12
   Reasons Behind the Foreign Aid .................................................................................. 12
   The Cost of Foreign Aid to the United States ............................................................. 14
   The United States Foreign Economic Policy and Aid to India .................................... 17

III. DIFFERENT FORMS OF AID FROM THE UNITED STATES GOVERNMENT .... 20

   The Technical Co-operation Program .......................................................................... 20
   Public Law 665 ............................................................................................................... 29
   Public Law 480 ............................................................................................................... 30
   Third Country Currency Assistance ............................................................................ 36
   Loans from the Development Loan Fund .................................................................... 37
   Export Import Bank Credit ........................................................................................... 39
   India Wheat Loan of 1951 ........................................................................................... 41
   Milo Assistance 1961 ..................................................................................................... 43

IV. DIFFERENT FORMS OF THE UNITED STATES AID FROM THE PRIVATE
    SOURCES ......................................................................................................................... 44

   Contribution by American People with the United
   States Government Assistance .................................................................................. 44
   The United States Banks Credit .................................................................................... 45
   The Rockefeller Foundation .......................................................................................... 46
   The Ford Foundation ..................................................................................................... 47

V. THE UNITED STATES AID IN COMPARISON WITH OTHER COUNTRIES .... 52

   The Soviet Union .......................................................................................................... 52
   The United Kingdom .................................................................................................... 53
TABLE OF CONTENTS --(Continued)

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Federal Republic of Germany</td>
<td>53</td>
</tr>
<tr>
<td>Canada</td>
<td>54</td>
</tr>
<tr>
<td>Japan</td>
<td>54</td>
</tr>
<tr>
<td>Czechoslovakia</td>
<td>54</td>
</tr>
<tr>
<td>Australia</td>
<td>55</td>
</tr>
<tr>
<td>The Aid India Club and the United States</td>
<td>55</td>
</tr>
<tr>
<td>VI. CONCLUSION</td>
<td>59</td>
</tr>
<tr>
<td>BIBLIOGRAPHY</td>
<td>62</td>
</tr>
</tbody>
</table>
LIST OF TABLES

Table .............................. Page

1. Different Forms of Aid Received by India......................... 19
2. Project-wise Details of Development Assistance Loans.............. 22
3. Dollar Obligations and Expenditures under Technical Co-operation Program as on June 30, 1961................................. 24
4. Year-wise Obligations and Expenditures under Technical Co-operation Program........................................ 26
5. The United States Experts and Indian Trainees Arrived in India........................................................................ 28
6. Agreements Executed under Public Law 480............................ 32
7. Value and Quantity of Commodities Received under Public Law 480.................................................................. 33
8. The Third Country Currency Made Available to India.............. 36
9. The Purpose-wise Allocations of the Development Loan Fund... 38
10. The Programs and Projects Financed by Export Import Bank.... 40
11. The United States Banks Loans up to 1961.......................... 46
12. The Ford Foundation Assistance Provided in Different Fields. 50
13. External Assistance Provided by the Different Countries to India................................................................. 56
## LIST OF EXHIBITS

<table>
<thead>
<tr>
<th>Exhibit</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>The Economic and Military Aid During the Last Decade.</td>
<td>16</td>
</tr>
<tr>
<td>2.</td>
<td>Aid as the Percentage of the United States Federal Budget</td>
<td>17</td>
</tr>
<tr>
<td>3.</td>
<td>A Comparative Study of the Obligations for the Major Activities under Technical Co-operation Program</td>
<td>25</td>
</tr>
<tr>
<td>4.</td>
<td>Expenditures and Obligations under the Technical Co-operation Program</td>
<td>27</td>
</tr>
<tr>
<td>5.</td>
<td>External Aid at a Glance</td>
<td>57</td>
</tr>
</tbody>
</table>
CHAPTER I

INTRODUCTION

"The two countries—one very great in its achievements of today, and the other greater still in its past glories; one a modern nation, the other on whose countenance still linger the lines of ancient culture; one impetuous and impatient for continual multiplication of wants and their satisfaction, the other strong in the consciousness of more abiding values in life—these two great countries in many ways similar in their cultural heritages, are bound to play a great role in the life of humanity in the near future."¹

Historians are of the opinion that these two countries have had contacts for a long time, but it has been during the last decade that India has received substantial aid from the United States of America. The aid includes economic and technical assistance, supplies of agricultural commodities, and local currency assistance out of sale proceeds of imported commodities which had benefited the important sectors of development such as agricultural, industrial, educational, health and other social welfare activities. The aid has been closely correlated with the developmental programs in the Five Year Plans.

The author has included here economic and technical assistance received by India since 1951 to 1961 from the United States Government and its agencies as well as from the private bodies and philanthropic organizations in the

¹B. J. Vasvani, India and America (Karachi, 1947), p. 5.
United States. Before 1951, India did not get substantial aid from the United States, so the author has considered only the period after 1951. To begin, it will be appropriate to give a brief resume of the Indo-American contacts in the past.

A Resume of the Indo-United States Contacts.--The history of the Indo-American contacts goes far back into the mists of antiquity. According to the ancient literature of India, a million years before the dawn of history, there was frequent exchange of commodities and cultures between India and America. The present Pacific Ocean was a great land known as the continent of Lemura. Across this continent came and went waves of thought; men and material between the two regions and India influenced the American civilization which existed before the Columbus era. In those days, the sight of Indian ships round the coasts of South America and Mexico was as familiar as that of European and American ships today round the coasts of India. In course of time, this Lemura continent went into the sea, and the contacts between these two countries snapped. Only the ways of life in Mexico and among the American Indians are a faint memory of old links.

There were hardly any relations or awareness of each other between India and the United States of America when America was discovered by Christopher Columbus in the year 1492. The relations between these two countries were established after the conquest of India by the British. The British started a systematic education system for a few people of India in the year 1858 and it introduced the study of the history of England. The educated Indians were

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alarmed by that period of British History which dealt with the colonies. To
the enslaved India, the United States of America became a dream of political
and economic freedom from the slave-driving nation. Americans also came to
know about India and its problems. People of these two countries started to
visit each other's country. Prominent philosophers of America like Emerson,
James Russell Lowell, etcetera, were influenced by Indian culture and civiliza-
tion. A great Indian philosopher, Swami Vivekanand visited the United
States of America in the year 1893 and attended the Chicago Parliament of
Religions. ¹ This Indian monk impressed the Americans by his thoughts, magne-
tic personality and wonderful oratory. He travelled throughout the country
and many Americans became his disciples. Indo-American Fellowship was pro-
moted by Lala Lajpat Rai, an Indian heroic patriot, who rebelled against the
British in India. From this time onwards the contacts between the two coun-
tries grew.

The First World War brought India into the world's light. India's con-
tribution to the war, acknowledged by Britain in glowing words of warm grati-
tude, showed to the world that India deserved to be free. This claim of In-
dia's independence was supported more sympathetically, powerfully, and per-
sistently by the United States of America than any other country. The United
States of America was regarded by all patriotic Indians as the center of
their hopes. But the American Government could do nothing. On the other hand,
the British propaganda misrepresented India in the United States of America
to suppress the truth about India. This created meager differences in the
relations of these two countries, but a band of Indians and Americans kept
the fame of the Indo-American understanding alive and visits of Mrs. Sarojini

Naidu, a poet and politician of India, contributed powerfully to the restoration of right relations between two countries.

The Second World War brought India back to its old relations with America. Very soon a friendly army of the American civilian soldiers came to India, and the presence of this army in India for three years did more than anything else to create good relations between two countries. The American Christian Society for Indian Children helped in the Bengal Famine Funds in the year 1943 and also employed thousands of Indian civilians in their offices at attractive salaries. The stay of the American army in India created a boom in the popularity of America among Indians. The United States of America was the first country to recognize the Provisional National Government under Pandit Jawaharlal Nehru before parliamentary election and to arrange an exchange of Embassies. Although before India's independence, there were good relations between these two countries; as far as financial and technical assistance was concerned, India did not get a substantial aid until she achieved freedom from the British.

The Need of the United States Aid.--Four years after achieving independence, the Government of India introduced the Five Year Development Plans to get rid of the economic and social problems. On these plans rest India's hopes for a better life. The objectives of the planning in India are to raise the standard of living, create more jobs, reduce illiteracy and disease, improve transportation, and provide the country with the tools of modern industry. In this gigantic task India faces many difficulties. Considering the poverty of its masses, large sums of capital must be raised. The inertia of rural population is another problem. Isolated for centuries and out of the main stream of economic life, Indian villagers are understandably hesitant toward innovation. Another problem
which India is facing is that of erratic monsoon rains and a consequent uncertainty of harvests. On the other hand, the increase of the population to 438 millions in 1961 from 357 millions in 1951 has given birth to the food problem and unemployment problem.\(^1\) Partition of the country in August 1947 hindered the country's economy and caused the problem of refugees. Illiteracy is another problem hindering the achievement of economic freedom. India is an under-developed nation struggling to break age-old bonds of poverty and modernize its economy within the framework of a free and democratic society.

