# FOREIGN PRIVATE CAPITAL

As early as in 1948, Jawaharlal Nehru, the Prime Minister of India, had guaranteed foreign capital that there would be no nationalisation of foreign capital. We have noted that *"full freedom for foreign capital"* was the declared policy of the Government.

In the post - Second World War period, with the changed correlation of forces, imperialism adopted the dubious course of *'invisible'* control of the economy of the ex-colonial countries - not in the form of direct colonial possession but in the form of invasion by capital in various disguises, such as loans, grants, and private capital investments. Therefore, to study concretely the penetration and growth of imperialist monopoly capital is an important necessity and duty of all nationalists and revolutionaries, to understand the grip of foreign finance capital over the economic and political development of the country.

Lenin long ago had said :

> *"Finance capital is such a great, it may be said such a decisive force in all economic and international relations, that it is capable of subordinating to itself, and actually does subordinate to itself, even States enjoying complete political independence".*
>
> He had also analysed and proved that *"there are also a variety of forms of dependence : countries which are politically independent, but which are in fact enmeshed in a net of financial and diplomatic dependence".*

Ranade's views on the economic consequences of foreign domination were pronounced : *"The political domination of one country by another attracts far more attention than the more formidable, though unfelt, domination which the capital, enterprise, and skill of one country exercise over the trade and manufactures of another. The latter domination has an insidious effect which paralises the springs of all the various activities which together make up the life of a nation."* ("Growth of Industries in India", Page 87).

When imperialism finds that it is not able to continue both its political and economic subjugation in the form of direct



*'colonisation'* because of the growing opposition of all classes of people, it has always adopted new forms of subjugation. India is no exception.

Direct investments by private foreign monopoly is one of the major means of imperialist penetration. It is now my intention to lay bare the penetration of foreign private capital into our economy and its relation to the organised production sector of our economy. It is unfortunate that a strong tendency has grown towards underestimating the growth and octopus grip of foreign finance capital over our production system.

There are certain limitations to this study. As Kidron in a penetrating analysis in his well-known treatise on "Foreign Investments in India" remarks : *"Since Independence, the out put of official statistics has grown tremendously, yet it remains difficult to map the contours of foreign investments .... official statistics contradict each other. Mostly, however, the difficulty arises from government policy which normally permits foreign investment 'national treatment' in statistics as well as in law. With few exceptions, they are indistinguishable from purely Indian investments ..... the identity of individual investors and firms is effectively concealed."* (Page 185)

The official data *"do not include banking capital"*, capital engaged in construction; or growing investments in patents and similar claims to royalty payments. They do include funds owned, but not controlled from abroad, and private loans.

> *"The computation itself is not free from ambiguities, nor is it adequate to assess the full weight of foreign investments in the economy. To do this one would need to measure the value of the total assets employed by foreign controlled companies. One such estimate for 1953 showed total foreign-controlled assets as something more than twice the Reserve Bank's figure for foreign investments. Since then, official data have become less detailed and preclude a fully independent estimate; but if some of the crucial economic relationships can be assumed to have remained relatively stable in the intervening seven years, total written down foreign controlled assets in 1961 might be something over Rs. 1,400 crores".* (Page 186)

R. Palme Dutt, in his "Crisis of Britain and British Empire", writing about the increasingly active steps being taken by United States capital for the penetrating India, notes that *"U.S. capital investment is often concealed behind nominal French, Belgian, or also Indian ownership so that the official returns fall short of revealing the true position."* (Page 167)

Economic Times, which reviewed foreign collaborations in India between 1957 and 1962, had to admit that : *"while it is abundantly clear that India's reliance on foreign private investments and technical collaboration is playing an increasingly significant role in the industrialisation of the country, complete information is not available for judging the magnitude of finances which have become available in this form".* ("Directory of Foreign Collaborations in India", Volume I, Section 2, p 5). In its third survey of foreign collaborations, the same paper had to remark that : *"unfortunately, published information with regard to the agreements concluded with foreign companies is somewhat scanty. The withholding of details of agreements from the share holders and research scholars appears to be somewhat unjustified."* ("Directory", Volume I, Section 2, Page 30).

This nefarious attitude of the Government, of trying to hide from the public the imperialist exploitation of India, is no surprise to the revolutionaries. It only goes to show that subservience of this Government to foreign monopoly.

The Government of India has been particularly sensitive to the needs of foreign monopolists and to their subservient collaborationists in India. To clear the decks for their successful penetration, a series of steps have been consistently taken for establishing a suitable climate as per their needs and requests. According to P. J. Eldrige ("Politics of Foreign Aid in India" Page 154) *"India has stage by stage improved the prospects for foreign capital .... and has established a climate."*

Even the Industrial Policy Resolution passed by the parliament in 1956, at the time of the inauguration of the second plan, has been given a go-by. Exceptions from Schedule A and B have been common. Exceptions in the case of oil exploration, steel forgings, fertilisers, mining, and many other spheres, have been readily made to accommodate foreign interests. Even public sector industries have opened their gates wide for foreign capital,



especially in the petroleum industry.

Another important factor in establishing a favourable atmosphere has been the establishment of various financial institutions by the Government of India – Industrial Finance Corporation of India, Industrial Credit and Investment Corporation of India, the State Financial Corporations, and even such institutions as the Life Insurance Corporation which have been helping with finance in establishing quite a number of major foreign controlled industries in India, such as NOCIL and ICI - controlled fertiliser factory at Kanpur.

