

# FOREIGN CAPITAL IN 'FREE' INDIA

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## 1. ROLE OF FOREIGN CAPITAL

**T**HE anti-imperialist masses of India, who had burnt tramcars of the British-owned Calcutta Tramways Company and attacked the offices of the Imperial Bank of India during the great postwar anti-imperialist upsurge, who had vented their wrath against imperialism by including among their targets, these symbols of foreign capital, are now being told that there can be no economic progress except with the aid of foreign capital. Mrs. Pandit has announced that one of her official ambassadorial duties is to woo U.S. capital (*Hindu*, July, 16, 1949); the Finance Secretary of the Government of India flies to and from London and Washington to settle how double income tax on the earnings of foreign investors may be avoided; further it was no secret that Pandit Nehru's visit to the USA was intended as yet another reassurance to foreign, especially U.S. capital, that India is most anxious to welcome foreign investors and give them every facility. There is hardly a speech by businessmen or top Government leaders without copious assurances to foreign capitalists and the glib assertion, meant for the ears of the Indian people, that foreign capital invited by a 'free' Indian Government cannot injure the 'national' interest. It is said that foreign capital is indispensable to develop Indian industries, make her economically strong and self-sufficient, and thereby raise material standards. Thus foreign capital is now being made the *sine qua non* of ending the poverty of the Indian masses. When the erstwhile leaders of the anti-imperialist struggle execute such a *volte-face*, when the fact of their being enthroned in Delhi is advanced as the guarantee that foreign capital would now serve the 'national' interest, it is necessary to restate in fundamentals the real role of foreign capital.

Lenin, in his work on Imperialism in 1916, laid bare the essential character of imperialist exploitation of backward countries by the highly developed capitalist ones —

where monopoly interests have come to dominate the economy—as wringing profits out of the cheap labour power in the colonies through the export of capital. He wrote:

“Under the old capitalism, under which free competition prevailed, the export of **goods** was typical. Under the newest capitalism, when monopolies prevail, the export of **capital** has become typical... On the threshold of the twentieth century, we see a new type of monopoly being formed. First monopolist combines of capitalists in all advanced capitalist countries; second, a few very rich countries, in which the accumulation of capital has reached gigantic proportions, occupy a monopolist position. An enormous ‘surplus of capital’ accumulated in the advanced countries.

“It goes without saying that if capitalism could develop agriculture, which today lags far behind industry everywhere, if it could raise the standard of living of the masses, which are still poverty-stricken and half-starved everywhere in spite of the amazing advance in technical knowledge, then there could be no talk of a surplus of capital... But then capitalism would not be capitalism... As long as capitalism remains capitalism, surplus capital will never be used for the purpose of raising the standard of living of the masses, for this would mean a decrease in profits for the capitalists; instead it will be used to increase profits by exporting the capital abroad, to backward countries. In these backward countries, profits are usually high, for capital is scarce, the price of land is relatively low, wages are low, raw materials are cheap.” (V. I. Lenin, **Imperialism, The Highest Stage of Capitalism**, PPH Edition, 1944, pp. 139-40)

Pointing out how the export of capital becomes an increasingly important source of profits for the imperialist countries, Lenin, quoting another writer, says that while the national income of Great Britain approximately doubled between 1865 and 1898, the income ‘from abroad’ increased nine-fold in the same period (*Ibid*, p. 219). In the new data on Lenin’s work, compiled by Varga and Mendelssohn, we find the following comparison:

**Great Britain’s Income from Foreign Trade  
and Investments**  
(in million £’s)

	1899	1912	1929	1932
Income from foreign trade:	18	33	51	28
Income from foreign investments:	90-100	176	250	145

Thus between 1899 and 1929, while trading profits (*i.e.*, profits based on the export and import of commodities) rose by a mere £33 million, profits derived from the export of

capital rose by £150 million. This preponderating share of the income on exported capital was described by Lenin as "the essence of imperialism and imperialist parasitism". In other words, in the era of monopoly capitalism, the export of capital to the backward countries, is precisely the means by which the colonial peoples are exploited and super-profits wrung out to fill coffers of the monopolists of the advanced capitalist countries. According to Lenin, therefore, the function of foreign capital in a backward country is not its 'development' towards higher material and cultural levels but its intensified exploitation as more and more profits are drained out by the foreign investors.

Palme Dutt, applying this analysis to India, estimated that the total of British trading, manufacturing and shipping profits from India were about £28 million in 1913. The same year, the total profits on capital investments and direct tribute (Home Charges) came to close on £50 million. "It is evident," writes Palme Dutt, "that by 1914 the interest and profits on invested capital and direct tribute considerably exceeded the total of trading, manufacturing and shipping profits out of India. The finance-capitalist exploitation of India had become the dominant character in the twentieth century" (R. P. Dutt, *India Today*, PPH, 1947, p. 118). The mechanism for the exploitation of the Indian people had become *essentially* the investments of British capital in India, which enabled surplus value to be wrung out of the Indian toilers employed in British tea gardens, mines, railways, jute and engineering industries, etc. And in the measure that foreign investments in India grew in volume, the colonial exploitation of the Indian people was intensified.

With whatever incomplete and approximate figures as are available (and it is no accident that statistics on foreign capital in India have been shrouded in secrecy), we get the following picture:

Year	Foreign Capital invested in India (in million £)		
1909-10	..	..	365
1920-21	..	..	487
1924-25	..	..	596
1928-29	..	..	733
1938-39	..	..	741
1945-46	..	..	723*

—Source: Sir George Paish and Report of Joint Stock Companies.

\* Provisional.

From 1920-21 onwards, the figures do not include the Sterling Debt (£261 million in 1928-29) and the Railway Debt (£120 million in 1928-29); nor do they include the

rupee capital of foreign companies registered in India (this latter being estimated at £75 million in 1928-29). The most recent overall estimate which includes all types of foreign investments in India appears to be that of the Associated Chambers of Commerce and relating to the year 1933, as follows: £379 million—Government Sterling Debt; £500 million for companies registered outside India and operating in India; and £121 million for investments in foreign companies registered in India and miscellaneous. If, for the capital of companies registered outside India but operating in India, we take the figure given in the official Report of Joint Stock Companies — £831 million in 1932-33 — we get an overall total of:

	(in million £)	
Government Sterling Debt.	..	379
Capital of Cos. registered outside but operating in India	..	831
Others and Miscellaneous	..	121
<hr/>		
Total:	..	1,331

Within 23 years—from 1909-10 to 1933—the mass of foreign capital in India, on which were based the annual profits wrung out of the labour of the toilers of India by the foreign investors, rose from £365 million to £1,331 million, that is, by nearly four times. This intensified exploitation of the Indian toilers lay at the root of the anti-imperialist struggle which burst out with the commencement of World War II and which reached such gigantic proportions at the end of the war.

Such was the sweep of this struggle that foreign monopoly interests were forced to seek an alliance with the national leadership, were forced to don an 'indigenous' mantle in order to safeguard their stakes in this country. The Indian bourgeoisie, no less terrified by this mighty upsurge of the people in which the working class was assuming the role of the most militant advance guard of the fighting masses, was also thrown into the arms of imperialism, to come to a quick compromise with the latter and halt the struggle. The bourgeoisie faithfully fulfilled the role that Lenin had so brilliantly predicted when discussing the Russian revolution of 1905: "The proletariat is fighting; the bourgeoisie is stealing towards power." After all, the fighting masses had vented their hatred of exploitation not only against the symbols of foreign capital, they had shown the same uncompromising hostility to the 'indigenous' capitalists of Amalner, Coimbatore, Calcutta and Kanpur.

Moreover, the huge accumulation of liquid capital in the



hands of the Indian bourgeoisie, extorted through brutal exploitation and profiteering during the war, could be invested, could bring profits only if machinery and capital goods for new industries were forthcoming. And these capital goods were the monopoly of the imperialist Powers. Hence, too, arose the need for the Indian bourgeoisie to accept the demand of foreign capital that it should have full scope to invest in new enterprises, in partnership with Indian capitalists. Thus the acceptance of 'independence' from Mountbatten did not signify that foreign capital was on the way out from India, that the annual 'drain'—representing the exploitation of the Indian masses by foreign capital—would cease.

## II. FOREIGN CAPITAL RETAINS ITS POSITIONS

The new forms of foreign investment, viz., in conjunction with Indian capitalist interests—had begun to appear towards the end of the war and have been studied in their origin in the book, *Indo-British Big Business Deals—New Forms of Imperialist Exploitation* by Arun Bose (PPH Edition, 1947). These deals, or new big concerns in which foreign and Indian capital collaborated, emerged in the background of the growing anti-imperialist indignation of the masses. They foreshadowed the coming together of the foreign imperialist monopolies and the Indian bourgeoisie in a common front against the rising struggles of the people, politically, and jointly owned combines for the exploitation of the Indian toilers, economically.