Thus, India's problems are so vastly different from those facing most Western countries that a conscious effort is required to understand its situation. Looking to the crucial situation, the Planning Commission of Indian Government under the chairmanship of Prime Minister Nehru, embarked on a bold program of economic development. This Commission introduced the First Five Year Plan from April 1, 1951, to assure sufficient food and consumer goods for the people. Hence, the bulk of the Government's investment of $5000 million\(^*\) went into the improvement of agriculture and transportation, multi-purpose hydro-electric projects, flood control and irrigation projects, and social services. Nearly $1041.70 million of capital was invested by the private sector in small scale industries.\(^2\) The Government of India was not in a position to finance the development projects absolutely from internal resources. Besides this, foreign exchange is required


\(^*\) Rupee figures have been converted into dollars at the rate of $1 = Rs. 4.80.
to import the capital goods from developed countries. So the external aid was required by India. Total external assistance authorized during the first plan period, together with the undrawn portion of the International Bank for Reconstruction and Development loans sanctioned prior to April 1951, amounted to $787.50 million.\(^1\) Of this amount, $410.40 million were made use of over the First Plan period leaving an unspent balance of about $377.09 million as carry-over to the Second Plan. The whole amount of foreign aid could not be utilized by the Indian Government due to delay in getting these funds. The United States Government's contribution in the First Five Year Plan was $422.90 million. Out of this sum $243.79 million were in the form of loans and $179.11 million in grants.\(^2\)

The Second Five Year Plan which was introduced from April 1, 1956, was crucial to India's future. The main objective of the Second Five Year Plan was to provide India with the basic industries needed for future development and to create eight million new jobs outside of agriculture. The investment target for the public sector was $10,000 million, just double of the First Plan and for the private sector it was $5,000 million. The assistance made available by friendly countries and the World Bank during the Second Plan was much larger. In the middle of the Second Plan period, India was confronted by serious difficulties on account of a shortage of foreign exchange. The World Bank interfered in the critical situation of India and convened a meeting of countries with whom India had placed projects, to consider financial assistance to complete the Second Plan.

\(^1\)Information Service of India (Embassy of India), "Foreign Aid and India's Five Year Plans," India News (Washington, D. C., April 27, 1962), p. 7.

\(^2\)Ministry of Finance, Department of Economic Affairs, External Assistance (New Delhi, 1961), p. 3.
To solve the problem of foreign exchange, major financial aid was granted by the United States of America. The total authorization during the Second Plan, excluding loans and credits for the Third Plan projects and assistance in the form of Public Law 480 commodities, amounted to $2,245.70 million. Including the carry-over of $377.09 million from the First Plan, the total availability of External Assistance for the Second Plan amounted to $2,625 million. Out of this, $770.82 million was carried over to the Third Plan. The United States Government's contribution in the Second Plan was $775 million; out of this sum $683.33 million were in the form of loans and the remaining $91.67 million were in grants.

India has been receiving assistance from friendly countries and international agencies for her development plans in such forms as economic and technical aid, etcetera. In the initial phase, the quantity of assistance was rather small and came from only a few selected countries, apart from the World Bank. In recent years, however, it has considerably increased and the circle of friendly countries rendering aid to India has greatly widened. Among these outside sources, the Government of the United States was particularly helpful. India has accepted $5,466.45 million during the last decade for development purposes. Out of this amount, $3,643.78 million were taken from the United States Government as loans and grants. Besides this, $73.07 million were provided by private sources in the United States. Nearly more than 60 per cent of the external aid was given by the United States while the Soviet Union granted only 15 per cent, the rest coming from the other free countries. Therefore, the role played by the United States in financing India's Development Plans

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is very important.

At the beginning of this chapter, the author has attempted to explain the problems of India, a newly independent nation. To get rid of these problems, the Five Year Plans have been introduced by the Government of India. But planning without adequate internal and external resources cannot be successful. External assistance has been taken from the different countries and the International Agencies, but the United States contribution in financing India's developmental plans is very important and large in comparison with other countries. In the next chapter, the author will explain the foreign economic policy of the United States Government and discuss aid given to India during the last decade from different sources.
A brief history of the Indo-United States contacts in the past has been described in the previous chapter. The United States Foreign Economic Policy will be discussed in this chapter.

During the last ten years, the United States has provided a large amount of assistance to other countries for the second time in its history. In the First World War and in the immediate post-war years, this country granted loans to its European allies. In the Second World War, the United States began to assist those countries that participated in the war and resisted the aggression of it. This assistance program has been continued since the war on a large scale in the peacetime. In both periods, the broad objectives of American policy have been the same: to strengthen the countries supporting the United States in resisting aggression and to strive for the establishment, throughout the world, of the conditions of stability and progress which are essential to the security and well-being of the United States.

Generally, two independent forces determine the foreign economic policy of a nation, viz., domestic economic interests and international political objectives. Besides these two, there is a third force known as humanitarianism, but it is very difficult to distinguish this factor from the other two factors in the formation of the policy. Foreign economic policy depends upon a large number of official actions and attitudes with respect to the manifold economic relations between nations. This includes those economic actions which are
specifically undertaken in support of some political objective, e.g. a foreign loan or grant to achieve some purely political purpose. Foreign economic policy in the United States may be determined in a large number of ways: acts and resolutions of Congress, presidential orders and executive agreements, statements and actions of representatives of governmental agencies operating in the foreign economic field. More than a dozen agencies of the United States Government, including the Departments of State, Treasury, Commerce, Justice, Agriculture and Defense, the Export-Import Bank, the Tariff Commission, the Federal Reserve Board, the Economic Cooperation Administration, the National Security Resources Board and indeed the president and the White House staff, make decisions relating to the foreign economic policy.

The Broad Objectives of the United States Foreign Economic Policy.--The broad objectives of the United States Foreign Economic Policy are similar to those of the General United States Foreign Policy, and they are to protect and advance the national interest to improve the security and well-being of the United States and its people. In brief, the broad objectives of the United States Foreign Economic Policy are as under:¹

(1) To promote the economic strength of the United States.--This is a traditional objective of the foreign economic policy. To promote the economic strength of the United States, it is necessary to expand exports of goods and services of technicians to other countries, to import goods needed by the economy, and to encourage United States citizens to invest and do business abroad. Foreign trade is one of the most important business activities of the United States. Nearly seven per cent of the United States labor force gain

their livelihood from foreign trade. A commensurate share of the profits of American business is traceable to the foreign trade activities. Through foreign trade, the United States obtains from abroad a wide range of goods which are not otherwise available within the country.

(2) To promote the economic strength of the rest of the free world- This objective has become of major importance within the past decade. Foreign economic growth is necessary for the establishment and maintenance of stable, peaceful, and friendly relations with other countries. Economic disturbances are the sources of unrests, which threaten political stability and peace of the world. The leaders of undeveloped and under-developed countries are forced to speed economic progress, but failure of these leaders mean replacement by the government by others more likely to resort to violence as a means of achieving their objectives. Economic strength abroad is a pre-requisite for building military forces to oppose potential Communist aggression.

(3) To build and maintain relations in the free world- The United States foreign policy is built upon the relations with all of the free nations. Through the North Atlantic Treaty Organization, the Baghdad Pact, the Organization of American States and a variety of other organizations and treaties, the United States has undertaken to work with friendly countries in building the common strength and in defending free nations against Communist aggression. These friendly relations and treaties with other countries would have been weak if economic assistance was not provided. Economic disputes can also weaken political and military alliances. In order to maintain good relations with the free world, it is necessary to provide adequate economic aid.
The Role of Foreign Economic Policy.--To achieve these goals, the United States Government has followed three basic economic policies: 1

(a) Expansion of trade- The trade and financial policy of the United States Government is designed to achieve all three basic objectives of foreign economic policy: to increase the economic strength of the United States, to increase the strength of other countries and to promote the unity of the free world. The United States Government has removed the restrictions of the past which contribute materially to its own economic advancement and simultaneously to that of other countries.

(b) Private foreign investment- In the interest of assisting foreign economic growth, the United States has encouraged the outflow of private capital. The private investment, besides providing finance, also takes with it the managerial, technical and entrepreneurial talents for successful enterprise, which under-developed countries need essentially. In the long run the private capital can reduce the foreign countries' demand for financial assistance from the United States Government.

(c) Foreign economical and technical assistance- The Marshall Plan, the United States economic assistance programs for under-developed countries, the technical cooperation programs, and the Export-Import Bank are the major factors in the growth of both economic strength and a sense of community in the world. The under-developed countries have many problems of capital formation, trained labor force, over-population, etcetera. The foreign economic and technical assistance programs will solve the problems of these under-developed countries.

Reasons Behind the Foreign Aid by the United States.--It was said by President Kennedy that assistance to our fellow nations is a responsibility

1Ibid., p. 347.
which has been willingly assumed and fashioned by two great Presidents, one from each party, in the past. And it has been supported by the leaders of both parties in both Houses who recognized the importance of our obligations.¹

One of the reasons for granting foreign aid to under-developed countries is the responsibility of the United States to do what it can to help the people of less developed nations. The United States was granted substantial loans from abroad in its infancy. Now, the United States is the wealthiest country, so it has an obligation to help the under-developed countries financially as well as in technical areas.

Second, it is necessary for the United States to continue its aid program because freedom is threatened around the globe because of (1) the rising expectation of newly awakened nations for better life, (2) the inability of many of the governments to meet their demands for progress unless they get some external aid, (3) the pressure by the Communist-bloc to take over these countries. Without foreign aid, many of these countries will face economic collapse, revolution or chaos—all of which invite the rule of a dictator. To keep these under-developed nations from dictators' control, the United States grants financial assistance to these nations. If the United States does not help these countries, it would mean (1) weakening of the free world and strengthening of the Communist world; (2) the gradual loss of United States friends; (3) the loss of markets for United States goods.

After defense structure, the second most powerful weapon of the United States in this struggle is the program of foreign assistance, which is indispensable to the future and security of the United States.

Besides responsibility and necessity, there is an opportunity for the United States to help other countries. If the United States makes wise use of its resources and talents, the United States with other "have" nations is capable of helping more than half the people of the under-developed nations to get rid of their economic problems so that they will no longer need large amounts of outside aid. In the year 1961, President Kennedy said in his inaugural address:

To those people in the huts and villages of half the globe struggling to break the bonds of mass misery, we pledge our best efforts to help them help themselves, for whatever period is required--not because the Communists may be doing it, not because we seek their votes, but because it is right. If a free society cannot help the many who are poor, it cannot save the few who are rich.¹

The Cost of Foreign Aid to the United States.--Most of the funds actually remain in the United States. About eighty per cent of current funds used for grants, and nearly one hundred per cent of the funds for commodities financed through loans are spent in the United States. Generally these funds are used for two programs: military and economic aid. The military assistance program is administered under the International Peace and Security Act. This program is meant to fill the gap between what the United States allies can do to defend themselves and what must be done as a minimum for the collective security of the free world. The program involves training as well as grants and sales of military equipment. About eighty two per cent of the funds earmarked for military assistance also remain in the United States. Besides military aid, Development Loans comprise the largest amount of the United States Aid program.