As Kidron says : *"Foreign firms are also previleged, by and large in gaining access to cheap finance. They naturally benefit from the bias shown by almost all leading institutions towards big, established, borrowers. In addition, they almost all have access to special loan funds set up or supported by their Home Governments to encourage exports. These include the Export Credits Guarantee Department and the Common Wealth Deveopment Finance Company in Britain, the Export Import Bank and the Development Loan Fund in the U.S., the Kreditanstalt Fur Wiederanfban, Hermes Versicherung AG, and Deutsche Revision Und Treuhand AG of West Germany, the Compagnie d' Assurance pour la Commerce Exterieur in France, and similar institutions in almost every capital exporting country. Although geared primarily to fostering home country exports, they are often involved in medium to long-term investments financing abroad with heavy accent on their own national's undertakings."* (Page 231).

In the process of attracting foreign capital, an Indian Investment Centre was established in Delhi, New York, and Dusseldorf, with the blessings and active co-operation of the Indian Government, to act as an Information Centre for both foreign and Indian businessmen, to establish contacts between them, and to function as an advisory body, whose functions, in the words of P.J. Eldrige, are more in the nature of a *'marriage bureau'*

(Page 154).

Over a number of years, the Indian Government has offered an increasing number of specific incentives to foreign investors, such as a variety of tax concessions. Assurances have been given with regard to nationalisation and repatriation of capital and dividends. Since the Government considers that foreign

investments are an important factor in the schemes of economic development, it has been granting them all the facilities that indigenous capital at present enjoys.

During this period, taxation on the people has been increased – first in the name of the development of the country and fulfilment of the Five Year Plans, and later in the name of the defence of the country. On neither counts, was foreign capital taxed. On the other hand, greater concessions for higher and quicker production were allowed to them.

The following are only a few of the tax concessions given to the corporate sector to satisfy the investing foreign capital :

**(1) TAX HOLIDAY :** Profits of a new industrial undertaking are exempt from tax upto 6 per cent of capital employed for a period of five years. The dividends declared by such undertakings out of the exempt profits are also exempt from tax to the share-holders, who receive them.

**(2) DEVELOPMENT REBATE :** Equal to 20 per cent of the cost of the plant and machinery allowed as a deduction from the taxable income in the year of installation, in addition to depreciation allowances.

**(3) TAX-FREE LOANS :** Interest on loans obtained from approved foreign institutions or amounts borrowed or debts incurred abroad for import of capital equipment.

**(4) CARRY FORWARD OF LOSSES AND ALLOWANCES :** If the profits of an enterprise in a year are not sufficient to absorb depreciation allowances due for that year, the unabsorbed depreciation is available for deduction from profits of the succeeding years for an unlimited period. Similarly, unabsorbed development rebate and business losses are available for carry-forward and deduction against profits for succeeding eight years.

**(5) EXPENDITURE ON SCIENTIFIC RESEARCH :** In the computation of business profits, capital expenditure incurred on scientific research related to the business is allowed to be spread over five years and charged to the revenue, in addition to current expenditure, which is allowed in full.

**(6) ROYALTIES :** Received from an Indian concern by a foreign company in pursuance of an agreement made with it on or after April 1, 1961, are charged to super-tax at a concessional rate of 50 per cent as against 63 per cent in the case of other incomes.



**(7) TECHNICAL PERSONNEL :** By an amendment to the finance Act 1961, newly-recruited foreign technicians are exempted from the income-tax on the renumeration made to them for the first 36 months of their stay in India. If, for a further period not exceeding 24 months, the tax in respect of his salary is paid by the employer, such tax shall not be treated as part of the technician's total incomes.

**(8)** The value of the periodical home leave passages, provided to the employees of foreign nationality, is excluded from their taxable income.

**(9)** Definite efforts have been made to remove one major barrier to foreign investment - viz, the time consuming nature of the licensing procedure.

*"From the foregoing account, it would appear that India is serious in her declared policy of attracting foreign capital ..... It is also clear that, in recent years, efforts to attract foreign capital have been intensified by a great variety of means. Over a period of time, as India has honoured assurances which earlier may have appeared somewhat prefunctory,* **an atmosphere of political if not market confidence has been established."**

("Politics of Foreign Aid", Page 155)

## Soviet Role in Foreign Private Capital's Penetration into India

Soviet Russia's role in India has an important influence in India's development. At one stage, Western financial circles were suspicious of the Soviet Union's role in India. But, as it became more and more clear that central to Russian foreign policy – then as now - stands political and material support for India's regime as at present constituted, (Kidron, Page 119) Western financial circles felt confident that aid from Russia was only to augment and not supplant that from the West.

This aspect of Russian foreign policy, of maintaining **status quo,** was clearly explained by Kidron in the following manner :

*"Most of it (Eastern Bloc countries' aid) found its*

*way to the publi csector, as indeed most Western aid, but some went to strengthening individual, privately owned firms .... the first Russian credit was granted in the private sector to Hindustan Gas Company, Hindustan Files, Calcutta, a subsidiary, received Russian technical aid (Tariff Commission on Steel Files Industry, 1960), a private textile machinery plant was reported to be getting Russian help* (Capital, October 19, 1962); *abortive though they proved; negotiations were begun for Russia's aid in producing lorries in the private sector* (Capital, June 1, 1961).

