



THE ROYAL BANK OF CANADA

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THE political composition of India is like the mysterious carved boxes which once came from the east to amuse the west. One box was carved inside another, and another inside that, and none could be extricated; they rattled around independently, though all were cut from the same block. India, an empire within an empire, has within itself principalities to which the attributes of sovereignty are attached. There are 562 Indian states, ranging from Hyderabad, with a population of 16 million, to little bodies politic no bigger than Canadian farms, each with its own ruler. Ninety per cent of the people are still country folk.

Uninformed or partisan statements have given a distorted image of India as a place of downtrodden humanity. As a matter of fact, India has been ahead in the world in many of the basic freedoms. There is complete religious liberty in India, and has been, by decree, since 1833. Only practices menacing human life, such as "thuggee" (a murder cult) and "suttee" (widow burning) have been suppressed by law. Women have the franchise in all of British India, and there are women members in all the legislatures. One, a sister of Nehru, has been a cabinet minister; another is a member of the national defence council.

It is important to Canadians to know the truth about India, because three out of four British or British-protected subjects are Indians; one of every five persons in the world is an Indian. Indian troops have fought alongside Canadian troops, and after the war Canadian-Indian trade will have increased significance. India's industrial production and potential development have assumed urgent meaning, and Canada cannot ignore a sister nation of 400 million people who are determined to raise themselves by industrialization from their backward pastoral condition.

Canada's useful area is about the same as the area of India, but India's population is $33\frac{1}{2}$ times as big as Canada's. The total British population of India

was 117,600 in 1931, and British civilians there do not exceed 50,000 today.

As early as the end of the 19th century British enterprise had given India far and away the greatest system of irrigation in the world. Today, more than 54 million acres of British India are watered by government works, and arid wilderness, growing only desert shrubs and inhabited by a few primitive nomads, has been transformed into fertile farm lands.

Just as spectacular in its way has been the rapid expansion of railways, which now have a capital investment of some \$2,500 million. Within a half century of the mutiny, more than 20,000 miles had been built, and today there are 41,000 miles (Canada has 43,000 miles and India's neighbor, China, only 8,000). These railways broke through the natural barriers which had isolated countless villages. Wheat, up to that time used only locally, became available to the world market, and soared from its purely barter value to the price on Liverpool or Winnipeg exchanges. These improvements did not mean the widespread change in the standard of living which might have been expected, because such progress as was made through industrialization, irrigation and development of railways, went hand in hand with a doubling of the population in 70 years. There, we are confronted with a paradox: the very improvement in conditions was a factor in their worsening. Formerly, increase in population was checked by recurrent, if not perpetual, famine and by plague. Science made it possible to avoid these scourges and to raise the standard of living, but it also worked toward an enormous increase in population, thereby reducing the individual benefit. Large areas have been bettered, but they are only specks in the mass that is India.

Aside from the little progress made toward industrialization, India has been a land of peasants, living dangerously close to the margin of subsistence. Some

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statisticians have figured that the average annual cash income of a farmer is \$3. The majority of Indians subsist on lentils and cereals. The average expectation of life in India in 1931 was only 26, compared with 61 in England. One fifth to one fourth of babies in India die before they are one year old, and nearly 45 per cent of them before they are 5 years old. India is, as James VI described the Kingdom of Fife, "a beggar's mantle fringed with gold".

To raise the standards of a country it is necessary not only to provide the technical means, but to inspire the individual with a desire for improvement of his condition, and human nature cannot be changed so readily as the face of the earth. The Indian labourer is a peasant at heart, and is likely, after being trained to factory work, to migrate back to his hovel on a farm. The same phenomenon has been encountered in every backward country. When ancestors have been living for centuries on handfulls of rice, when pain and privation and death are fatalistically accepted, it cannot be expected that this generation will suddenly grasp the opportunity to work steadily so as to have steak and onions, medical treatment, and prolonged life.

Nevertheless, some progress has been made. There are 700 unions, with half a million members. Industrial legislation started as early as 1881, and now there are acts limiting working hours to 54 a week, prohibiting children under 12 from working, and making provision for the protection of women employees. In labour welfare matters, India is ahead of both Japan and China. She has a seat on the Council of the International Labour Office, and an Indian was president in 1927. More than 50,000 men are being trained in a technical education scheme organized by the labour department.

The British administration has tackled the seemingly hopeless task of education with energy and imagination. The percentage of illiteracy is still high, but it is being steadily lowered through the good work of 170,000 primary schools, vocational schools, mission schools, and 19 universities. Adults are being educated through army training schools, agricultural colleges, hundreds of experimental farms, 100,000 agricultural co-operative societies, and radio broadcasting.

The British are faced in India with problems whose intricacies and difficulties are without parallel in the world. But, says one of the most recent United States commentators in the New York Times, "The British record in India as a whole has been efficient, honourable and just . . ."

India pays no subsidy and no taxes, direct or indirect, to Britain. The British economic interest in India consists, therefore, of: (1) the sterling debt of India; (2) British investments in commercial and industrial enterprises; (3) the pay and pensions of

British nationals now or formerly employed in India; (4) Britain's share in the trade of India. Let us see what these mean.

