

Our Delhi Letter

NEUTRALITY AND DOLLARS

SUBDUED but definite satisfaction is expressed here at the Indo-US financial and technical assistance agreement signed by the Prime Minister and Mr Chester Bowles on Saturday last. Though 50 million dollars is by no means a big amount, considering America's enormous resources and India's (lire needs, it is noted that the agreement, which is to run for five years, is a good beginning not only for solving the country's economic problems but in cementing Indo-American relations as writ. It is generally appreciated that the country needs foreign aid, particularly from the dollar area, if the serious deterioration in her economic conditions is to be arrested in time. Self-reliance is undoubtedly the best but the economic crisis in the country and the dearth of financial resources, both in our private and public sectors, are such that, foreign aid will make considerable difference in our economy in the immediate future. Public are well aware that America's generous food loan granted last year went a considerable way in reducing our food crisis and in making available to the Government foreign exchange to the tune of Rs 75 crores. Food position having turned worse (compared to the situation in November 1950 when India asked for the American wheat loan), the need for creating conditions favourable for the continuation of American aid has been keenly felt in responsible quarters.

The Indo-US Agreement signed last week creates a Technical Co-operation Fund of about Rs 50 crores (Rs 25 crores contributed by the United States and an equal amount by the Government of India) which is to be expended on projects intended to increase the efficiency of agriculture, step up food production and foster community development in about 30 areas (consisting of 30 villages each to cover a population of two lakhs). Article IT of the Agreement definitely indicates that American contribution to the development fund will increase in future.

While the aid received last year under the Point-Four Programme (1.2 million dollars) was mainly

for technical assistance, the present agreement covers purchase of capital goods as well from any part of the world.

The Agreement further provides that in addition to the contribution of \$50 million to the Indo-US Technical Co-operation Fund, the US Government will bear the expenses of all technical experts provided by them, as well as the tuition and other expenses of Indians whose training abroad is arranged by them. The US Government will also bear the cost of technical assistance provided by them through contract with private agencies. If the scope and extent of the aid is further enlarged, it is believed here, there is reason to hope that the Draft Five-Year Plan of the Government of India will not fail for want of foreign capital.

Critics are not wanting, however, who fear that this Indo-US Agreement might involve an undesirable compromise in our foreign policy and disrupt our trade relations with the countries belonging to the Soviet bloc. Are we not moving into the American orbit? They ask. It would appear that the apprehensions of these critics are unfounded and based on the old "Trojan Horse" theory of foreign capital. Under the agreement India, no doubt, comes closer to the United States. But if it is conceded that the economic distress of the masses can be alleviated only with foreign aid, this is inevitable. In fact India has already decided to woo foreign capital and invited foreign participation in economic development. This has been made clear by the agreements under the Colombo Plan, the loan agreements with the World Bank, the acceptance of Point-Four Aid and the Sterling Balances agreements with the United Kingdom. The Indo-US Agreement of January 5 is only one more added to the list.

Acceptance of foreign help cannot by itself be objectionable: in fact, after the World War II, more than ever before, every country with the sole exception of the United States and Soviet Russia has felt the necessity of going in for external aid in one form or other. India cannot possibly be an exception to this. Foreign capital is dangerous only if it has political

or military tags. As Mr Chester Bowles pointed out in his Press Conference here last Saturday, India did not ask for the money; the United States offered the aid in furtherance of her general policy of lighting hunger and poverty in undeveloped countries. The US Ambassador has categorically denied that the Agreement has any political strings attached to it.

True, it may be pointed out that no part of the US contribution to the Co-operation Fund can be spent on any project without the concurrence of the Director of Technical Co-operation working under the US Ambassador in India. There is nothing unusual in this since the development endeavour is conceived as a co-operative effort. Loans received from the World Bank, it should be added, can only be utilised for purposes in a manner approved by the Bank authorities. So long as decisions are not one-sided and are taken after mutual consultation, there can be no objection to the provision that the capital should have a say in the direction of expenditure.

I understand that the Fund is to be utilised for certain specified projects and will not come in the way of other development programmes. There is also the criticism that the Fund could be spent only in the United States and as such would operate as a diplomatic weapon to influence India. The answer to this is that the schemes to be financed by the Fund under the Agreement are well co-ordinated with other development schemes under the Colombo Plan, World Bank loans, etc., and that only such of the projects which are dependent on American capital goods or materials are likely to figure prominently in the expenditure under this Fund.

There are not a few who are suspicious of the provision in the preamble to the Agreement which says that the two Governments "agree to undertake such action as they may mutually agree upon to eliminate causes of international tension. . . ." Does this not mean that India will be required to toe the US line in the issues before the UNO? The suspicion is unfounded for it is well known that India as a member of the UNO and the Bretton Woods institutions has agreed to eliminate all causes of international tension. The preamble is nothing new or in any way significant.

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