August 1947 has seen the transfer of formal State power to the Indian bourgeoisie but, in fact, the positions of foreign capital in our economy have not been really threatened since the fanfares of August 15 were announcements merely of a 'wretched deal', which had long been brewing, between imperialism and the bourgeoisie. And however much the Indian Government would have us believe that in the new political set-up, foreign capital would be on sufferance, as it were, and would submit to the dictates of the Indian Government, facts prove otherwise. True, the Government of the Indian bourgeoisie attempted to bargain with foreign capital, but it has been forced to accept every one of the latter's basic demands.

That the much-advertised reservation of 51 per cent shares in joint concerns for Indian nationals holds no terrors for foreign monopolists is borne out by the following comment by *Capital* while discussing the Pakistan Govern-

ment's statement on foreign capital in April 1948:

"Although there is no doubt that the 51 per cent rule will have a discouraging effect upon foreign investors, there is no reason to suppose that it involves any serious danger that control of the companies concerned will pass out of the hands of the foreign promoter. If the latter retain 49 per cent of the shares, their voting strength would be strong enough to resist any attempt to take the control out of their hands...." (*Capital*, April 15, 1948)

Actually, however, foreign capital has hung out for bigger stakes and wrung out of the Indian Government the significant concession that 'where in the national interest', majority shares may be held by the foreign partner. Thus S. P. Mukherjee at a meeting of the Expert Committee on Investments, said:

"The Government of India's policy was that the majority of shares should be held by Indians, but in particular cases, where they find that in the national interest such a foreign concern should be opened in India, **exceptions had been made...**" (*Statesman*, July 30, 1949)

Foreign capital has further obtained the specific assurance that if protection is given to any industry, units of the industry representing foreign capital would get the full benefit of such protection. A Press-note from New Delhi refers to the Tariff Board's recommendation for protection to the Motor Vehicles Battery industry in these words: When protection is conferred on a particular industry, all units of that industry whether Indian-owned or not, will be automatically entitled to claim the benefit of such protection. (*Hindu*, July 17, 1949)

Thus the road is cleared for yet higher returns on foreign investments in India. Foreign concerns will get the full benefit of the high prices charged by the technically less efficient Indian units under cover of the protective tariff. At the same time, since the foreign concerns can avail of the advanced 'know-how' of their parent companies, their real costs would be much lower than that of the other units and hence profits much higher.

The guarantee has now been categorically given that foreign capital would have the unrestricted right to do what it pleased with the profits on its investments in India, that is, to convert the profits into the home currency and remit it out of India without hindrance. The 'drain' is to go on *ad lib*. Nehru's first utterance on this in his April 1949 speech was not considered sufficiently unequivocal. Foreign capital welcomed that speech, politely but frigidly. The

Bengal Chamber of Commerce confidential Bulletin wrote: "Nehru's speech has fallen flat". It was required that the knee should be further bent and Nehru has obliged. The measure of Nehru's surrender to foreign capital is to be seen in the protest called forth even from that dogged breaker of strikes and propagandist of class collaboration, Ashok Mehta, who states:

"The Prime Minister, Pandit Nehru, in an interview to the North American newspaper, **Alliance**, given on August 21, held out certain official assurances to U.S. investors. The assurances were: (1) U.S. investors would be assured of the safety of their investments and reasonable profits; (2) profits could be taken out of India in dollars; (3) in the remote event of nationalisation of certain industries, the U.S. investors would be compensated in dollars; and (4) the clarification of the policy of nationalisation... The clarification runs as follows: 'As to key industries, despite previous plans for State ownership, we have done nothing about them and we are putting off their consideration for at least ten years'....

"It will be realised that these assurances tally almost word for word with the conditions laid down on September 4 by Mr. Snyder, U.S. Secretary of Treasury. Pandit Nehru evidently does not expect dollar aid on a Government-to-Government level, and hopes to induce American capitalists during his visit to the USA to invest capital in India...."

Since, in the foreseeable future, India cannot earn surplus dollars or sterling (with which to compensate foreign investors) nationalisation of foreign concerns is indeed a 'remote' possibility. Foreign capital has begun to rub its hands — after the first few months of uncertainty and the 'crisis of confidence' since August 1947 — in the knowledge that India's economic and political climate has been air-conditioned to suit the exacting tastes of trans-oceanic investors. There is a note of positive gloating in the article of Sir Alfred Watson, ex-Editor of *Statesman*, when he writes:

"The idea with which both Dominions embarked on their independence, that in a brace of shakes India might become practically self-supporting in industry, agriculture and in transport overseas of her surplus products, has been subjected to the chill winds of reality. The planners who built the airy castles of self-sufficiency are discredited even among their own people, since years have gone by and most of the plans are still on paper and have contributed little to the country's wealth. On letters now passing through Indian Post



offices is stamped a Hindi inscription officially translated as 'May God grant sense to everyone'. There are at the moment more evidence in Pakistan than in India that the solemn injunction has been taken to heart....British capital and technical assistance have brought into being a cigarette factory, another for the manufacture of switchgear and a third for making telecommunications equipment in Karachi, an alloy steel works in West Punjab and a couple of enterprises in Bhawalpur State. In some of these developments there is Pakistani capital; others are wholly British owned.

"...Nor is the same will to face actual conditions wanting in India. In so many words Pandit Nehru has discounted any idea that nationalisation could be effective for many years to come. Dr. Mukherjee dots the i's of this pronouncement....As one sees the picture, there is dawning on Government circles a clear realisation that India must be attractive to foreign capital....The Dominions are seeking help, which will be readily given now that there is no longer the idea that terms can be dictated from the side of those who seek aid." (Great Britain and the East, May 1949)

The truth is, therefore, that foreign capital has reasserted for itself every one of those privileges which it enjoyed before 'independence'. Foreign capital has shown that its role remains precisely what Lenin had characterised — surplus capital accumulated by the monopolies of advanced countries seeking fields of investment in the backward areas, ensuring its high rate of profit on the basis of cheap labour power and materials. The new political set-up has changed not a jot this essential role of foreign capital seeking investment in India. All that has changed is that in the new foreign enterprises to be started, Indian capitalists would have a sizeable share, while the onus of ensuring the supply of cheap labour power—by savagely suppressing the working class movement—would fall on the more 'popular' shoulders of national leaders representing the Indian bourgeoisie.

### III. PROGRESS OF INDO-BRITISH DEALS

Grave dangers to India's genuine national interests lie inherent in the growth and consolidation of Indo-British (or Indo-American) business combines. They were underlined in the study already referred to, *Indo-British Big Business Deals*, as follows:

—Foreign capital digging in on a bigger scale than ever, thus adding to the 'drain' out of India in the form of profits on foreign investments, royalties, etc.

—Foreign capital getting into the very vitals of Indian economy, viz., whatever new basic and strategic industries that are started.

—Decisive control of the new industries by being in sole control of technical direction, and also through share holdings.

Since the first deals of this type which were examined in the above book, several other joint ventures, involving foreign capital in greater or less measure, have been announced. Some of the more important ones, as reported in the Press, are listed below. The list is not exhaustive but will serve as a reliable index of the trends.

### *Engineering: (Heavy Industry)*

a) Ashok Motors Ltd., for import and assembly for automobiles. Issue—Rs. 50 lakhs. Based on an agreement between Indian businessmen and Austin Motors Ltd., for the assembly of cars and trucks, the deal appears to be on the same pattern as the earlier Birla-Nuffield agreement. Not only is 'production' controlled by Austin technicians, but the Board of Directors includes a leading Austin executive, and there is direct shareholding by Austins.

b) An automobile factory is to be started shortly in Vandalur, Madras. A company which goes by the name of the Standard Motor Products of India Ltd., will in the first instance assemble cars from imported parts and progressively manufacture automobiles. The promoters are the Union Co. (Motors), Madras.

Announcing this deal, Sir John Black, Managing Director of the Standard Motor Company of the U.K., said that the new company had been registered with an authorised capital of Rs. 1 crore. It would assemble Standard 'Vanguard', models.

c) The same company, in agreement with Harry Ferguson Ltd., a giant tractor manufacturing concern of Britain, would also develop in the future, the assembly of Ferguson tractors in India.

Standard Motors and Ferguson have working agreements in the U.K., and it would seem that this combination would have preponderating influence, as compared to their Indian partners, in the newly-formed Indian company.

d) The Rootes Group, another of the Big Six which dominate Britain's automobile industry, has just registered a new company in India, in conjunction with Indian partners. It will be known as the Automobile Products of India Ltd., and will begin assembly of trucks and cars from imported parts, in Bombay. The new company has bought out

a Bombay automobile firm, Motor House (Gujarat) Ltd., which had earlier set up an assembly plant in collaboration with the American firm of Kaiser-Fraser.

