

AMERICAN SHADOW OVER INDIA

L. NATARAJAN

With a foreword by Dr. J. C. Kumarappa

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FOREWORD

In centuries past every nation was at liberty to express its way of life and thought and its national culture. From time to time this freedom was interfered with by neighbouring chieftains who descended on prosperous people for the loot they could get. Their followers stayed behind, in some cases to found dynasties of their own.

Since the Industrial Revolution these personal ambitions have given way to organised exploitation of the weak. This is done by holding down the unwary in groups, in geographical units or as whole nations. The methods adopted have been termed variously according to their nature, but in effect they were all the same. It was to secure raw materials or labour for large-scale mechanised industries. This was a development over individual slavery, serfdom or feudalism.

Britain came to India with a feudal background and hence her relations with her colonies were characterised by a socio-economic order which took the form of political imperialism. This carried with it certain duties towards the subject nations even though exploitation was the ultimate purpose. This method laid the responsibility for good government on the so-called "Metropolitan Country".

A little later in the field came the Americans. They appeared on the scene with a tradition of slavery. Hence their mode of control of "undeveloped" countries took on a different colour to the British one. They are following a financial imperialism which is practically irresponsible for the welfare of those who come under its grip.

Further, at this time, there is an attempt to gather together the nations of the world under two prevailing ideologies of either private enterprise or for social justice.

In this struggle for proselytes the world is being divided into two competing groups. The U.S.A. stands for private enterprise based on private property leading to private profit while the U.S.S.R. advocates social justice based on the fundamental equality of man and the need therefore for equality in opportunities of life.

These two camps are splitting the world into two blocs. Russia is going about her work in a missionary spirit by practising what she preaches and demonstrating her theories by experiments and thus strives to gather adherents by convincing the neighbours.

The U.S.A. is proceeding on various plans to entrap the nations by guile, by compulsion, by coercion and financial entanglements. These methods are not calculated to liberate its victims but to carry on its nefarious purpose like the spider. The webs are woven so well and close that the victim hardly realises what is happening and all its struggles only make the end come sooner.

Unfortunately, people are far too busy today to halt and take note of what is taking place round them. The hurry and flurry of life hardly leave them any leisure to stand up and look at their surroundings and appraise the situation. Advantage is taken of this pressure of life to hasten the end.

For over a century and a half, the U.S.A. has been spreading her financial nets the world over. India was somewhat in a protected position because of British vested interests and jealousies. Of late, this protective fencing has been disbanded and India presents an open field of ruthless exploitation. It is sad that this should happen under the leadership of a patriot of the order of Nehru. The wiles of the Americans, who go about their work with the aid of modern psychology, are a little too much for the straightforward, simple, trusting statesman.

It is, therefore, all the more necessary for the man in the street to be well-informed of what is going on to entrap him. Hence it is a boon to India that full infor-

mation should be made available in a small compass, without much argumentation, with proper references and documentation. This little book is a mine of such information. The author has laid us under a deep debt for the pains he has taken to glean valuable material and place it at our disposal in so lucid a fashion. He traces the American machinations to get India within its financial web for over a century. It is a fascinating story and we may well be warned by the danger. If we do not avail ourselves of the timely warning we shall, before long, be overtaken by the tragedy that has befallen Korea. May we awake and beware before it is too late.

Maganvadi,
Wardha, M.P.

31st October 1952

J. C. KUMARAPPA

P R E F A C E

“South Asia is the most stable area that exists today in Asia, which includes countries oriented to the West, that co-operate generally with the West, that are aware of the internal problems of communism and are determined to defend themselves against aggression....

“In this area are 450 million people, one-fifth, approximately, of the people of the world, and about a third of the people in the free world....

“If we should ever lose these people to communism, if they should be added to the 800 million already under the control of communism, that would give communism the majority of the people in the world....

If one turns to the individual countries in this area, India, of course, looms largest, both in terms of size and population. India has 350 millions of people. It is the largest one country of the free world.... India is extremely important to the Western World, both from the standpoint of its people and its mineral and other material resources.”

—George C. McGhee, Assistant Secretary of State, before the Committee on Foreign Affairs of the U.S. House of Representatives, July 24, 1951.

“The key to Asia is now India. If India is lost, then all of Asia is lost. The smaller nations would not have the capacity to survive....

“America would then stand alone without allies. It might then be too late to win even a war.”

—Justice William O. Douglas in *Look* magazine August 14, 1951.

These two quotations from high American officials reveal the importance attached to India by the American Government. For Americans, India is no longer a British preserve which cannot be touched, nor a minor field of

activity. It is a focal point of American policy in Asia.

For us Indians, the United States is not just another foreign land, but a country which seriously affects the course of our destiny. Whether the United States is looked upon as a promise or as a menace, our relations with this powerful nation and its Government are of primary importance. Naturally, policy toward America is one of the most debated issues of the day in India.

The debate, however, is often limited to one or other of the immediate questions, or it is based on broad and general attitudes towards socialism or capitalism. From neither of the contending parties has emanated a serious study of the problem in its various aspects. This deficiency is certainly understandable. America as a political issue entered Indian consciousness only recently, although the impact was sudden and violent. Events are moving so fast that it is difficult to write a study that will not be out of date within months.

