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**INDIA  
AND  
INTERNATIONAL  
ECONOMIC POLICIES**

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THE ALL-INDIA MANUFACTURERS' ORGANIZATION  
BOMBAY.



**INDIA**  
**AND**  
**INTERNATIONAL ECONOMIC POLICIES**

**A STATEMENT**

**BY**

**The All-India Manufacturers'  
Organization**

**ON**

**THE AGENDA**

**OF**

**The International Business Conference**  
**Rye, N. Y.**

**U. S. A.**

*11TH TO 19TH NOVEMBER, 1944*

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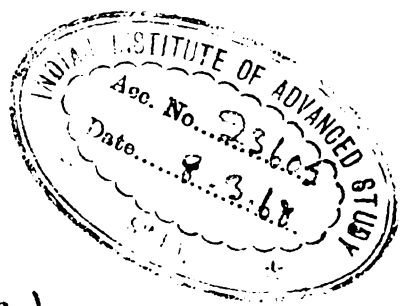
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# CONTENTS

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	Page
Preface	3
Introduction	6
I. Maintenance of Private Enterprise	9
II. Commercial Policy of Nations	28
III. International Currency Relations	44
IV. Encouragement and Protection of International Investments	.. 57
V. Industrialisation of New Areas	.. 62
VI. Shipping Policy	69
VII. Aviation Policy	78
VIII. World Supplies of Materials	86
IX. Cartels	90

.. .. ..  
**DATA ENTERED**



# PREFACE

November 1944 marks an important event in the history of international non-official business co-operation. For the first time in history, from November 11th to 18th 1944, there will be held in Rye, U.S.A. an International Business Conference, in which will participate over 40 leading industrial and commercial countries of the world. "Representatives of business organisations from Allied and Neutral countries throughout the world will meet in conference to discuss the economic problems which affect the business interests of those countries and to help to establish a better basis for world relations and world trade.

"The work of the Conference will be carried out through free and informal interchange of views on subjects of mutual interest to the participants of the Conference without necessarily attempting to arrive at specific results or declarations of Policy."

The provisional agenda for the Conference includes the following subjects:—

- (1) Maintenance of private enterprise ;
- (2) Commercial policy of nations ;
- (3) Currency relations ;
- (4) Encouragement and protection of investments ;
- (5) Industrialisation in new areas ;
- (6) Shipping Policy ;
- (7) Aviation Policy ;
- (8) World supplies of materials ;
- (9) Cartels.

The scope of the Conference and the choice of subjects will show that for the first time in history non-official national delegates from different countries of the world will be able to propound their views on important subjects from the business point of view unaffected by the policies of their respective Governments. This latter fact has a particular significance in India, where the Indian Government tries, wherever and whenever possible, to introduce directly or indirectly, British representatives in the formation of Indian delegations which, representing conflicting interests, weakens its strength and often fails to achieve the desired results for this country.

The convenors of the International Business Conference being a responsible body for non-officials, had rightly entrusted the task of organising the Indian delegation to the Federation of Indian Chambers of Commerce and Industry, thus altogether cutting out the British Associated Chambers of Commerce of India, a stronghold of British interests in this country.

India, Business India, will thus, for the first time, be represented at the International Conference wholly by its own nationals, and without admixture of any alien element.

The international character of the Conference necessitates that India must look at the agenda of the Conference from two angles, international in addition to the national. Whereas the national view-point, has, no doubt, always been stressed in the representations which Indian Commercial Bodies have, from time to time, prepared to keep on reminding the foreign bureaucracy of the real interests of India the international angle has often been necessarily absent. Its



importance at the present day is great ; its urgency at the international conference is undoubted and a new conception of India in the international world is the greatest need of the hour. To meet this immediate need is the sole aim of the task here undertaken by the All-India Manufacturers' Organization.

November 1944.

# INTRODUCTION

1. This statement is based on the assumption that the conduct of government and the shaping of policy in India are in the hands of a real National Government. Such a National Government of India would not be merely a Government—Indian in complexion only. It would be a Government, Indian in composition, chosen by the representatives of the people, and responsible to the people of India through their elected representatives. All the measures of fundamental policy must be considered, approved and sanctioned, by it. And, above all, it must be truly Indian in its outlook and sympathy.

2. Such a Government of India, moreover, must have full and unfettered power and authority for everything that relates to India, or concerns the conduct of her administration, both at home and abroad. It must be utterly independent of any outside power, influence, or authority. Such restrictions as there may be on the exercise of its internal or international sovereignty should be of its own voluntary creation, by free consent and agreement with other sister States; and not any imposition by any outside power or authority.

3. Only such a truly national Government of India can deal effectively and satisfactorily with the thousand and one problems of post-war reconstruction, and intensive development of all the country's resources of production, distribution, and consumption. Only such a truly national, and sympathetic Government of India can take effective steps, and adopt con-

structive measures, to raise the standard of living among the people ; and help them to attain progressive advancement following a comprehensive programme of planned development. Only such a really, national, popular and progressive Government of India, understanding the country's needs and sympathising with its aspirations, can bring about a gradual redistribution of the pressure of population as between agriculture and industry, or town and country, eliminate uneconomic, scattered and fragmented holdings by co-operative consolidation, explore and exploit the mineral wealth and develop the power resources ; and bring about an all-round betterment in the living conditions of the people, without which poverty cannot be banished, or ignorance abolished.

4. Such a Government has been definitely promised by the British Government, immediately the hostilities cease, and will be postulated as a *sine qua non* for national growth. Such restrictions and limitations, as may be involved in the exigencies of the war, may be put up with while the war is on. But they must be confined to the actual conduct of war-like operations, on the Indian frontier as well as elsewhere. It must therefore necessarily have independent authority in all political matters, free from any control or dictation from any outside authority.

5. Such a Government would have full and final authority in regard to all Indian concerns. At the same time, it must be presumed to be ready and willing to enter into and enforce such international agreements as are freely negotiated and relate to those matters,—economic or political—which are of common concern, and come within the purview of a common inter-

national authority—such as the now defunct League of Nations—or the Council of Nations envisaged at Dumbarton Oaks. All countries will enter such an organisation of their own free choice; and they will agree to delegate to such an international authority so much of their local as well as external sovereignty as may be necessary for the efficient conduct of common concerns, or specified matters of international importance.

6. In what follows, therefore, it has been premised that the Indian Government of the future must and will be a responsible National Government, common to the whole country called India today. Such a Government of free India may enter voluntarily and as an equal associate, into agreements, treaties, or arrangements, for the maintenance of world peace and the smooth conduct of international trade, or other matters that may be agreed upon hereafter, notwithstanding that such treaties or arrangements may involve restrictions or limitations upon national sovereignty. Similarly such a supreme Government of free India may devise, in concert with other agreeing powers, for the conduct of international trade and cultural contracts which may be agreed upon, whether on the lines of the old League of Nations, or any other machinery more suitable to present conditions. India will never refuse or withhold her contribution to the cause of world peace and international co-operation. The only change from present conditions will be that, instead of being a mere appendage of Britain, she will be a willing, freely consenting, equal party to setting up and working such international machinery for all-round co-operation and co-ordination.

# INDIA

## AND

# International Economic Policies

### I

#### MAINTENANCE OF PRIVATE ENTERPRISE

1. The Institution of Private Enterprise is as old as man himself. The primordial urge of possession must have led primitive man to strive for the possession, culminating into exclusive ownership, of the few things that were worth having in those days. The history of man throughout the early ages of development, characterised by lithic and metallic ages, shows that it was private ownership and profit motive that were at the root of the progress of man. The rude implements of use in the home or on the battlefield were the property of the individual, and naturally highly prized by him. When society became further settled, there followed the ownership of the field and the mine both of which were worked on the surface.

2. This pattern of society based on private ownership may be said to have continued throughout the world until the modern industrial revolution created problems for the solution of some of which intelligent men have been drawn into the extreme remedy of proposing abolition of private property and profit seeking enterprise. The most successful culmination of this socialistic effort is to be found in the national economic organisation in Russia today. The history of Russia immediately before the Revolution provides such an example of an old worn-out system in a deceased form

that probably a surgical operation involving loss of a lot of blood was indispensable before normal working could be established.

3. But the Russian example by the very fact of its extreme and isolated nature, indicates that it should be regarded as a grim warning to be heeded and not as an impressive example to be followed. The fact that during the current world war Russian political and economic systems have not merely withstood the strain of the ruthless enemy on its soil, but have driven back that enemy almost within his own original frontiers, shows, by the immensity of its achievement, that a Communist State can, like its capitalistic analogue, be effective and efficient both in war and in peace. However, without in the least minimising the immensity of the Russian effort, political, economic, and military, it must be added that equally efficient belligerent powers have been working their national economy under the system of private property and individual enterprise. Out of the thirty United Nations confronting the totalitarians of the East and the West today, Russia provides a solitary example of a country based on a communist system. The balance including the biggest and the most powerful nations in the world have shown equally stupendous results, working economically on the basis of private enterprises. One may therefore say that humanity has throughout its history flourished on the basis of private profit based upon essential characteristics of human nature right down from the beginning of history to 1919 A.D. when the first Communist State was established in Russia. But for that one example, one might even say that the achievements of man right from the earliest days until

now are chronicles of the successful working of the system of private enterprises.

4. This system has survived and is working most successfully practically throughout the world, except in Russia, because of its adaptability to new conditions. Its structure is so plastic that it adopts itself to the pressing needs of society. To take a recent example, Great Britain provides the most conspicuous illustration of the adaptability of the capitalist system in the adumbration and the exploitation by British Government of the Beveridge system of social security which, when it comes into full operation after the war, will provide for Britain all those essential measures of social welfare which will stand a good comparison with the similar achievements of the Communist U.S.S.R.

5. It is no doubt true that Russia has achieved in less than 25 years what Britain could show only after the industrial evolution of almost 150 years. This comparison of the period, however, deflects our attention from the main point, viz., that in Russia social security came into existence several years after political power was realised through bloodshed; but in the case of Britain, in response to national needs, social security measures have all along been taken by the Government of that country, now culminating in the adoption, with modification of the Beveridge Social Security Scheme which has consolidated and liberalised these measures. The real point is that both in the Communist as also in the Capitalist State, it is now possible to legislate on social and economic matters with the same speed. The only difference between the two lies in the fact that while in the Communist State social progress was preceded by unnecessary shedding of blood,

in the capitalist state, the same result was obtained by persuasion instead of persecution.

6. The speed with which the Beveridge programme is likely to be put into effect in England shows that the charge of 'gradualness,' so long levelled against certain socialistic tendencies under the British capitalist system can no longer be sustained. Gradulness was not the fault of private enterprise. The delay was due to the time taken in educating all sections of the community, particularly the capitalists, to the measures of social welfare required in a modern state. The charge is easily made against any country with a long industrial history, like Britain, but if one particularly takes countries like India where modern industrialisation is recent, one finds that within a short space of time,—in fact within a decade, as compared with the century that elapsed in Britain between modern industrialisation and adoption of modern means of social welfare, they do not necessarily have to pass through the same long period covered by 'gradualness.' Put in another way Indian industrial labour has not suffered as much and as long as British industrial labour, because in the later stages of industrialisation of the world, modern ideas of labour requirements, of social welfare are becoming more widespread, and are being pressed upon its members by such international organisations as the International Labour Office.

7. In view therefore of the new means of propaganda, such modern factors as efficient organisations of labour, new outlook of capitalists, legislative measures already taken by various national Governments, existence of a powerful international organisation, would make impossible, in modern industrial countries a re-



petition of the sad social history of the Industrial Revolution in Great Britain.

8. It has been stated that under the Communist regime, the State and the individual are practically one. This outlook is, no doubt, true because, the individual is all the time under the bigger shadow of the State. But in so far as the statement refers to identity of interests, the present world war has shown that capitalists willingly identify themselves with the State in peace time and more so in war time, as shown by the war-effort of private enterprise throughout all the allied nations particularly in India, Britain and the last but not the least, in the United States of America. In all the United Nations based on the capitalist system, private enterprise has actively co-operated with the Government Agencies and wholeheartedly identified itself with the national policies. Private capital has shown its willingness to sacrifice its interest for the common good, which in war time, means the wholehearted war-effort.

9. In this connection in World War II, the private capitalist has shone more brilliantly than in the World War I, as in the current war, not only has the profit margin been largely reduced ; but on top of it the rate of dividend has been lower still than the rate of profits.

For example as mentioned in a statement published by the Chairman of the Board of National Association of Manufacturers of America in the U.S.A. which is, par excellence, the capitalist country of the world thriving wholly on a policy of private enterprises.

“ The gross receipts of all corporations in 1943 have been estimated at \$298,000,000,000. Net income before taxes is set at \$22,800,000,000. Income taxes were

piped off to the tune of \$14,600,000,000 and net income after taxes was \$8,200,000,000. Dividend payments took \$4,400,000,000 of this amount and left American enterprise with \$3,800,000,000 for its post-war future.

"The profit margin *before* taxes in 1943 was 7.7 per cent of gross receipts.

"*After* taxes it was 2.8 per cent on gross receipts less than one-third of the rate of profits (9.4 per cent) realised in the first world war."

A comparison of the figures given in the following columns will show that during the war period dividends did not keep pace with profits.

**PROFITS AND TAXES**  
(All corporations in U. S. A.)  
(Dollar figures in Millions)

Year	Gross Receipts.	Net income before taxes & before Reserves.	Income Taxes.	Net income after taxes but before Reserves.	Net dividends Paid Out.	Retained Earnings.	Profit Margin before Reserves.	
							Before Taxes.	After Taxes.
1940	1,48,025	7,300	2,543	4,847	4,095	752	5.0	3.3
1941	1,90,431	14,443	7,166	7,277	4,440	2,837	7.6	3.8
1942	2,42,100	19,037	11,661	7,376	3,983	3,393	7.9	3.0
	(Estimated)							
1943	2,98,000	22,800	14,600	8,200	4,400	3,800	7.7	2.8

10. Moreover, private enterprise has not merely confined itself to national boundaries. As was inevitable, with the growth of communications and markets, it has overflowed into the neighbouring and distant countries. The private capitalists of different countries, before the war, were working up for the benefit of all concerned, the utilisation of the resources of the countries situated far away. It is no doubt true that such exploitation has, in the past in a certain number

of cases, always been in the interests of certain powerful countries ; and normally not in the interests of the weaker peoples. But these are defects which can be cured by both national and international measures. With our present-day knowledge of methods of control, both national and international, there is no fear that the evil of private enterprise will exceed its good points which have enabled it to survive so long.