These loans are granted only for economic development rather than for hit and run projects. These loans are granted for forty years in the tune of one per cent interest. Along with development loans and grants, technical aid is also provided to the under-developed country. The United States also grants supply assistance to permit threatened nations to stay free without running into bankruptcy. These funds go to Latin America, Africa, Europe, the Near East and South Asia, and the Far East for economic development and military purposes.

As indicated in Exhibit 1, the amount of aid varies from year to year, depending on the world conditions.

In the fiscal year 1949, when the United States aid program was introduced, a total amount of $4.50 billion was spent for military assistance. In the beginning of the last decade, the total amount of assistance provided was $3.70 billion. In the fiscal year 1961 a total amount of $3.30 billion was spent - $1.50 billion for military purposes and $1.80 billion for economic development. On an average, this external aid provided by the United States is only 2½ per cent of the total Federal Budget as indicated in Exhibit 2.
EXHIBIT 1

THE ECONOMIC AND MILITARY AID DURING THE LAST DECADE*

--- Economic Aid

--- Military Aid

### EXHIBIT 2

**AID AS THE PERCENTAGE OF THE UNITED STATES FEDERAL BUDGET**

<table>
<thead>
<tr>
<th>Other Expenditure</th>
<th>External Aid Granted</th>
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</table>

*Ibid., p. 12.

The United States Foreign Economic Policy and Aid to India.--It was asserted by President John F. Kennedy in Congress that India, the hinge of fate in Asia, has moved into the stage of economic take-off. Her population, economy, absorptive capacity, own efforts and administrative structure combine to deserve our firm commitment.\(^1\) Between the end of the Second World War and

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\(^1\)Information Service of India (Embassy of India), "Foreign Aid and India's Five-Year Plans," *India News* (Washington, D. C.), April 27, 1962, p. 7.
March 31, 1961, the United States gave financial aid of more than $6,00 billion to twenty four 'non-aligned' nations for economic development and military purposes. India received the largest amount among the non-aligned nations for economic and technical purposes during this period, while it received little aid for military purpose.¹

During the last decade, India has been granted a total assistance by the United States Government in various forms amounting to $3643.78 million. Besides this, up to 1961 India has also received grants and credits worth $73.07 million from United States private sources like the Ford Foundation, the Rockefeller Foundation, and the United States Banks.²

Table 1 gives an idea of aid received from the United States Government and private bodies in different forms during the last decade.

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²Ministry of Finance, Department of Economic Affairs, External Assistance (New Delhi, 1961), p. 3.
TABLE 1
DIFFERENT FORMS OF AID RECEIVED BY INDIA*

<table>
<thead>
<tr>
<th>Different forms of aid</th>
<th>(In million dollars) Amount received</th>
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<tr>
<td>The United States Government Sources-</td>
<td></td>
</tr>
<tr>
<td>(i) Development Loan repayable in dollars...</td>
<td>306.42</td>
</tr>
<tr>
<td>(ii) Development Loan repayable in rupees...</td>
<td>622.62</td>
</tr>
<tr>
<td>(iii) Grants...</td>
<td>273.04</td>
</tr>
<tr>
<td>(iv) Technical Assistance...</td>
<td>36.73</td>
</tr>
<tr>
<td>(v) Agricultural commodities under Public Law 480, 665...</td>
<td>2404.97</td>
</tr>
<tr>
<td>Total Government Aid...</td>
<td>3643.78</td>
</tr>
<tr>
<td>The private sources of the United States</td>
<td></td>
</tr>
<tr>
<td>(i) The Ford Foundation...</td>
<td>45.70</td>
</tr>
<tr>
<td>(ii) The Rockefeller Foundation...</td>
<td>12.57</td>
</tr>
<tr>
<td>(iii) The United States Bank Credit...</td>
<td>14.80</td>
</tr>
<tr>
<td>Total Aid from the United States</td>
<td>3716.85#</td>
</tr>
</tbody>
</table>

* Ibid., p. 3.

# This excludes assistance received in the form of gift shipments from the private voluntary agencies in the United States of America, relief shipment of agricultural commodities under title II and III of Public Law 480, third country currency assistance, and the loans allocated for the Third Five Year Plan.
CHAPTER III

DIFFERENT FORMS OF AID FROM THE UNITED STATES GOVERNMENT

In the previous chapter we looked at the foreign economic policy of the United States Government with specific reference to aid to India. India has received financial and technical assistance from the United States Government sources from time to time after 1951. Some of the major sources are the Technical Co-operation Program, Public Law 480, the Development Loan Fund, the Export-Import Bank, etcetera. In this chapter, the author will deal in detail with the different forms of aid from the United States Government.

(1) The Technical Co-operation Program

Technical Assistance has been given to India under the Technical Co-operation Program in pursuance of two agreements between India and the United States, signed in December, 1950 and January, 1952.¹ The program which has been coordinated with India's Five Year Plan was introduced in the year 1951. Under this program, those projects of technical co-operation are executed which are mutually agreed upon by the two governments. These projects are jointly financed by both governments. The United States contribution in dollars is utilized to meet the foreign exchange costs of equipment, materials, and services of foreign technicians for the projects. Other internal costs of projects like building structures, wages of local workers, inland handling and transportation, etcetera, are met by the Government of India. The projects

cover many important fields such as agriculture and natural resources, industry and mining, transportation, health and sanitation, education, community development, labor, public administration, etcetera.

During the last decade, the United States Government has allocated $496.26 million under this program. This includes $150.00 million as loans and the balance of $346.26 million as grants. Of these allocations, loans amounting to $36.32 million and grants amounting to $3.54 million came out of the rupee proceeds of wheat imported under Public Law 665.*

Since the United States Fiscal Year 1954, separate allocations were made for Development Assistance and Technical Assistance. In the Fiscal Year 1955, two amendments took place in the system of providing development assistance. First, a part of development assistance will be taken in the form of surplus agricultural commodities like cotton and wheat; and second, a part of development assistance would be taken on the basis of a loan.

Development Assistance.--The United States Government has given three Development Assistance Loans in the Fiscal Years 1955, 1956, and 1957 amounting to $45.00 million, $37.50 million and $47.50 million, respectively. Out of these loans of $130.00 million, the dollar disbursements made by the United States Government up to June 30, 1961, were $125.20 million. The project-wise details and disbursements made under each of these loans are given in Table 2.

The dollar allocation for the United States Fiscal Year 1958 included a loan of $20.00 million from the United States President's Asian Economic Development Fund for Orissa Iron Ore Project for the acquisition of the railway and port facilities. Dollar disbursements to the extent of $3.88 million

*Public Law 665 will be explained in the following paragraphs of this chapter.
## TABLE 2

**PROJECT-WISE DETAILS OF DEVELOPMENT ASSISTANCE LOANS***

(\text{In million dollars})

<table>
<thead>
<tr>
<th>Projects</th>
<th>First Loan in 1955</th>
<th>Second Loan in 1956</th>
<th>Third Loan in 1957</th>
</tr>
</thead>
<tbody>
<tr>
<td>Railways</td>
<td>16.52</td>
<td>13.68</td>
<td>14.89</td>
</tr>
<tr>
<td>Fertilizers</td>
<td>3.80</td>
<td>4.19</td>
<td>.86</td>
</tr>
<tr>
<td>Steel</td>
<td>10.40</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Community Development</td>
<td>-</td>
<td>-</td>
<td>1.99</td>
</tr>
<tr>
<td>Malaria control</td>
<td>-</td>
<td>3.03</td>
<td>6.50</td>
</tr>
<tr>
<td>Technical Services Organizations</td>
<td>-</td>
<td>-</td>
<td>.49</td>
</tr>
<tr>
<td>Filaria control</td>
<td>-</td>
<td>-</td>
<td>.99</td>
</tr>
<tr>
<td>Reports and Statistics</td>
<td>-</td>
<td>-</td>
<td>.01</td>
</tr>
<tr>
<td>Malaria Eradication</td>
<td>-</td>
<td>-</td>
<td>.005</td>
</tr>
<tr>
<td>Cement making machinery</td>
<td>-</td>
<td>-</td>
<td>6.23</td>
</tr>
<tr>
<td>Delhi Thermal Plant</td>
<td>-</td>
<td>.18</td>
<td>-</td>
</tr>
<tr>
<td>Rural electrification</td>
<td>-</td>
<td>2.94</td>
<td>-</td>
</tr>
<tr>
<td>Tubewell casing</td>
<td>-</td>
<td>1.96</td>
<td>-</td>
</tr>
<tr>
<td>Section 402 Public Law 665</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Local currency sales</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>proceeds program Rihand Valley Development</td>
<td>14.28</td>
<td>11.52</td>
<td>15.535</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>45.00</td>
<td>37.50</td>
<td>47.50</td>
</tr>
</tbody>
</table>

have been made under this loan to the end of the Fiscal Year 1961.

The dollar allocation for the United States Fiscal Year 1961 was $21.50 million which was given as a grant. This allocation included $13.50 million for the Malaria Eradication Program and the balance of $8.00 million for Technical Co-operation project commodities, contract services, participants, technicians and other technical support costs. The Malaria Eradication Program has reduced the incidence of malaria by eighty per cent and deaths have dropped from two million to eighty thousand a year.¹

Technical Assistance.--The major part of the Technical Co-operation aid valued at about $459.92 million was given for the overseas cost of commodities and services procured from abroad for several projects. The balance of the Technical Co-operation aid was given for direct or contract type employment of technicians and required supporting supplies, services and transportation, training of Indian nationals abroad, etcetera. Out of this aid, an amount of $456.21 million was distributed by the United States Government to the end of Fiscal Year 1961.