Other East European countries had entered into 70 collaboration agreements with privately-owned firms by the end of 1964; East Germany – 38, Czechoslovakia and Poland – 14 each, Hungary – 9, and Yugoslavia – 5 (*Indian Investment Centre data,* reproduced, in the All India Seminar, on Foreign Collaboration; factual background papers). In addition Hungary has been reported willing to set up an aluminium plant in the private sector first in Kerala, then at Koyna, Maharashtra. (Page 116)

Thus *"Support for* **status quo** *was made abundantly clear, clearer than the Indian Government could have hoped for in their wildest dreams"* (Kidron, Page 116)

Thus the revisionist policy of the Russian Government was an incentive to the Government of India to give greater and greater concessions to foreign monopolies in the private sector.

## Controlling Interest

Having presented the foreign private capital the most salubrious atmosphere they have been demanding, the Government has been deceiving the people with the facile argument that generally the foreign investor is a minority share-holder and that the national interests are safe-guarded thereby. Everyone who has a basic knowledge of the functioning of the corporate sector knows that this is a false assertion. The 49 per cent rule is in practice not very meaningful. *"It is now universally recognised that the holding of a foreign collaborator in an Indian company rarely exceeds 40 per cent. In effect, any holding exceeding 25 per cent gives the foreign collaborator substantial control over the company's affairs, by enabling them to veto any special resolution of the company in a general meeting. It is well known that special*



*resolutions are required to be passed for certain important corporate decisions. The average foreign holding is between 40 and 49 per cent. By virtue of most foreign collaboration agreements, a foreign company is given more rights than are legally available by virtue of minority holding. It is quite usual for the foreign collaborator, though holding less than 50 per cent of the equity capital, to have the right to nominate half of the total strength of the board of directors. Sometimes, it is provided that the managing director should be the nominee of the foreign collaborator. At other times it is provided that technical matters relating to production and sales should be left in the hands of a director or an officer nominated by the foreign collaborator."*

("Directory of Foreign Collaborations in India", Volume I, Section 3, Page 8).

Even P.J. Eldrige, in his book "Politics of Foreign Aid in India" is of the same opinion. He says : *"the 49 per cent rule is in practice not very meaningful. (The R. B. I. officially regards 40 per cent as controlling interest). Control may be exercised through various means by a nominally minority partner. A majority of voting shares may be held, or through a diffusion of Indian ownership which secure that at least a small number of Indian share-holders are aquiescent to foreign control. The foreign partner may retain control over key managerial posts, and exert influence through licences, patents, provision of technical knowhow. It must also be remembered that the provision of foreign exchange is a crucial factor for any enterprise in India, giving the foreign partner an outstanding advantage, whatever be his mominal stake."* (Page 151). He, in further analysing this factor, has explained why German investors give special emphasis on German technical and managerial services.

*"Analysis of Indo-German collaboration projects reveals a strong emphasis on German technical and managerial services, training of Indians on formally agreed lines",* etc. It is because of the *"realisation that control of technical and managerial aspects* **will give effective control of an enterprise,** *atleast for an initial period, even where only minor capital is held .... It must be assumed that it has special importance in her eyes." "This factor will play an important part in the calculations of all foreign investors, but the German viewpoint seems to display a special cynicism towards ventures which cannot be controlled by Germans, and therefore this*

*emphasis can presumably be regarded in the form of an insurance policy on their part."* ("Politics of Foreign Aid", Page 158).

Therefore, it is very difficult to draw a line of demarcation between foreign-controlled industries. As Kidron says, *"there are three major difficulties in drawing the contours of foreign control over Indian industries. One lies in the nature of official published data and in particular the complete absence of central satistics relating to inidvidual firms; the degree to which ownership is held abroad; output; capital or labour employed; the relevance of capacity ratings to performance; and so on. The second is the rapidity with which the industrial scene is changing. The third lies in the nature of control and influence : to take a-40 per cent share in the equity of a firm as threshold of control, as is done here in conformity with the Reserve Bank practice, is arbitrary enough. It becomes intolerably rigid when a firm has large non-controlling interests in complementary units in an industry - as is the case with Parsons and Wittmore, the paper group for example; or when a controlling interest in one part of an industry is coupled with consultancy interest elsewhere - as in the case of AEI or Philips; or when the holder of a minority interest is an industrial giant, very much larger than its majority partners - as happens again and again in India."*

(Page : 188)

For example : The managing director of the Metal Box Co. of India (a foreign subsidiary in India) Mr. H.K.S. Lindsay has this to say : *"Minority participation does not appear to have prevented the foreign partner exercising a substantial degree of control in technical and operational matters, in several important cases ..... Most of the matters that affect the affairs of the company require 3/4ths majority vote because of which several foreign investors have found it unnecessary to take more than 26 per cent of the share in the equity."* (Kidron, Page 287)

*"In one case - that of Biosynth Ltd. – the Tariff Commission found the company so tied to its foreign associates for raw materials and proprietary processes that no benefits whatever could accrue to it, although it was found to be whooly Indian-owned."* (Kidron, Page. 287).