The authorised capital of this new firm is Rs. 1 crore. *Crossroads*, a Bombay progressive weekly, had revealed that the Government of India had agreed that the majority shares in this new concern could be held by Rootes. In this connection, it is relevant to recall that Dr. Mukherjee declared recently that exceptions had been made to the rule of majority holdings by Indian nationals.

e) Birla Bros. have entered into an agreement with the Associated Company in India of the British firm, Babcock and Wilcox, for the manufacture of boilers in the Texmaco works at Belghurria, near Calcutta. The agreement provides for technical assistance, advice and design and the training of Indian personnel in the manufacture of smoke tube boilers and associated plants.

f) Parimal Ltd., described as an 'Indo-foreign' undertaking for the manufacture of textile machinery. Issue: Rs. 150 lakhs.

g) Indian Mining & Construction Co. Ltd.—Issued capital—Rs. 45 lakhs. Foreign issue—Rs. 23 lakhs.

h) Indo-Belgian Engineering Co., Allahabad. Authorised capital—Rs. 4 lakhs. Shares worth Rs. 1 lakh to be issued to a Belgian national. (The nature of business is not specified for this firm but it is stretching the point to regard it as representing heavy industry).

### *Light Industries & Miscellaneous*

a) A cycle factory is to be started in Madras by arrangement with the BSA Company of Britain. The sponsors of the concern have raised Rs. 25 lakhs as share capital and the BSA Co. have agreed to invest £100,000. The Madras Government will also purchase shares in the concern.

b) Another Indian firm has entered into a deal with the Tube Investments Ltd., of Great Britain for starting a plant in Madras to make Hercules cycles. It is proposed to assemble cycles in the first instance and develop manufacture in the course of five years. (*Hindu*, August 13, 1949)

c) In conjunction with the well-known British firm of cycle manufactures, Raleigh, a joint firm by the name of Sen-Raleigh Co. Ltd., has been registered with an authorised capital of Rs. 10 lakhs.

d) Acme Aluminium Rolling Mills Ltd., (also an 'Indo-foreign' undertaking) for the manufacture of aluminium foils and linings. Issue—Rs. 25 lakhs.

e) T. I. Exports Ltd., for the manufacture of metal tub-

ings, fishing rods, bicycle frames, etc. Authorised capital—Rs. 3 lakhs.

f) J. B. Advani & Co. of Bombay for the manufacture of printing ink. Authorised capital—Rs. 250,000 out of which Rs. 62,500 will be issued to the firm of Lorilleaux and Bolton, London.

g) The Udyog Vikash Ltd. A company with a proposed issue of Rs. 21 lakhs for producing in partnership with foreign firms—raw films, cut films, X-Ray films, cameras and accessories.

h) Tribeni Tissues Ltd., described as an 'Indo-foreign' concern for the manufacture of cigarette paper. Authorised capital—Rs. 130 lakhs.

The above enumeration of Indo-foreign firms supplements (although the list is possibly incomplete) the description of the earlier joint ventures given in *Indo-British Big Business Deals*. The vicious features of those earlier deals persist in these subsequent ones, viz:

—Complete technical control in the hands of the foreign partners, witness the Birla-Babcock deal and the automobile deals.

—In most of these new deals, the foreign partners represent powerful finance-capital interests, whose resources and relative strength guarantee their dominance in the new joint enterprises. Rootes, Standard Motors, Austin, Ferguson, Babcock and Wilcox, are without exception some of the most powerful monopolies in Britain's engineering industry. Even in the proposed cycle firms, the British partners involved—BSA, Raleigh and Tube Investments—control between them almost the whole of this branch of British industry.

—The foreign partners are guaranteed substantial profits from these seemingly indigenous concerns through heavy payment for technical aid and also direct share-holdings. Where there is no direct shareholdings, royalties and commission on sales are doubtless part of the agreements, as in the past. At the same time, since these new plants envisage assembly rather than manufacture (as we shall see in detail later) the 'home' factories will continue to receive orders for components which will be assembled in the joint concerns in India.

Thus, though we are supposed to have become an independent nation in the meantime, the foreign monopolies continue to control and dominate the new joint undertakings precisely as they had done before 'independence'. Two new features may be noticed, however, in these recent deals:



i) Whereas in some of the earlier deals, shareholding by the foreign partners was substituted by royalties, etc. (Birla-Nuffield; Chrysler-Walchand deals), in the above list there is open and direct shareholding by foreign capitalist interests in every case except the Birla-Babcock deal. What is still more dangerous is that even the fig leaf of majority shareholding by Indians is being abandoned. Dr. Mukherjee's frank admission and the example of the Rootes Group deal are clear evidence that foreign capital has cleared the way for asserting its open and direct domination in such joint ventures. Further confirmation on this point is provided by the New Delhi correspondent of *Capital* in a recent despatch:

"A statement of the American Treasury Secretary, Mr. Snyder, has aroused some comment. Speaking before the Senate Banking Committee, Mr. Snyder declared that if foreign nations were to forbid Americans to have majority control in new industrial enterprises, it would be a 'significant deterrent' to prospective American investors. India's position has already been clarified on this issue. With the exception of about half a dozen key industries India will not object to majority control by Indians, Britons or Americans. There is almost a free zone outside the 'key' industries reserve..." (*Capital*, August 18, 1949)

(ii) Indo-British partnerships have now become a universal pattern, not confined only to heavy industries which require great technical skill. These joint concerns — through which foreign capital secures new fields of exploitation—are springing up like mushrooms. There is no longer even a pretence at restricting foreign capital to industries where complex technical processes are involved. Fishing rods and printing ink are not the only products—presumably of great national significance—to manufacture which foreign capital is being invited. A certain Bombay firm was reported to be sponsoring a factory, in conjunction with non-Indian 'specialists' to manufacture — umbrella ribs and handles! (*Capital*, February 13, 1948) And *Eastern Economist* was so carried away by its adulation of foreign capital that it solemnly suggested the need for asking foreign concerns to undertake the highly technical job of organising India's tourist traffic! These mushroom-like Indo-foreign deals are guided by no other consideration than getting quick returns with the least trouble, irrespective of the economic importance or otherwise of the enterprises involved. And, furthermore, these Indo-foreign small business deals provide corroboration of the fact that the Indian bourgeoisie, as



a class, have forged a common front with foreign capital, that is, with Anglo-American imperialism.

#### IV. STATE ENTERPRISES AND FOREIGN CAPITAL

On the other hand, where heavy industries are being started (though with considerable limitations, as we shall see later) by Indo-foreign combines, it is resulting in installing a Trojan horse in the very nerve-centre of our economy. In automobiles, heavy chemicals (the Tata-ICI deal), textile machinery making, boiler and tractor manufacture, all basic industries, foreign monopolists are in technical overlordship and have financial stakes. The most ominous development in this respect is the close association of giant foreign monopolies with the projects for State-owned key industries. Some such State-owned key industries have already been started in conjunction with foreign combines. Others are projected.

The Mysore Government has reached an agreement with the Chemical Construction Co. of New York for the establishment of a 50,000 ton fertiliser factory at Bhadrawati at a cost of Rs. 2½ crores. The Government of India are reported to have made a successful deal with the well-known Swiss combine, Oerlikon Co., for the setting up of a State-owned machine tool factory costing Rs. 15 crores. The Swiss firm will be in technical control for 20 years from the date production starts and they will also have a financial interest in the project (*Hindu*, April 26, 1949). An economic sub-committee of the Central Government is considering a proposal of the Orissa Government to start a factory for the manufacture of tractors in partnership with Messrs. Ingham Ltd., of Great Britain (*Statesman*, April 23, 1949). An American firm is said to have submitted a scheme to the Government of India for establishing two oil refineries in India and have offered to subscribe 49 per cent of the share capital as well as provide technical supervision.

Besides, Westinghouse representatives have arrived in India at the invitation of the Government of India to recommend suitable sites for a plant to manufacture heavy electrical equipment; British and American big business firms have, at the instance of the Government of India, submitted project reports for the proposed iron and steel plants (costing Rs. 100 crores) to be started by the Government; a synthetic petrol plant, it is said, is to be erected at Durgapur at a cost of Rs. 70 crores—an American company is likely to be given the contract for the construction of the plant and supervision work is to be entrusted to a German firm.

These are dangerous developments which serve to

expose the fraudulent claim of the 'national' Government that it would not permit private interests to get a stranglehold over the key sectors of economy. While casting aside the rattle of 'nationalisation' with which the Government of India had tried to fool the people into accepting its anti-capitalist bonafides, the Government of India had loudly asserted that in the 'new' industries, in the 'key' industries the principle of 'national' ownership and control would be fully applied and profit-making interests would have no say. Even this bluff has been called by the actual course of events.

The above news items show that the Government of India has not stopped short of seeking technical advice from foreign monopolists—though even 'technical advice', as in the case of other Indo-foreign deals, is a cover for decisive control by foreign interests. The machine tool deal with the Swiss firm should make this clear—for 20 years the Swiss combine will be in sole technical control and would be in a position to retard the development of this basic industry. But apart from technical control, foreign monopolies associated in these State-sponsored key projects are being given a direct profit-making interest through holding of shares, as in the machine tool deal and the proposed tractor and oil refinery deals.