The major activities for assistance.--The major activities, for which assistance is being given by the United States Government under this program, are indicated in Table 3 along with the monetary obligations and expenditures as per records of the United States Technical Co-operation Mission in New Delhi as on June 30, 1961.

For the purpose of a comparative study of the major activities under this program, Exhibit 3 is given here.

### TABLE 3

DOLLAR OBLIGATIONS AND EXPENDITURES UNDER TECHNICAL CO-OPERATION PROGRAM AS ON JUNE 30, 1961*

<table>
<thead>
<tr>
<th>Major fields</th>
<th>Obligation</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture and natural resources.</td>
<td>104.02</td>
<td>98.85</td>
</tr>
<tr>
<td>Industry and mining.</td>
<td>93.75</td>
<td>72.33</td>
</tr>
<tr>
<td>Transportation</td>
<td>77.08</td>
<td>76.41</td>
</tr>
<tr>
<td>Labor</td>
<td>1.87</td>
<td>1.16</td>
</tr>
<tr>
<td>Health and sanitation</td>
<td>88.25</td>
<td>86.17</td>
</tr>
<tr>
<td>Education</td>
<td>10.19</td>
<td>5.01</td>
</tr>
<tr>
<td>Public Administration and general.</td>
<td>2.77</td>
<td>1.83</td>
</tr>
<tr>
<td>Community Development, social welfare and housing.</td>
<td>14.31</td>
<td>14.22</td>
</tr>
<tr>
<td>Wheat and cotton</td>
<td>67.67</td>
<td>67.67</td>
</tr>
<tr>
<td>Participants, technicians, program direction, etcetera.</td>
<td>36.35</td>
<td>32.56</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>496.26</strong></td>
<td><strong>456.21</strong></td>
</tr>
</tbody>
</table>


The year-wise obligations and expenditures under this program, beginning from the United States Fiscal Year 1951 to 1961, are mentioned in Table 4 and Exhibit 4.
EXHIBIT 3
A COMPARATIVE STUDY OF THE OBLIGATIONS FOR THE
MAJOR ACTIVITIES UNDER TECHNICAL
CO-OPERATION PROGRAM*

<table>
<thead>
<tr>
<th>Activity</th>
<th>Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture and natural resources</td>
<td>21.00%</td>
</tr>
<tr>
<td>Industry and mining</td>
<td>18.90%</td>
</tr>
<tr>
<td>Health, sanitation and labor</td>
<td>18.20%</td>
</tr>
<tr>
<td>Transportation</td>
<td>15.50%</td>
</tr>
<tr>
<td>Cotton and wheat</td>
<td>13.60%</td>
</tr>
<tr>
<td>Participants and technicians</td>
<td>7.30%</td>
</tr>
<tr>
<td>C.D., S.W. &amp; Housing</td>
<td>2.90%</td>
</tr>
<tr>
<td>Education, P. Ad., and General</td>
<td>2.60%</td>
</tr>
</tbody>
</table>

*Based on Table 3.
TABLE 4
YEAR-WISE OBLIGATIONS AND EXPENDITURES UNDER
TECHNICAL CO-OPERATION PROGRAM

<table>
<thead>
<tr>
<th>Year</th>
<th>Obligations</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Non-cumulative</td>
<td>Cumulative</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1951-52</td>
<td>52.80</td>
<td>52.80</td>
</tr>
<tr>
<td>1952-53</td>
<td>44.30</td>
<td>97.00</td>
</tr>
<tr>
<td>1953-54</td>
<td>87.20</td>
<td>184.20</td>
</tr>
<tr>
<td>1954-55</td>
<td>85.60</td>
<td>269.80</td>
</tr>
<tr>
<td>1955-56</td>
<td>59.00</td>
<td>328.80</td>
</tr>
<tr>
<td>1956-57</td>
<td>65.30</td>
<td>394.10</td>
</tr>
<tr>
<td>1957-58</td>
<td>34.80</td>
<td>428.90</td>
</tr>
<tr>
<td>1958-59</td>
<td>21.00</td>
<td>449.90</td>
</tr>
<tr>
<td>1959-60</td>
<td>25.80</td>
<td>475.70</td>
</tr>
<tr>
<td>1960-61</td>
<td>20.60</td>
<td>496.30</td>
</tr>
<tr>
<td>Total</td>
<td>496.30</td>
<td>496.30</td>
</tr>
</tbody>
</table>

*Ibid., p. 191.

The United States experts and trainees who returned to India after receiving training.--During the last decade, the number of American experts who arrived in India was 614 along with 1608 Indians who returned to India after receiving training in various fields under this program. The number of United States experts assigned in various fields and the trainees who returned to India after receiving training during the last ten years is indicated in Table 5. These experts and Indian trainees who arrived in India are specialized in various fields such as industry and mining, agriculture, irrigation and power, education and scientific research, administration, health and sanitation, transport and communications, etcetera.

The United States Technical Co-operation Mission Agreements.--From the introduction of the program in 1951 to March 31, 1961, 101 agreements were signed with the United States Technical Co-operation Mission. Out of these,
EXHIBIT 4

EXPENDITURES AND OBLIGATIONS UNDER THE T. C. P.*

*Based on Table 4.
TABLE 5
THE UNITED STATES EXPERTS AND INDIAN TRAINEES ARRIVED IN INDIA*

<table>
<thead>
<tr>
<th>Years</th>
<th>Experts</th>
<th>Trainees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 1955</td>
<td>171</td>
<td>311</td>
</tr>
<tr>
<td>Up to 1958</td>
<td>229</td>
<td>280</td>
</tr>
<tr>
<td>1959</td>
<td>86</td>
<td>145</td>
</tr>
<tr>
<td>1960</td>
<td>60</td>
<td>267</td>
</tr>
<tr>
<td>1961</td>
<td>68</td>
<td>605</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>614</strong></td>
<td><strong>1608</strong></td>
</tr>
</tbody>
</table>


six agreements have been discontinued and two agreements have not been implemented. By the end of March, 1961, agreements totalling thirty-two were completed and the remaining sixty-one agreements are still to be completed.

Materials and equipment received under the Technical Co-operation agreements are either utilized on Central Government projects or transferred to the state governments as grants or loans. Saleable commodities like fertilizers and steel are transferred on sale basis to the commercial departments such as the railways or sold to private parties.

In accordance with Article III of the Agreement, the funds generated by the sale of commodities and by the repayments of the loans given to the state governments are credited to the Special Development Fund for utilization of development projects mutually agreed upon by the two governments. The position
of the accrual of credits on this account as on March 31, 1961, was $149.66 million. Out of these credits, a sum of $15.62 million has been utilized for the granting of loans to the Industrial Credit and Investment Corporation of India and $4.92 million for expenditure on the Community Development project during the last decade. The remaining amount will be entirely set off against expenditures incurred on the Community Development Program.

Ab initio, its activities have been extended to many phases of agriculture - import of fertilizers and steel for farm tools, tube-well drilling, soil conservation, community development, credit for industrial enterprises, development of natural resources, and important public health and training programs for Indian personnel, etcetera. This program of the United States Government has played a vital role in the progress of India's Five Year Plans.

(2) Public Law 665

Under Public Law 665, substantial quantities of wheat and cotton were imported during the United States Fiscal Year 1955 to 1957 as an essential part of the development assistance under the Indo-United States Technical Co-operation Program. Wheat and cotton valued at $52.17 million and $15.49 million respectively were imported. The rupee equivalent of the dollar cost of these commodities deposited by the Government of India into the United States Title Account to the end of the Fiscal Year 1961 amounted to $66.41 million. The rupee proceeds thus held by the United States Government were to be provided to India as a part of the three Development Assistance Loans and as grants for mutually agreed upon projects. The total amount disbursed out of the rupee proceeds under this program up to the end of the United States Fiscal Year 1961 was $39.87 million as a part of the Development Assistance Loan for the Rihand
Valley Development Project, and the rest was utilized for technical support costs.

A portion of the balance of $26.54 million is available for the rupee expenditure in connection with the international travel of participants and technicians, local cost of technicians and local technical support costs of the program in India. This type of aid was of much importance during the Second Five Year Plan.

(3) Public Law 480

In 1950, the United States began the program of exporting its agricultural surplus to the under-developed countries. These exports became known as Public Law 480 programs when the Agricultural Trade Development and Assistance Act was passed by the United States Congress in 1954.¹ Under Title I of this Act, the United States Government enters into agreements with foreign governments for the sale of certain surplus agricultural products and accepts in payment local currencies. This Act also permits the use of the proceeds for development projects in the recipient countries. Nowadays, Public Law 480 is a part and parcel of the 'Food for Peace' program.²

The Government of India has entered into the five agreements with the United States Government under Title I of the Public Law 480 program for the import of surplus agricultural commodities valued at $2337.30 million against rupee payments. The rupee equivalent of the dollar costs of these commodities plus fifty per cent ocean freight cost is deposited in the United States Title

Account in India. A major portion of the rupees thus deposited in the United States Title Account is made available to the Government of India as loans and grants. The remaining smaller portion is retained by the United States Government for its expenses in India. In 1957, the "Cooley Amendment" was enacted by the United States Government.\(^1\) According to this amendment an amount up to 25 per cent of the proceeds which are deposited in the United States Title Account is to be handled through the Export-Import Bank of the United States of America for loans, mutually agreeable to the Bank and the recipient country. Imports against the first four agreements have been completed. Wheat and rice provided for in the last agreement of May 4, 1960, will be imported over a period of four years ending June, 1964. The other commodities provided for in this last agreement covered about nine years requirements and their shipments have been completed. By the end of June, 1961, $1,122,911 million had been credited as rupee repayments into the United States Title Account in India against Public Law 480 imports.

The agreements executed so far, the value of commodities and the allocation of rupee proceeds for various purposes are mentioned in Table 6.

The classification of commodities received under this program has been shown in Table 7.

