

dollar areas, and must import less and less and less. Sir Stafford's "hold-the-line" policy for dollar imports still continues. Sometime later than September, the pressure on dollars might be eased a little by the recent arrangement whereby the Commonwealth countries cut their dollar imports by 25 per cent. But despite all that Britain's gold and reserves are bound to dwindle, unless something very helpful emerges from Washington.

The difficulties abroad are intensified by the amazing growth of anti-British propaganda both in America and Europe. Great Britain, who was the model for others to emulate, has suddenly become an Aunt Sally. Powerful interests like the Scripps-Howard and Hearst press have started a campaign of vilifying Britain, accusing her of not being sufficiently industrious, and of trying to make America pay for her grandiose social services. These distortions have started an equally bitter campaign on this side of the Atlantic. All this propaganda would not be of much consequence, had there been no plan behind it. Faced with the declining price-level at home, the reactionaries have timed this outburst, so as to synchronise with the Washington talks, and with the meeting of the IMF soon after. It is rather perplexing when one asks: What do they expect Britain to do? As *The Economist* pointed out sometime back, it is too silly for words to accuse Britain of not working hard, or to expect any party in power to have done other than what Labour has done subsequent to 1945, especially in international arrangements. It is equally true that both state responsibility for health, and full employment as an objective of policy have come to stay. Hence, Government ex-

penditure on these services cannot be cut, nor "therapeutic unemployment" enforced to bring down costs of production by reducing taxes or wages.

Thus the only tune left for the reactionaries is: "devalue the pound sterling". Now, in view of the scheduled meeting of the IMF, there may be, before the end of this year, a *reevaluation of all currencies*, including the dollar. There would be sense in asking for such a revision; it is almost three years since these exchange-rates were agreed upon and only a few currencies have been revalued since. But how much would the vested interests in America gain if only the pound sterling is devalued? Surely not enough to warrant the intensity of the attack on British Social-

ism and what not! It would thus appear that the only explanation is that which seems most naive—*viz.*, the realisation that in a buyers' market, Great Britain is the biggest rival for the U. S. A. and to be "easy" with dollar-aid would mean building up a rival faster than is healthy for the capitalists, especially when the prices are falling. It is the machinations of these pressure groups and vested interests that Sir Stafford and Mr. Bevin have to contend with. Probably, Mr. Acheson is on their side, even if Mr. Snyder is against. But they have this comforting thought: if it means a show-down, the whole country is behind them, solidly and in a mood to tolerate no nonsense from across the Atlantic or the English Channel.

Economic Factors in India's Foreign Policy

Girja Kumar, M.A.,

Indian Council of World Affairs

THE purpose of this article is to examine objectively the recent trends in our foreign relations in the light of the following factors:

1. The economics of our foreign relations;
2. Our association with the Commonwealth and its repercussions on the situation in South-East Asia;
3. The emergence of Communist China and the East-West cold war.

It has been frequently declared by our Prime Minister that India will not align herself with any particular group, power or bloc and that she will pursue a positive independent foreign policy

aimed at strengthening the forces of peace. The quite erroneous belief that we can follow such a foreign policy or that we have been following it, in fact, arises from our attempt to apply the principles of Gandhian philosophy in the field of external relations, without following them in our domestic economics.

Slowly, but surely, our foreign policy has been shifting its emphasis from seeking a moral basis for the ordering of world affairs to seeking economic and political advantages and alliances that savour of expediency. The decision to remain within the Commonwealth and the forthcoming visit of Pandit Nehru to

the U.S.A. are clear enough indications of the change.

Surely, it is pertinent to ask, what is a positive independent foreign policy? Pandit Nehru has described its advantages in one of his recent speeches in the following terms:

"By aligning with any particular group, we lose the tremendous vantage ground we have of using the influence that we possess—and that influence is growing—for the sake of world peace. Our main stake in world affairs is racial equality and to see that people who are subjugated should be free."

To say the least, this sentiment is very deceptive. It is well-known that the foreign policy of any country is an extension of its internal politics and of its economic policies. Our internal policies have been characterised by indecision and lack of planning. The fitful and ever-changing regulations of our foreign trade, resulting in the dissipation of our external resources are only one instance of the lack of a consistent economic policy. The improvident handling of our public finances is another. The cycle of price control, de-control of prices and re-imposition of control in food grains is a third. Such instances can be multiplied *ad nauseam*. Suffice it to say that our industrial and foreign trade policies and control muddle hardly supply the premises on which a sensible foreign policy can be built up.

A positive approach of neutrality to international relations demands as a pre-condition that the country which pursues it should possess the necessary economic resources and military

potential to reinforce it. Otherwise a so-called positive policy attempted by a country like India, of comparatively poor military strength, with a dependent economy and with the traditions and the marked bias of the party-in-power, will gradually lead her into one or another power bloc. The sheer force of circumstance—the signs are not wanting in the case of India—in spite of her moral resolve, will make it inevitable for her to resign herself to a state of belligerency in the event of war. Our disquieting economic situation is the villain of the piece in this respect.