11. The history of private enterprise during the last few years has, therefore, been so remarkable that a country like India, new to modern industrialisation, cannot do better than continue to work the system of private enterprise which has stood the test of time, and promises yet better results in the future.

12. The adoption of private enterprise in industrial matters as a national policy, does not mean that the State does not come into the picture at all. As a matter of fact as has been stated previously, Private enterprise is so adaptable that it is now prepared to accept such State control and supervision as modern conditions necessitate. This war more than the last, has accustomed all the citizens to the functioning of State control to such an extent that the necessary controls of the future will no longer be resented but will be openly welcomed particularly because international co-operation is now reaching a stage and is becoming so common that without State control, international obligations can no longer be met.

13. In peace times, in most parts of the world, freedom of private enterprise was the order of the day. The existing stage of economic advancement has been and could have been attained only by the free play of individual initiative and private enterprise. In the

course of the war, and because of it, many restrictions have been imposed upon private enterprise, in trade as well as industry. These may remain in operation for the same reasons that brought them into existence in the first instance for some time after the war is over, for the effective functioning of local as well as international economy, for the rapid restoration of war-worn regions, for the all-round re-habilitation of war-wasted regions ; for the re-employment of war-weary populations ; for the reconstruction of war-damaged industries. These restrictions have at present culminated in the production of particular commodities, their distribution and transportation, by direct Government enterprise, or by private enterprise under close, rigid, effective public control. But this incursion in the economic field of state or collective enterprise in production, distribution or consumption and this extension of the domain of public control, supervision and regulation will not be conducive to the economic progress, or compatible with the fullest possible utilisation of the world's available resources, if continued after the exigency of the war is over. In war-time free individual competition cannot secure the aims for which such a struggle is being waged. But after this overriding necessity is ended, and the principal objectives for which the war had been entered into have been achieved, it would be uneconomic, impeding the industrial progress of the world if collective enterprise or war-time restrictions are continued.

14. We, therefore, premise the continuance and maintenance of private enterprises in the initiation and operation of industries, trade and commerce,—local as well as international—and the services accessory or

incidental to, or supplementary of, such enterprise. Such services include transport by air, sea or land, and communications of all kinds ; banking and insurance ; public utilities and social services, and the industries ministering to the supply and equipment of such services.

15. Due to the exigencies of the war, and for the smooth conduct of hostilities, international collaboration has been necessitated in many cases which may not be needed or beneficial after the present emergency is over. But even though present-day public control of private enterprise, or its restriction has been brought about by the necessity of efficient conduct of the war, it is highly probable that some form of such control, regulation, or even direct State enterprise, may have to be continued even after the war, for some time to come. Such continuance may be necessary to facilitate the transition from war to peace ; to enable rapid and effective rehabilitation or reconstruction in war-damaged regions, so as to restore normal economic activity in those areas in the shortest possible time ; and to maintain such co-ordination and planned programmes as may be necessary for the new order that may be established after the war, and as the result of the war, to maintain world peace and international co-operation.

16. International control, regulation, or even direct State enterprise of the kind referred to above, are, however, not possible without a corresponding, if not greater, internal control and regimentation by the National Government of each country concerned. International Organisations,—like the United Nations Reconstruction and Rehabilitation Administration,—

or the proposed International Monetary Fund,—cannot be established and worked without effective control or regulation of the enterprises, utilities or services involved, within each associated country, both for local purpose and international relations. Many articles of international commerce, moreover, e.g., rubber and tin before the war, or oil in the course of this struggle, which had been causing some degree of international tension, have provided examples of specific international agreements for co-ordinated operation. Such international co-operation cannot be effective, without government control, for the common good, and in fairness to all parties interested in the production or consumption of such articles. And such control may be repeated, in essence, and for the same main purpose, even after the war, on a wider scale. To the extent that such developments occur, the activities of private enterprise, duly regulated in the interests of all parties concerned, will continue to be controlled.

17. The existence or extension of such international agreements, for the national as well as world control of particular commodities or enterprises, cannot be regarded as constituting limitations on the national sovereignty of any country concerned in such agreements. For the parties entering into such arrangements do so of their own free will as equal partners and enforce them within their national jurisdiction of their own authority. Free India, will not refuse to join in such arrangements, provided, of course, that she, too, is treated as an absolute equal with all other contracting countries or participating units; and that she enters into them of her own free choice.

18. After the war, also, a certain amount of control and regulation of industrial and commercial activities, both in their local as well as in their international aspect, may have to be maintained for several reasons. All restrictions on private enterprise, imposed during and because of the war, cannot be summarily withdrawn the moment hostilities cease without causing serious dislocation and grave confusion locally and precipitating economic crises internationally. For meeting the needs of the people both in the victor as well as the vanquished countries, it would be necessary to maintain international co-operation and maintain co-ordination, and avoid free competition which is of the essence of private enterprise. But the volume and intensity of public control to make effective such international co-operation and co-ordination, will have to be gradually reduced and relaxed. At the present time, because of the exigencies and for the purpose of the war, the U. S. Government are directly conducting industrial enterprises as State concerns involving capital investment of something like 20 billion dollars. All this cannot be abandoned, immediately hostilities cease, to private management. The mere process of liquidating such huge State concerns, transferring them to private enterprise, and reconverting them to peace-time requirements, must take time. The process of the withdrawal of the State from economic enterprise must needs be gradual and controlled, so as to realise the public investment with the minimum of loss, or wastage.

19. When the war is over, again, considerable amounts of accumulated and unused stores of food, raw materials, and munitions of war,—not to mention

ships, and other vehicles of land, water or air transport—will be released, and made available for civilian consumption for peace-time use. The disposal and utilisation of these surplus stores will create problems, which, in their turn, must necessitate the retention of some form and measure of State control and regulation of the entire economy of the country. Such problems cannot be solved satisfactorily by any *ad hoc* or uncoordinated decisions of individual countries, each acting on its own, and to suit its own immediate purpose. The disposal of such war stores besides, will have a direct reaction on trade and industry both at home and abroad. If a country,—like the United States,—begins to liquidate such surplus at too rapid a rate, and as an exclusive problem of its own, it may easily prejudice not only its own local industry, but the industrial ambitions or possibilities of other countries, like India, for a generation to come. International co-operation in this department is consequently necessary ; and such co-operation must presuppose a measure of national control on local trade and industry, in the sectors affected.

20. The whole field of Lend-Lease agreements, and the reverse or Lease-Lend arrangements, fall likewise, in the same category. They are bound to give rise to innumerable problems in connection with the restoration of articles lent or leased for war purposes. The settlement of these problems would demand a measure of public control and supervision, in support of such international arrangements as may be made in that behalf. Food stores, machine tools, munition dumps, transport vehicles, communication materials,—all may be involved in this class, and would have to



be dealt with accordingly. Such control, it must be pointed out, will be undertaken for the due protection and safeguard of existing or new local industries rather than for their restriction or frustration. The gravest problem in disposing of the surplus stores or unused Lease-Lend material will be to carry out the process without untinging or dislocating local industry in all countries. Its solution would be simplified and facilitated if the problem is handled as an international concern than a purely local issue. It would be better, smoother and more economical to boot, if a comprehensive general international agreement is made on the subject, than specific pacts between particular countries.

21. On the other hand, the needs and demand of all the belligerent countries that have suffered damage and destruction in the course, or as consequence of the war, would be substantially increased after the war. To meet this increased demand adequately, effectively and in an orderly manner, it would be necessary to set up some kind of international organisation for dealing out aid towards the restoration, reconstruction, and rehabilitation of all war-wasted countries victors or vanquished. And to second such an international organisation and supplement its work, local governmental control of private enterprise would be inevitable. But here, again, that control would be for the due protection and safeguard of local private industry, and not for its obstruction or impediment. For the increased local as well as international demand would have to be met; and the surest way to meet it most satisfactorily is by duly protected and sympathetically controlled local private enterprise.

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22. The problem of demobilisation of the manpower now engaged in war, and of the reconversion of such industries as have been wholly diverted to war-production furnishes another excuse for post-war retention of governmental control of private enterprise. No one would desire to repeat the chaos in industry, and the difficulty of absorbing the war veterans on demobilisation, that occurred after the last war. To avoid such a catastrophe, to prevent needless post-war depression, and to guard against economic international rivalries breaking out, some degree of public control on demobilisation, reconversion and reabsorption would be unavoidable.

23. The mere task of feeding the peoples ravaged by the war, from their own unaided agriculture, is impossible. And so, too, the maintenance of their local economy, by their own industry and commerce, together with their ancillary services. The restoration of all these to their pre-war normal level will demand international aid if chaos is not to be the outcome of the end of hostilities. Even though such chaos may be kept under control in particular places, the task of reconstruction and rehabilitation of many of these will not be easy to attain by any single power affected by the war, as Britain, Russia or Germany, acting on its own. Some international authority will have to be set up to exercise close control, general supervision and specific regulation, for the satisfactory carrying out of the task of all-round reconstruction and rehabilitation. In many instances, specific international agreement will have to be made, if any considerable section of the world is not to be completely starved

out. And for all these purposes, local control of private enterprise is indispensable.

24. Recognising, however, all these factors, conditions or influences, emphasising the need for some form of national control as well as international organisation, it must be observed that the full resumption of the march of economic progress and improvement in human welfare would be impossible, unless the war-time restrictions are steadily, even though gradually, relaxed; and freedom of initiative allowed for private enterprises in an ever increasing measure. Such private enterprise will function, no doubt, in a new mould, brought about as the result of the experience of this war and its aftermath. Working in the new mould, it will necessarily be submitted to a measure of restriction, if only for the purpose of co-ordination, and the most effective as well as for the world at large. Even granting, however, that some form of local national or international control, regulation, or restriction of private enterprise may be necessary in public interest, it must be recognised that without such freedom private enterprises, industrial expansion and technical or scientific advance will not be possible. For, in the absence of private enterprise, there would be no one concerned to shoulder the inevitable risks involved in new ventures or expansion or efficient working of existing ones.

25. Backward countries, or those relatively undeveloped, may particularly find it difficult to get over the intermediate stage, inevitable in the evolution of industry, if private enterprise is left alone to shoulder risks, submit to occasional failures, and smooth out the consequences of the failures inherent in the ex-

perimental stage of new enterprise, or the working of new discoveries. Discoveries in science, and their application to industry for the services of man in daily life, would also be impeded, if not impossible, in the absence of free private enterprise. Even in the actual management of particular concerns engaged in "key" industries or public utilities, it has been found by experience that the usual bureaucracy, working under departmental routine, is neither so alert, nor so efficient as under private enterprise the workers have necessarily to be. The stimulus of an increasing return or profit would be lacking in public employment. Hence, in the absence of private enterprise, the most possible benefit cannot be realised, whether from men or materials in any industry, utility, or service; and the country or community as a whole will be the poorer in consequence.

26. We premise, therefore, the existence and operation of private enterprise in the world after the war, in India, and in countries with which India is in trade and other relations. As already stated above, India would be a willing participant in any international arrangement, or organisation, that may be established for the control and supervision of international co-operation, and the maintenance of peace, provided she is admitted in any such arrangements as a perfectly free and equal partner.

27. State enterprise, however, will be used discriminatingly and subject to such international agreements on particular items as might have been arrived at. Thus, for instance, industries which directly concern the manufacture of munitions for national defence may have to be made into exclusive public monopolies,

both in their establishment and in their working. What industries are to be classed as "Defence Industries" may be a matter of definition to be, agreed upon or prescribed by international arrangements. They might include, say, industries directly producing armaments and munitions of war. In that event, if international agreement requires their operation as public monopolies, and India is a party to such agreements, she will have to carry out that agreement within her own frontiers. But once they have been so defined and classified, these industries will have to be worked as the sole monopoly of the State, not only to eliminate from their conduct and working any change of private profit for the individuals conducting them, but also in order to keep in check the aggressive tendencies of selfish bellicose interests, some of whom have benefitted by the world being engaged in bloody wars twice in a generation.

28. Industries, again which are concerned essentially with the production and supply of some essential commodities; or what are called "Key" (or mother) industries, i.e., industries which are the foundation for other industries, may also be either under some form of public control and regulation of the type illustrated by the London Passenger Transport Board, or the National Electric Grid System, or the Several Port Authorities in Britain; or the Tennessee Valley Administration of America. Public utilities, again, of all kinds, are in the same category, needing some form of national or local control by some public authority, or a specially created statutory body. They provide essential requirements of civilised life; and as such, they must function so as to do the greatest

possible services at the minimum of cost to the recipient.

29. In the same class may be placed all those monopolies, particularly those built up as the result of some form of State aid, or protection, subsidy, or assistance, granted at public expense. If they are not directly conducted by the State as public monopolies, there will have to be effective control and regulation by the State of such monopolies. Enterprises concerned with the equipment and working of social services, such as communications, education, public health, public entertainment, and the like,—will also demand some form of public control and supervision, as the consumers of such commodities and services are the people of the country as a whole. Direct State enterprise may, however, be excluded from this field, if only to ensure constant research and progress through enterprising individuals. But a measure of public control and regulation would be inevitable in the collective interest.