The terms and conditions of the loan granted under the Public Law 480 commodities agreements are determined by the subsequent loan agreements. The loan agreements in respect to the first three Public Law 480 agreements have been signed. Generally, the period of repayments is forty years, beginning four years after the end of the month in which the first disbursement of loan

---

TABLE 6
AGREEMENTS EXECUTED UNDER PUBLIC LAW 480*

<table>
<thead>
<tr>
<th>Agreements</th>
<th>Value</th>
<th>Loans to Government of India</th>
<th>Grants to Government of India</th>
<th>Retained for U.S. uses</th>
<th>Cooley Amendment</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Agreement on August 29, 1956</td>
<td>354.56</td>
<td>226.26</td>
<td>54.00</td>
<td>74.30</td>
<td>-</td>
</tr>
<tr>
<td>Supplementary Agreement on June 23, 1958</td>
<td>55.28</td>
<td>33.38</td>
<td>-</td>
<td>8.08</td>
<td>13.82</td>
</tr>
<tr>
<td>Second Agreement on September 26, 1958</td>
<td>259.80</td>
<td>129.70</td>
<td>37.50</td>
<td>27.60</td>
<td>65.00</td>
</tr>
<tr>
<td>Third Agreement on November 13, 1959</td>
<td>297.87</td>
<td>119.10</td>
<td>119.11</td>
<td>44.74</td>
<td>14.91</td>
</tr>
<tr>
<td>Fourth Agreement on May 4, 1960</td>
<td>1369.80</td>
<td>577.56</td>
<td>577.56</td>
<td>146.11</td>
<td>68.56</td>
</tr>
<tr>
<td>Total</td>
<td>2337.30</td>
<td>1086.01</td>
<td>788.17</td>
<td>300.84</td>
<td>162.28</td>
</tr>
</tbody>
</table>


is received. Currency of repayment is either rupee or dollar at India's option, and the rate of interest is 3 to 4 per cent if repaid in dollars and 4 to 5 per cent if repaid in rupees.

The rupee loans and grants mentioned above would be extended by the United States Government to the Government of India for economic development projects under the Five Year Plans. Separate project agreements are signed between the two governments from time to time allocating specific sums as loans and grants to such agreed projects. Actual expenditures on these
TABLE 7
VALUE AND QUANTITY OF COMMODITIES RECEIVED UNDER PUBLIC LAW 480*

<table>
<thead>
<tr>
<th>Commodities</th>
<th>Value $ million</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>1617.95</td>
<td>26,801.10 (Thousand Metric tons)</td>
</tr>
<tr>
<td>Rice</td>
<td>165.85</td>
<td>1,406.86 (Thousand Metric tons)</td>
</tr>
<tr>
<td>Cotton</td>
<td>160.40</td>
<td>1,297,000 (Bales, 480 lbs. each)</td>
</tr>
<tr>
<td>Tobacco</td>
<td>8.50</td>
<td>8.50 (Million pounds)</td>
</tr>
<tr>
<td>Milk powder</td>
<td>3.50</td>
<td>20,700 (Metric tons)</td>
</tr>
<tr>
<td>Corn (Maize)</td>
<td>20.55</td>
<td>405,000 (Metric tons)</td>
</tr>
<tr>
<td>Sorghums (Milo)</td>
<td>8.30</td>
<td>1097,300 (Metric tons)</td>
</tr>
<tr>
<td>Soyabean Oil</td>
<td>1.00</td>
<td>3,600 (Metric tons)</td>
</tr>
<tr>
<td>Ocean Transportation</td>
<td>351.25</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2337.30</strong></td>
<td><strong>---</strong></td>
</tr>
</tbody>
</table>


Projects is drawn from the United States authorities on a reimbursement basis. So far, 31 projects have been agreed to be financed out of the Public Law 480 rupee loan and grant funds. The project agreements have been signed, and some of them are Refinance Corporation of India, Chambal Project, Hirakund Project,
Damodar Valley Project, Mahi Right Bank Canal, Kakrapar Project (Bombay), Industrial Finance Corporation, Malaria Eradication Program, Indian Institute of Technology (Kanpur), U. P. Agricultural University, Durgapur Thermal Power Project, Trombay Fertilizer Plant, Dairy Development, National Highways, Exploration of Ground water resources, All India Institute of Medical Sciences' Hospital (New Delhi), etcetera. The total amount allocated for these projects is $558.87 million, and out of this sum $465.31 million are allocated as loans and the rest as grants. The actual drawal of loans and grants from the United States Government until 1961 was $236.25 million in loans and $15.43 million in grants. Other loans and grants will be extended as and when the expenditures occur on the projects.

Loans out of the funds earmarked under the "Cooley-Amendment" are granted through the Export-Import Bank of the United States of America after prior consultation with the approval of the Government of India. So far, the Export-Import Bank has agreed that loans worth $26.82 million will be made to Otis Elevator Company Private Limited, Good Year Tire and Rubber Company of India Private Limited, Mysore Cements Limited, Synthetics and Chemicals Limited, Hindustan Alluminium Corporation Limited, Merk, Sharp and Dhome of India Private Limited, Ex-cell-O-India Private Limited, Seshasayee Brothers, Premier Tire Limited, Lederle Laboratories India Private Limited, Gabrill India Private Limited, Limac Limited, Carrier India Private Limited, East India Hotels Limited.

Out of the rupee proceeds reserved for the United States Government uses, the rupee equivalent of $23.24 million has been agreed to be used by that government for assistance to Burma and Nepal. Out of this amount, Burma has got $5.00 million to purchase additional quantities of Indian Textiles during 1957, while Nepal has got $18.24 million to expand the education system.
throughout the nation, to develop a by-national (Nepalese-American) center in Kathmandu, to introduce a publication program, and to support joint United States-Nepal Government projects.

Under Title II of the Public Law 480, emergency assistance in the form of surplus agricultural commodities and other relief requirements are given to the needy people to enable them to meet famine and flood. Supplies made under this title are in the nature of donations. Although these surplus food products are paid in hard cash by the United States Government to the farmers of the country, these food surpluses are so big that the storage alone costs the Government a hundred million dollars a year and it is doubtful if it is needed in the United States. Therefore, such donations do not deprive the United States Government to any great extent.\(^1\)

Title III of the Public Law 480 covers donations of surplus food commodities to non-profit relief agencies for assisting needy people outside the United States of America. In both cases the United States government pays for the costs of surplus agricultural commodities up to the port of the receiving country. By the end of the United States Fiscal Year 1961, shipments valued at $4.70 million and $120.95 million have been reported as received in India under Titles II and III, respectively. Commodities under Title III include food grains, milk powder, processed food stuffs, dried beans, soyabean oil, and other agricultural commodities and medical supplies.

As a result of the extension of the scope of assistance under Title III of Public Law 480, the United States Government has undertaken to supply milk powder and other commodities worth $6.25 million through the Co-operation for

American Relief Everywhere (CARE) during the academic year 1961 to support the school mid-day meals project in the three states of Madras, Kerala, and Punjab. This project is expected to benefit about two million children.

(4) Third Country Currency Assistance

Out of the United States Government holdings of local currencies in various countries arising from the United States aid to those countries under Public Law 480, the United States Government made available to India during 1958 and 1959 the third country currencies to the extent of $6.03 million for the purchase of fertilizers and tubewell equipments. The foreign currencies made available and the amounts utilized up to 1961 are mentioned in Table 8.

**TABLE 8**

THE THIRD COUNTRY CURRENCY MADE AVAILABLE TO INDIA*

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Currency</th>
<th>Amount Allocated</th>
<th>Disbursements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fertilizers</td>
<td>a. Italian lire</td>
<td>20,00</td>
<td>20,00</td>
</tr>
<tr>
<td></td>
<td>b. French francs</td>
<td>26,01</td>
<td>21,17</td>
</tr>
<tr>
<td></td>
<td>c. Japanese yen</td>
<td>8,63</td>
<td>8,63</td>
</tr>
<tr>
<td>Tubewell Equipments</td>
<td>Japanese yen</td>
<td>5,75</td>
<td>5,75</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>60.39</strong></td>
<td><strong>55.55</strong></td>
</tr>
</tbody>
</table>


The rupee equivalent of the foreign currencies received is to be deposited by the Government of India into the United States Government Title Account in
India. Up to 1961, no loans and grants out of the rupee deposits were contemplated to India. The rupee equivalent of the foreign currencies deposited by the Government of India into the United States Government Title Account up to 1961 amounts to $5.48 million.

(5) Loans from the Development Loan Fund

The Development Loan Fund was originally established in 1957 as an agency of the United States Government, but in 1958 it was converted into an autonomous United States Government Corporation. The Fund was authorized to grant long-term dollar loans for development projects in both public and private sectors. Commencing with the first loan agreement signed in June, 1958, India has so far signed agreements for loans totalling $513.40 million. Out of this, $447.30 million have been granted to the Government of India for financing activities both in the public and private sectors, $50.00 million to public sector organizations, viz, the Fertilizer Corporation of India, the Industrial Finance Corporation, and the Small Industries Corporation (the loans being guaranteed by the Government of India), and $16.10 million given directly to companies in the private sector, viz, Ahmedabad Electricity Company Limited, the Industrial Credit and Investment Corporation of India, and the Premier Automobiles (without guarantee by the Government of India). The purpose-wise allocations of the loans so far granted are shown in Table 9.