Thus collaboration is one way of comouflaging the real power and domination of foreign finance capital adopted by the foreign financial sharks with the active co-operation and blessings



of the Government of India.

Apart from government policy, foreign investors themselves are in favour of collaboration. They find that purely foreign firms, excluding Indian business, are not always in their interest. Apart from the government policy, there are many reasons why foreign investors should favour collaboration agreements. Above all, the political need exists to obtain national status and national treatment. Local associates, with knowledge of and powerful and close contacts with the machinery and personnel of key government agencies, are essential to get quick and favourable co-operation. Collaboration provides a method of tying Indian industry to a particular brand of imports - providing the foreign collaborator with disguised exports at exorbitant prices : *"with often only small investment commitment consisting of a limited supply of equipment"*, it provides a convenient method of effecting disguised exports of semi-finished products and technical services. As the Kipping Report to British Industrialists points out, the Indian market has an enormous growth potential. The Indian market can be held only by investments - rather than by exports. Capital investment is the only effective means for the overseas firms to get through the tariff barrier for capturing the Indian market.

Foreign collaboration has spread to all industries in India. Because of the patent laws in existence, repetitive import of foreign knowhow is inevitable. The repetitive import of foreign knowhow has already become a scandal. Even the scooter factory which the government proposes to establish has to look for a suitable foreign collaborator since the existing technical knowhow cannot be made use of. Such cases of repetitive import of technical knowhow are innumerable. A few examples would show how completely dependent we are on foreign collaboration even in 1971. The following news item from the Statesman, December 3, 1970, reveals the nature of the subservient bourgeoisie prostrating itself before foreign capital without shame.

"Notwithstanding the government's policy of avoiding foreign collaboration in fields in which knowhow is available in this country, several such instances have been given approval in the list of proposals cleared during the quarter, July to September.

"Prominent among these collaborations is with a *Danish firm for producing beer;*

"With a *Uganda firm for producing snake-type chains;*

"With a *West German firm for making dry-cell batteries;* and *another for making cutting knives".*

"A proposal for making *golf balls* in collaboration with a British firm has also been approved. There is no knowhow in the country for this, but another old collaboration proposal which has got clearance for making improved quality of *duplicating stencils and carbon papers".*

"Most of these have attached to them *an export commitment*, the value of which is expected over a period of time to more than compensate for the value of imported machinery and equipment; *in addition to availability for sale within the country".*

"The quarterly list of proposals approved *demonstrates clearly that foreign collaboration is not dropping*, whatever may be said about the investment climate in the country, *foreign companies are not shy of putting* capital in India".

"Among the proposals approved are those for *gent's watches* with a Czechoslovakian company and HMT's collaboration with Japanese company for manufacture of *automatic watches*, other items include *steam turbines, tractors, special steels, cranes, air-rifles, three-wheeled vehicles, and a fertiliser project."* (Statesman, December 3, 1970)

The report of the Industrial Licensing Policy Enquiry Committee records that, in the manufacture of electric motors, nine Indian companies have technical collaboration arrangements with foreign firms. In the case of P.V.C. cables there are 26 cases, four of these with the same British firm. One Dutch firm has collaboration with three Indian firms for the manufacture of tubes and flourescent lamps. About 23 Indian companies have collaboration for the manufacture of switch-gears.

The latest interest of foreign collaborators, seems to have been centered in the capture of all the important heights of the hotels industry. India cannot progress towards the establishment of socialist pattern of society unless hotels are financially and technically handed over to foreign finance. The following interesting developments in regard to the hotels industry reveals deceptive double-talk by the Indian bourgeoisie and its government.



## Hotel Industry and Foreign Collaboration

(1) B. K. Hotels Private Ltd. will put up its hotel in *collaboration with the Holiday Inn of America* – in the city of Jaipur.

(2) *Indian Hotels Company Ltd*, which till 1965 owned two hotels, Taj Mahal and Green's Hotel (the latter was demolished in 1965) has taken up two major projects involving a modernisation of Taj and construction of a new building of 22 stories. It has already entered *into a collaboration with Intercontinental Hotel Corporation of the U.S.A.* for necessary technical knowhow. The total outlay is estimated at Rs. 6.30 crores which will be met mainly through term loans of Rs. 4.26 crores.

(3) *East India Hotels Ltd.* (Oborois) has entered into a collaboration agreement with *Sheraton International Incorporated of Bostan, New york*, for setting up its hotel in Bombay. The foreign collaborators will render technical assistance for setting up the hotel and will invest in the company's capital. Out of the issued capital of Rs. 186.79 lakhs equity shares, Rs. 59.25 lakhs have been reserved for the foreign collaborators. The project is estimated to cost Rs. 6.52 crores ; *U.S.A.I.D. would finance through a loan of Rs. 4.35 crores.*

(4) *Metropolitan Hotels Ltd.* has collaboration arrangements with *Hilton International Company, N.Y.*, to construct 'Bombay Hilton Hotel'. The project cost is put at Rs. 6.59 crores. Of the equity capital of Rs. 1.80 crores, the Indian promoters are to subscribe Rs. 84 lakhs, Hilton International Rs. 36 lakhs. *The borrowings are to be from U.S.A.I.D. funds*, loans from Indian financial institutions including foreign exchange loans from the government and ICICI.