That these are no isolated cases but portents of things to come, is amply borne out by evidence from well-informed quarters. The New Delhi correspondent of *Capital*, whose despatch we have had occasion to quote earlier, also furnishes the following significant comment:

"The participation of foreigners even in the 'reserve' field (key industries) may be considered. Although the Government would prefer cent per cent or majority control in such undertakings, the need for their rapid development and financial considerations may compel modifications in the original plan...." (*Capital*, August 18, 1949)

The financial difficulties of the Government—caused by the generous tax relief to capitalists, the squandering of money on embassies and delegations, reckless expenditure on police departments, etc.—are now being advanced as the plea for handing over control and ownership of basic industries to foreign monopolists. A document which circulates among the inner sanctum of British Big Business in India, the "Strictly Private and Confidential" India Bulletin of the Bengal Chamber of Commerce, wrote in its August issue:

"In consequence of the screening of development schemes,

a Government department, in at least one case already, has turned to private enterprise to enquire whether a scheme, formerly reserved for Government operation, can be undertaken by them without cost to Government."

Referring to Nehru's August speech in which he stated with reference to nationalisation of key industries—"Frankly speaking we have not got the resources to do it" — the *Bulletin* goes on to say:

"These remarks add point to the suggestions now being made in Delhi that a number of new industries in which Government had planned to participate, will fall under the economy axe and that foreign enterprises may be offered free scope to start them, if they will. This is particularly mentioned in connection with steel plants. But the Americans are in no mood for anything less than complete control..."

"Government's plans to set up three shipping corporations show practically no progress. Two of the corporations may be described as indefinitely postponed. The setting up of the third is tied up with negotiations between Scindias and Government for the sale of the Vizag shipyard... Scindias want payment in cash while the Government would prefer to pay at least half the purchase price in shares. The economy axe may fall on both projects and it is not altogether unlikely that Government will tire of their negotiations with Scindias and may even turn to 'foreign' interests to help them out with their plans..."

In the words of Sir Alfred Watson, the solemn injunction of 'May God grant sense to everyone' is now being taken to heart in India: Nehru is at great pains to prove that when he had earlier spoken of nationalisation of key industries he did not really mean nationalisation! "Frankly we haven't the resources", and so, foreign monopolies, which have the resources, are confidently awaiting the Government of India's invitation to welcome them into one key industry after another in the true spirit of India's hospitality—"Come in, gentlemen. What is mine is yours"! The Government of India may attempt to save its face through some form of nominal control, either by holding some shares, or reserving some shares for Indian businessmen, etc.—but the central fact emerges that foreign capital is being entrenched in a big way in the few basic industries that have been or are to be started in India. The collaboration between the bourgeoisie and imperialism could not but lead to this disastrous result.

## V. "INDIA LIMITEDS"

Foreign capital, as we have seen, has safeguarded its future in India by going in for deals with Indian businessmen and forming joint combines. It was also being offered scope for investment in large key undertakings nominally under State control. Yet another form in which foreign capital has entrenched itself in India during the last few years is by setting up rupee subsidiaries of giant trusts, in which a fraction of the shares are offered to Indians. To further heighten the 'indigenous' effect, some leading Indian capitalists are taken on the Board of Directors. So widespread was the influx of foreign capital in this form that even a committee of the imperialist regime, the Bombay Industrial and Economic Enquiry Committee (1940), was forced to note the powerful positions occupied in Indian economy by 'India Limited' concerns.

In the period immediately preceding and after 'independence', this process has continued and several India Ltd. companies representing powerful foreign interests have been registered:

	(in lakhs of Rs.) (Authorised Capital)	
Coates of India Ltd. (Printing ink business)	..	20
Exide Batteries (Eastern) Ltd. (Dealers in electrical goods)	..	30
Sankey Electrical Stampings (Electrical stampings, etc.)	..	20
Associated Battery Makers (Eastern) Ltd. (Dealers in electrical goods)	..	100
Osler Electrical Lamp Mfg. Co. (Manufacturers of electric lamps and appliances)	..	100
F. & C. Osler (India) Ltd. (To acquire assets of P. & C. Osler)	..	100
Thomas W. Ward (India) Ltd. (Manufacturer of electrical eng. equipment & agricultural implements)	..	5
Lewis & Tylor (Mysore) Ltd. (Woven belting & Fine Hose)	..	12
Goodyear Tyre & Rubber Co. (India) Ltd. (Tyres, etc.)	..	300
Haywards Distillery	..	10
Brooke Bond Estates Ltd. (Tea)	..	70
British Drug Houses (India) Ltd.	..	15
Drug Products Co. Ltd. (subsidiary of a New York Co.)	..	15
Cadbury Fry (India) Ltd. (Chocolates & Confectionery)	..	5

These are companies registered in the course of the last three years alone. The figures of paid-up capital are not available, the above denoting authorised capital. The overwhelming extent to which foreign capital is involved despite



offer of shares in India is indicated by figures quoted for a few of these concerns. Thus, out of Rs. 5 lakhs authorised capital for Cadbury's, Rs. 3.2 lakhs are to be issued to U.K. residents. The entire amount of the first issue of capital of Thomas W. Ward (India) Ltd., is being taken up by the parent British firm. In the case of British Drug Houses (India) Ltd., Rs. 5 lakhs worth of shares are being issued to the original London Company. If this is the proportion of foreign-held shares for the smaller India Ltds., there is no doubt that with the bigger concerns like Goodyear, Osler, Exide, etc., the volume of shares held by Indians must be small and the actual proportion of foreign capital invested, very substantial indeed in the total figure of Rs. 8 crores representing the authorised capital of the above firms.

Precise details are yet lacking about other foreign firms which have recently been given permission to set up subsidiaries in India. But they deserve mention if only to expose the bankruptcy of the Government's claim that foreign capital is being encouraged only in industries of national importance.

Among the foreign monopolies which have latterly obtained the Government of India's sanction to set up 'India Ltd.' branches are the British firm of Slazengers, to manufacture sports goods; the American firm of Coca Cola to manufacture sweet drinks; certain other foreign firms, it is understood, have also been permitted to set up here to manufacture biscuits and...Vanaspati! As noted above, for the greater glory of India's industrialisation, foreign capital will also flow in to set up distilleries and chocolate plants.

An additional index of foreign capital entering India in recent years is provided by data on 'further issues' of capital by established foreign firms in this country, whether registered here or abroad. Below are quoted instances of such additional issues of capital by foreign concerns in the last few years—again, the data should not be regarded as exhaustive.

		Paid-up capital (in Rupees) (* in £)	Increase (in Rupees) (* in £)
Alcock & Ashdown (Shipwrights etc.)	(1943)	1,669,700	
	(1947)	3,342,200	1,672,500
Britannia Bldg. & Iron Co.	(1943)	500,000	
	(1947)	1,000,000	500,000
Alkali & Chemical Corp.	(1941)	9,196,440	
	(1947)	9,300,000	103,560
Indian Copper Corp.	(1940)	900,000*	
	(1947)	949,000	49,000*



Assam Match Co.	(1941)	500,000	
	(1947)	1,400,000	900,000
Bird's Investments	(1941)	3,000,000	
	(1947)	4,400,000	1,400,000
Indian Aluminium Co.	(1944)	13,650,000	
	(1947)	20,000,000	6,350,000
Indian Rubber Mfrs.	(1941)	621,050	
	(1947)	1,655,970	1,034,920
Parry & Co.	(1946)	3,658,120	
	(1947)	5,000,000	1,341,880
Muir Mills	(1940)	3,000,000	
	(1947)	6,000,000	3,000,000
Madura Mills	(1940)	8,751,240	
	(1947)	17,502,480	8,751,240
Buckingham & Carnatic	(1944)	11,054,100	
	(1947)	19,978,000	8,923,900

The above, of course, excludes industries such as jute, tea, mining, etc. It is based on figures of paid-up capital for engineering, chemical and some textile miscellaneous companies as given in Kothari's *Investors' Encyclopaedia* and includes companies which have mixed shareholders, (i.e., Indian and foreign). But, despite its limitations, the above table serves to illustrate that substantial amounts of foreign capital have been invested here recently in the form of 'further issues' by foreign concerns. This is also indicated by a list of foreign firms which were given permission to increase their capital issue during 1947 and 1948 and as reported in *Capital*.

Name & Objects of company	Consent given to further capital issue of (in Rupees)
Indian Oxygen & Acetelyne Co.	1,800,000*
A. F. Harvey Ltd., Madura (Merchants & Mfg. Agents)	3,000,000*
Larsen & Toubro (Importers of machinery)	3,000,000
Western India Match Co.	7,700,000
Dunlop Rubber Co. (India) Ltd.	(1947) 5,000,000
(Tyres, etc.)	(1949) 5,000,000*
Silvertown Lubricants (India) Ltd.	750,000
Chloride and Exide Batteries (Eastern) Ltd.	(1949) 1,485,000
Associated Battery Makers (Eastern) Ltd.	(1949) 4,985,000

\* Bonus Issue

Of special note is the recently announced (fully subscribed) issue of £ 1,420,882 (June, 1949) by the Calcutta Electric Supply Co., which represents no less than a 30 per cent rise over its paid-up capital as at 1947. And thereby hangs an interesting story. . . . With the end of the war, heavy replacements of machinery, wires and cables which were

long overdue, were deliberately held up because of the talk in the air of the Calcutta Electric Supply Co. being taken over by Government. Meanwhile, behind the scene negotiations over compensation were dragged out. Ultimately, when by the end of last year it became quite certain that the Calcutta Electric Supply Co. would not be touched, and in the background of vociferous assurances to foreign capital, this cent per cent British company has found it safe to considerably raise its capital issue.