At the end of the last pre-war fiscal year the sterling debt was \$1,394,800,000, and the total annual interest was \$49,872,900. This debt has been largely repatriated, so that by the beginning of this year the sterling debt has been reduced to \$49 million, or slightly less than the interest formerly paid. With sterling balances still accumulating in the Reserve Bank of India through Britain's heavy purchases of war supplies, India will be free of external debt by the end of the war.

This sterling debt, by the way, was incurred in large part for the creation of such productive enterprises as the government-owned railways and the irrigation schemes. Surplus of receipts from these sources have so exceeded the interest on the debts as to more than cover the annual charges for the total debt of India. In other words, India has acquired by means of loans permanent assets that yield a return relieving the tax-payer of interest on debt. No other country in the world is in so favourable a position.

Industrial and commercial enterprises are steadily passing from British to Indian hands, and this trend is being encouraged by the British authorities. The latest estimate places the total remaining British investments at \$800 million. Considerably more British capital is invested in Brazil (\$1,040 million) and Argentina (\$2,000 million).

Of 1,500,000 persons employed by all the non-military government services in India, only 5,500 are British. Civil service salaries are not as princely as commonly supposed. A young man starts at \$150 a month, and may rise to \$700, these rates applying to Indians as well as Britishers.

The total in pensions would be about \$23.6 million, and about 50,000 British nationals are making a living in India.

As for Britain's share in India's trade, consider the cotton situation: before 1914 the Indian importation of Lancashire cotton goods averaged 2,550 million yards a year, but by 1939 it had dropped to 205 million. Other British exports have dropped proportionately. Since 1914, India's imports of British goods had been reduced from 63 per cent of her total imports to 30 per cent in 1938. Britain was, in 1938, buying more goods from India than she sold to her.

From the beginning of the war to the first half of 1943, Britain's contribution to India's defence expenditure amounted to \$2 billion, an amount greater than the total British economic stake in India. And this payment is in addition to Britain's free supply of war materials.

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It will be seen, then, that Britain's selfish interest in India is not great. Since 1921 India has been allowed fiscal autonomy, and since 1923 many Indian industries have been given tariff protection, including a 20 per cent ad valorem duty on imported British cotton piecegoods. The steel industry was assisted by a 33 1/3 per cent import duty on iron and steel goods. Under this policy, the industrialization of India has made substantial progress.

India has been offered full self-government after the war, without reservation by the British government as to India remaining a member of the British Commonwealth.

Meantime, India is in this war, just as she was in the previous one. All the states, which normally enjoy complete sovereignty in their own domains, have readily adopted the war measures introduced by the Central Government, including those affecting manpower, industry, commerce and finance.

The pre-war strength of the Indian army was 182,000; today there is a volunteer army of 2 million, and recruits are coming in at the rate of 60,000 a month. More than 300,000 members of the Indian army have been sent overseas. They have served with distinction in Africa, and five V.C.'s have been won, four of them by Indian officers. Personnel of the Royal Indian Navy has increased to more than 10 times pre-war strength. The air force had expanded 4 times by the beginning of 1941, almost entirely Indian, and has kept growing.

In war production, India is playing a large and increasing part. The central government spent \$34 million last year on purchases of war supplies from small industries, and war orders are now being placed at the rate of \$66 million a month. Among the scores of items being produced are: shells, guns, locomotives, rolling stock, railway tracks, training planes, chemicals, explosives, medical stores, armoured cars, carriers, lorries, tractors, tires, armour plate, and ships. India has supplied Russia with 80,000 surgical instruments.

The year 1942 will probably be regarded as one of the most remarkable in India's economic history. It was a period of unparalleled industrial development and of drastic changes in the composition and direction of foreign trade.

It is estimated that the number of industrial establishments in operation in India today is over 11,000, employing more than 2 million persons. This is not a large number for a country of 400 million people, but it is a decidedly new departure for this predominantly agricultural land. By November 1942, Indian industry had executed war orders to the value of \$1,319,100,000. The total of textiles for war use is

expected to reach \$570,000,000 by the end of this year. Indian industry is now supplying 90 per cent of the military equipment of the Indian army.

This expansion of Indian industry is bound to be of profound significance to the settlement of economic relations between India and other countries in the post-war period. Public opinion in India has a strong bias in favour of rapid industrialization, which has come to be regarded for generations as the only remedy for the poverty of the people. The post-war government will, then, press toward continued development of new industries.

The All-India Manufacturers Organization, a recently established counterpart of the Canadian Manufacturers Association, has just completed a census of large-scale industry in India for the year 1940. The data given is unofficial, and can only be accepted as generally representative of recent conditions in the larger units of India's more important industries (those having paid-up capital of \$1 million or more).

The number of large-scale industrial establishments in India in 1940 is estimated at 90, distributed among 12 different industries employing 305,800 workers. Capital investment is estimated at \$300 million. Electric undertakings, with a capital of \$75 million, lead all others in total investment, while capital investment per unit is highest in the iron and steel industry, with a figure of \$18 million.