Thus, even such industries as do not need any sophisticated technical know-how or any foreign exchange, such as the hotel industry, too, has been allowed to go into the hands of foreign monopoly capital.

It is necessary for us to examine one more example to understand how even the smallest industry such as the garments industry - to manufacture shirts and sell them has been dominated by foreign monopolies.

**GARMENT INDUSTRY :** The readymade garments industry, producing mainly men's shirts, which are dominated by the small

scale manufacturers in the immediate post-war period, has passed into the hands of large scale manufacturers – mostly with foreign collaboration. *"Of the estimated Rs. 12 crores worth of readymade shirts 8 large scale units under such powerful brand names as Liberty, Armour, Aristo, Binnys – accounts for Rs. 10 crores, while 30 small manufacturers share an annual market of Rs. 2 crores."*

*"The market for high-period shirts has now attracted a nineth large scale unit* – **Hindustan Garments Limited** – *sponsored by Gokul Chand Narana Group"* **in collaboration with Van Hensen of West Germany,** with a turnover of Rs. 1.30 crores per year. The company has established a garment factory of Rs. 45 lakhs with a capacity of 3000 shirts a day and eight large scale manufacturers at present make an estimated 8000 shirts a day. Hindustan Garments will export 10% of its annual output.

Thus new names are paraded for old commodities. This is a well known tricks of market mechanism to deceive the people, even if it be only temporary, for the sale of its products at fancy prices. Being an agent of foreign capital and its subservient comprador bourgeoisie, the government of India has come forward with a new name, joint sector. What is this joint sector? Does it mean that the Indian bourgeoisie are joint partners of equal stature. Let us look at facts again. The country was informed that the Birlas – the friends of the Mahatma, the financiers of the National Congress, the famed nationalist industrialist of the country probably closest to the ruling party - were given a green signal to establish a fertiliser factory at Goa. How much Indian is thus Indian factory known as Birla (!!) fertiliser factory at Goa?

A glance at the capital structure of this factory reveals the treacherous anti-national character of the joint-sector concept recently propounded.

### BIRLA'S (!!) FERTILISER FACTORY AT GOA

The promoters of this factory had secured loan assistance from private banks in America, Mitsui Bank in Japan, and the International Finance Corporation. They had also secured Rs. 18.51 crores from the *'Cooley Fund'*. Owing to the need for more rupee funds, the Government had agreed to the drawal of another Rs. 3.1 crores from the Cooley fund by the promoters.



There is loan assistance from public financial institutions in India, but financial institutions like L.I.C. have agreed to underwrite about Rs. 6.71 crores for the project.

The foreign share holding in the company will be 65 per cent including 19 per cent of the IFC. Eight companies belonging to the Birla group are investing Rs. 178.50 lakhs in the equity shares.

Long-term loans from the Agency for International Development, the International Finance Corporation, and the U.S. institutional lenders, will be Rs. 39.02 crores.

The capital outlay on the project is estimated to be Rs. 56.55 crores.

**TABLE : 7.1**

| | *Rs. crores* |
|---|---|
| Share capital | 16.55 |
| Loans foreign | 39.02 |
| Subordinate loans to be provided by U.S. Steel Corporation, and Pilani Investment Corporation | 0.98 |
| Total | 56.55 |

This is totally a foreign-owned project under the deceptive name of *'joint sector'*. Foreign share-holding will be nearly Rs. 10 crores. Foreign loans amount to Rs. 39.02 crores. With nearly Rs. 49 crores out of Rs. 56.55 crores of the total capital outlay in foreign hands, except for the public relations purposes this can be neither a joint-sector nor Birla Project.

This policy of the joint sector is not limited to collaboration between foreign private and Indian private capital. It has also been successfully implemented by the Government of India in the so-called public sector, helping the foreign companies loot the country lock, stock and barrel. The so-called joint enterprises in the public sector have become a strong base for foreign private capital to expropriate super-profits in various forms. A single example, of the oil industry in the so-called public sector, will be

enough to understand the excellent climate created for foreign capital in India.

## Public Sector and Foreign Companies

The three public sector refineries at Cochin, Madras and Haldia have provided the foreign oil companies *"extra-ordinary incentives and concessions"* according to the Shantilal Shah Committee. The result has been that the country has been paying in excess some tens of crores of rupees every year for **import of crude oil** over and above the international prices. The committee had reported that the **Madras refinery** had been paying a contracted price of 1.35 $ a barrel, when the international price is as little as 1.17 $ per barrel (Economic Times, May 13, 1970).

The committee reports (Economic Times) that *'the* Haldia agreement, *signed in September 1969 provides for the supply of 9 million tons of light Iranian crude at a not f.o.b. price of 1.39 dollars per barrel" and the agreement is worded in such a way that the government delegation sent to Iran last month in an effort to get a reduction in price in consonance with international prices had to return home without any agreement,* (Economic Times, May 13, 1970).