The substantial increases of capital issue announced by this and other foreign firms, particularly during the last two years, plainly demonstrate once more that India remains a most profitable field of exploitation by foreign capital.

## VI. DIRECTION OF FOREIGN INVESTMENT

We come finally to the question of foreign capital being instrumental in developing basic and heavy engineering industries in India. This is supposed to be the unanswerable argument in favour of allowing foreign monopolies to invest in India—the high degree of technical skill involved in setting up such industries necessitates (we are told) the ‘cooperation’ of foreign capital.

Once again, it must be clearly stated that in the stage of monopoly capitalism, in the stage when the productive capacity of imperialist countries has outstripped the limits of the internal market, foreign capital seeks fields of investments which do not compete with the basic industries at ‘home’; foreign capital seeks such fields of investment as open up new markets, make available cheaper raw materials etc.; it does not ‘develop’ in the backward countries basic and heavy industries which would render the latter self-sufficient and independent of the monopolies of the imperialist countries who desperately need new markets. Such are the reasons which have prompted the consistent opposition by the imperialist countries at recent ECAFE conferences towards all proposals to establish heavy engineering industries in the colonies. Their stress has been: irrigation—to lower food costs and raw material costs; communications—which obviously do not compete with home industries but rather provide a market for their locomotive building and automobile industries, while opening up larger areas for markets, etc.; mining and extractive industries for minerals, etc.

Leontyev in his study on American expansionism has

quoted valuable evidence of the direction of U.S. foreign investments:

"According to data for the end of 1940, American foreign capital investments in the extractive industries amounted to more than 2,000 million dollars and in the manufacturing industries to less than 200 million dollars. Yet in the U.S. proper, the relation was seven times more capital invested in manufacturing industries than in extractive ones..."

The same trend is noticeable in U.S. foreign investments in 1947.

"Last year," says an article in *Capital* (November 11, 1948), the net total of 636 million dollars invested directly abroad was the largest on record...The bulk of this investment was made by the petroleum industry—about 455 million dollars (in Latin America and the Middle East)."

Thus, about 72 per cent of the entire foreign investments of U.S. monopolies in 1947 went into the extraction of oil.

An examination of the trend of foreign investments in India during the period 1928-29 to 1945-46 will reveal a similar pattern. (*Table A*)

Banking, Loans and Insurance—which do not represent investments in manufacturing industry—show a rise of 19.13 per cent during the period; miscellaneous trading and manufacturing — that is, light industries and trading firms which by no means represent heavy industry—also show a rise of 21.26 per cent; mills and presses show a 13.1 per cent rise, while the most spectacular rise of foreign investment is noticeable in ('key' industry indeed) — Breweries and Distilleries (166.66 per cent)! Agencies—whose function is to sell products of foreign monopolies—likewise show a huge rise, of 70.13 per cent.

On the other hand, those which can be called heavy industries show the smallest rise and even a falling off in foreign investment. Thus, chemicals and allied trades register a decline of 22.28 per cent; iron, steel and ship-building record the insignificant rise of 6.39 per cent; engineering does indeed show a rise of 15.34 per cent, but as is well-known, British-owned engineering firms in this country have confined themselves to bridge-building, construction work, manufacturing of wagons, signal equipment, etc., and servicing of machinery. Only recently, British engineering firms reached the high water mark of their achievement in India—assembling India's first road-rollers!

If we turn to *Table B*, we can compare the volume of

foreign investment in different branches — examine which branches of Indian economy account for the bulk of foreign investments. In 1928-29, as will be observed, mining and quarrying accounted for the largest share in the total of foreign investments in India—23.3 per cent. Banking, loan and insurance companies came next with a share of 21.3 per cent. Transport and transit account for ten per cent and various light industries and trading concerns for 11.2 per cent of the total paid-up capital of foreign concerns at work in India. We see, therefore, that banking, insurance, extraction of minerals, communications and various light industries absorb, between them, over 65 per cent of the total volume of foreign investment.

Chemicals—a basic industry—attracted even less foreign capital than tea and rubber plantations and accounted for a meagre three per cent of the total investments. Iron, steel and shipbuilding also accounted for a very small percentage—6.4 per cent. As for engineering, we have already noted that this represents at best light, constructional engineering; hence, the figure of 11.7 per cent against engineering does not reflect the development of a really basic engineering industry.

And what has been the progress achieved by foreign capital in the two decades since 1928-29? What actual proof do we find to bear out the loud claims of foreign monopolies and their Indian apologists that foreign capital is instrumental in developing basic industries in a technically backward country? The figures for 1945-46 in *Table B* will reveal that in the course of nearly two decades, the progress towards basic industries, under the aegis of foreign capital, is exactly nil. The relative share of chemicals has fallen; that of iron, steel, ship-building is static; engineering had absorbed a higher percentage of total investment by 1945-46 but is considered by foreign capital to deserve no more attention than miscellaneous trading and manufacturing concerns, for each of these branches accounted for 13.8 per cent of the total foreign capital invested in 1945-46. The major portion of foreign investment still flows to banking, mining, light industries and transport.

By its very nature, foreign capital, capital exported by the monopolies of imperialist countries, cannot—and in fact has not—‘developed’ basic and heavy engineering industries in India.

An analysis of India’s machinery imports for 1948-49, as quoted by the *Eastern Economist* (July 1, 1949), offers additional proof that those who supply us the machinery—the monopolies of the advanced countries — have endeavoured

to restrict their machinery exports to the traditional lines: textile machinery, generators, boilers, etc.

Total Imports of Machinery		(in crores of Rs.)
		76.65
Locomotives	.. ..	1.07
Engines (gas, oil, steam)	.. ..	8.76
Electrical Machinery (i.e., generators, etc.)	.. ..	12.75
Boilers	.. ..	3.65
Mining Machinery	.. ..	1.04
Refrigerating Machinery	.. ..	1.31
Sewing and Knitting Machinery	.. ..	1.94
Typewriters	.. ..	1.14
Machine Tools	.. ..	4.04
Cotton Textile Machinery	.. ..	9.14
Jute Textile Machinery	.. ..	2.63
Other Textile Machinery	.. ..	3.24
Agricultural Machinery	.. ..	2.53
Oil crushing; paper mills; pumping; rice & flour mills; saw mills; tea and sugar machinery	.. ..	6.09
Other Machinery	.. ..	19.02

Compared to prewar imports, the only new item is agricultural machinery (tractors, etc.). Far and away the most important item is textile machinery of various kinds which is obviously of no relevance for building up heavy industry. Machinery for generating and distributing electric power forms an important element but is no indication that heavy industries are being set up. On the contrary, the one item which does relate essentially to heavy industry — machine tools, needed for manufacturing machinery—is about the same in value as...typewriters and sewing machines!

If we revert to the sections in this article on new enterprises where capital has of late been invested, we find that the old pattern continues. Production of bicycles, confectionery, tyres, batteries, electric lamps, sports goods, etc., constitute the branches to which, generally, foreign capital has turned in the last two-three years. Similarly, the further issues of capital of foreign-owned concerns are the most substantial in the light industries field—in concerns relating to electric supply, textiles, batteries, tyres, matches, agency business and (the one exception) aluminium, a key industry.

(a) It was clear by the end of the war that the increased ambitions of the Indian bourgeoisie could not be satisfied by permitting it to set up only textile and jute mills or sugar refineries as in the past. Indian capital, whose wholehearted collaboration was necessary if the foreign monopolies were to continue their sway in India, had to be given some scope for investing in new engineering and heavy



industries. Recognising that some development in this direction had to be permitted in order to buy over the Indian bourgeoisie, *foreign capital has endeavoured to limit it to the simpler and secondary branches of heavy industry.*

A leading figure in the Federation of British Industries (FBI) outlined foreign capital's streamlined postwar policy with regard to new industries in the colonies thus: Speaking at an Export Conference of the FBI in late 1946, Col. H. B. Rigall (a member of the FBI Grand Council) said that inevitably the Dominions and other countries abroad would tend increasingly to produce for themselves.

"It is rather for Britain," said Rigall, "to encourage them (the Dominions, etc.) by providing technical knowledge and manufacturing technique to make general purposes equipment for themselves which they are capable of making, **while we push on with the manufacture of the higher grade and more complicated products** in which our technical skill can be used with the greatest advantage...." (*Capital*, December 12, 1946)

Thus, with the benign cooperation of foreign capital, India is now to 'produce' light Diesel engines, small electric motors, textile machinery, boilers, road rollers, automobiles and perhaps, tractors and steam locomotives. One looks in vain for other industries which are the true hallmark of an advanced and really independent economy—heavy electrical equipment manufacture; production of modern type locomotives such as Diesel electric and electric locomotives, aircraft manufacture; manufacture of machinery for industries other than merely textile; a diversified heavy chemicals industry (and not merely production of fertilisers); the manufacture of steel alloys, etc.