All these loans are repayable in rupees, so while repaying the loans there will be no problem regarding the foreign exchange. Interest is also payable in rupees and the rate is normal ranging between 3½ per cent to 5 3/4 per cent. In certain power and fertilizer projects, the Development Loan Fund

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1Ibid., p. 10.
TABLE 9

THE PURPOSE-WISE ALLOCATIONS OF THE DEVELOPMENT LOAN FUND

(In million dollars)

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Percentage</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Railways.</td>
<td>22.41</td>
<td>115.00</td>
</tr>
<tr>
<td>2. Power projects.</td>
<td>27.87</td>
<td>143.10</td>
</tr>
<tr>
<td>3. Steel.</td>
<td>16.57</td>
<td>85.00</td>
</tr>
<tr>
<td>4. Machinery import and components for private sector industries</td>
<td>18.58</td>
<td>95.30</td>
</tr>
<tr>
<td>5. Financial Corporations for lending to Private sector</td>
<td>4.87</td>
<td>25.00</td>
</tr>
<tr>
<td>6. Non-ferrous metals</td>
<td>3.88</td>
<td>20.00</td>
</tr>
<tr>
<td>7. Fertilizer plants</td>
<td>5.82</td>
<td>30.00</td>
</tr>
<tr>
<td>Total</td>
<td>100.00</td>
<td>513.40</td>
</tr>
</tbody>
</table>

*Ibid., p. 11.

...loans are associated with rupee loans from the Public Law 480 counter funds for meeting the rupee costs of the projects.

Until 1959, the Development Loan Fund loans were available for purchase on a global basis. In October, 1959, the Development Loan Fund introduced the "Buy American" policy under which the loans were tied to procurement from the United States goods and services. However, for some projects, the Development Loan Fund was permitted to purchase goods and services outside the United States.1

Under recent re-organization by the United States Government in the agencies administering economic assistance to under-developed countries, a new organization known as the Agency for International Development has been constituted. This agency known as AID has absorbed the functions of the International Cooperation Administration and the Development Loan Fund and will also administer the local currency Public Law 480 funds. The agency is interested in attaining the objectives of long range self-sustained economic growth of less developed nations. With this re-organization, the pattern of assistance has also changed. The future loans will be repayable in dollars over a course of forty years. The loan will carry no interest but there will be a credit fee of three quarters of one per cent on outstanding amounts.

There is another significant factor in the pattern of the Development Loan Fund assistance to India in current years. It is the large scale assistance made available for import of non-project commodities with a view toward enabling India to maintain the minimum required level of imported raw-materials and components for the maintenance of her economy in the face of foreign exchange crisis.

(6) Export-Import Bank Credit

The Export-Import Bank of Washington has so far authorized four loans totalling $214.30 million to the Government of India for financing purchase of machinery and equipment for development projects in public and private sectors. This program was introduced in the year 1958. All the loans are repayable in dollars. Local currency loans are also made by the Bank under the "Cooley Amendment" from funds provided by the Public Law 480 surplus agricultural commodities sales agreements. The credit received

under this program will now be dealt with in detail.

A. Credit of $150 million.--An agreement for a credit of $150.00 million from the Export Import Bank of Washington was signed on June 12, 1958. This credit carries an interest of 5½ per cent per annum and the term is for fifteen years, repayment being made in semi-annual installments commencing January 15, 1964. The credit is available for procurement in the United States of America of capital equipment, machinery, initial spares and related services needed for irrigation and reclamation projects, power development, transport and communication, mining and such certain selected industries as aluminium, textiles, chemicals, engineering, automobile and coal mining as well as machine tools required by various industries. Up to 1961, a sum of $101.56 million has been drawn from the credit in reimbursements of payments made for import of machinery and equipment from the United States. Brief particulars of the programs and projects financed under credit and the amount reimbursed by the Export-Import Bank against each, are given in Table 10.

TABLE 10
THE PROGRAMS AND PROJECTS FINANCED BY EXPORT IMPORT BANK*

<table>
<thead>
<tr>
<th>Programs and Projects</th>
<th>Allocation</th>
<th>Amount Reimbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Irrigation and reclamation</td>
<td>14.50</td>
<td>7.52</td>
</tr>
<tr>
<td>2. Power program</td>
<td>2.20</td>
<td>1.18</td>
</tr>
<tr>
<td>3. Mining program</td>
<td>32.00</td>
<td>25.70</td>
</tr>
<tr>
<td>4. Transport and communication program</td>
<td>9.40</td>
<td>4.28</td>
</tr>
<tr>
<td>5. Other items</td>
<td>3.25</td>
<td>1.70</td>
</tr>
<tr>
<td>6. Industrial Program</td>
<td>88.65</td>
<td>61.18</td>
</tr>
<tr>
<td>Total</td>
<td>150.00</td>
<td>101.56</td>
</tr>
</tbody>
</table>

B. Credit of $50 million.--The agreement for $50.00 million was signed in January, 1961, which covers the procurement of capital goods, initial spares and related services from the United States for private sector industries such as textiles, engineering, machine tools, and chemical industries, mining equipments for collieries, Khetri Deribo Copper projects, Neyveli Lignite Corporation and Naharkatiya Thermal power station, transport and communication equipment for the Civil Aviation Department, the All India Radio, etcetera. This credit carries an interest of 5 3/4 per cent per annum and is repayable in twenty semi-annual installments, beginning in June, 1966.

C. Credit of $14.30 million.--Under this agreement a sum of $4.80 million has been made available jointly by the Export-Import Bank and the Boeing Airplane Company to the Air India International for the purchase of one Boeing 707 aircraft and related spares, the Bank's share of the loan being $4.10 million. This credit carries an interest of 5 3/4 per cent per annum and is repayable in 14 equal semi-annual installments beginning October, 1961. The aircraft has been delivered and almost the entire amount has been drawn.

The Export-Import Bank and the Boeing Airplane Company have agreed to make available a further sum of $9.50 million for the purchase of two more Boeing 707 aircrafts required by the Air India International. The Bank's share in this loan will be $8.10 million. In addition, the Export-Import Bank has given dollar loans worth $33.96 million to the private sector industries, viz., Sundatta Cotton Seed Utilization Ltd., National Rayon Corporation, Hindustan Aluminium Ltd., Orient Paper Mills, etcetera.

(7) India Wheat Loan of 1951

The United States Government granted a loan of $189.66 million under the India Emergency Food Act of 1951 to enable the Government of India to meet
the food crisis caused by floods and droughts in 1950. This loan carries an interest of 2½ per cent per annum, repayable in dollars over a period of thirty years beginning June, 1957. Supplies under this agreement were completed by the end of June, 1952. The funds realized by the Government of India from the sale of food-grains given under the loan were credited to the Special Development Fund to be utilized for financing the development schemes of the Central Government and for assisting State Governments by short and medium term loans for their development schemes.

Repayments of principal in the first three installments commencing June, 1957 amounting to $3.42 million were duly made leaving a balance of $186.24 million. Further, interest due from December, 1952 to June, 1958 aggregating to about $28.32 million has also been paid. During 1958, when India was facing a foreign exchange crisis in financing the requirements of the Second Five Year Plan, the United States Government agreed to postpone the eighteen semi-annual installments of interest and principal due during the period December, 1958 to June, 1967 and to reschedule them to fall due from December 1986 to June 1995. No additional interest payments will be required for the increased tenure of the loan.

The India Emergency Food Act of 1951 also provided that the first $5.00 million paid by India as interest on the loan was to be set aside for the purpose of the rehabilitation and development of Indian Universities and Institutions of Higher Learning. This resulted in the establishment of the India Wheat Loan Educational Program, which provided funds commencing with the year

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1954-55. This program provides for (1) the acquisition of American books and scientific equipment for Indian Educational Institutes, (2) training of Indian personnel in the United States of America, and (3) consultation in India by American scientists and educators. In this way, the Wheat Loan of 1951 has benefited India in two ways, first to meet the food crisis and second, to assist rehabilitation and education programs from the realized funds.

(8) Milo Assistance 1951

There were, in 1951, many serious human problems which, in the opinion of the Indian Government, demanded immediate attention. Most crucial and overriding was the problem of hunger. In 1951 and for the previous four years, drought and its resulting famines had afflicted vast areas. Looking to the seriousness of the problem, the United States Government assisted India in the year 1951 to the extent of $7.50 million in the purchase of 426,618 tons of milo at a price less than the market price then prevalent in the United States. This milo assistance helped the Indian Government to meet temporarily the food shortage.¹

India has received economic and technical assistance from the United States Government in several forms since the beginning of the last decade. The assistance received from private sources of the United States will be dealt with in the next chapter.

¹Ibid., p. 13.
CHAPTER IV

DIFFERENT FORMS OF THE UNITED STATES AID FROM THE PRIVATE SOURCES

India's efforts by 1951 to establish herself as a strong, independent and democratic nation were important for the peace and stability of the world. It was apparent that the ultimate success of the efforts would depend on the solution of the great problems with which India was faced. Many of the problems, such as poverty and illiteracy, have been problems for many generations, while others were born of the independence struggle itself like the resettlement of millions of refugees and the readjustment of the Indian economy. A systematic planning was introduced for which the Indian Government asked financial assistance from abroad. The United States Government contributed a major share of assistance to India. Along with the United States Government, private bodies also contributed for the development of India. Different private sources of the United States, from which India received assistance during the last decade are the American people who made contributions with the United States Government assistance, the credits of the United States Banks, and many philanthropic organizations. Here each source will be dealt with in detail.

(a) Contributions by American people with the United States Government assistance.—Through voluntary agencies like Red Cross Societies, the American people have contributed supplies for the relief of Indian people in the form of food-grains, milk-powder, drugs, multi-vitamin tablets, agricultural implements, etcetera. With the passage of the India Emergency Food Aid Act in 1951, the United States Government began its support to the voluntary agencies.

44
According to the agreement executed in July, 1951 between the Governments of India and the United States, the United States Government pays shipping charges on these gift supplies and the Government of India allows the import of these supplies free of license, duty and state taxes and also meets the inland transportation charges.¹ These supplies are distributed free of charge to the poor through certain recognized agencies in India. The American people contribute financially to the poor and needy people of India, because they are in a position to help them and second, they realize the problem of India.