Fully aware of the difficulties, I have ventured to write this only in view of the crucial importance of the subject for our lives and those of our children.

The first two chapters deal briefly with a few facts of history which are relevant to the present debates. They are followed by more detailed analyses of the post-war economic, political and cultural relations between the two countries. Although this study deals primarily with India, some consideration was also given to Pakistan.

I have made an effort to steer clear of unproved accusations and counter-accusations, to present facts objectively, and to draw the inevitable conclusions from the point of view of our national interests. The collection of data has been a laborious process. But for the kind co-operation and help of many others, it would have been impossible. I wish to acknowledge in particular my debt to an American friend who has not only sent me clippings, official publications and other invaluable material, but has given much of his time and energy finding the

answers to my numerous questions. It is my great regret that he wishes to remain anonymous and cannot be named as the co-author. I wish to thank several of my friends in this country for their helpful comments and guidance. Finally, my thanks are due to the United States Information Service for its generous, if unwitting, co-operation.

L. NATARAJAN

Delhi,

June 15, 1952.

Crore : ten million .
Lakh : one hundred thousand

Approximate Exchange rate of United States dollar:

Before Devaluation : 3.1|3 Indian rupees

After Devaluation : 5 Indian rupees
: 3.1|3 Pakistan rupees

November 1952

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Chapter I

INDIAN-AMERICAN RELATIONS BEFORE WORLD WAR II

Indian-American Trade

As early as 1785, the United States established direct trade with India. An American ship, the *Grand Turk*, was sent that year on a voyage to Calcutta. Utilising the conflicts between British and French companies in the East, the newly-independent American merchants obtained concessions from both. Shortly after its establishment, the United States Federal Government took steps to develop this trade. The Tariff Act of 1791 levied protective duties favouring imports in American ships. Generous credits were granted for the India trade. By the Jay Treaty of 1794 with Britain, America formally obtained most-favoured-nation treatment in Indian trade. In 1800, twelve vessels loaded at Calcutta alone for Boston, and American imports from India were valued at about three million dollars.

Americans did a profitable illicit business carrying the illegal fortunes which East India Company servants had amassed, but could not transfer directly to England. During the Napoleonic wars, American merchants expanded their trade by supplying Indian commodities to the European continent, in violation of the Jay Treaty which allowed only direct India-America trade.

The import of Indian textiles and spices

“assisted in the establishment of various manufacturing industries, such as silk spinning and finishing, and the production of morocco leather, and ‘laid the foundation of those great fortunes which constitute the origin of the wealth of so many of the older New England families.’”¹

The trade had great prestige.

"An 'East-India merchant,' in ante-bellum Boston, possessed social *kudos* to which no cotton millionaire could pretend. . . . To have an office on India Wharf, Boston, or to live in the India Row that comprised the fine old square-built houses of many a seaport town, conferred distinction. Among sailors, the man who had made an East-India voyage took no back-wind from any one; and on Cape Cod it used to be said of a pretty, well-bred girl, 'She's good enough to marry an East-Indian Cap'n!'"²

After the Napoleonic wars, however, India trade lost its importance for America. It was useful in promoting accumulation of capital for local industry. But, without opportunities for plunder as the British enjoyed, simple trade was a constant drain. Although the trade was extremely profitable to individual merchants, America had little to export to India and was obliged to pay for imports in treasure.³ Protective duties were imposed on Indian textiles in 1816 to help the newly-established industry of New England. But for the export of lumber and ice from the United States, and smuggling by American merchants of Indian opium to China, American trade interest in India would have been unimportant after that year.

The end of the opium trade, followed by the American Civil War of 1861-65, reduced India-America trade to negligible proportions. At the same time, a new era opened for American industry. During the latter half of the century, American industry grew more rapidly than that of any other country. America soon appeared in the world trade arena as a serious competitor with enormous needs for raw materials for its industries, markets for its manufactures and opportunities for foreign investment. Following the example of the older big powers, America embarked on imperialistic adventures in the

Philippines and elsewhere. Senator Albert J. Beveridge boasted on April 27, 1898:

"American factories are making more than the American people can use. American soil is producing more than they can consume. Fate has written our policy for us: the trade of the world must and shall be ours. And we shall get it as our mother, England, has told us how. We will establish trading posts throughout the world as distributing points for American products. We will cover the ocean with our merchant marine. We will build a navy to the measure of our greatness."⁴

Up to the end of the nineteenth century, however, the United States was effectively kept out of the Indian market by British industrialists with the support of the British Government of India. In 1900, only 1.7 per cent of India's imports came from the United States. American officials complained:

"The United States is constantly and steadily increasing her importations from British India, but her exports show but little growth, and are much less in value than her imports from that country."⁵

Early in the twentieth century, Anglo-American competition in world trade became acute. This struggle took place on the soil of India as well, although Britain had its strongest hold here. Formally India followed the "open door" policy, but American trade was restricted by preferences given to British business, such as the regulation that government stores must be purchased in India or England. In spite of British resistance, however, the United States was able to increase its share in India's imports from 1.7 to 3.8 per cent between 1900 and 1911.

The first significant inroads by America took place in the native states. The Mysore and Baroda governments were especially friendly to Americans. The