The fundamental fact is that foreign capital has conceded only the manufacture of lighter types of machinery and the simpler types of engineering products, while retaining the monopoly of manufacture of basic equipment and 'more complicated' products. A recent comment in *Capital* organ of British Big Business in India, also bears this out:

"India is assuming increasing importance in Britain's overseas electrical trade. British firms are now concentrating on developing subsidiary organisations here which in the short term might seem detrimental to British interests. It is felt, however, that if Indian consumers can be increasingly interested in electrical appliances, there will be an increased demand for electrical generating and distributing machinery." (*Capital*, August 18, 1949)

No doubt foreign capital is developing backward India when Osler & Co. set up a branch to make lamps and appliances (heaters, kettles) so that with the increased consumption of electric power in India, the heavy electric industry of Britain will find a wider market for their generators, transformers, etc.! No doubt, the Indian branches of the giant British electric monopolies—GEC, AEI—are satisfying Indian aspirations by producing ceiling fans and switch-gear! But where is one concrete piece of evidence that the altruism of foreign capital has extended to complete manufacture in India of the basic electrical equipment—the generators and turbines themselves?

(b) Secondly, even while foreign monopolies are setting up some heavy industries in partnership with Indian capital, they are taking good care to see that *the stage of assembly—as distinct from complete manufacture—is as protracted as possible.*

The basic components are to be imported from the 'home' factories of the foreign monopolies and then assembled in the Indian plant; only some minor components will be manufactured here. Being in supreme technical control, the foreign monopolies can, at any moment, paralyse these 'Indian' heavy industries by withholding technical secrets and the basic components. In the meantime, the process of 'assembly' can be dragged out indefinitely.

For instance, under the terms of the deal for making Hercules cycles in Madras, assembly from imported parts will be carried on for *five years* before manufacture is commenced. Presumably, even a bicycle is much too complicated a machine for the 'backward' Indian worker or technician to understand before that period!

General Motors (India), a subsidiary of the worldwide American trust, has been established at Bombay for about 20 years. Its net contribution to 'developing' the automobile industry in India has been the assembly of automobiles from 'completely knocked down' (ckd) condition, and—at last—the manufacture of batteries!

The strategy of foreign monopolies in limiting the genuine development of new heavy industries which they are starting in semi-colonies was plainly outlined by Lord Nuffield, the British automobile magnate. Questioned about the opening of the first Morris plant in Australia, he explained that the Australian company would not affect the running of his 63 factories in Britain. The U.K. factories would produce the main car parts which would be sent to Australia to be welded, assembled, and receive the finishing touches.

This clear and succinct formula — welding, assembly and finishing—describes perfectly the nature of work done at the Hindustan Motors (Calcutta), five years after the Birla-Nuffield deal was signed. First hand enquiries elicit the information that, if all goes well, in a year from now, the rear axle will be manufactured here! When the basic component—the engine—will be manufactured here nobody even speculates upon. And Hindustan Motors is reputed to be the ‘best-equipped’ automobile plant in this country!

Consider, again, the case of the much-trumpeted locomotive plant at Chittranjan. Work has been going on for well over two years on this project but recently, a high railway official, when approached for a photograph of the plant, frankly admitted that the picture would show only bricks and mortar. Negotiations with foreign experts to supply equipment and ‘know-how’ have not yet achieved any results. In October, fresh consultations were held with representatives of British locomotive trusts. This is how a British Tory paper unwittingly reveals the real intentions of these well-meaning foreign gentlemen:

“Leading locomotive markets in Britain are going to help Indians establish their plant (at Chittranjan)...They will also supply the key personnel needed to get the plant going ...British companies know that by exporting their ‘know-how’ they will lose orders in the end. **But it will take years before the Indians can build all the locos they need...**” (Daily Express, October 10, 1949)

The sentence which we have emphasised above furnishes clear evidence that our good friends from abroad, once entrenched in key technical positions, will retard progress to the utmost. Meanwhile, the market of the British locomotive trusts will not really be affected for, instead of the completely assembled locomotive, basic parts will be imported and then assembled in India.

“British makers are taking the chance that by helping Indians to get their own industry going they will retain a big stake in the market.” (Ibid)

Indian aspirations are ‘satisfied’ and the British monopolies retain their market and profits—all at one stroke. And even this little — the assembly from imported parts — has been yielded under the lash of competition from rival American monopolies....

“If they (the British makers) refused this assistance, it is more than likely that Indians would call in the Americans.” (Ibid)

Doubtless, wheels, axles and half a dozen other items will be manufactured locally and we shall be asked to sing praises of foreign capital which has assisted in producing this 'Hindustan' locomotive. Such is the narrow horizon of every new basic industry being set up under the aegis of the Anglo-American imperialist monopolies partnered by the Indian bourgeoisie. Such is the plain truth about the trump argument of the Indian bourgeoisie in favour of foreign capital—that it 'helps' to make us economically strong and self-sufficient.

## VII. FURTHER SELL-OUT TO FOREIGN CAPITAL

Nehru's visit to the USA has convinced the hard-boiled American businessmen that there wasn't going to be any more fancy talk about 'nationalisation' and about 'control' of foreign enterprises.

Preceding his visit, the Government of India, replying to a memorandum of the Federation of Indian Chambers of Commerce, had unequivocally declared:

"The policy of the Government of India was to allow foreign capital to come in to operate freely in the industrial field... Every attempt must be made to secure the maximum possible influx of foreign capital in the shortest possible time... The Government of India categorically declared that permission to retain a majority of non-Indian interest in the ownership and effective control in some cases could not **ipso-facto** be considered as detrimental to the interests of the country. The Government did not therefore propose to insist on majority control by Indians in the formative stages of industries, irrespective of all other considerations." (*The Hindu*, September 19, 1949)

Nehru assured the American capitalists that "Communism was being dealt with", that 'fair' profits were guaranteed to foreign investors, that "India welcomed foreign capital". The U.S. monopolies declared themselves satisfied.

The *New York Times* was reported by *PTI* as stating editorially that it was 'gratifying' to find Pandit Nehru had given the guarantees sought by U.S. investors. The net result of Nehru's visit with regard to foreign capital was summed up by *PTI* quoting American experts, as "preparing the way for speedy participation of American venture capital to develop Indian industry."

In Britain, too, effusive praise was being lavished on Nehru's industrial and labour policy by the spokesmen of the trusts. Addressing a meeting of the shareholders of the British-owned Calcutta Tramways Company, in November



in London, its Chairman said that if he had a large sum of money to invest he would be delighted to invest it in India. His remarks, we are told by *Reuter*, "were applauded by shareholders." (*Amrita Bazar Patrika*, November 10, 1949)

Official figures are now being released to show the increasing influx of foreign capital into India. With bold headlines saying LARGER FOREIGN INTEREST IN INDIAN INDUSTRY, a despatch from the special representative of the *Statesman* in Delhi reports:

"Last year's foreign investments in Indian industry amounted to Rs. 4.4 crores out of a total industrial investment of Rs. 5.14 crores. This year's total capital is already Rs. 16.96 crores." (*Statesman*, November 25, 1949)

Krishna Menon, India's High Commissioner in Britain, testified on November 29, at a meeting in London that there was more investment of British capital in India than for a long time.

The sell-out to foreign capital in the field of key industries is now reaching alarming dimensions. Even Steel, it seems, that most basic of basic industries, is to be handed over to the tender mercies of the foreign monopolies. Dr. Mukherjee, who visited Nagpur in November in connection with the proposed steel plant to be set up in the Central Provinces, hinted that the "possibility of foreign capital participating in this venture is not excluded." (*Free Press Journal*, November 5, 1949)

It is not for nothing that Eugene Black, President of the World Bank, has given the all clear signal to the Anglo-American monopolies—"India is a good risk," he has certified. Foreign capital had nothing to fear.

The deals mentioned above are mostly Indo-British deals; and the foreign investments mentioned above are mostly British. British capital had already had a stranglehold over Indian economy. Through the Indo-British deals British capital seeks to strengthen its strategic position in Indian economy by bringing in the Indian capitalists.

But a still more menacing development is taking place since the end of the war, and especially since the establishment of Nehru's "free" India; and that is the entry of American capital—the most blood-thirsty capital—on the Indian scene.

American capital in its drive to exploit and subjugate the world, and to find new avenues for investment in backward countries like India, is trying to get a complete grip over Indian economy and enslave and subjugate the people of India.

The Indian capitalists, ever ready to barter the freedom



and independence of their country for the sake of paltry profits have been wooing, appealing and grovelling before the Americans to come and invest in India; have been offering one concession after another to make India an inviting dish to satisfy the profit-hunger of the American monopolists.

The American monopolists are waiting for the complete and open surrender on the part of India. They have already secured the assurance that there would be no nationalisation; they have the guarantee of good profits and guarantee of exports of these profits; guarantee of no discrimination between them and Indian concerns—which means putting the Indian concerns at a disadvantage. But they are waiting for all these guarantees and many others to be embodied in a trade treaty.