30. There is another reason for which, some form of public control is necessary. It is imperative that the State should regulate, in the collective interest of the community, the distribution of industries and their location throughout the country. In that task, due regard must be had not only to enterprise of the local inhabitants, and managerial skill but also to the availability of raw materials, and fuel, and other indispensable facilities. The size and nearness of markets, and considerations of easy Defence in times of war, may also have their influence in the diffusion of industries throughout the land. Concentration of industries may have its economic advantage; but the diffusion of

industries is also needed, not only to facilitate the utmost all-round utilisation of all natural resources and man-powers, but also to avoid interprovincial jealousies,—vital national consideration for a country like India,—and ensure and safeguard proper defence of such industries in times of war or invasion.

31. All this consummation is not possible, unless and until the State evolves a national plan of development. Without a planned programme of all-round, simultaneous development and expansion, it seems impossible in the post-war world, for any community to make its due contribution to the general progress. It is, therefore, absolutely necessary to lay down that each country's local planning on a national scale would be needed and must be facilitated to develop all productive resources, including agriculture, mining industries, utilities and services. The production as well as distribution facets of each national economy will be carefully co-ordinated and integrated, if post-war reconstruction is to be both real and progressive. But such planning will necessarily involve an amount of public control, supervision, and regulation, even though the actual initiation and working of new and existing industries must be left in private hands.

32. Indian opinion will thus support the retention and maintenance of private enterprise in the post-war times, subject to the reservation of munitions industries as public monopolies, and a measure of public control and supervision over industries concerned with the public utilities and social services. In cases of private monopolies built up in consequence of intensive fiscal protection to indigenous industries, Indian opinion would also support a degree of public regu-

lation of such artificial monopolies, cartels or combines, to safeguard the interests of consumers and of the country as a unit. Finally, the future national, popular, and responsible Government of India will in all probability proceed upon a carefully planned programme of co-ordinated and integrated development of the country on all sectors of the socio-economic front. Any control of private enterprise necessitated by the working of the Plan, would not be objected to by Indian commercial opinion.

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## II

### COMMERCIAL POLICY OF NATIONS

1. International Commercial Policies after the war will, it may be presumed, have to conform to such basic lines as may have been agreed upon specifically, or generally laid down in documents like the Atlantic Charter, or the Master Agreement between the United States and the United Kingdom for the working of the Lease-Lend System and its reverse.

2. Regarding the Atlantic Charter, it may be as well to add at this stage, that that document though signed and put forward by the President of the United States and the Prime Minister of the United Kingdom, has been promulgated on their personal authority only. It has not been endorsed by the British Parliament nor accepted by the Senate of the United States. No treaty or agreement of this kind would be valid in America unless ratified by at least a two-thirds major-



city of the Senate. In Britain, also, though Parliament is not directly concerned in treaty-making, its approval in some form is indispensable if the treaty is really to be operative.

3. If such a caveat is necessary in regard to the actual signatories to the Atlantic Charter, much more must it be needed in regard to those others of the United Nations,—like Russia, or China,—who have not signified their adherence to the principles underlying the Atlantic Charter.

4. It may then be said that the force and validity of the Atlantic Charter depends solely upon the authority of its immediate signatories, who are themselves liable to be out of office when the time comes for implementing the document. As these, however, are important personages, of considerable authority in their own country, we may take it that their respective legislature will endorse the substance of this arrangement; and so we may reasonably assume International Commercial Policies after the war will conform in general to the principles of this document. Its specific substantiation in the case of the Lease-Lend agreements may be taken to provide a model, for such policies.

5. The Atlantic Charter contains more than one clause which may have their bearing upon the international economic or trading relations. The most important, however, of these Articles are the 4th and 5th, which lay down broad policies. According to Article 4, the signatories

“will endeavour, with due respect for their existing obligations, to further enjoyment by all States, great or small, victor or vanquished, of access, on equal terms, to the trade and the raw materials of the world, which are needed for their economic prosperity.”

## Article 5:

"They desire to bring about the fullest collaboration between all nations in the economic field with the object of securing for all, improved labour standards, economic advancement, and social security."

6. Following the general policy adumbrated in these clauses, an agreement was signed between the United States and Great Britain regarding mutual aid to facilitate the working of the system of lease-lend, or the reverse of the same. Article 7 of that agreement, which is repeated in substance in similar agreements with other countries from among the United Nations, provided that, in the final determination of the benefits or return to be made to the United States by Britain, on account of the aid obtained under this system of lease-lend, the terms and conditions would be such as would not burden commerce between the two countries, but (would) promote mutually advantageous economic relations between them, and betterment of world-wide economic relations. To that end they include provision for agreed action by the United States and the United Kingdom, open to participation by all other countries of like mind, directed to the expansion, by appropriate international and domestic measures, of production, employment, and the exchange and consumption of goods, which are the material foundations of the liberty and welfare of all peoples; to the limitation of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers; and, in general, to the attainment of the economic objectives set forth in the Joint Declaration made on August 12th, 1941, by the President of the United States and the Prime Minister of the United Kingdom.

7. Analysing the important contents of these documents, it is clear, their authors had in mind principally, the condition of European countries as affected by the war. Their programme of reconstruction and rehabilitation will require ample supplies of raw materials as well as foodstuffs, if their principal sources of production are to resume functioning, and come to their normal pre-war level. Most of the European countries, which have been intensively industrialised, have developed their national economy so as to produce largely that which they cannot consume entirely within their own frontiers ; and to consume that which also they cannot produce within their frontiers in any substantial measure. For them, therefore, freedom of access, on equal terms, to the world's markets and raw materials is necessary to maintain their standard of living at the level it had reached before the war. But the measures of international policy required to enable those countries to regain their pre-war level may not be compatible with the legitimate demands of other countries, like our own, these being backward, or relatively undeveloped, must conserve their raw materials, safeguard their nascent industries, and protect or reserve their local markets, in a greater or lesser degree, for supply by their own productive resources and organisation. To that extent, the principles of the Atlantic Charter will not be acceptable to such relatively undeveloped countries.

8. The war, moreover, has caused heavy destruction and damage to the farms, factories, and workshops, of European countries, and their productive resources in general. To make good this damage and to restore the pre-war standard of production in their

industry and agriculture, mining and forestry, they must adopt commercial policies, which carried to their logical conclusion, would inevitably deny to other countries their equal right to develop fully their own resources and so raise their local standard of living. These countries used, before the war, to buy a considerable portion of their imports of industrial products from European countries, exchanging the same against their own produce of foodstuffs or raw materials. What these countries need to realise their ambitions is some measures of specialised skill, and of capital equipment, by way of plant or machinery, with which modern industry has to be run in order to make adequate returns. If these ambitions are to be realised, European countries must restrain their pre-war selfish hunt for raw materials and colonial markets and provide the capital and technical requirements of the colonial peoples and undeveloped countries so that with their improved and higher standards of life in the future,—such countries can assist in the maintenance of an all-round decent standard of life throughout the world.

9. Notwithstanding any provision in the Atlantic Charter, or the Mutual Aid Agreement between the United States and other countries for working the lease-lend system and its reverse, post-war reconstruction cannot be accomplished in any satisfactory degree, if the right of each nation to its own development to its maximum capacity is not fully recognised. Western nations cannot claim the sole and eternal monopoly of industrialisation, a balanced national economy, and a relatively higher standard of living for their people. If international co-operation is not to be a name only,

and world peace a phantom, every country must be conceded the right of its own local development to the extent that its store of raw materials, labour force, available market and capital equipment may justify.

10. These are the three main tests, or measures, for judging such potentialities of industrial developments in a country: namely, the amount of raw materials available in its mines, farms, forests, air and water; the extent of its local market; and the skill and strength of local labour.

11. These three standards of local industrialisation and properly balanced economy in India are not mutually exclusive; nor necessarily mutually complementary. It may be that the volume and variety of raw materials of various kinds, available in this country, is much greater than the economic and technical equipment available at any given moment for working up the same into finished goods ready for consumption. Such surplus of raw materials may then well be exported to those who need them more; and so conform to the principles of the Atlantic Charter. It is possible, of course to increase the extent of the country's mechanical equipment and technical skill for working up these materials into finished goods, by importing the same from abroad. But the process of such expansion in equipment and labour will take time. A hiatus will consequently be left between the volume of raw materials available in the country and the scale of industrial equipment to work up the same. And on this hiatus may be founded the export trade of this country. But it is for India a perfectly legitimate ambition to demand that she should have every opportunity and facility to work up into finished goods

ready for consumption the whole of her own available raw materials, whether already tapped, or yet to be exploited; and that the mechanical equipment and technical skill needed to work up this material she should be able to obtain from other more advanced countries on equal terms; provided, of course, that such intensive development of India's known as well as unexplored resources does not lead to dumping of Indian goods abroad, and so to deny the equal right of other nations to develop their own inherent resources to the maximum possible.

12. The alternative standard of the available local market within the country itself, to be supplied by the products of her own industry, may not use up all the raw materials available in the country itself. But in that case the claim to develop one's industry at least to the extent of supplying one's own country must be recognised and admitted as a modest, reasonable and legitimate demand. If a country like India insists upon reserving the whole of her output of raw materials for her own industry, she would either deny to others what she cannot use herself—a dog-in-the-manger policy, which must be disapproved—or develop her industries to a degree where she cannot absorb those products herself and so be forced to dump them on the less developed of her neighbours. If India is content with working up such of her raw materials as her available equipment and skill can cope with, there would be no need for such apprehension. It is possible, of course, that, with a progressively developing national economy, the local demand may rise side by side; and that, consequently, the volume of raw materials available in the country, which at one

time seemed in excess of local needs, may be absorbed more and more by the increased local demand. But even if that does not happen all at once, the right of a country to supply from its own production as much of its own local demand as possible must not be questioned.

13. Finally, the intensive industrialisation of this country should make possible full employment for all citizens or residents in the country. This may use up all the volume of raw materials produced in the country, and supply the bulk of the national market. Even if that is not possible, the primary right of every citizen to be provided with remunerative employment sufficient to maintain him in a given pre-determined, decent standard of living, must not be questioned, if the post-war reconstruction of the world, international co-operation and world peace are to be real and enduring. The root of all international conflict leading to wars lies in the discontent engendered by the difference between "the so called "Haves" and "Have-nots" of the world. If adequate industrialisation, with well-balanced economy, is accomplished in countries like India, one of the most potent causes of mischief,—of international jealousies and conflicts,—would be ended. The aggregate wealth of the whole world would, at the same time, be very considerably increased. And if that increased wealth is properly, equitably distributed among the peoples of the world the standard of human welfare and civilised life will be materially improved.

14. These three alternative standards of development are not mutually exclusive. Any one or more of them may be applied side by side, according to the

requirements, circumstances, or convenience of the country concerned. But each of these is, by itself, a legitimate standard of objective for any country, intent upon industrialising itself and bringing about a balanced economy. Such development is overdue in this country to relieve the disproportionately heavy pressure of population on the soil. If in this process of intensive, rapid and planned development, any factor needed for such development is found lacking in the measure required, that lack should be made good by import from other more advanced or better endowed countries. Such imports are the proper counterparts of the possible exports referred to above. A full, all-round development in every country must aim at the completest possible utilisation of all resources agricultural or mineral, forest or industries. And every ingredient of such development,—raw materials, mechanical equipment or technical skill,—if lacking anywhere in the required measures, must be made available from other units of the world, so as to ensure an all-round betterment of the standard of living, as required in the Four Freedoms promised by President Roosevelt.

15. In the practical application of these principles of commercial policy, any country, which has not reached the maximum, or even the optimum standard of its possible development, in primary production, manufacture or processing industries, public utilities and social services, certain guiding consideration must be accepted as indispensable both for the permanent maintenance of world peace, as well as for constant, effective, international co-operation. In regard to primary production, from land, water or subsoil, the



sovereign right of every country,—its eminent domain over all such natural wealth in its mines and forests, its land, rivers and mountains, must be postulated as a *sine qua non* of international co-operation. It must be open to the Government if it so wishes in each country to reserve the exploration of mines and minerals for its own citizens, excluding aliens from such enterprise whether they reside or are registered in such country or not. If such concessions have been granted to aliens on unfair, extortionate, or unconscionable terms, they must be open to be reviewed and revised, if they are granted under a misapprehension, or by *force majeure*; and to be placed on a more equitable basis. This has recently been done in regard to Mexican oil exploited by U. S. capital, or the Anglo-Iranian Company. The principle of respecting existing concessions will, on this condition, be easy to uphold; and chances of local heart burnings avoided. The fundamental right of every country to the exclusive exploitation of its own buried-natural wealth in land, under land, in water or air, must be recognised and postulated as part of its local sovereignty, and as a sacred condition of sound international co-operation.

16. The only exception, modification, or reservation on this score, accepted in the interests of international co-operation should be that the country concerned should not make of this right an excuse to refrain from developing, out of sheer cussedness, or on the pretext of lacking in the necessary capital equipment or technical skill.

17. Practically the same logic should apply to the case of "Key" industries, or those deemed vital to the very existence of a country as an independent unit.

“Key” industries may be of two kinds : those which are the basis or parent of other important industries ; and those which are deemed vital to the very existence and independence of a country. Preference should be given in either case to local talent and enterprise for developing such industries, if only because in that case public control in the national interest would be easier and more effective to exercise than if these industries were in alien ownership or control.

18. Such preferences to local skill and enterprise, or reservation, may be provided for either by the fundamental constitution of each country, or by specific legislative authority ; but not by administrative action only. Adequate protection of such key or vital industries, if left in private hands, against foreign competition, their aid, encouragement or safeguard, will also have to be accepted as a cordial feature of post-war commercial policy of each nation ; though safeguards may be admitted against such protection being abused. It must, however, be in the sole discretion of each country's Government to determine when and to what extent such safeguards are to be applied. No interference by any outside authority should be allowed on this score. For this line of international commercial policy in the post-war era, a good precedent or analogy is found in the standing British Legislation, which forbids an alien becoming owner of a British ship, or hold a share in the national electric grid system. French legislation provides many more examples ; while Russia, Mexico, Brazil, Venezuelas and several others apply the same principle in the case of petroleum.