(b) The United States Banks Credit.--In addition to the contribution from American people, the United States Banks have also given credit to India. A consortium of the United States Banks has so far extended three loans to the Air India International for the purchase of Boeing Jet Aircrafts beginning January, 1957. Brief particulars of these loans are given in Table 11. All the loans given by the United States Banks have been fully drawn by October 31, 1961.²

(c) Private Philanthropic Organizations.--In 1947, when India became independent, she undertook bold and imaginative efforts for the welfare of her people, and pursued them with energy and firm devotion. These efforts have made many individuals and organizations, in other countries as well as in the United States, eager to offer such assistance as might be helpful to India in achieving her goal. Big private philanthropic foundations in the United States of America such as the Rockefeller Foundation and the Ford Foundation have also engaged themselves in assisting the development projects of India.

TABLE 11
THE UNITED STATES BANKS LOANS UP TO 1961*

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Year</th>
<th>Amount Allocated $ in million</th>
<th>Rate of Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of three Boeing Jet Aircrafts</td>
<td>1957</td>
<td>11.20</td>
<td>5%</td>
</tr>
<tr>
<td>Purchase of fourth Boeing Jet Aircraft</td>
<td>1960</td>
<td>1.20</td>
<td>6%</td>
</tr>
<tr>
<td>Purchase of fifth and sixth Boeing Jet</td>
<td>1961</td>
<td>2.40</td>
<td>5 3/4%</td>
</tr>
<tr>
<td>Aircrafts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>14.80</td>
<td></td>
</tr>
</tbody>
</table>


The aid received from these foundations will be dealt with in the following paragraphs.

1. The Rockefeller Foundation.--The Rockefeller Foundation was chartered in the United States of America in 1913 to promote the well-being of mankind throughout the world. In 1920, the Foundation introduced its activities in India with 'hookworm' studies and control measures at Madras (India). Since then valuable assistance has been provided by the Foundation to several institutions in such fields as Medical Education, Public Health, Agriculture, Humanities and Social Sciences. The assistance given by the Foundation generally takes the form of fellowships and travel grants to individuals and grants-in-aid to the institutions in various fields of activity. Besides the aid given to various medical colleges, the Foundation has given considerable support to the All India Institute of Hygiene at Calcutta, the Virus Research
Center at Poona and the Indian Agricultural Institute at New Delhi. Books and equipment worth $125,000 have been supplied to the Central Rice Research Station at Poona during the last decade.

In 1956, the Foundation signed a Memorandum of Understanding with the Ministry of Food and Agriculture to assist them in setting up the post-graduate agriculture training and cereal improvement work with particular emphasis on hybrid maize. In addition to the help given to the Institute of All India Medical Sciences, New Delhi, in the acquisition of teaching and research equipment for pre-clinical and clinical departments, the Foundation has recently approved a grant for building a 650-bed hospital at the institute.

The Rockefeller Foundation has so far made three grants to the Indian International Center, New Delhi, which will meet the capital costs and recurring operation costs less the amount anticipated to be raised in India and the income anticipated from the operation of the center in the first five years.

The total amount of grants including fellowships and travel grants made by the Foundation up to June, 1961 including those to the private bodies and individuals was reported to be $12.57 million. All this aid provided by the Foundation is not on a government to government basis.

2. The Ford Foundation.--Since the autumn of 1951, the Ford Foundation has been assisting India in a broad range of programs for the economic and social advancement of India's people. The Foundation has contributed this assistance in the belief that India's continuing progress can fulfill the high purpose to which the Indian and American people are dedicated and for which the Foundation itself was founded—the advancement of human-welfare.¹

In this spirit Paul Hoffman, the then President and Director of the Foundation, accepted the invitation of the Prime Minister of India in 1951 to discuss the possibilities of participation in the Indian Economic progress. To begin with, the Foundation considered it of prime importance that any contribution it might make to the welfare of the Indian people should be one which accorded closely with their own plans for the advancement of human-welfare. It is of particular satisfaction that the programs chosen by the Government of India to receive Foundation assistance are basic parts of India's plans for national development, and that most of them will find a permanent place in her national life. In making its assistance available in India, the Foundation, as in the United States and elsewhere in the world, remains entirely outside the political arena and does not seek to further any particular ideology or purpose of any one party or group.

**Projects receiving Foundation assistance.**--The Ford Foundation has assisted India since 1951 in a broad range of programs, closely connected with the Five Year Plans, viz., training of personnel for rural development, development of small industry, advancement of education, public administration and cultural inter-change. With a few exceptions, all these activities are the programs of the Government of India, planned and administered through its planning commission and other appropriate ministries. To qualify for assistance by the Foundation a project must,

1. contribute significantly to India's major problems in human welfare,
2. be one of those for which assistance is not available from other sources and which does not duplicate the activities of other organizations,
(3) assure a successful launching and balanced growth,
(4) be in a position to get the funds from Indian sources to continue its activities after the Foundation assistance terminates,
(5) be of such nature which can eventually be integrated into the Indian economy under public or private Indian financing and administration,
(6) be in a position to secure additional funds from Indian sources which may be needed to equip and implement the project fully but which the Foundation cannot provide.¹

According to the terms and conditions mentioned above, the Foundation has provided assistance in the form of cash grants for a variety of development programs in the public sector as well as in the private sector of India. The total grants provided by the Foundation during the last decade is $45.69 million. Generally, the Foundation gives assistance for a period of three years bearing all the costs of the project in the first year, half in the second year and one third in the third year. The balance is met by the Central or State Governments concerned.

Grants sanctioned during 1961 by the Foundation.—The Foundation has provided assistance during 1961 for the under-mentioned purposes—

(a) India's food production program—In January, 1961 the Ford Foundation granted a sum of $2.34 million to supplement the earlier grant for implementing an Intensive Agricultural District Program directed towards increased food production. This program has been extended to all the fifteen states of India.

¹Loc. cit.
(b) Greater Calcutta Metropolitan Area Program - In the month of June, 1961, the Ford Foundation approved a grant of $800,000 to the Government of West Bengal (India) to assist Calcutta Metropolitan Planning Organization with the establishment of a comprehensive program of rehabilitation and development of Greater Calcutta. The funds of the grant will provide finance over a period of two years.

(c) The Indian Institute of Management Program - A grant of $434,000 was sanctioned in the month of June, 1961 by the Ford Foundation for a period of two years to support a program of post-graduate training and research in business and industrial management at the Indian Institute of Management, Calcutta. The grant will provide specifically through the Massachusetts Institute of Technology, Boston, acting in cooperation with the Institute of International Education, Incorporated on behalf of the Foundation. The grants also provide for the establishment of an internship program of teacher training at Calcutta Institute and for the purchase of needed equipment and library materials outside India.

The grants provided by the Foundation in different fields from the inception of the program up to 1961 are mentioned in Table 12.

TABLE 12

THE FORD FOUNDATION ASSISTANCE PROVIDED IN DIFFERENT FIELDS*

<table>
<thead>
<tr>
<th>Fields</th>
<th>Government of India</th>
<th>Private</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural Development</td>
<td>18.90</td>
<td>1.80</td>
<td>20.70</td>
</tr>
<tr>
<td>Industrial and Business</td>
<td>8.40</td>
<td>1.80</td>
<td>10.20</td>
</tr>
<tr>
<td>Development</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>5.50</td>
<td>5.20</td>
<td>10.70</td>
</tr>
<tr>
<td>Public Administration</td>
<td>0.80</td>
<td>0.50</td>
<td>1.30</td>
</tr>
<tr>
<td>Other projects</td>
<td>1.40</td>
<td>1.40</td>
<td>2.80</td>
</tr>
<tr>
<td>Total</td>
<td>35.00</td>
<td>10.70</td>
<td>45.70</td>
</tr>
</tbody>
</table>

Out of the total authorized amount, a sum of $4.39 million was withheld by the Ford Foundation for direct expenditure abroad.

It seems by the above description that India has received financial aid not only from the United States Government sources but also from the United States private sources. The role played by the private sector in assisting India's people during the last decade is very important. The philanthropic organizations of the United States helped Indian masses in the times of distress. In the next chapter, the author will deal in detail with the 'Aid India Club' and the United States contribution in comparison with other countries in financing India's Five Year Plans.
CHAPTER V

THE UNITED STATES AID IN COMPARISON WITH OTHER COUNTRIES

Among the outside sources of economic and technical assistance, the United States, being conscious of what is happening in India, is the biggest contributor since the beginning of the last decade. The United States Government has provided assistance to India worth $3643.78 million in various forms up to 1961. Besides this, the private organizations and philanthropic foundations have also provided assistance to India for various purposes. The aid provided by the United States to India is most extensive in comparison with the assistance made available by other countries to India.

(1) The Soviet Union.--The Government of the U.S.S.R. has been providing assistance for India's development projects since 1955 in the form of credits and grants to finance imports of equipment and materials from the Soviet Union. The Soviet Union has so far allocated amounts equal to $801.93 million, out of which $799.54 million were provided in the form of credits and the rest in the form of grants. A sum of $303.47 million out of the total credits was extended for the Second Five Year Plan and the remaining $496.07 million for the Third Five Year Plan.¹

All these credits carry comparatively a low rate of interest of 2.5 percent per annum. The payment of interest and repayments of principal are made either through the exports of Indian commodities or by payment in rupees to

the U.S.S.R. The tenure of credits is generally twelve years. The assistance from the U.S.S.R. has been directed towards basic and heavy industries and development projects such as the Bhilai Steel Plant, the Heavy Machine Building Plant, the Coal Mining Machine Plant, the Neyveli Lignite and other fuel projects, the drugs projects, the manufacture of heavy electrical equipment, and the exploration and refining of oil.

(2) The United Kingdom.--The United Kingdom has extended credits for the purchase of capital goods and equipment. The Government of the United Kingdom has so far allocated aid in the form of grants and credits. Grants have been provided under the Technical Co-operation Scheme of the Colombo Plan for the supply of books and equipment amounting to $1.80 million and for experts and training facilities for Indians abroad. The credit has been provided to facilitate the import of capital equipment for various development projects totalling $348.60 million. Besides the United Kingdom Government, a syndicate of British Banks has also advanced a credit of $31.93 million for financing the Durgapur Steel Plant in India. The period of loan varies from three to fifteen years and the interest rate is due at the interest rate applied by the United Kingdom Treasury at the time of drawal plus one quarter of one per cent per annum.