The committee is also not happy about the revised agreement with Philips Petroleum which provides for the expansion of the Cochin refinery's capacity to 3.5 million tonnes,. The modified agreement contains such extraordinary incentives and concessions to Philips that it **"provides 10 per cent return** *on Philips share-holding, regardless of an increase in processing cost at the refinery and* **free of income-tax,** *variations in dollar and rupee exchange rate, and variations in ex-refinery prices. The guaranteed net average dividend is payable in foreign currency although the income is earned in India."*

It is clear that, even if the refinery were to work at a loss, the foreign partner will have to be provided a minimum 10 per cent dividend on his investment and that, too, free of income tax. The concessions in the agreement go further. "Even the variations in the rates of non-recoverable dues and *any new taxes, and duties other than income-tax which the Government impose hereafter, will not have a bearing* on the maximum payment to be made by the Government in any particular year to make up the shortfall, if any, in the average net dividend payable to Philips." The committee comments that the stipulation places Philips outside the pale of taxation.



All stipulations put together, the concessions and incentives given to the oil companies pose the question of whether these international gangsters, under the innocuous nomenclature of *'companies'* are not super governments over and above the Government of India. And yet, the ruling class, which has mortgaged this nation to every Tom, Dick and Harry of international finance, wants us to believe and proclaim that India is an independent and sovereign nation and not a semi-colony.

Despite discoveries of huge oil reserves in the Middle-East and else-where in recent years, despite the Soviet offer of oil at reduced prices and payment in rupees, India is prevented from obtaining oil at competitive prices from any independent source. Despite the Damle Committee's recommendation that we should buy crude from the lowest priced suppliers, the government did not have the power to enforce this, because of the powerful intervention of international forces such as the World Bank. Oil companies' direct or indirect, influence overwhelmed the so-called 'independent' Government of India.

Even in the establishment of refining crude in the country, the companies have succeeded in controlling the oil refining capacity not only by increasing their own capacity in the private refineries, but by directly entering the *'public'* refineries in Cochin, Madras and Haldia. They have succeeded in keeping India at ransom. The spineless and dependent government has shamelessly bowed its head to the dictates of the international oil gangsters.

Thus it is clear that the nefarious activities of the oil monopolies exposes the economic and political dependence of our ruling class which has reduced India to the status of a semi-colony. *"Many countries, and particularly the U.S., guage a government's general attitude to foreign investment by its treatment of the oil companies."* (Times of India, Darryl D. Monte, August 2, 1970).

### Oil in the Public Sector

1) COCHIN REFINERY is dominated by Philips Petroleum.

2) MADRAS REFINERY is covered by the National Iranian Oil

Company and American Oil Company.

3) OIL INDIA Ltd is a partnership venture between the Government of India and Burma Shell with 50-50 shares.

4) INDIAN OIL BLENDING Ltd., is established on an equal partnership basis with Mobile Petroleum of the U.S.

5) LUBE INDIA Ltd. is a joint venture of ESSO Standard Eastern, and Government of India, on 50-50 partnership.

6) LUBRIZOL Ltd. again is a joint venture.

7) HYDRO CARBONS INDIA Ltd. has Phillips and ENI as partners.

8) HALDIA is also a joint venture under the smokescreen of the public sector, the Government of India has partnership with another foreign oil company.

Thus India has passed the test meritoriously, by proving that its practice is quite contradictory to the proclaimed aims. While, in theory, the Government is committed to the policy of overall control of the oil industry, in practice it has allowed itself to rely far too heavily on the private sector oil companies. Even the so-called public sector in the oil industry is heavily under the thumb of the oil monopolies.

## Collaboration in All Fields

There is not a single industry which exists without foreign collaboration. Foreign investors are extremely happy with the existing situation. The following statement (published by the Survey of Industries by Hindu in 1966) by Mr. E.A.Midgley, minister (Economic and Commercial), British High Commission in India, not only gives a clue to the vastness of investment of foreign capital in India, but also expresses the satisfaction of international finance capital at the kind of rousing reception they have been given in this country.

He expresses his country's satisfaction at the *"ingenuity and the enterprise of Indian and British industrialists"* in having *"smoothly developed a whole network of joint industrial ventures for fruitful economic cooperation. New investment in India now principally takes the form of partnership in joint manufacturing enterprises."* He further proceeds *"to illustrate the success of this operation for both parties, it is only necessary to set out a selection list of the products (pre and post war) now made in India in some form of association with British firms : biscuits, chocolate, starch, tobacco, food colours, dyestuffs, a wide range of chemicals, fertilisers, pesticides, pharmaceuticals, toilet preparations, explosives, paints, plastics, steel tubes, casting machine-tools, small tools, diesel engines, steam and water turbines, boilers, textile machinery, contractors' plant, mechanical equipment, air conditioning equipment, weighing scales, and machinery, sugar machinery, ball bearing, photographic equipment, switch-gears, wire and cables, telephone apparatus, electronic equipment, trucks and motor cars, and all their ancillary industries, tractors, aircraft, railway equipment, mining machinery, sewing equipment, cotton textiles, glass, special cements, abrasives, special - papers and boards, and so on."* Britain's participation is not exhausted in the above list.



*"One of the most striking new additions to British investment in India will be the fertiliser plant to be built by ICI at Kanpur", which "will be the largest plant in India."* (E. A. Midgley, minister economic and commercial, British High Commission in India, Hindu Survey, 1966).

That is how **swadeshi** industries in India have been growing, under the blessings and immense financial help of the Government of India. The following news item is an excellant illustration of the commodities *'made in India"*.