19. For a country situated as India is to-day,

exact definition of the "term" alien is a complicated matter. It must include all those who are not born and domiciled Indians, that is to say, not only foreigners properly so-called, but also citizens of the British Commonwealth of Nations,—whether the United Kingdom, or any of the self-governing Dominions, colonies, Mandates or Dependencies. Following the analogy of the Government of India Act, 1935, containing safeguards and anti-discriminating sections, special provisions included in a treaty between England and India transferring power to India may be tried to be included, in the future constitution of free India, by which the rights of non-Indian enterprise, already established in the country or to be hereafter established, may be sought to be maintained in tact. Such rights are, however, bound to restrict unduly and intolerably the effective responsible National Government of India. They have been resented by all shades of Indian public opinion, even under the existing constitution, and even though restricted to British citizens and companies from the United Kingdom only. British industrial vested interests in India are the most potent obstacle in the path of the fullest possible expansion of Indian enterprise, and the utmost possible development of Indian resources. For these interests naturally desire a fiscal policy which is not always in the real, long-range interests of India and her people. Given their influence with the rulers of the country, they are able to prevail in such matters in a thousand invisible ways ; and so obstruct, injure, or even defeat the process of India's industrialisation and all-round development which they subconsciously fear would be opposed to the corresponding interests of Britain. India of the

future, therefore, cannot but insist upon the fullest freedom of action in such matters, subject only to such international agreements to which she may be a freely consenting and equal party as may be concluded to regulate the international flow of capital, labour or enterprise.

20. If found unavoidable, special treaty arrangements may be made with Britain on this subject, at the time of the complete transfer of power from the British Government to the Government chosen by the people of people in accordance with Article III of the Atlantic Charter. Such treaties may also be made with other countries, by which the investment of foreign capital, and the employment of foreign skilled labour, in Indian industry may be regulated. The provisions of such treaties, whether included in the basic constitution of the country or not, will be duly respected and fully honoured. But their enforcement or observation in practice must be left exclusively to an appropriate authority under the future Indian constitution. No interference of any outside authority can be permitted and will be tolerated. India must be free, in name as well as fact to shape her own fiscal policy and attain her economic destiny as she finds most in accord with her own interests.

21. Note may be taken, in this connection, of a device, recently adopted by British enterprise established in India, to enable it to obtain all the advantages of the Indian fiscal policy and measures of aid to Indian industry, on a par with Indians in the same field. Branches of British corporations, operating in India, now disguise themselves, or seek to give themselves an Indian complexion, by adding the word

(India) after their original name and style, e.g. Imperial Chemical Industries (India) Ltd. Given their much larger world connection and experience, these concerns are able to compete on more than equal terms with the corresponding Indian concerns in the same field. They obtain all the fiscal and financial advantages open to Indians: In addition, they have the silent sympathy from the mystic bond of racial affinity with the rulers of the land, which procures them invisible, but not the less effective, advantage in their competition with their indigenous rivals. This device cannot be too strongly opposed. The only way, however, to counter effectively its operation is to introduce some systems of *licencing* every concern operating in this country, so as to enable the licensing authority to test or judge if a concern seeking such licence is a genuine Indian concern, really entitled to the advantages specially provided in that behalf in any given industry. Only if and in so far the applicant for such a license satisfied the conditions laid down, should the license be granted; and should be allowed to operate on such terms and conditions as may have been specifically laid down at the time of issuing the license.

22. In the broader interpretation of the term commercial policy may be included fiscal as well as financial measures, e.g., Customs tariffs, subsidies and bounties, specific financial assistance, reservation of sources of primary production and certain "key" or vital industries, preferential treatment in railway rates or shipping freights, guarantee of interest or provision of capital, or of specially trained technicians, and the like for the safeguard, protection, encouragement, and the development of indigenous industry in every possible

way. So far as India is concerned, there is already in operation a Fiscal Convention whereby, if the Government of India and the Indian Legislature agree on any fiscal measure, there would be no interference from the Secretary of State for India, or the British Government, vetoing or defeating such measures, even though, theoretically, he is the supreme authority in the governance of India. India's fiscal autonomy must hereafter know no limitation or restriction. There must be no hostile interests within the country to distort or deflect India's policy. Measures taken to develop, protect, aid, and encourage or safeguard Indian industry by every legitimate and practicable means, and so achieve her all-round development within the shortest time possible, should by no means be open to frustration by alien vested interests working in our midst.

23. While on this aspect of National policy, mention may also be made of the world problem of international movement of population and its settlement, on equal terms in any part of the world. The Atlantic Charter definitely lays down the right to free movement for all peoples, free from any impediment. But it is strangely silent in regard to the right of settlement to the natives of one country into another more congenial or profitable. At the present time, however, the most advanced countries,—with the United States leading,—have on their Statute Books disfiguring legislation of a bewildering complexity, forbidding or restricting immigration from other countries. As a consequence of this wide-spread restriction in relatively new countries, on the movement and settlement of population from other countries, local resources in

many countries remain undeveloped for want of the right type of labour, or its sufficient strength. The aggregate wealth of the world remains in consequence much below its potential capacity. There are many countries,—rich in natural endowment,—which have a population of hardly more than one per square mile; while there are others, no less richly endowed, but so overcrowded that the incidence of population there is over 500 per square mile. This is a deplorably lopsided distribution of population. It is further complicated by fallacious unsocial theories about racial superiority and discrimination, which results in policies of exclusive reservation of particular corners of the world as the sole preserves for particular races of man. All this is extremely reactionary and harmful. If the wealth of the world at large is to be fully developed in a reasonable time and if every human being is to be assured in reality a decent standard of civilised life, no matter in what part of the world he lives, international agreement must be arrived at, at the earliest opportunity to secure the equal right of free movement and settlement for any person in any part of the world. Anti-immigration legislation of to-day must be scrapped; and the world as a whole must be thrown open, on equal terms, to all the children of man. No country or groups of countries should be entitled to claim and maintain a high standard of living exclusively for themselves. Nor should any be allowed to claim, on the score of maintaining a homogeneous population in their territory—e.g., White Australia,—the right to exclude all others from entering their country, settling and working there, to the aggregate benefit of the country of such settlement, to

the particular benefit of the settlers, and to the all-round benefit of the world. y.

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### III

## INTERNATIONAL CURRENCY RELATIONS

1. The basis of local currency and of international exchange has been subject to considerable control and regulation in recent times beginning even before the war, and emphasised by the demands of war-time trade and its financing. The decade before the war began had been conspicuous by a series of exchange control regulations in a number of leading commercial countries of the world to stem the tide of the World Economic Depression. It was thought that the manipulation of the value of local currency in exchange would be a handy and effective means to safeguard local industry, and stimulate the country's exports. The war has accentuated these considerations by adding the leaven of reasons of national defence, the war-time diversion of industry, and the consequent reaction of international trade. In most countries actively engaged in war, absolute nature of exchange control has resulted in the elimination of any vestige of a free exchange market, abolished specie points, and completely centralised, under rigid public control, the financing of foreign trade. Though the intensity and universality of present-day control is a war-time phenomenon, it is certain, this control, restriction and cen-



tralisation will continue for years to come after the war. Reading between the lines of such contemporary developments as the recent International Monetary Conference, held at Bretton Woods in the United States, it may even be said that much control would become international in character and outlook, even though administered by the local Government of each country.

2. Serious modification has also been made of the free functioning of the International Exchange by International Barter Agreements, which also came into vogue even before the war. The war has made such arrangements more common. The most outstanding illustration of such agreements is to be found in the Lease-Lend system, introduced three years ago by the United States, and reciprocated in the so-called Reverse Lend-Lease arrangements with countries benefited by the original Lease-Lend. These developments have very considerably reduced the need for foreign trade finance, even on such International Trade as continues during the war. The analogy of Lease-Lend is put into operation, and consequently international capital movements, goods exchange, or specie transfers to settle the balance of accounts are almost completely eliminated, where they still survive they are entrusted as a monopoly to some public corporation like the Reserve Bank of India.

3. Lease-Lend, however, and its reverse, and other analogous arrangements, are war-time measures, enforced because of the supreme necessity of the struggle. But their intrinsic advantage has become so evident, that the underlying principle is likely to be main-

tained for many years after the war ; and may even become a permanent feature of international economy. The war-time restriction of International Exchange has necessarily impeded foreign trade ; and has, in consequence, reacted injuriously upon local interests ; industrial and commercial, as well. The experience of the last war, however, goes to show that the more advanced nations of the world, like the U. S. A., would strive hard against the retention of any restrictions upon the free functioning of private trade and enterprise once the war is over. This opinion is strengthened and reinforced by the latest official declarations of policy by President Roosevelt in the American presidential election.

4. The minimising of international capital movement and financial obligations in the present war by one of the principal Allies helps to simplify the problem of International Exchange in the post-war world. On the other hand, it must be added, that if any demand for Reparations, in kind or cash, is made upon the defeated nations, the entire machinery of foreign exchanges would be thrown out of gear all over the world, with many and far-reaching reactions of a deeply prejudicial character upon the local economy of each country.

5. Without, however, anticipating the difficulties likely to arise in the post-war world, such factors as any large-scale Reparations demand ; the consequent problem of transfer of funds, or the encouragement of exports from the Reparations-paying countries, and of imports in the receiving countries, must be borne in mind, if a correct appreciation is to be had of the

entire issue of international trade and international finance. In the post-war world, almost every country except America will need capital aid to feed local population, restore local industry, and rebuild the local economic organisation as a whole. Such short-term capital movements will be in addition to the ordinary movement of goods and services; and will go a long way to complicate the problem, which cannot be solved without some form of international control supplemented by local regulation.

6. The foreign trade of India has almost invariably shown a credit balance in favour of India, after all the so-called "Invisible Imports" into the country, —the Home Charges,—have been paid for, ever since historical data on the subject could be traced. India's favourable balance has, in the course of the war, and because of it, been very considerably increased. Published figures on the subject do not show the real volume of this balance, as items relating to imports and exports on account of the Defence Department, as well as in connection with the Lease-Lend arrangements are excluded. Almost the entire item on account of interest and Sinking Fund charges in connection with the Sterling Debt of India has been eliminated by the progressive repatriation of that debt of the Government of India. This process of conversion of sterling into rupee debt has not in reality been as advantageous to India as the official exponents or apologists of that process would have us believe. Its net result, however, has been to reduce the volume of the "Home Charges" on that account; and to that extent diminish the volume of "Invisible Imports" into India. The progress of Indianisation, again, in

the Indian civil and military services tends to reduce further the balance of "Home Charges," though the actual reduction is by no means considerable.

7. On the other hand, the intense need of the belligerents for India's foodstuffs, raw materials, and munitions of war, as well as manufactured goods for carrying on hostilities all over the theatres of the war, has added very considerably to the volume of India's exports even though the bulk of those exports are not included in the ordinary trade statistics. At the same time imports into India have been restricted and reduced because of the lack of shipping facilities, the dangers in ocean voyage, and the diversion of industry in countries from which India was accustomed to buy. Intensive development of Indian industry, directly ministering to the war demand, has also helped to reduce the imports of foreign wares into this country.

8. Taking all these factors into account, India has been having, all through the war years, a steadily growing balance of accounts in her favour. This balance has accumulated for 5 years, and is made up of the Sterling securities in the Indian Paper Currency Reserve, issued as British Government I. O. U's in payment of their war-time purchases in this country; and, in a smaller proportion, of cash balances held abroad by the Reserve Bank of India. Both these aggregate at present nearly Rs. 1,200 crores, roughly equivalent to \$5,000 millions or £1,250 millions. If the war continues for another two years, it is more than likely that the volume of the balances may rise even beyond Rs. 1,500 crores roughly equivalent to \$3,500 millions or £900 millions. The subjoined table shows briefly the growth of these balances.

## STERLING HOLDINGS AND NOTES ISSUED

### Figures for the last Five Years (in lakhs of Rupees)

Date.			Total Notes Issued.	Sterling Securities in Issue Dept.	Balances held abroad in the Banking Dept.	Total Sterling Holdings.
Sept.	1,	1939	2,17,17	59,50	10,08	69,58
Oct.	18,	1940	2,56,96	131,50	37,78	169,28
"	17,	1941	3,06,88	155,67	59,23	204,90
"	16,	1942	5,23,23	322,83	81,95	403,78
"	15,	1943	7,90,80	674,75	108,56	783,31
"	13,	1944	9,65,96	850,32	298,73	1149,05
"	20,	1944	9,71,74	856,33	302,35	1158,67

9. For India to obtain repayment, of these accumulated Sterling Balances after the war, even though the repayment may be spread over a number of years, the maintenance of the Exchange value of the rupee would be by no means difficult. For years to come India will need plant, machinery and industrial equipment, which she cannot provide herself—for the very achievement of her industrial ambitions. These will, therefore, form a substantial section of her imports, which will continue after the war. India's exports will also continue to thrive for years after the war, even though the process of intensive industrialisation may alter the direction, character, as well as the volume of those exports. Imports into India will likewise not fall off all of a sudden, notwithstanding effective industrialisation. But the differences between imports and exports, with a surplus of the latter, will continue. The demand for the Indian rupee will thus be considerable in the exchange markets of the world. And that demand will be intensified because of the disappearance of, or substantial reduction in, the so-called "Invisible Imports" represented partly by the Home Charges; and the consequent thinning out of the converse stream.

10. In so far as the Exchange value of the rupee is concerned, India will be willing to give such guarantees as may be necessary or agreed upon, to maintain the exchange value of the rupee on a stable basis. And to that end she will willingly contribute to any International Monetary Fund, provide quota of gold or *valuta*, and do everything else needed or required. But she must be an equal member of any such association, and have her due share in the management of the International Fund like any other participant of her level. It is imperative that the regulation of the internal and external value of the rupee must be free from any outside influence or authority. It is not in the interests of India, to remain merely as an appendage of Britain in the "Sterling Block," the rupee pivoting round the pound without any initiative or powers of control of her own.