It is a sad commentary on our economic policy that the country is getting deeper and deeper into deficit on foreign payments accounts. To tide over such difficulties, India had applied for a loan to the World Bank. Though a specialised agency of the United Nations, for all practical purposes the World Bank is an American affair because most of the funds at its disposal are subscribed by the U.S.A. The leader of the World Bank Mission to India frankly admitted in New Delhi that political factors were an important consideration in extending loans to member States.

Because of the tight corner she has got into in consequence of her muddled economic policies, India badly needs foreign aid today in the shape of foreign capital and investments. With China gone communist, India is the only stable factor in this part of the world as a bulwark against Communism. Thus we see that economic co-operation is "mutually advantageous to India and United States of America." Economics and strategy equate each other. That is why Dean

Acheson, U.S. Secretary for State, was emphatic in saying that President Truman had India also in mind while putting up the famous Point Four in his inaugural speech, in which he promised technical assistance and capital to help backward areas through their own efforts to produce the necessities of life and to ward off poverty and famine.

This was further corroborated by B. Rama Rau, Governor of the Reserve Bank of India in his speech, in which he made the following significant points: (1) In the interest of peace and progress in Asia and the world, India must collaborate with the U.S.A. and should not hesitate in getting financial assistance from that country. (2) India today is regarded as the leader of South-East Asia because of her geographical position, her great potentiality of raw materials, stability of her constitution, efficiency of her administrative machinery etc. etc. He added, however, that she would be reluctant to accept the responsibility of Asian leadership because of her pressing domestic problems. Our responsibility to grapple with our economic difficulties has forced us to seek foreign credit. But a foreign economic aid programme will naturally imply subservience in our foreign policy.

Can we stabilize our economy without recourse to credit from U.S.A. which is likely to have political strings, direct or implied, attached to it? We can, provided we adopt socialist planned economy which provides the only solution to our problems. A determined policy of controlled production, distribution and foreign trade in the context of a co-ordinated and planned eco-

onomy is the only conceivable way out, of the present impasse. If we do not follow it, we will also go the 'China Way'. It is only by evolving an economic organisation of this type, that we can effectively maintain our neutrality from international frictions and succeed in our efforts for the eradication of colonialism from South-East Asia. This will call for a positive policy of co-operation with new China.

For a determined economic policy alone cannot make it possible for us also to dispense with foreign credit. Without it, foreign aid will go down the drain the same way it did in China, and we would be repeating the same mistakes. 8300 million U.S. aid to China did not and could not save the Kuomintang regime. The major reason for the collapse of the Kuomintang was its failure to carry out land reform, which is the crux of the problem, not only in China but in all Asian countries.

One wrong step will lead us into another and thus on to the abyss. Our difficult economic situation compels us to go with a begging bowl to the international Monetary Fund and to the World Bank. As we have already stated, these are American institutions for all practical purposes. Dependence on foreign assistance makes it desirable for us to retain the Commonwealth link and directly embroils us in the East-West cold war. Probably we have been compelled by circumstances into association with the Commonwealth on account of our fear of Communist aggression. But unfortunately, the fear of communism has blinded us to the necessity of controlled economy and economic planning and has been bringing in its train—and

rapidly, too—those identical conditions in which communism thrives most and prospers.

It follows from our association with Great Britain that the actions of the colonial powers in south-east Asia have our implicit consent. Malaya and Indo-China are grim instances of this policy of *masterly inactivity* on our part. It was the logic of these events that made Dr. Keskar, our Deputy Minister for External Affairs, to say about the Bao Dai regime in Indo-China that "the present developments in Indo-China show clearly that the French Government is being obliged by events to cede power and that is a pleasant event."

The present colonial empires cut across the regional alignments, leaving a gap which they are trying to fill by toning down their policies. The Commonwealth has set a pattern for other colonial powers to follow. The political imperialism of the 19th century has given place to finance capitalism of the 20th Century. The treaty between the French authorities and ex-Emperor Bao Dai is itself an unashamed exposition of colonial policy of the French Union. It lays down:

1. That the independence of Vietnam has no limits other than those emanating from its membership of the French Union;
2. That the Vietnam will utilise preferably French Counsellors and technicians for its internal and economic organisation;
3. That the Vietnam will agree with the representatives of the French Republic on various special arrangements in the colonial, diplomatic, military eco-

nomical, financial and technical fields.

As a result of the revised colonial policy, semi-independent States have come into being in South-East Asia under the economic and strategic spheres of influence, direct or implied, of the metropolitan countries. Indonesia, Indo-China, Burma, Philippines etc. are all set in the same pattern; though the degree of dependence varies from one to another.

Thus we see that our decision to remain within the Commonwealth has been psychologically a very fateful decision. These regions of influence cut across the conception of Asian unity. It is clear from the proceedings of the United Nations that Asian countries are divided almost on all issues. Till now, Asian unity has remained a myth. An expanding and equitable economy, and co-operation between India and new China can still lead us out of this rut. On that basis alone can we visualize a politically independent and economically self-sufficient Asia.

The Economic Weekly

Devoted to

Current Economic and Political
Affairs

Published every Saturday.

Price: As. 8.

Annual Subscription Rs. 24/-

Post Free.

Six months Subscription Rs. 12/-