Nonetheless they have not allowed the grass to grow under their feet. In the last year they have perhaps invested or offered to invest more capital in India than the British have done.

In 1949 the U.S.-controlled International Bank agreed to advance a total loan of 41 million dollars including 34 million dollars for rehabilitation of the Indian Railways. The terms and conditions attaching to this loan completely unmask the exploiting monopolists who want to keep India economically backward and coin profits out of her backwardness, and suppress her people. As Dyakov, the Soviet commentator, puts it:

“India provides a striking example of the real nature of U.S. assistance. Earlier this year when the question arose of a U.S. loan to India, the U.S. Ambassador to India Loy Henderson asked for definite guarantees.

“In the first place the U.S. capitalists investing in India were to be guaranteed the possibility of drawing and exporting their profits in dollars. He also asked for an undertaking that the U.S. investors would be fully compensated in the event of the enterprise in which they had sunk their capital being nationalised.

“The very same conditions as those put forth by Henderson were stipulated by the commission of the International Bank, which, as is known, is U.S. controlled. Moreover, it demanded guarantees of India's political stability, and this is not a mere coincidence. Does it not show whose interests the U.S. Ambassador to India is serving? In a word it means that the democratic national liberation movement of India will be combated more intensely.

“The Government of the Indian Union agreed to these conditions, and in August 1949 in order to please the U.S. monopolies the Constituent Assembly passed a law prohibit-

ing the confiscation of any private property without full compensation to the owner. Prior to this, even Nehru, the Prime Minister of the Indian Union, declared repeatedly in his official statements that U.S. investors would be guaranteed suitable profits and the right to export their profits to the U.S. in dollars.

"The loan which the Indian Government received from the U.S. through the International Bank was made on the condition that it be used for agriculture and transport.

"The idea of putting this restriction is perfectly obvious. The U.S. capitalists have granted these loans on the condition that not a dollar of them goes to industrialise India. This fact alone, that the U.S. opposes the industrial development of the backward countries, reveals the predatory nature of their plans for 'aiding' these countries.

"It is as clear as daylight to everyone that it is essential to industrialise a country if a base is to be provided for the national development of the backward countries in the direction of economic and political independence and complete emancipation from colonial oppression.

"U.S. intelligence agents posing as specialists and experts have wormed their way into various committees dealing with problems connected with India's economy. Thus very valuable information concerning India's economy falls into the possession of U.S. agencies. Nehru's visit to America and the negotiations he has entered into for the signing of a treaty of friendship, navigation and trade will have the effect of making India more subservient politically and economically to the U.S.

"This is evident from the speeches Nehru made while he was there. In his address at the Foreign Press Club in New York he assured U.S. businessmen investing capital in India that they would have reliable guarantees and that they would have complete freedom of action.

"Such are the prospects held forth by the U.S. programme for technical assistance to India. U.S. imperialism is playing on the fact that Britain is economically dependent on the U.S. to gain a hold on the biggest member of the so-called Commonwealth of Nations and to gradually edge out the former rulers of India. Under the guise of executing their plan of technical assistance the U.S. monopolies are not only turning India into their raw material appendage but are trying to make it the principal base for aggression and in their preparation for a new war in Asia.

"The reactionary home policy being pursued by the Indian ruling circles, the repressive steps against the workers, peasants and other progressive democratic organisa-

tions are directly linked with the implementation of the U.S. programme for aid to underdeveloped areas. The U.S. imperialists are trying to stamp out the democratic movement in India in order to turn that country into a base for reaction in South-east Asia, as a gendarme of the U.S. in the Pacific".

What is the interest of U.S. monopolists in rehabilitating Indian railways, apart from profits? Dyakov says:

"A good portion of the loan granted" will go "in restoring and developing the very railways which are either strategically important or which make it more convenient for transporting raw materials. Importing railway equipment and rolling stock without promoting the whole engineering industry cannot, of course, solve India's railway problem.

"The railways will have a chance merely to resume more or less normal traffic which the foreign imperialists need. It will give them the opportunity to pump out cheap raw materials and send them a flood of their own manufactures."

In its eagerness to secure exclusive possession of India's resources, the American monopolists are attempting to oust their British rivals—so that India could be exploited by them alone. To quote Dyakov:

"The deepening economic crisis in the capitalist world is causing the struggle for markets between the monopolist circles in various countries to sharpen. We have an illustration of this in the competition between British and US. businessmen to supply railway equipment and rolling stock to India.

"During the Second World War the railways of India fell into a very sad state due to the ruthless way they were exploited. For the whole six-year period of the war the British colonial authorities made no capital repairs at all to the tracks and no extra rolling stock was supplied. Certain sections of the track were pulled up, and the rails used in the construction of military strategic roads. Sometimes they were even dispatched outside the country. The railway lines that were working were overloaded to the extreme. The result was that the railway system quickly deteriorated and both rolling stock and track were ruined.

"The biggest hindrance to the restoration of the railway system is the policy of the ruling circles inside the country who are keeping India as an agrarian and raw material appendage of Britain and the United States. Another hindrance is the fact that there is no engineering industry in India, the result of 200 years of British colonial rule.

"The present fight that is going on between Britain and the United States to supply railway equipment to India weighs definitely in favour of the U.S. monopolies. Britain's exports of railway material are falling off. U.S. businessmen are squeezing out the British partners with whom they shared colonial plunder. In February this year, the U.S. had orders for 303 railway engines from India; Britain, only 190. Certain of the Canadian firms which have received big orders for railway equipment for India are also controlled by the U.S. monopolies.

"British influence in India is being undermined by the U.S. monopolies through the International Reconstruction and Development Bank. Only recently the Bank granted a loan of 34 million dollars to India for reconstruction and development of Government railways. Through this loan U.S. capital is inching its way further and further into Indian economy, especially into those branches that are of strategic importance, and all this will heighten the exploitation of the masses of Indian working people.

"In easing out their British rivals from the strategically important business of economy, railway transport, the U.S. businessmen have their own mercenary imperialist aims in view. Those aims are to have easier access to the sources of raw materials they need to have greater opportunity for exploiting the Indian people and for converting the country into a vantage ground in combating the national liberation movement in South-east Asia.

"This struggle between Britain and the U.S. to supply railway equipment to India is a struggle between two robbers and it can only have one result. The Indian people will find the regime of colonialist exploitation intensified.

"Only if the colonialists are driven off and there is a truly democratic transformation of the country, can there be a real opportunity of solving the most important economic problem, including that of railway transport. Only democratic transformation can make the railways of India a lever in the development of national economy and an improvement in the wellbeing of the broad masses of the people."

American capital is everyday making it plain that it wants untrammelled right to loot and plunder India; that it is not satisfied with making loans to the Government but wants to directly invest in concerns in India.

The bourgeoisie had tried hard to meet its need for foreign exchange for purchase of capital goods, etc., through the medium of State loans, where the rate of interest is fixed and is relatively low, and where control which goes with



the loan operates less directly. It has been given the blunt retort that if it were serious about acquiring sterling or dollars for industrial projects, it should make the political and economic climate of India healthy for direct investment by foreign capital. Thus in reply to the many pleas for a Marshall Plan for Asia, Truman's answer has been a curt admonition to encourage the flow of private U.S. capital to 'develop' backward areas. The World Bank, on which such high hopes were placed, has, after two years and many 'investigations', condescended to grant two loans totalling 41 million dollars for the purchase of tractors and locomotives as against the original application of 100 million dollars—a clear hint that if India wanted more dollars she should open her doors wide to private U.S. investors. The British monopolies have achieved the same result by the niggardly releases of India's Sterling Balances so that sterling requirements for new industries should arrive in the form of investments by the British monopolies.

With every new approach made by the bourgeois Government, the American Government or other spokesmen of monopoly capital demand openly that India's resources be mortgaged to America. Thus when Nehru attempted to negotiate a loan of one million tons of wheat he was told to hand over India's manganese and mica production. Manganese is a strategic war material used in tempering steel; while mica is essential for electrical goods. American monopolists thus want to lay their hands on India's strategic materials and monopolise them for stockpiling for purposes of war. They want to draw India into the war economy of the Anglo-American bloc with India asked to produce raw materials and cannon fodder. Besides this they demanded that India must openly join the Anglo-American bloc against the Soviet Union, China and other countries of Asia. With the rout of Chiang Kai-shek they seek to make India their war base and demand suppression of all democratic movements in the country. They thus demand open enslavement of India.

The Indian capitalists are daily surrendering to this attack of American capital, thus opening the country to the most brutal exploitation. For the capitalists are prepared to betray the people into the hands of the American monopolists, sell the independence of their country for the sake of their profits, for the sake of a few crumbs from the American table.

Need one wonder why India's capitalists 'voluntarily' joined the British empire—euphemistically called the British Commonwealth? The bonds created through joint exploitation of the Indian people, the bonds of Indo-British



deals have proved more powerful than the interests of the country and the freedom and independence of the people. Before the money-making power of these bonds, the humiliation and oppression of the last two hundred years is forgotten and the Indian capitalists consider themselves free to collaborate with the British in strengthening the chains of slavery and intensifying the exploitation of the people. It is through these bonds that Nehru finds himself in the company of Malan in the Empire Conference — Malan, the Indian-baiter, the oppressor and persecutor of Indians in South Africa.