(3) The Federal Republic of Germany.--West Germany has extended assistance for various development projects in India mainly in the form of loans. The total aid provided by this country since 1958 to 1961 amounted to $296.14 million. Out of this, $291.79 million were provided as loans and the rest as grants. The loans were provided for the purchase of capital goods, particularly for the Rourkela Steel Plant in India. The rate of interest is 6 per cent in addition to an administrative charge of 0.3 per cent.
(4) **Canada.**—The Government of Canada has provided grants and technical assistance for various projects of economic development of India during the last decade. The total amount of aid allocated by the Government of Canada to India since the beginning of the Colombo Plan up to 1961 was $223.36 million. Except $33.00 million supplied on a loan basis in 1957-58 and 1958-59, the entire aid was in the form of grants. The aid from Canada has assisted the Canada-India Nuclear Reactor at Trombay, and the power projects like Kundah, Untru, and Mayurakshi. In the field of transportation, the Government of Canada has supplied locomotives, boilers, and sleepers for the development and expansion of Indian railways. Canada has also supplied more than 250 generators for rural electrification, fertilizers for agricultural development and substantial quantities of wheat.

(5) **Japan.**—The first yen credit from Japan amounting to $49.60 million was allocated for the import of equipment in both public and private sectors. Public sector programs benefiting from the yen credit include power projects, the national coal development corporation, the Rajasthan Canal Project, the small scale industries and the road projects. Japanese credit is on the standard rate of interest chargeable by the World Bank (5 3/4 to 6 per cent) and the period of repayment extends up to thirteen years. The second yen credit amounting to $7.93 million was granted for the Orissa Iron Ore project.

(6) **Czechoslovakia.**—Under an agreement signed in November, 1959, the Government of the Republic of Czechoslovakia extended credit amounting to $48.12 million to facilitate the import of machines and equipment for, (a) the third stage of the Foundry Forge Plant, (b) the Heavy Machine Tools Building Plant, and (c) the Heavy Electrical Plant. The credit carries an interest of 2½ per
cent per annum and is repayable in eight equal yearly installments.

(7) Australia.--Under the Colombo Plan Economic Development and Technical Assistance Programs, the total amount of aid disbursed by Australia for the procurement and supply of commodities and equipment up to June, 1961 was $27.66 million. The entire aid is in the form of grants. Out of this, $12.16 million represents gifts of commodities which have been sold in the Indian markets, and the rupee proceeds thus generated are donated towards capital development projects mutually agreed upon by the Governments of India and Australia. The Government of Australia has also provided services of the technical experts and training facilities for Indians abroad.

Besides these above mentioned countries, many other countries such as New Zealand, Switzerland, Yugoslavia, Poland, Norway, and Italy, have also provided credits and grants worth $104.60 million for India's development plans.

Table 13 and Exhibit 5 show the comparative assistance provided by different countries during the last decade.

The Aid India Club and the United States.--During the Second Five Year Plan, when India was confronted with serious difficulties due to the shortage of foreign exchange, the World Bank convened a meeting of countries in which India had placed most of the orders for the Second Plan projects to consider financial assistance to complete the Second Plan. Since then, this consortium of countries, known as the 'Aid India Club,' has been meeting from time to time with a view to consider the external aid for India, so that India's development plans may not be impeded.

Abinitio, the members of this Club were Canada, Japan, the United Kingdom, the United States of America, West Germany, and the World Bank. At the meeting
## TABLE 13
EXTERNAL ASSISTANCE PROVIDED BY THE DIFFERENT COUNTRIES TO INDIA*

<table>
<thead>
<tr>
<th>No.</th>
<th>Countries</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>The United States of America...</td>
<td>3643.78#</td>
<td>66.77</td>
</tr>
<tr>
<td>2.</td>
<td>The Soviet Union</td>
<td>801.93</td>
<td>14.67</td>
</tr>
<tr>
<td>3.</td>
<td>West Germany</td>
<td>296.14</td>
<td>5.41</td>
</tr>
<tr>
<td>4.</td>
<td>United Kingdom</td>
<td>257.33</td>
<td>4.71</td>
</tr>
<tr>
<td>5.</td>
<td>Canada</td>
<td>223.36</td>
<td>4.08</td>
</tr>
<tr>
<td>6.</td>
<td>Japan</td>
<td>57.53</td>
<td>1.05</td>
</tr>
<tr>
<td>7.</td>
<td>Czechoslovakia</td>
<td>48.12</td>
<td>0.89</td>
</tr>
<tr>
<td>8.</td>
<td>Australia</td>
<td>27.66</td>
<td>0.51</td>
</tr>
<tr>
<td>9.</td>
<td>Other countries</td>
<td>104.60</td>
<td>1.91</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>5466.45</td>
<td>100.00</td>
</tr>
</tbody>
</table>


#This excludes aid received from the United States private sources.

of the club held in June, 1961, France and the International Development Association also joined it, and observers were present from Austria, Denmark, Norway, Sweden and the International Monetary Fund.

The consortium was encouraged by the economic progress made by India during the Second Five Year Plan, and it recognized the need for external aid for India during the Third Five Year Plan. The Consortium reviewed India's external financing requirements for the period of the Third Plan and considered that additional aid should be committed by its members during the first two years of the Third Plan in order to provide immediate support for India's
EXHIBIT 5

EXTERNAL AID AT A GLANCE*

United States of America  Russia  West Germany  United Kingdom  Canada  Japan  Czechoslovakia  Australia  Other Countries

*Based on Table 13.
balance of payments.

For the successful implementation of the planning, the Consortium offered $2225.00 million commitments to India, the United States making the largest contribution. Further, the stress was laid at the meeting on the need for aid to be extended in such a form which would add as little as possible to India's foreign exchange repayment obligations.

The details in the previous chapters indicate that the United States was the biggest benefactor in financing India's development plans. According to the commitments made by the United States in the Aid India Club's meeting, it seems that it will remain the biggest contributor in the future for meeting the external finance requirements of India. The United States has offered assistance in both loans and grants equal to the contribution made by all other member countries of the Club. In addition to this, the United States has already undertaken to make available the surplus commodities valued at $1300 million under Public Law 480. This is a substantial contribution by the United States for India's Five Year Plans.
CHAPTER VI

CONCLUSION

India's efforts to achieve economic development within a parliamentary framework are significant to the United States and to all those who believe in democratic concepts. The Indo-United States relations are generations old for India got inspiration from the United States to achieve her freedom. During the last decade, when India introduced its Five Year Plans, the United States made available the largest financial and technical assistance to India. This aid was provided through several governmental agencies in different forms. Besides these agencies, the private organizations also provided the financial and technical assistance for India's development projects. One of the reasons for providing assistance to India is the rapid economic progress in that country. Due to concrete planning, India makes best use of external-aid for its economic development. Senator Hubert Humphrey in an address to the United States Senate said,

India's accomplishments have hailed since independence as unmatched by any other newly independent Asian nation. India has been not only one of the heaviest but also one of the most efficient users of our aid. From all reports, India has made exemplary use of all forms of foreign aid, her dedicated planners realize that upon careful allocation of resources, depends the success or failure of their ambitious schemes for economic development. Of India's importance to the United States and to the free world, from the strategic standpoint alone, a non-communist India is essential to the free world interests.*

Recently, the United States Senate Foreign Relations Committee voted in favor of a cut in the economic assistance provided to India in the Fiscal year beginning July 1, 1962. There is already a gap of foreign aid between what India needs and the commitments so far made by the countries. The cut in the United States aid will affect substantially India's development plans. This seems to be due to a few political differences between the two countries. Although this cut in aid created a problem for the Government of India, the Prime Minister of India, Pt. Jawahar Lai Nehru asserted, "...all our five year plans largely depend on this aid, but we are not going to take that aid if it means giving up our independence in any respect."\(^1\)

After a few days, Senator John Sparkman, acting chairman of the Senate Foreign Relations Committee, said, "...the United States foreign aid to India was justified. Everyone knows that India is pressing very hard against Communist China upon her northern boundary. I feel that we ought not to be discouraging India at the very time when she is moving in the direction that we have been wanting her to move for a long time."\(^2\) The senator played a big role in getting the committee to annul a previous $270.00 million cut in the assistance to India for the Fiscal Year beginning July 1, 1962. After great criticism, a major portion of the cut in aid to India was restored by the United States Government.

India has already completed her two Five Year Plans and the third Five Year Plan has been introduced in April, 1961, which calls for total development expenditures of $24.4 billion. The plans are the product of a continuous

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planning process and it represents a realistic Indian approach to the social and economic problems of the country. For this purpose, India has received economic and technical assistance in different forms from several developed countries, the contribution made by the United States greatly exceeding that of the other countries. In the middle of July, 1962, the four agreements providing for American loans to India totalling $285.20 million were signed in New Delhi between the Governments of India and the United States.

The assistance to the developing nations is a responsibility which has been assumed by the United States for many reasons. One of the reasons is to help the people of these nations and to protect them from pressure by the Communist-bloc. Another reason for this assistance is to create markets for the United States goods. If the assistance is not granted the United States will lose its influence in the foreign markets which will affect the United States Economy as a whole. Besides responsibility and necessity, the United States has an opportunity to help these nations because of its resources and talents.

In conclusion, the economic and technical assistance in the form of loans and grants provided by the United States Government and private sources, helped significantly in India's progress. In India, there is a keen appreciation for the United States of America's economic and technical programs for that country. The occasional differences between the two countries are powerless materially to change the pattern of relation, which has been established many years ago. Looking to the past and present relations between these two countries, it seems that India will get substantial assistance for its development plan from the United States and the friendship now in existence will continue for many generations.
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