11. No international arrangements of the world monetary system would be workable, if it continues to divide the world into 3 or 4 blocks, where one great power shines like the sun, with a number of others revolving round it as so many satellites, who regulate their own currency and exchange system in accordance with the demands of the predominant partner. The precedent set by Britain of a unilateral abandonment of the Gold Standard in 1931, and her claim to manipulate the exchange value of her currency as suits best her own local economy, is very discouraging to those who have suffered from such high-handed and one-sided action of the predominant partner.

12. International monetary arrangements must, to be generally acceptable and really effective, be of equal benefit to all participants. On such a basis of

real equality India would have no objection to join and participate, even if it involves some limitation or delegation of her own local sovereignty in currency matters. The main objectives will not be attained, so long as there is ground for the suspicion that two of the big powers would dominate the international Monetary System serving their own immediate interests, at the sacrifice, if they think necessary, of the corresponding interests of their neighbours or associates.

13. The problem of regulating the internal and external value of the rupee is closely connected with the question of our Sterling Balances, now aggregating, in the form of Sterling Securities in the Paper Currency Reserve Rs. 856 crores ; and in the form of cash balances of the Reserve Bank of India held abroad, Rs. 302 crores ; or Rs. 1,158 crores in all. These amounts have, generally speaking, accrued out of the British Government purchases of goods and services in India for carrying on the war, payment being made in the form of British Government I. O. U's. Indian opinion cannot overlook or ignore the fact that, in the starting of this war India was in no way concerned or consulted. She has nothing, to gain materially from the war for herself, even though she has been made to contribute immensely in men and materials. To the U. S. A., for example, Britain paid in real money for the goods or services she bought there, by mobilising American securities held by British nations and utilising those securities to facilitate the "cash-and-carry" system in vogue before March, 1941. The U. S. A. is the richest among the United Nations, who benefited substantially by Britain fighting in 1939-41

to keep off the Nazi flood from the American shores. Since the country has entered the war on her own account, she has direct material stake in winning the war, no less important than that of Imperialist Britain. Nevertheless, the Lease-Lend system was introduced only after the last available and mobilised ounce of real value had been paid by Britain for her war purchases in America. The terms of the Lease-Lend itself, if carefully scrutinised, reveal many traces of Yankee shrewdness in effecting an excellent business deal, since the material and services are only leased or lent for the purpose of the war only ; and that after the war, any part of this material or services not used up, is returnable to the lender at the sole discretion of the President of the United States.

14. Compared to and contrasted with this arrangement with her richest ally, Britain has given a very raw deal to India, who has taken up a goodly share of Britain's war burden far beyond her ability, as though it was her own war ; and has, in addition, contributed goods and services for which she has received payment in bits of paper only so far. If the total war burden borne by India were properly calculated, i.e., if the amount of *additional* "defence" expenditure she has borne on her own exchequer over and above her pre-war defence budget, and the consequential increase in civil expenditure is added to the goods and services nominally sold to Britain in exchange of bits of paper, it would be found that, by the end of the fiscal year, 1944-45, she would have spent not less than Rs. 2,000 crores of her money or money's worth in war expenditure. This compares exceedingly favourably with the aid received by



Britain from the U. S. A., their comparative stakes in the war, and their respective expectation of the benefit from its successful termination, in trade, in empire, or in influence in the councils of the world.

15. Because of this contribution,—imperceived as it is all but unacknowledged,—India has accumulated sterling credits to an unprecedented degree. The question is to realise that accumulation in cash or goods. Nobody realises, or shows us any appreciation, that India does not insist,—and never has insisted,—upon full payment in cash or goods, on the model of the cash-and-carry aid of the United States between 1939-41. Nobody perceives or admits that Britain never even tried for once to raise money by floating loans on her own credit in India to pay for Indian goods or services she needed during the war ; and so tested the strength of her credit in the Indian Money Market. Nobody seems to understand, even now that in all the argument about the liquidation of our sterling balances, no responsible Indian has ever suggested, that the balances be paid off while the war is on, or immediately it is ended. All that Indian opinion demands is some definite arrangement for the liquidation of these balances within a specified time, the form or mode of repayment being left to mutual agreement and adjustment.

16. The sterling credits of India represent considerable hardship and privations on the part of the Indian people, and naturally the country expects adequate compensation in the shape of better living conditions in the post-war period. In spite of considerable depletion of her foreign assets and damage to her economy, we feel that, given the will, Britain would after

the War be in a position to meet her obligations towards India in full. It is gratifying to note that Lord Keynes, the Head of the British Delegation at the Bretton Woods Conference, declared that Britain has no intention to repudiate India's claims. Because of the large size of Britain's indebtedness—the payment will have necessarily to be spread over a period of years. The following methods are suggested for the liquidation of sterling balances without needlessly straining the British economy.

17. India's greatest need at the termination of the war will be for capital equipment and technical aid to promote development of industries. Britain should make available these essential materials from their own factories or from the United States of America. Payments to U. S. A. may be arranged by transferring Britain's I. O. U's from account of India to U. S. A. In other words, Britain should help to raise loans in U. S. A. for India on the security of India's accumulated balances in Sterling.

18. If the British Parliament would enact legislation mobilising the British capital invested in India ; and offer the same in liquidation of the Sterling Balances due to India, the problem would be considerably eased. British capital invested in Indian Government securities, like the Railways, has practically all be paid off under what is known as the Repatriation of the Sterling Debt of the Government of India. The advantage of those measures to India has been very much exaggerated by their official exponents or apologists. But to the extent that the Sterling Debt of the Indian Government has been converted into

rupee debt the accumulation of sterling balances has been avoided.

19. Similar steps, taken in connection with private investments of British capital in Indian industry or commerce would go a long way still further to reduce the present volume of the Sterling Balances. It is impossible to say, with any degree of accuracy, what is the precise volume of such investments. They have been variously estimated at £1,000 million to £300 million. Taking even the lower figure, it may account for Rs. 400 crores, or nearly  $1/3$  of the present sterling balances. £300 million added to the British National Debt, which is now in the neighbourhood of £18,000 million, would mean an increase of  $1-2/3\%$ , while to India that would mean an immense relief whose value would be all the greater to Britain herself on the psychological side. For it would restore confidence, and dispel suspicion which now corrodes at and poisons at the very root of Indo-British relations. And if the price of these private British investments in India mobilised and paid off by the British Government by adding to their national debt, and disposed of in India in the open market or under some mutually agreed scheme of conversion, is adjusted to prevailing criteria of the price index, the relief to India may be much greater, while the burden on Britain will not be materially different. References has already been made to the model and precedent for such steps in Anglo-American arrangements made at the outbreak of the War and which lasted for 18 months after its commencement ; and so we need not repeat the details of such a scheme being put through.

20. Another similar means of liquidating a goodly

portion of these balances, satisfactory to both parties is to be found in the capitalisation of the non-effective charges on account of the pensions, etc., due to British army or the war office in India, and to the British Civil Servants. These amount to 10 or 15 crores and may be found to be greater at the end of the War. If these are similarly capitalised, and the capital amount used to pay off part of the Sterling Balances, the Indian demand would be easily satisfied. The only change would be that these pensions, etc., would be paid, as they fall due, by the British Government as today Rs. 10 or 15 crores equal to £8 or 12 million would add no appreciable burden to the post-war British Budget of over £1,500 million in all likelihood ; while to India the capital amount thus released may mean something like 150 to 200 crores of fresh industrial capital and corresponding expansion.

21. The balance that would remain, after such adjustments have been made, would be relatively very small ; and reasonable arrangements can be easily made between the debtor and the creditor by floating of a British Government loan in India, repayable after a definite period and carrying reasonable rate of interest, which would and not only provide an objective test of the British credit in this country ; but also eliminate the very basis for a great grievance or complaint against Britain.

22. None of these would materially prejudice British national economy after the war for many years to come. In any case, so long as some such arrangement is not made, and the problem of India's sterling balances remains unsettled, the question of the internal and external value of the rupee on anything like

a sound and stable foundation will remain also unsettled. And if the internal or external value of the Indian Currency unit is not stable, relatively speaking, the functioning of India's International Trade and Local Economy would be anything but smooth.

23. India's demand, then, in regard to the future International Currency Policy and arrangements is that

(1) She should be treated as an equal and independent unit by herself, participating freely in any international agreement, being entitled thereto in virtue of the volume of her international trade and her industrial possibilities;

(2) in any case, she should not be treated as a mere part or appendage of Britain in matters of international exchange or a member of the "Sterling Block";

(3) her local currency should not be considered as irrevocably tied to the British Unit, and so bound to follow the vagaries of that unit in international exchange;

(4) she should be free to manage her own currency system free from any outside control, as suits best her own conditions of trade and development of her industry.

If this modest and reasonable demand is met, she would give readily the same substantial guarantees as other countries to carry out steadily and faithfully whatever international engagements she makes for the purpose of stabilising the world exchanges.

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## IV

### ENCOURAGEMENT AND PROTECTION OF INTERNATIONAL INVESTMENTS

1. A sound and effective functioning of the post-war International economy will depend, in a very large measure, upon the free movement of capital for both long term and short term investments, in

foreign countries. Those countries, which have been directly affected by the war, and have suffered immense damage and heavy destruction, would need, immediately the war is over, to make good this loss and damage if they desire to resume their normal pre-war economic life. They would need, for this purpose, substantial aid of capital finance from more fortunate countries to restore their towns, recondition their industry, rebuild their transport and communications, and resume all normal peace-time activity. The Atlantic Charter provides for a free access on equal terms to all peoples to the raw materials of the world. But a still further freedom of access to the capital markets of the world would be found far more necessary, important and urgent to provide, if the world is to emerge from the nightmare of the war in the quickest possible time.

2. Countries, on the other hand, which, though directly not much damaged by the war, have yet possibilities in them for economic development, that have been held up for want of the necessary capital unavailable in their own country, would also need similar aid. Free flow of capital would be no less important for them than for the countries directly affected by the War. The rapid and intensive industrial development of such relatively backward or undeveloped countries is the surest guarantee for restoring the normal peace-time economy, all over the world, in the shortest possible time; and so making up for the ravages of this war and its frenzy of destruction.

3. There must thus be an unrestricted movement of capital all over the world. Care, however, must, at the same time, be taken that such international flow

of capital and investments do not prejudice in any way the right of each independent country to establish and develop its own national economy from its own resources as much as possible, without let or hindrance from any outside influence. The creation of alien vested interests rooted in the Key or essential industries of a country may lead to a distortion or perversion of the national economic policy, which is sure to be bitterly resented by all those intent upon intensive local development so as to reap the largest share of such development for themselves. As Grunzal puts it, all countries, intent upon their own industrial development, would welcome foreign capital; but detest the foreign capitalist. Adequate safeguards must consequently be adopted against the possible abuse of foreign capital becoming rooted in a country, and acting to the prejudice of the national interests of that country.

4. It may be added that such safeguards need not be adopted unilaterally by each country on her own. They should be formulated in an international agreement on the subject providing for freedom of movement for capital from country to country; and the safety, security as well as the productivity of its investment, without involving international bickerings or conflicts.

5. It is particularly important, in any country where it is found necessary to afford fiscal protection by means of tariff walls, or financial aid and technical assistance to the indigenous industry in competition with corresponding foreign industries, that these safeguards to the foreign investor do not place him in a position to dictate the country's fiscal or foreign policy,

or influence it to his own particular advantage. For it would be useless to erect any kind of tariff walls, or provide cash subsidies, bounties, or other substantial measures of aid and protection, to one's own native industry, if the real advantage of this policy is to be drained away by foreigners, and, all the benefit of such protection and encouragement is taken away by the non-national investor.

6. India suffers particularly from this evil, due to her wide and long-standing connection with Britain. British capital, invested in the development of particular industries in this country, has, it is believed, all the advantage of the fiscal and financial policy adopted by the Government of India. The Indian Government have been treating the foreign investor with special considerations.

7. The exact volume of foreign investments in this country, particularly in private industry, is difficult to calculate to any reliable degree. Elsewhere, however, an estimate of about 400 crores, even at the present time, has been put forward as some indication of the size of that investment. This is a very considerable amount of foreign capital now working Indian industry or commerce. Much of this capital is engaged in the key or monopoly industries of jute manufacture, coal and copper mines, chemicals, petroleum, tea-gardens, and the like. It enjoys a proportionate measure of concealed protection and advantage, which the unseen consciousness of racial kinship with the rulers of the land procure them.

8. Whether India has her own adequate capital resources for investment in long range industrial development is another difficult question to answer. Indi-



cations, however are not lacking to say that India's resources of yet untapped capital would prove adequate and sufficient for all her present industrial ambitions. The only thing needed is a suitable fiscal and financial policy to attract these unknown stores for useful investment. Such a policy of sympathy and encouragement for Indian capital to be invested in the industrial development of the country could be easily adopted without any prejudice to any system of international agreement and co-operation regarding the free investments of capital.

9. Given a sympathetic policy in this behalf, India is likely not to be a borrower in the international money market, at least not for long even, if she needs to borrow in the immediate post-war years. Even assuming, however, that India is likely to be a borrowing country in the post-war world, for purposes of her own industrial development, she must, nevertheless, be free to make such terms and conditions with her creditors as her future Government deems proper and necessary for the purposes. At the risk of repetition we must add that foreign investments should not be on such terms as would be burdensome to the economy of this country. India will, of course, give every reasonable security for the due realisation of such investment when the time comes; and, in the meanwhile, earn such returns as may be deemed reasonable and adequate. But on the excuse of obtaining sufficient guarantees no restriction should be imposed on the fiscal and financial autonomy of this country.

10. Investment made in foreign countries, subject to the terms and conditions stated above, will be and must be assured adequate security. An interna-

tional agreement may be made to guarantee their safety and security. All impediments or hindrances to such investments should also be removed in accordance with such international arrangements, and subject to such precautions or safeguards as may in any country be particularly necessary. In any case one condition must be deemed to be of universal application, namely, that the sovereign authority of every country, whether a borrower or lender, shall be left untouched for shaping its fiscal or financial policy for the economic development of its own territory.