The delicate ties between Indian and American capital that are being created through the Indian Ambassador in Washington are again proving more powerful than the interests of the country, than the freedom of the people. They have torn off the mask of neutrality in foreign politics and reveal that on every vital issue India's representatives at UNO side with the Anglo-American war bloc. It is a strange neutrality that supports at the UNESCO meeting the American plan for exploitation and enslavement of backward areas including India but rejects the Soviet plan for free development of the economy of backward countries and for all help to them without attaching any conditions encroaching on national sovereignty. It is neutrality indeed which rejects the Soviet proposals for peace, for destruction of atomic weapons, including atom bombs in possession of the USA; but supports the Anglo-American war proposals in the name of peace, proposals which allow USA its stockpile of atom bombs.

It is these new ties that explain the fact that while the USA is exploiting the Kashmir issue against the interests of the people of Kashmir, India and Pakistan—the representatives of the Indian and Pakistan Governments are to be found in the American camp; the fact that the Indian Government recognises the Bao Dai Government, the puppet of the French imperialists, while it does not recognise the People's Government of China headed by Mao Tse-tung; and finally, the fact that Nehru's Government does not protest against direct and indirect American support at UNO to South Africa, to its policy of racial persecution of Indians, but at the behest of American imperialists protests to the People's Government of China against alleged ill-treatment of an American Consul.

These same ties explain why every effort is made to build economic and trade ties with Britain and America, while there is no attempt to build any broad economic relations with the Soviet Union. How can camp followers of

the imperialist camp think of building economic relations with the Socialist Soviet Union though this might be in the interests of the people of India?

There need be no surprise however about this alliance of the Indian capitalists with American and British capitalists against their own people, against the democratic and Socialist forces in the world. The capitalist class always places its selfish interests above the interests of its country and people. Lenin had pointed this out when he wrote: "the general alliance of the imperialists of all countries lying at the basis of the capitalist economic alliance, an alliance which is natural and inevitable for the defence of capital which knows no fatherland, has proved by many of the biggest and greatest episodes in world history that capital places the preservation of the alliance of the capitalists of all countries against the toiling people above the interests of the fatherland, of the people and everything else."

### CONCLUSION

(i) The volume of foreign investment is growing — inevitably resulting in a heavier 'drain' of the products of the Indian toilers' labour, in their more intensified exploitation and the sharpening of the struggle between the working masses and imperialism, that is, the foreign monopolies.

(ii) The pattern of foreign investment is now unmistakably in collaboration with the Indian bourgeoisie. Foreign capital is being guaranteed a safe and secure future for exploitation by taking in as partners the Indian capitalists and the bourgeois State. The struggle against the tyranny of capital becomes a struggle against this common front of the exploiters—of the foreign monopolists and Indian landlords, feudal Princes and capitalists, which is directly and aggressively defended by the Indian bourgeois State.

(iii) The prospect for the Indian masses is not rising living standards through transformation of our feudal, colonial economy into an advanced, industrialised one. Petty progress in the setting up of light and secondary industries, the entrenching of foreign monopoly interests in key branches, the handing over of technical control of the entire economic structure to foreign capital—such are the 'gains' in return for which the Indian bourgeoisie and their State have agreed to offer every facility to foreign capital, and tie our economic future—and inevitably, our internal and foreign policy—to the Anglo-American monopolies.

(iv) Against this treachery, against this plan which will retain in essentials the colonial economy of India, against

this prospect of renewed and more intensified exploitation by the combined front of foreign monopolists and Indian capitalists and feudalists, the working masses must be consolidated into a solid fighting camp, fighting against national enslavement to Anglo-American imperialists and for the real independence of the country; fighting against the war-plot of the foreign monopolists and Indian ruling circles which seeks to make India the war-base against the USSR; fighting for a policy of peace in alliance with the Soviet Union, China and the other countries of People's Democracy; fighting to replace the present Government of imperialist-bourgeois-landlord alliance by a People's Democratic Government which alone can guarantee real independence and open the way to end all economic misery and exploitation.

TABLE 'A'

PAID-UP CAPITAL OF COMPANIES AT WORK IN INDIA  
BUT REGISTERED ELSEWHERE

Description	In £ (000)								Percentage Change	
	1928-29	1932-33	1936-37	1939-40	1942-43	1943-44	1944-45	1945-46		
1. Banking, Loans, Insurance ..	(173) 156,189	(166) 171,508	(169) 140,639	166,691	164,767	(156) 161,411	(154) 163,238	(159) 186,068	+	19.13%
2. Transport & Transit ..	(46) 73,533	(47) 68,813	(50) 73,309	(46) 77,363	(41) 68,230	(45) 85,496	(40) 77,640	(41) 77,640	+	5.58%
3. Public Services Cos. ..	(10) 12,838	(13) 46,866	(10) 47,546	(9) 37,358	(9) 8,853	(9) 8,853	(9) 8,853	(9) 8,853	—	31.04%
4. Chemicals & Allied Trades ..	(12) 22,286	(12) 25,136	(13) 19,130	(14) 20,046	(13) 17,419	(13) 17,419	(12) 17,320	(15) 17,320	—	22.28%
5. Iron, Steel, Ship-building ..	(20) 47,431	(19) 57,268	(20) 52,912	(19) 50,610	(18) 50,465	(18) 50,499	(18) 50,499	(18) 50,465	+	6.39%
6. Engineering ..	(47) 86,461	(54) 89,089	(52) 93,212	(48) 99,479	(52) 99,801	(53) 99,801	(53) 99,801	(56) 99,801	+	15.34%
7. Agencies (including Managing Agencies) ..	(22) 1,875	(23) 1,570	(19) 543	(22) 3,195	(21) 3,190	(22) 3,190	(23) 3,190	(23) 3,190	+	70.13%
8. Miscellaneous Trading & Manufacturing Cos. ..	(173) 82,522	(182) 82,743	(177) 116,813	(180) 115,639	(172) 113,019	(179) 111,134	(175) 100,175	(178) 100,068	+	21.26%



Description	1928-46										Percentage Change
	1928-29	1932-33	1936-37	1939-40	1942-43	1943-44	1944-45	1945-46			
9. Mills & Presses ..	(20) 3,605	(22) 3,789	(18) 4,499	(17) 4,054	(17) 4,080	(17) 4,080	(17) 4,080	(17) 4,080			+ 13.17%
10. Planting Cos. ..	(228) 31,552	(228) 33,061	(229) 33,285	(220) 31,068	(215) 30,097	(209) 30,858	(204) 30,699	(199) 30,071			- 4.37%
11. Mining & Quarrying ..	(44) 170,984	(46) 197,078	(42) 127,124	(35) 125,532	(34) 124,416	(36) 125,459	(36) 125,459	(36) 125,377			- 26.67%
12. Breweries & Distilleries ..	(1) 600	(1) 1,600	(1) 1,600	(1) 1,600	(1) 1,600	(1) 1,600	(1) 1,600	(1) 1,600			+ 166.66%
13. Total: ..	(867)	(901)	(882)	(850)	(827)	(837)	(823)	(834)			- 1.36%
All Companies ..	733,065	830,625	729,108	751,353	708,609	719,164	701,114	723,091			38

(Source: Annual Report of Joint Stock Companies at Work in India. Figures for 1943-44 onwards are provisional. Figures in brackets indicate number of companies. Item 13 is the grand total and includes companies not listed in this table.)

TABLE 'B'

**PERCENTAGE SHARE OF DIFFERENT BRANCHES  
OF FOREIGN INVESTMENT IN INDIA**

Description		Paid-up capital 1928-29 (£ 000)	Percentage of total paid-up capital	Paid-up capital (1945-46)	Per- centage of total paid-up capital
1. Banking, etc	..	156,189	21.3	186,068	25.7
2. Transport & Transit	..	73,533	10.002	77,640	10.7
3. Public Service Cos.	..	12,838	1.7	8,853	1.2
4. Chemical and Allied trades	..	22,286	3.04	17,320	2.3
5. Iron, Steel, Ship- building	..	47,431	6.4	50,465	6.9
6. Engineering	..	86,461	11.7	99,801	13.8
7. Agencies (including Ma- naging Agencies)	..	1,875	.2	3,190	.4
8. Miscellaneous Trading & Manufacturing Cos.	..	82,522	11.2	100,068	13.8
9. Mills & Presses	..	3,605	.4	4,080	.5
10. Planting Cos.	..	31,552	4.3	30,071	4.1
11. Mining & Quarrying	..	170,984	23.3	125,377	17.3
12. Breweries & Distil- leries	..	600	.08	1,600	.2

(Source: **Annual Report of Joint Stock Companies at Work in India.** The percentage figures have been calculated on the basis of the grand total shown in Item 13 in **Table A.** In this table, too, all classes of companies have not been included.)

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