*"The balloon (that took off last week marking the inauguration of the Ballooning Club of India in New Delhi) is made of German material. The net is Egyptian and the cords of Italian hemp. Its basket has been made of Indonesian reed." Commenting on this news report, a correspondent writes : The only Indian material used must have been hot gas, in plentiful supply in this country"*, (Statesman, 'New Delhi Note book", November 30, 1970).

## Growth of Foreign Capital

Such were the conditions created for the growth of foreign private capital in India. It is no wonder that foreign capital has had

a field-day in our country.

The following Table gives the quantum of foreign investments in the private sector :

**TABLE : 7.2**

### Outstanding Long-term Foreign Investments in Corporate Industrial and Commercial Enterprises

*(In Rs. crores)*

| | As at the end of June 1948 | As at the end of December 1 955 | As at the end of December 1960 | As at the end of March 1968 |
|---|---|---|---|---|
| **(1) Plantations :** | 52.2 | 87.2 | 99.0 | 122.5 |
| **(2) Mining :** | 11.5 | 9.3 | 12.7 | 9.6 |
| **(3) Petroleum :** | 22.3 | 104.0 | 149.2 | 196.4 |
| **(4) Manufacturing :** | 70.7 | 129.1 | 246.0 | 821.6 |
| (a) Foods etc. | 10.7 | 29.0 | 34.0 | 44.1 |
| (b) Textiles | 28.0 | 21.8 | 22.1 | 66.4 |
| (c) Machinery and machine tools | 1.2 | 5.0 | 10.1 | 49.6 |
| (d) Transport | 1.1 | 3.6 | 7.9 | 84.8 |
| (e) Metals & metal products | 8.0 | 11.1 | 82.6 | 115.6 |
| (f) Electrical goods & machinery | 4.8 | 14.6 | 18.5 | 64.7 |
| (g) Chemical & allied products | 8.0 | 20.3 | 34.5 | 241.4 |
| (h) Miscellaneous | 9.6 | 23.7 | 36.3 | 115.5 |
| **(5) Services :** | 107.9 | 112.8 | 127.8 | 392.7 |
| (a) Trading | 43.1 | 26.8 | 29.4 | 53.6 |
| (b) Construction, utilities & transport | 31.8 | 42.7 | 52.8 | 221.9 |
| (c) Financial | 15.7 | 17.4 | 20.2 | 96.1 |
| (d) Miscellaneous | 17.7 | 25.9 | 25.4 | 21.1 |
| Total | 264.6 | 442.4 | 634.7 | 1,542.8 |



*Source :* **R.B.I. Bulletin,** March 1971, Page 382.

A few outstanding features should be noted :

(1) These figures do not include the banking capital of foreign banks in India.

(2) During this 20 year period of *'planned development'* foreign investments in India have grown faster than during the period of colonial India. Whereas during the entire colonial era foreign investments outstanding at the end of June 1948 were Rs. 264.5 crores, it went up to Rs. 442.4 crores by the end of December 1955, rose further to Rs. 634.7 crores by the end of December 1960, and finally by the end of 1968 stood at the phenomenal level of Rs. 1,542.8 crores. If we remember that economists generally consider Reserve Bank of India data to be underestimates, we can well imagine what extraordinary growth foreign finance capital has achieved during the period of the Plans.

(3) There is a qualitative change too in the foreign investments during this period. During 1948, investments in petroleum and in manufacturing accounted for less than one-third of the total foreign investments, whereas in 1968 investments in these sectors accounted for more than two-third of the total foreign investments. The largest investment during this period has been in the manufacturing and petroleum sectors. Whereas in 1948 manufacturing accounted for only 26.7 per cent of the total foreign investments (Rs. 70.7 crores out of Rs. 264.6 crores), in 1968 investments in manufacturing accounted for nearly 53 per cent (Rs. 821.6 crores out of Rs. 1,542.8 crores).

(4) Investments through foreign official sources has been an outstanding feature during this period. Investments through foreign official institutions to strengthen and supplement foreign private investments has grown tremendously during this period. Official sources include the World Bank and its affiliates, A.I.D. and the Export-Import Bank from U.S.A., German Kreditanstaff from Germany. Whereas in 1948, there was no inflow from official sources, in 1955, inflow from official sources amounted to Rs. 14.8 crores out of Rs 442.8 crores of foreign investment. In 1960,

the outstanding investment from official sources in the private sector went upto Rs. 124.1 crores out of 634.7 crores, and by 1968 it leaped to Rs. 360.3 crores - about one-fourth of foreign investments in India in the private sector. The important role played by foreign governments and international aid bodies such as the World Bank, to streamline and help foreign monopoly capital to dominate the corporate sector is clearly evident.

## American Domination Grows

Post-Second World War found every other imperialist country on the mat except American imperialism. American imperialism took upon as its duty to step into the vacuum created by the total defeat of fascist powers and complete loss of financial and political hegemony of Britain and France over its colonies. During this period, this change in the correlation of forces in the international arena was evident even in India.