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## V

### . INDUSTRIALISATION OF NEW AREAS

1. The term 'New Areas' is used here to mean such countries of the world as are not yet industrialised up to the optimum level indicated by any of the three forms or standards of such development mentioned below, viz.,

- (a) to the full extent of the raw materials available in the country;
- (b) to supply as much as possible to the market available within the country;
- (c) to provide the fullest possible employment for all the available labour in the country.

These areas include some of the present political entities known as different countries, as also parts of such countries, which have not been industrialised or developed to their maximum capacity or potentiality.

2. It is, of course, well known that the following eight pre-requisites of such development have to be satisfied before any new or relatively backward areas can be industrialised to their maximum potentiality :

- a. Up-to-date survey of material resources available in the areas in accordance with a pre-determined plan, so as to provide a definite idea of the material available for such development.
- b. Capital.
- c. Plant and Machinery.
- d. Technical Experts
- e. Labour.
- f. Raw materials.
- g. Markets.
- h. Research.

3. These New Areas should be classified into two categories. The first category would include such countries, as India and China, which already possess, in part at least, some of the pre-requisites mentioned above, such as surveys, capital, raw materials, labour and markets. These may not be all utilised to their full capacity ; and hence their relative backwardness. They are also lacking in the requisite technical skill, mechanical equipment and scientific research, which account for their comparative lagging behind. The second category would include such regions as some of the African or Latin American countries, which possess only raw materials, mostly unexplored, and labour crude and inefficient, whose full possibilities have yet to be developed. The development of these immense regions to their fullest potentiality must involve a high degree of international co-operation, without any sacrifice of the just rights of the natives of such regions as and when developed.

4. It is evident that the industrialisation of these two different categories of countries will have to be undertaken and carried out in different ways. The former would only be of supplementary aid, so to say, in regard to technical assistance, plant and machinery, and research facilities, to enable them to industrialise or to develop their intrinsic possibilities to the fullest extent possible under their known potentialities. The latter category would require very much greater outside assistance in the form of technical experts to survey, plan, establish and operate their industries ; capital or finance to provide the necessary plant and machinery for their industries and constant aid in the matter of technical and scientific knowledge and research.

5. The cardinal considerations governing the development of such relatively backward or wholly undeveloped areas have been made amply clear in the preceding sections, particularly in that on the post-war commercial policy of nations. The primary right, however, of the indigenous population to a full measure of the increased wealth resulting from such development of their own country must be universally recognised and unambiguously postulated. If outside aid is needed and obtained to help them develop their resources, such aid should not be made an excuse to exploit these peoples and drain away a large portion of the wealth yielded by their country.

6. Among such considerations is one aspect of national life which is very closely associated with and affected by industrialisation, and which should be emphasised here. Side by side with economic and material growth, social and cultural developments of

these New Areas should be encouraged and carried out so as to throw into bolder and bolder relief the basis and ideals of their national life. Industrialisation does not necessarily mean and inescapably involve either denationalisation of the peoples of those countries or the super-imposition of alien, unsuited, uncongenial culture, merely because it hails from lands at present at the peak of their industrial civilisation. It has often happened in the past that in the process of the economic development of backward countries, indigenous cultural springs have either been choked or diverted into uncongenial channels and so their social life damaged, or distorted. It is, therefore, very necessary to keep this aim steadily in view and provide the fullest scope for indigenous lines of cultural growth and social organisation to realise themselves and turned into unnatural channels as a sort of price paid for the outside aid received in their development. International co-operation will neither be healthy nor lasting if it forces local streams of thought and action into a single pre-determined mould.

7. Closely coupled with the cultural and social individuality is the question of the political integrity and independence of these areas. There have been many instances in the past where the political independence of such countries has been materially restricted, if not sacrificed altogether and their integrity destroyed as a consequence of the outside help obtained to effect their economic development. Such restrictions on the political independence of a country and the destruction of its national integrity have taken place with considerable resultant damage to its interests—economic, political and social. At the same

time materially more powerful countries have gained political domination and secured for their own benefit the economic exploitation of such new areas during the process or on the excuse of their economic development. Once such political domination is established, it is very difficult to remove it, undo its consequence or corollary of economic exploitation, and replace it by political emancipation and national independence for these countries.

8. It is obvious that industrialisation of New Areas in either of the two categories cannot take place, without substantial assistance from the advanced and economically better developed countries. International co-operation will, therefore, have to be sought and provided for to achieve this object. It must be said, even at the cost of repetition, that such international co-operation and assistance should be provided by the advanced countries, either individually or jointly, subject to the conditions mentioned in this chapter and in the preceding chapters. Moreover, such help should, generally speaking, be provided by that advanced country which can most economically and conveniently render such help ; and not by any other country which, although not so well situated, has some political influence, or possesses some political domination over the undeveloped area. Otherwise, instead of such help resulting in the free and full development of that area, it would lead to the establishment of vested interests, with the inevitable political subjugation of such developing countries to the more powerful country helping it to develop.

9. Another important consideration should be that the basic agricultural economy of the industrially

undeveloped country should not be damaged, nor should it be made subservient to the interests of the helping country. It should rather be expanded and developed so as to be complementary to the industrialisation of the New Areas, so that a balanced economy is established for the ultimate and full economic development of that country.

10. This section of the Conference agenda may be deemed to concern the economic development of the areas left wholly undeveloped or partly or relatively undeveloped. The extent of such development to be attained by each country is a question for the country concerned to settle for itself, in accordance with its own available resources both in materials and human labour, as well as technical skill and capital equipment.

11. In the case of India, it is well known that this country needs to make up considerable leeway in industrialisation of the modern type. For the only cure of the intense poverty of the masses of India is to be found in a wholesale, intensive, all-round development of her own material resources in land, under the land and upon the land.

12. For the purpose of such industrialisation, it would be necessary for India to prepare a National Plan, aiming at National Self-sufficiency within reasonable limits indicated above. The Plan will, as far as possible, have to be comprehensive in all branches or aspects of development, and be applicable simultaneously to all parts of the country. For the proper guarantee of realising such a Plan, India may need assistance both in the establishment of new industries, with proper capital equipment, as also in technical

skill, in which, for the moment, she may find herself deficient. She has ample resources, however, to make reasonable return for such foreign capital as may be invested in the programme of her industrial development, as also for this specially skilled labour that may be required for the purpose. At the same time she can and would provide adequate security, not only her own, but also by pledging her Sterling Balances until the same are liquidated.

13. For the effective and all-round industrialisation of the country, it may also be necessary to devise and apply a Fiscal and Financial Policy, considered appropriate in this regard. The principal features of this Fiscal and Financial Policy have already been indicated ; and so we need not go over the same ground once again. But it must be added, at the cost of repetition, that India must engage in a programme of intensive all-round industrialisation, with power-driven machinery, and large-scale operations, so as to utilise fully all her available natural resources of raw materials and minerals. and so achieve a measure of self-sufficiency with due regard to such international agreements to which she is an equal and freely consenting party.

14. Summarising, we find.

- (1) India is a relatively undeveloped country, from the point of view of modern industry, services and utilities, [as well as in regard to all sources of primary production.
- (2) She has plenty of resources in respect of raw materials, fuel or power supply, labour and markets; but may be lacking, for the time being, in the technical skill, experience and capital equipment needed for such intensive industrialisation.
- (3) She is also lacking in regard to an up-to-date survey of her material resources.



- (4) International co-operation must help her to fill in all these 'lacunae', and develop to the full her resources so as to add materially to the aggregate welfare of the world, and also her own.
- (5) India will readily enter into any such international agreements for co-operation provided she is an equal party, freely consenting to such agreements; and provided they involve or imply no prejudice to her sovereignty.

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## VI

### SHIPPING POLICY

1. The shipping business after the war is likely to be revolutionised, notwithstanding the enormous losses of tonnage due to submarine activity, aerial bombing, and surface hostilities. The intensive ship-building programme carried out particularly in the United States has increased the total volume of shipping all over the world far beyond the total tonnage available before the war. But of this increased world tonnage, the United States will own as much as half. As against the total world tonnage, before the war, of some 50 million tons of all kinds of ships, there is likely to be, at the end of the war, something over 60 million tons of shipping of all kinds, after making every allowance for losses that have occurred, or will occur because of hostilities.

2. In this shipping the share of the different countries in post-war years would be radically different from what it was before the war, if shipping is to be distributed among the maritime nations of the world according to certain fundamental principles based upon equity and fair play. For instance, the United King-

dom used to lead in world shipping with fifteen million gross tons or thirty per cent of the world ocean trade tonnage, i.e., vessels of two thousand gross tons and upwards, though her share of the total world ocean trade was less than fifteen per cent of the total. After the war she is likely to have little more than 10 million tons, including the tonnage registered in her Dominions, Colonies or Dependancies. This is, of course, after making allowance for the losses suffered during the war of about fifty per cent.

3. On the other hand, the United States, before the war, had hardly a fraction of British Shipping, particularly for ocean carriage of goods and passengers. But after the war, she is likely to have a far greater proportion, taking almost certainly the place of Britain, as the leading shipping country of the world, and owning between 25 and 30 million tons of shipping flying the American flag, and registered in the United States.

4. All the sea-carriage business falling away from Britain will not fall to the lot of the United States shipping. Other maritime countries of the world have or will soon develop shipping ambitions of their own with the tonnage likely to be available to them after the war. But that tonnage may or may not satisfy all their ambitions in that direction. In any case, it is highly probable that these countries will, as they must, not only try to conserve (and develop their own national shipping) ; but even try to add to the same, especially if they have any considerable foreign trade with countries across the seas.

5. Complete freedom of competition in working the shipping business of the world may not be restored

all at once after the war. Such competition, however, as may be restored will have to function subject to the right of every country, naturally suited for the purpose, to develop its own ship and shipbuilding industries by every legitimate and practicable means. International agreement may be made to regulate such competition. But such arrangements cannot deny nor thwart the legitimate right of each country, participating in such treaties or agreements, to secure for its national shipping as large a slice of its overseas carrying trade as its contribution thereto would justify.

6. It is, we may add, a universally recognised principle of the carriage of goods by sea that every country is entitled to, and most of them did preserve to its own nationals, the coastal shipping trade. Before the last war, the entire coastal trade of India was wholly controlled by non-Indian concerns operating in India and maintaining their monopoly by rate-wars, which have cost crores of rupees to Indian investors in national shipping companies. And though, since 1920, after immense losses and working in the face of untold handicaps, Indian shipping concerns have come into the field, the share of India's own coastal trade they secure is a small fraction of the total ; and that, too, by the grace, as it were of the foreign shipping concerns rooted in India, by agreement with them, and not as a matter of right. The story of the fight between the Indian and non-Indian concerns makes an epic, which space will not permit even to be epitomised here. But the lessons of that fight can neither be lost nor forgotten. The fact that there are existing interests of non-Indians in the shipping business along the coasts of India, need not prejudice the principle of

coastal reservation for the nationals of the country ; nor prevent effect being given to it. It is in cases like these that the need of a truly national and fully sovereign Government of India, free from any outside dictation, control or influence becomes obvious and incontestable if we desire to have an all-round adequate economic development of the country. After this war it is more than likely that the British ship-owners working the Indian coastal trade will try to keep as large a share in this country's coastal trade as they can possibly manoeuvre, if only to reduce in part the shrinkage in Britain's " Invisible exports " in the shape of freight receipts. But the Government of the country must be able and determined to prevent these manoeuvres succeeding. They must adopt every legitimate and practicable means to secure to the Indian national shipping concerns, owned and manned by Indians, the entire coastal trade of this country. Before the war, the volume of trade aggregated some six million tons on a coastline of 4,000 miles, and the number of passengers was 1,000,000, yielding a gross revenue exceeding ten crores of rupees. The end of this war will probably see that business expand. But whatever the vicissitudes of this business after the war, the entire volume of the coastal trade, both cargo and passenger, of India must be reserved for the Indian national shipping concerns, and the whole volume of freight derived therefrom should be secured to them.

7. The movement of postal mails, Government stores and State sponsored passenger and troops traffic should be confined to national shipping. This also is a principle of national policy generally accepted by international usage as reasonable. This does not in

any way conflict with the provisions of the Atlantic Charter, or the Four Freedoms mentioned by President Roosevelt. At present Indian owned and Indian manned shipping gets a very very small share of this business, if any at all. The Indian Government of the future must see to it that a fair and adequate share, if not the whole, of this business is made available to national Indian shipping.

8. The movement of commodities between contiguous countries trading in them should be as far as possible confined to the merchant shipping of the countries concerned. Indian opinion, therefore, demands that the shipping business with countries along the shores of the Indian ocean and the Arabian Sea should also legitimately be considered as the proper preserve of India and her maritime neighbours. At any rate, Indian-owned and Indian-manned shipping should have a predominant share of that business, particularly because India will continue to remain as she has always been and particularly in the war the strategic and supply base for the defence of these countries. Moreover, it is more than likely that the trade of India, both export and import, will grow in volume and value with these countries of the so-called Near East, on the Indian Ocean litoral, as well as on the Far East, in the years after the war; and must compensate for the shrinkage that may occur in her trade with Western countries as heretofore. If the foreign trade of India grows in this manner with her nearer neighbours, her shipping business will increase; and India would be entitled to ask for an adequate share in that business as a whole.

9. Each country should have a basis to secure as

large a share of her own shipping business with her neighbouring countries for her own nationals, as possible, subject to the corresponding rights of those countries also to develop their own national shipping industry.