The total value of production in these establishments is estimated at \$412 million. Almost half this figure is credited to cotton and jute mills, with values of \$105 million and \$94 million respectively, while output of the iron and steel industry is set at \$84 million. Individually, the iron and steel plants lead all others in respect of production with a value of \$26,000,000 per unit.

Net profits earned by these industries in 1940 are estimated at \$51 million. Of this amount, the large proportion of \$15 million is credited to the iron and steel industry, the next largest amounts being \$9 million earned by cotton mills, \$9 million by jute mills, and \$7 million by electric power companies.

Progress of the steel industry is one of the outstanding developments of the war. India has the largest deposits in the world of high-grade iron ore, and the industry now turns out sufficient high-speed tool steel for its own requirements and also for the manufacture of armoured fighting vehicles. The Tata plant at Jamshedpur is the largest in the British Empire, and is a wholly Indian enterprise, financed by Indian capital.

The output of India's cotton textile industry ran to 4,456 million yards in 1941-42. In addition, handlooms turn out another 2 billion yards. Two million woollen blankets have been supplied by the hand-

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loom industry alone. Over 10 million army garments are produced monthly, as compared with 200,000 at the outset of war. The production of army boots reached 4 million pairs in 1942. Five million pith helmets and 1,200,000 sets of web equipment are turned out in a year.

The only record of Canadian participation in supply of machinery and equipment to textile plants is the sale of knitting-machine needles and a small quantity of bobbins. Most of the textile machinery reaches India from the United Kingdom. Mr. Paul Sykes, Canadian Trade Commissioner at Bombay, is of the opinion that Canadian manufacturers might be able to increase both the variety and quantity of textile processing exports to India.

The Aluminium Production Company of India Ltd., an associate of the Aluminum Co. of Canada, Ltd., announced early this year that its plant in Travancore State is producing virgin aluminum for the first time in Indian history. The growth of this industry is typical of current trends. It involves the development of extensive resources of raw material and the production of goods that are in wide demand in one of the world's greatest markets. This new industry will henceforth supplant Canada and other countries as sources of supply of many of the raw-material requirements of local aluminum rolling mills.

India is not believed to have much gold, though the country's mineral resources have never been fully explored. Average output during the past ten years has been only about 300,000 ounces. (Canadian gold production, for comparison, averaged 3,900,000 ounces a year in the same period, and in 1940 reached 5,300,000 ounces).

Coal, of which India's reserves amount to 76 billion tons, is of low grade. Production is now at the rate of 25 million tons a year.

Since the beginning of the century, India has shared with Russia the distinction of the world's chief producer of manganese, necessary to harden steel. India is the world's leading supplier of magnesite and ilmenite, and has large chrome reserves. High quality sulphur has been discovered recently in great quantities. Mica, essential for electrical equipment, is supplied by India to the extent of 80 per cent of the world's output. She also produces lead, brass, antimony and zinc.

Paper manufacture, mainly from bamboo pulp, is only at the beginning of its possibilities, with an annual output of \$2 million. Glass, soap, and acids hold out promise of great post-war development, on the basis of present already large production. India is the

world's largest producer of hides and skins, about half of which are now tanned in the country. Other industries which are forging ahead are the manufacture of cigarettes, electric bulbs, paint, insulators, and films.

India's most serious deficiency is of petroleum, but this, and the shortage of high-grade coal, are compensated by hydro-electric power potentialities, estimated at 40 million horse power out of a world total of 300 million. Only about 500,000 horsepower has yet been harnessed.

The British have encouraged agriculture, with the result that in rice and tea production India is second only to China; as much wheat is grown as in Canada, more cane sugar than in any other country, cotton next to the U.S.A., and half the world crop of peanuts. India has a virtual world monopoly of jute and of lac, the resin from which are evolved gramophone records, varnishes, etc.

Canada's favourable balance of trade with India, which was recorded for the first time in 1941-42, underwent a large expansion in 1942-43, when the balance was almost seven times as great as during the previous year. There has, of course, been a tremendous increase in Canada's trade with this pivotal defence centre of the east since war started. In 1939 exports to India totalled \$5,396,000; this year they will reach \$126 million. Imports from India in 1939 were \$10,358,000; this year they will amount to \$16 million. According to official Indian sources, Canada stood fifth among all sources of India's imports during 1942-43.

Canadian goods imported into India continue to be made up, for the most part, of motor vehicles and parts, metals in various forms, tea-chest materials, newsprint, calcium carbide, acetic acid, and a number of other materials for the services or essential Indian industries. The trade in all types of foodstuffs and other consumer goods, which made up a substantial proportion of pre-war trade values, has disappeared completely, except for some shipments for exclusive use of the services.

Indian trade to the Canadian market continues to include tea and gunny cloth as its principal components. Other items included chrome ore, peanut oil, castor oil, various coir products, shellac, and skins.

Out of this survey there emerges the plain fact that India is on the march industrially and commercially. In the immediate post-war years she will require help through the investment of skill and enterprise. If an alert Canada participates to her fullest possibilities, then East and West can march together to a prosperity neither has yet achieved.