10. Similar considerations apply to the case of trade with countries farther afield, though, perhaps, not to the same degree. In such cases the share of a country in the shipping required for the movement of the trade should be limited to a half of it or to the limit of its exports in the trade, whichever is more equitable. To take the case of India, her trade with overseas countries, in Europe and America, Asia and Africa, is by no means inconsiderable. Notwithstanding the success of her planned national development hereafter, it is very likely that the foreign trade of this country will continue to grow, though its nature, content and direction may alter from before the war. As already stated, it is very likely that an increasing volume and proportion of that trade may be with her near neighbours, both on the east and on the west of this country. And, instead of exporting foodstuffs and raw materials in the main, and importing manufactured goods, she may be able to export very largely the produce of her own factories and workshops, and may need to import a greater measure of foodstuffs and raw materials than was the case before the war. These exports and imports, however, may go to all corners of the world; and Indian national shipping may reasonably claim a fair share, i.e., 50 per cent of that overseas freight business as well. Even now every country prefers that her own ships may be entitled to pick up as passengers her own nationals

from other countries, and carry her own goods and bring back her own supplies in her own ships. It is, therefore, no more than an extension of a recognised practice of national shipping for India to require that, in the future, a fair share of her aggregate overseas trade with distant countries should fall to the lot of Indian-owned and Indian-manned shipping companies.

11. The volume of the overseas trade of India with countries near and far, and particularly the freight receipts earned from that is difficult to calculate, not only because of the prevailing war conditions and the universal control of shipping, but also because the freight market as well as the volume of trade are varying quantities. In the 20 odd years after the last war and before the outbreak of the present one, the volume of Indian trade has fluctuated very considerably; and also the freight rates. At the best, however, when prices were at their peak, so to say, somewhere about 1929, the aggregate of India's imports and exports of merchandise reached near 700 crores. Calculating roughly at 10 per cent of the value of that trade, the freight receipts from India's own overseas trade, in merchandise alone must have aggregated round about 70 crores per annum. This figure might have been even halved during the peak year of depression. On an average, however, one may say that Rs. 50 crores per year is an approximate figure for the freight money earned in the carriage of the overseas trade of the country. Add to that figure, the payments made to the shipping companies by the large number of passengers and we find that all that huge amount every year went and still goes exclusively to non-Indian shipping concerns engaged in this trade.

12. India's national shipping concerns had not even a fraction of that business, or of those receipts. She cannot be expected to be content with this position in the years after the war ; and must increasingly demand a larger and larger share in the carrying of this merchandise to and fro in the freight receipts therefrom. Her Government must, therefore, be free to adopt any policy and measures, make any agreements with her neighbours and customers or devise any methods to build up an adequate mercantile marine, which in the days of emergency may also provide a reliable auxiliary to the country's navy. These are reasons not strictly of an economic character, which must induce and impel the Government of India to insist upon this right, and to give effect to the same in the national policy. It is, of course, understood that India does not deny the right of other maritime countries to take necessary measures to maintain or to develop their national mercantile marine according to the above principles put forward for the acceptance of the International Business Conference. Calculations made in consonance with these principles indicate that for maintaining her rightful place in the coastal and overseas trade, India is entitled to own a tonnage both in cargo and passengers, exceeding two million gross tons, i.e., about fifteen times more than her tonnage today, viz., 1,35,000 gross tons to which she has been condemned by the British Government for the exclusive benefit of British shipping interests.

13. Side by side with the development of the shipping business, Indian opinion urgently demands the early establishment of an up-to-date adequate ship-building facilities in this country under Indian owner-



ship and management, to build vessels for her mercantile marine and her growing navy. Though modern ships have been acquired and run by Indian enterprise ever since the World War I came to an end, there is hardly a ship-building yard in the land equal to build modern large cargo ships or liners. The Government of the country, instead of aiding, protecting and actively helping to develop an adequate and efficient ship-building industry has so far done everything to obstruct, handicap or frustrate efforts made in that direction. The result is that India has little more than docking and repair facilities for modern ships ; and those, too, not of the best. The same story is repeated in railways ; so that, though India has 45,000 miles of railroads so has no plant to build her own locomotives, wagons or coaches. This state of affairs can no longer be tolerated. The future national Government of India must take every step at the earliest moment to establish in the country these basic industries, aid them in every way necessary, protect and safeguard them against any unfair competition, and obtain them a place in the national economy and secure for them an international recognition which is their due.

14. Summing up the shipping policy of India, we would require :—

- (a) An absolute reservation of the coastal trade of this country to and for the national Indian shipping concerns, *i.e.*, shipping concerns owned and manned by Indians both ashore and afloat.
- (b) Full share of the Government business in the carriage of mails, stores and troops, subject to such agreement for participation in the trans-ocean mail carriage business as may be arrived at.
- (c) A predominant share in the carriage of goods and passengers by sea, to and from the countries who are the near neighbours of this country and for whom India is an important strategic and supply base.

- (d) A fair share in the overseas trade proper with distant countries in all the continents of the world.
  - (e) Adequate ship-building facilities.
  - (f) And full freedom, subject to her international engagements, to adopt such policies and carry out such measures as would build up and maintain an adequate Indian national mercantile marine.
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## VII

### AVIATION POLICY

1. The one limitation, however, that shipping business must meet and reckon with in the post-war world is in connection with the development of civil aviation. Aerial transport is bound to grow in volume and variety, doing an increasing amount of trade in the carriage of goods as well as passengers all over the country and across all the oceans and continents of the world. The science of aeronautical has developed, thanks to the war, to such an extent that air transportation may be confidently reckoned upon as certain to provide after the war a cheap, efficient and same method of local as well as international transportation.

2. Signs, however, are not lacking even now that an intense competition is in the offing between the principal countries of the world as regards international air transportation business after the war. Even Britain and America have not yet agreed as to the shares of the world air transport business each should have in the future. The Chicago Conference (being held at the moment of writing) on the subject provides one more illustration of attempts at amicable

settlement of the internal differences between the principal Allies in spite of the conflict of their fundamental interests.

3. On the side of the United States, local enterprise, which had reached a very high level in the safe, economical and efficient carriage of goods and passengers across the high seas even before the war, is insistent that arrangements be made even now for conduction of the air transport of the world as soon as the war is over to as large a degree in American planes and ships as possible. The American clippers of the pre-war days are likely to be eclipsed in the matter of speed and safety, confront and convenience, in the vessels likely to be built in the States after the war. Applications have already been filed by several concerns before the appropriate Department of Government in Washington for permission to organise such trade as soon as the war is ended in all countries of the world ; and the enormous expansion in plane plants due to the war is certain to aid this buisness to the utmost degree.

4. On the other hand, the British Minister responsible for air transport and civil aviation has also declared Britain's willingness to join in any international agreements on this subject, provided that the national sovereignty and the sovereign right of the British Government to afford such facilities as they deem fit to their own national enterprise in this behalf, are left untouched and unquestioned. Britain, too, had developed a fair air transport business, and also plane building industry of fair dimensions before the war. But on a competitive basis, the British counterpart was nowhere before the American enterprise. No

wonder, then that British interests are nervous ; and British Ministers insist upon the national right to protect and safeguard such enterprise.

5. These general principles being discussed by the United Kingdom and the United States of America, cannot be confined only to the principal or the most powerful countries of the world. If the post-war reconstruction of the world is to be based on principles of justice and fair play ; if such reconstruction is to proceed on a full recognition of the right of each country to develop to the maximum or at least optimum capacity, these principles of aid, safeguard or protection to one's national enterprise must be recognised and enforced in regard to every country joining in the new world order. It would be the task of international diplomacy, intent upon securing and maintaining world peace and co-operation, to see that these rights, even if mutually conflicting, are reconciled as far as possible by a system of 'give and take' ; so that while each country secures its fair share of building up an adequate air transport system of its own, as well as the necessary equipment for condition of that transportation, all participate at the same time in a reasonable measure in the International Air Traffic.

6. What constitutes a reasonable measure of such participation may be difficult to define objectively. But the analogy of the national shipping policy, indicated in the preceding section, may be accepted to indicate the line of policy that must be adopted by each country in regard to aerial transportation after the war. Every country should be entitled as a mark of her sovereignty in actual practice to reserve the entire local trade for air transport concerns owned

and manned by its own nationals. A country with the size and population of India, and the natural facilities for air travel during a major portion of the year, and with the possibilities of traffic likely to be developed, thanks to intensive industrialisation of the country, may easily assure adequate business to maintain a considerable fleet of air transport vessels of all kinds, with a reasonable degree of profit or commercial success.

7. The volume of business that may be available in India intensively developing her industries and radically reconditioning her sources of primary production in agriculture, forests and mines, is difficult to estimate at the present moment. Calculations of India's national production of commodities only have put it at over Rs. 2,000 crores in pre-war values. And their basis of calculation shows that the pre-war volume of our entire foreign trade in imports and exports was less than 5 per cent of the total volume of goods and services produced and exchanged in the country itself. With growing industrialisation, and an improved standard of life for the people, it is not at all unlikely that the volume of internal trade, and the movement of passengers within the country, will grow to incredible proportions in the years after the war.

8. This growth will, moreover, be encouraged and intensified by the cheapness of air carriage, which may not appear today while air transport is still a new enterprise. But many improvements are being daily made in it; and the scale of its operations is steadily flowing. It is, therefore bound to be cheaper and more easily accessible to all parts of the country than any

of its competitors, the railway, or even road carriage, could be. Both railroad and ordinary road transportation require considerable capital outlay in providing the permanent way, terminals, stations, sheds, tunnels, bridges, etc., which are necessary for organising such transport business. And this does not include the biggest item, perhaps, in capital cost, the land required to construct roads or railways. Because such land was granted free of cost to the guaranteed railways in India one is apt to forget that this item of capital cost alone amounted to over £4,000 per mile of railways in England. Land has been relatively cheap in new and given free in older lands like India ; and so this item of capital cost tends to be overlooked altogether. In the case of air transport, on the other hand, there is no item of capital investment corresponding to most of these, except perhaps landing and taking-off facilities in the shape of aerodromes, their lighting and runways, and meteorological stations necessary to forecast or convey the information about weather conditions. The bulk of the capital cost will be on account of the planes and their equipment or accessories or supplement. But all these are of fraction of the corresponding capital cost in building railways and providing roads. Moreover, railroad and road transport service can only be available at fixed points ; while air transport can go anywhere, across rivers and mountains, without needing bridges or tunnels ; and without being confined only to specific points. Air transport is likely to prove an invaluable aid in opening up the country, and making all parts easily and equally accessible to world markets. The size of the operating unit, moreover, is still small enough, in air

transport, to be peculiarly suitable to the conditions of this country where small-scale operations are still the rule. With recent experiences the unit size steadily grown, so that the economy of large-scale operation would be available more and more in the coming years in air transport as well.

9. The intrinsic economy of air transport will thus transcend all its competitors. And in proportion as the size of the operating unit grows, the relative cheapness would be more and more evident. Even now, when aerial transportation is still in its infancy a fare of \$500 from New York to Calcutta has already been quoted by American enterprise, which is less than a corresponding first-class fare by the leading liners between the same points. This is not a complete comparison, in as much as the time saved, and the consequent saving in incidental expenses of the passengers, is not all allowed for. For whereas the ordinary ocean carriage by the fastest liners would mean something like 3 weeks at the least between Calcutta and New York, by air this distance will be accomplished in three days in the years after the war. The saving, therefore, in boarding and hotel charges alone for this period would be sufficient to act as an irresistible counterprice ; and the possibility of attending to one's work in such time saved is a further incalculable advantage. On the Atlantic run the saving may be even greater, inasmuch as the best planes would carry goods or passengers from New York to London in 10 to 12 hours ; while the fastest ship may do the same distance in 4 or 5 days.

10. Taking all these into consideration, it would be just and proper to hold that there is an immense

future for air transport business in the post-war years, both as regards the local trade of every country and as regards international commerce. Each country would consequently be entitled, justified, and even required to adopt every device for building up its own adequate and efficient air transport to do its own local carrying trade. A country like India, with her resources and possibilities would have if anything a still stronger justification to foster and develop this business for her own national carrying trade in goods as well as passengers.

11. As already remarked such a policy will be dictated not entirely by economic considerations. As this war has proved, air transport will be increasingly important means of waging war in the future. Even to those who hope that war will be banished for ever from the world hereafter, the matter cannot be of absolute indifference that their country should have an adequate aerial transport facilities, owned and managed by its own nationals, to provide a basis and auxiliary for an aerial navy. Political considerations will certainly have their weight in every country, demanding an exclusive reservation of the local trade for its own nationals. And this will apply not only to the actual business of carrying goods and passengers, but also to the building up of the necessary industries for providing the planes, their parts, engines, and all other accessories for efficiently conducting a large scale air transport business, for ordinary, peace-time civilian purposes.

12. Hitherto we have spoken only of a country's right, which we think is also a duty,—to provide a necessary and adequate air transportation of its own,



owned and worked by its own nationals. But that is not all. In proportion as a country has foreign trade carried by air, that country would also demand a fair share in the international carriage of goods and passengers made available to her own nationals engaged in this enterprise. The analogy of the national shipping policy mentioned above, may also be adopted in this section as well; and a corresponding policy enforced by the free and independent Government of India in the future.

13. The remarks, likewise, made in regard to the shipbuilding industry,—its initiation, encouragement, protection and development,—will also apply to the case of air-plane making industry. It would be suicidal, for political and military as well as economic reasons, to have a good air transport fleet all its parts and accessories without building up corresponding industry. India must, therefore, demand that every legitimate and practicable means be adopted by its Government to build up an up-to-date, efficient and adequate industry to provide the necessary planes or air ships, and their repair or servicing.

14. Summing up, therefore, it may be said that the future Government of India must demand :

(a) Absolute reservation of the local air transport business to Indian-owned and Indian-manned air-planes of all kinds.

(b) As also of the carriage by air of mails, stores or troops on Government account.

(c) Absolute reservation to Indian enterprise, with the necessary aid, encouragement and protection of the State, for establishing and maintaining an up-to-date and efficient air-plane and airship building enterprise within the country.

(d) A fair or reasonable share in the international air carriage business after the war; and

(e) A corresponding aerial armed force or navy that the special circumstances of our country may require.

## WORLD SUPPLIES OF MATERIALS

1. While discussing the item on the Agenda relating to international commercial policies, observations have been offered regarding the easy availability of the necessary raw materials to all countries of the world on equal terms. The guiding policy in this behalf has been laid down in a clause of the Atlantic Charter ; and subject to the needs of the local development, it has been accepted as a guiding principle of International Commercial Policy after the War.

2. So far as India is concerned, the bulk of the raw materials needed for her industrial development is available, or could be obtained, within her own frontiers. The danger to India lies not in the lack of the raw materials necessary for her industries ; but rather in the chance of those raw materials being carried away at the cost of her industries being starved for lack of them. It is this possibility, this danger, not at all imaginary, which makes Indian opinion demur to the clause in the Atlantic Charter relating to the supply of raw materials to all countries on equal terms. If absolute freedom of trade in raw materials is adopted as a basic policy ; and if no country is permitted to adopt any safeguard or precaution in the interests of its own industries, relatively undeveloped countries like India stand to suffer a great deal. They would, by such methods, be sentenced, as it were, to a permanent lack of sufficient, optimum development of their industries without which, as a member of the Government of India said the other day, there can be no political future for such a country. We have con-

sequently premised and laid it down that the one important test or measure of a country's industrial development is the possibility to work up right to the final stage all the raw materials available in the country, so as to make the finished article ready for consumption. This is a very modest demand for a country, which has hitherto been regarded in effect as a producer of raw materials and foodstuffs only. Given the industrial ambitions which India obviously entertains, it would be impossible, and against the interests of the world at large, to deny her the right to work up her own raw material to the finished stage.

3. The extent of raw materials available in India, however large it may seem to be, when considered in the aggregate, is far below the level that can be expected and will be available if the national economy of the country is properly handled and carefully cultivated. The average yield per unit at present in this country of all the principal raw materials needed for local industries,—cotton, jute, sugar-cane, etc.,—to take only a few outstanding examples is, in comparison with the corresponding yield in other competing countries, far below. Not only the yield per unit but also the quality of Indian primary produce leaves room for considerable improvement. It will be among not the least important or urgent duties of the free Government of this country, bent upon a rapid and intensive industrialisation of the country, to take in hand this problem of increasing the quantity and improving the quality of the yield per unit of the primary produce of all kinds needed as raw materials for free development of industries. Given proper care and attention to the sources from which such raw materials are

produceable ; given, also, more modern equipment and mechanised appliances in the cultivation of land, exploitation of mines, and working up the forests ; given an intensive application of science to these sources of primary production, and, above all, given a more rational system of land-holding and working so as to eliminate the uneconomic and infinitesimally small holdings, with the inevitably poor yield per unit ; the aggregate yield of industrial raw materials from our land and rivers, mines and forests, as well as foodstuffs would in a short space be enormously increased.

4. The industrial expansion of the country may, moreover receive a new impetus which may absorb a progressively increasing amount of raw materials in local industry. Before, however, the local industry develops to its maximum possible level, there will be for some time to come surplus of raw materials which may be made available for export to other countries, needing them. Indian opinion is not against any export of raw materials or foodstuffs, and so there is no ground to apprehend from an intensive industrialisation of this country a necessary setback to her foreign trade, whether in exports or in imports. Indian opinion, however, categorically demands that the first claim of all the raw materials and foodstuffs produced within the country must be recognised and admitted to be that of the children of the soil and the industries of the land. Improvements in the unit yield of foodstuffs must, therefore, be used so as to make available for local consumption a steadily increasing quantity per head, with a better adjustment of the various articles of diet, so as to secure a stronger,

healthier and more efficient labour within the country. The *per capita* consumption of food in this country falls short by some 400 calories of the Indian average of 2,600 calories per adult. This represents a deficit which India will have to make up. To attain that standard of living in regard to food, she would have to absorb and utilise at home a progressively increasing quantity of her own produce, leaving a very small surplus, if any, for export, even after the improvement in yield per unit of such crops, resulting from better methods and instruments of cultivation, and more rational tenure and economical holding of land.

5. The same 'rationable' applies to the case of raw materials *mutatis mutandis*. With the increase in the volume of raw materials available in the country, the local industry would have to be expanded so as to provide a larger and larger volume of employment to local labour, and produce at the same time a greater variety as well as quantity of goods for consumption in the local market. The commercial policy of the world, therefore, must be regulated in this behalf, so as to assure this preferential claim to their stuffs and raw materials being enjoyed by relatively undeveloped countries for the development of their own resources to the optimum standard.

6. It is only after the local needs, at a progressively increasing rate in regard to foodstuffs and raw materials produced in the country, have been satisfied that the surplus then remaining can be and should be made for export. India would have no objection to join in any international arrangement for equitable distribution of food and raw materials, on these lines. On the other hand, the deficit, if any, in locally avail-

able raw materials indispensable for building up what may be called "Key" or essential industries necessary for the very existence of the nation will have to be made good by imports from abroad. Such imports may need to be facilitated by international agreement. India would be a willing party to such agreements and carry out loyally her engagements thereunder to the utmost of her capacity, provided she is admitted to such agreement as an equal and freely consenting party.

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## IX

### CARTELS

1. The greatest menace to international co-operation and world peace is likely to come from international cartels constituting world monopolies of the vital necessities of civilised life, and thus impeding the programme of local development in relatively backward countries by unfair competition. Cartels had originally developed in Europe to begin with; but have found their home and full growth in the United States. They are not however confined, in the scope of their activities, to the country of their origin only.

2. In the narrow and original sense of the term, cartels (Trust or Syndicates are more or less accurate synonyms) were agreements between firms in the same branch of industry limiting the freedom of these firms in the output as well as the sales of their products. Restriction of the volume of production is sometimes

resorted to by the cartels, to raise prices and thus secure the maximum return for the capital invested. Allocation of markets, with the consequent restriction on sales, flows in consequence.

3. The common Law of England has regarded cartels in so far as their activities amount to restraint of trade, to be illegal; and the same principle has been accepted also in the United States. The ingenuity, however, of the founders and sponsors of these cartels has got round this basic legal conception of freedom of enterprise by devising and evolving new forms of agreement, such as Export Association designed to control world markets and regulate world prices of the cartelised commodities. Recent legislation in America has even tried to check any activity of cartels, which results in a restriction of trade both within the United States, or by way of export, and enhance or depress prices in the United States. The sense therefore in which the term cartel is nowadays used is very much extended and includes all agreements for sharing and exchanging patent rights and processes, standardising production, regulating sales, and having joint ownership of foreign affiliations by potential competitors. An excellent example of the last is the agreement between Dupont and Imperial Chemicals in regard to the Latin American "Deperial" companies. Other outstanding examples of such agreements made by American firms are to be found in the case of Standard Oil, Dupont and International General Electric Corporation. In consequence of such agreements, the critics of cartels have pointed out, the national war effort runs the risk of being impeded, or

even assisting the enemy of the country in the supply of specialised munitions or secret weapons of war.

4. There have been instances of international cartels entering into agreement with each other for the grant of exclusive patent rights of certain technical processes for certain areas with a view to prevent other interests or other countries from developing certain industries in which the technical processes are entirely dependant upon such patent rights. For example, it is understood that an agreement exists between a certain powerful and well known American corporation and a certain British company by which the American company has entrusted the exclusive rights for the manufacture of certain synthetic products to the British company for the whole of the British Empire. On the face of it such an arrangement would not be considered as detrimental to any one. But in actual practice the British company has retained to itself these patent rights and has not attempted to manufacture that synthetic product anywhere in the British Empire. The result has been that peoples of the British Empire have not been able to utilize this synthetic product in the manner that the people of the United States have been able to do. This is tantamount to the denial to the whole of the British Empire of the use of that product simply because two powerful cartels have, for their own selfish gain, created an undesirable and unholy alliance. It is obvious that such activities of cartels will have to be very drastically curtailed and if any such agreements are ever entered into they should be nullified by international agreement and national legislation.

5. Though public opinion in both America and



Britain may be taken to be against cartels and international combines as such, there have been cases in recent years in which the governments themselves have helped to bring about some international agreement of this kind. Some of the best known of such agreements before the war were in regard to tin and rubber, which were rationed out, so to say, by international agreement. The most recent example is that of oil. And government-owned enterprises have themselves participated in such cartels, e.g., the U. S. Government agreement in regard to wheat and coffee. In Britain also the same tendency is noticeable; witness Dr. Dalton's recent advice to the Lancashire Textile Industry to combine into some sort of a local trust to secure all the advantages of rationalisation, large-scale operations, and well distributed markets.

6. Moreover, cartels do not always only act for evil ends. Production has in some creditable cases been reduced only during periods of shrinking demand as was done by the tin and wood-pulp cartels and not necessarily for adding to the profits as used to be the case with the early restricted outputs by the oil monopolists. The aim of such reduction in supply has been to stabilise the prices. Stability of prices is with some well managed cartels a matter of principle and they have maintained it by opposing rising prices as in 1936, when the aluminium cartel maintained its London price at £100 per ton although production had to be raised by 39·5% to meet the increased demand.

7. The majority of commodities worked by cartels consist of raw materials which are used by well organised and powerful corporations who are financially strong enough to stand up to the cartels. Neverthe-

less as suggested in a Scientific Study on "International Raw Materials Cartels" published by the International Institute of Intellectual Co-operation, they should be brought under the control of national and international authorities, to whom information must be provided concerning the enterprises belonging to the cartels, the States under whose laws they exist, the nature of their products, or of their operations, the condition of the cartel, its aims, its means, its statutes or the contracts specifying these matters.

8. In a relatively less developed country like India, however, cartels or combines of the type found in Western countries and particularly in the United States have not yet been organised on any large scale. It is likely, however, that with the development of large-scale industry in this country and the consequent growth of foreign trade, particularly by way of exports, it may become necessary for large and powerful Indian concerns either to organise cartels within the country or to associate themselves with other similar cartels or combines in foreign countries. Such cartels or combinations need not necessarily be viewed either with apprehension or with disfavour by the country itself or by other countries. As already stated above, cartels are not inherently detrimental to national or international economy. Therefore, neither the Indian industrialists nor the Government of India could oppose the creation or organisation of cartels on a national or international basis. But whenever such cartels either become necessary for the development or the maintenance of industries, or foreign trades or come into existence as a result of large-scale industrial or commercial development, it would be necessary for

the future government of free India to impose and exercise controls over the composition, nature, and operation of such cartels.

9. There is however, one feature of the working of certain international commercial corporations or combines which has proved to be detrimental to the larger interests of India's trade and industry and which will have to be very carefully guarded against. It is the establishment of large foreign companies in India, for trading or manufacturing purposes, and their registration or incorporation with the addition of the word (INDIA) after their original names, which has enabled these companies to masquerade as Indian concerns and obtain all the advantages which are meant for and should be derived only by genuine national concerns. In this way, as already explained in a previous chapter, the very purpose of tariff protection meant to safeguard the interests of nascent Indian industries, against powerful and well developed foreign industries has been defeated. Indian industries and trade have in consequence suffered in the past and are suffering considerably even at present. In this connection, the Indian National Planning Committee which functioned under the chairmanship of Pandit Jawaharlal Nehru recommended that large international organisations working in India and masquerading as Indian enterprises by putting the word (India) after their original names, must not be allowed to function unless they were licensed for the purpose by each local government or by the Government of India. At the time of licensing, adequate opportunities must be available to scrutinise the aims, objects and activities of such organisations. And in so far as those activi-

ties or objectives, seem to the licensing authority to be incompatible with the national interests, or with the plan and programme of national economic development, that authority should be empowered to forbid or restrict the working of such organisations or combines on the Indian soil or to impose definite conditions.

10. Such control or restrictions by local or the national government will have to be provided and exercised even in the case of combines composed of Indian nationals where they have associated themselves with foreign or international cartels and are likely or found to be working in a manner that would be prejudicial to the larger economic interests of India. Similarly it should be within the competence of every national government of any country to impose and exercise such controls as they may deem fit and necessary for the protection of their own national economic interests.

11. Just as it would be within the competence of the future Government of Free India to restrict or control the operation of any national or international cartel, in so far as its operations on Indian soil are concerned, it may be necessary for the future Indian Government to enter into agreement either with the governments of other nations or with international organisations, for the purpose of obtaining for the country as a whole or for any of its industries or trades such advantages as may be derivable from the working of such international cartels as may be organised for the orderly development or regulation of a particular industry.

12. International co-operation will have to be secured through multilateral agreement and definite

international policies will have to be laid down in the matter of licensing and exercising such controls and restrictions as are indicated in the foregoing paragraphs in order to ensure that international cartels or combines do not develop their activities in a manner which might prove prejudicial to the interests either of a particular country or of the world at large. The International Business Conference would do well to give a lead in this matter by arriving at some agreement, in principle, on the policy to be adopted by each of the participating countries for the regulation of cartels in future.

### 13. Summing up :

- a. International combines or cartels must not be allowed to operate in this country, except on such terms and conditions as may be provided in a specific licence issued on request for the purpose.
- b. Such licences should be issuable under specific legislation, which must lay down the conditions on which alone such licences may be issued to the applicants. It must at the same time provide opportunity as well as power to the licensing authority carefully to scrutinise the aims, objectives and activities of the combine applying for the licence.
- c. Indian enterprise entering into such world combines, to conceal the real character of such cartels, must be liable to be excluded from any benefit, aid, subsidy, advantage or protection that may be available to genuine Indian enterprise fighting against odds to carry out its share of the planned programme, and so make its contribution to our national development.
- d. The future independent Government of India may enter into international agreements to control, supervise and regulate the operations of such cartels, and even to establish in particular cases such combines, without prejudice to its right and power to protect and safeguard and discriminate in favour of indigenous enterprise.
- e. The foregoing must be read in conjunction with the observations offered in the section on International Commercial Policies on the appropriate heads.