Imperialist aid to underdeveloped countries is mainly intended to create objective conditions necessary for further investments of foreign private capital to dominate the strategic heights of that country's economy in all aspects. The United States government, which has been the largest aid-giver to India, made it known that *"help to India would be based on licensing or investment arrangements for mutual profit between the U.S. and Indian private enterprises instead of through loans and grants".* The World Bank, co-ordinator of imperialist aid to India through the *'Aid India Consortium'*, was outspoken and clear. Uncompromising views without diplomatic ambiguity were expressed by its president Mr. Eugene Black, on every possible occasion. *"If the real benefits of industrialisation are to be obtained"*, Eugene Black had reported in his address to the annual meeting of the World Bank as early as in 1955, *"Governments should undertake (industrial) ventures, if at all only as a last alternative and only after a full examination of other alternatives that exist. And, even in cases where a government may go so far as to start an industrial enterprise, I think every effort should be made to put the venture into the hands of private capital and private management as quickly as possible".* Thus the Bank had never hidden its active espousal of private enterprise, particularly foreign private enterprises. From its very inception, it has explained that its role *"was to be marginal – marginal to private international investment,*



*and marginal to domestic investment in the member-countries themselves."* ("The Diplomacy of Economic Development"). They did not stop at enunciating basic principles. On every possible occasion, their intervention was forthright and clear. The World Bank has a permanent mission in India to be at hand for *'consultation'* and *'advice'*. It produces yearly reports on India's economic and political situation for the benefit of the *'Aid India Club'* to review the Plans and policies of the Government of India. A series of meetings between the Government of India and the administrators of the World Bank are regularly held at the end of every year before the annual budget is prepared and presented to the Indian parliament. In 1956, the World Bank *"issued a public ultimatum"* to the Government of India (Kidron, Page 154). It categorically stated that it will have *"to consider the pace and scale of our further loan operation in India from time to time in the light of economic conditions and prospects and taking into consideration the economic policies pursued by your Government. On the other hand, we should have to take into account the extent and character of the impact on India's balance of payments of the service of external debt contracted from sources other than the Bank. On the other hand, our disposition to lend would be favourably influenced by the amount of external financial assistance which India obtains without incurring fixed foreign exchange obligations".* In plain words, it means that the World Bank will be favourably influenced by the amount of foreign private capital's inroads into our economy.

As early as in 1946, American finance capitalism had decided that it was its obligation *"as the largest producer, the largest sources of capital"*, to *"assume the responsibility of the majority stock-holder in this corporation known as the world"* (Leo D. Welch, Secretary Treasurer of the powerful Standard Oil Company of New Jersey in 1946). Reiterating this programme as the official programme of the American State, President Truman openly and unequivocally set forth the aims of American financial penetration and expansion in the colonial areas of the European powers. In his inaugural address in 1949, he proclaimed that America *"must embark on a bold new programme for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped countries".* An extremely fine sentiment of sympathetic, unasked-for, help to all underdeveloped countries for their improvement and growth! This fine exuberant benevolence was underscored by a programmatic

call to American finance. In the same speech, the American President set forth the methods to be adopted to help the growth of backward countries. He categorically stated that, *"we should foster capital investment in areas needing development".*

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India, the jewel of the British Crown, became the focal point of American finance capital; *"Secretary of State Dean Acheson, pressed to explain more concretely the kind of areas in mind, gave one specific instance only - India. Subsequent events testified to the rapid advance of American penetration of India, and the active schemes of the United States to displace British hegemony in the main base of the British empire, India."* (R. Palme Dutt, "Britain and the Crisis of the Empire").

The following Table gives the growth of investments from various countries in India.

**TABLE : 7.3**

## Growth of Foreign Investments in India from Various Countries

*(Rupees in Crores)*

| Country | 1955 | 1960 | 1968 |
|---|---|---|---|
| U. K. | 376.8 | 446.4 | 625.5 |
| U. S. A. | 39.8 | 112.7 | 422.3 |
| West Germany | 2.5 | 6.8 | 100.2 |
| Others including Japan | 37.0 | 124.4 | 394.8 |
| Of which Japan | – | – | 82.5 |
| Total | 456.1 | 690.3 | 1542.8 |

*Source :* **R. B. I. Bulletin,** March 1971, Page, 381

The most important feature to be noted in the above table in that American, West German, and Japanese investments have made such great inroads during the past few years that British supremacy has been corroded to a great extent.



In 1955, Britain continued to hold the supreme position among all foreign investors in India with 82.6 per cent of total foreign investments in the private sector. U. S. investments in that year, were barely 8.7 per cent of the total. West Germany and Japan were nowhere in the field then. But after 1955 - after India exhausted sterling balances and started the begging spree round the world capitals - foreign investments in India began to take a new sharp turn in favour of U.S.A. By 1960, Britain's position among foreign ivnestors got reduced to 64.6 per cent whereas the position, of U.S. investments improved to 16.3 per cent. By 1968, there was a complete change in the correlation of forces. British position was further reduced to 40.5 percent of the total investments of the foreign monopolies in India. U.S.A. with 27.5 per cent, West Germany with 6.4 per cent, and Japan with 5.3 per cent, had come to occupy a new stature in the field. Whereas Britain had not even doubled its investments during 1955 and 1968, the U.S.A. improved its position by 11 times, West Germany by nearly 50 times, and Japan followed almost at the same rate as West Germany. According to Keating, U.S. Ambassador to India *"there are more than* **300 American affiliated companies** *with manufacturing operation in India."* (Hindu Survey of Industries, 1969, Page. 15)

Statesman, September 20, 1971, says : *"the total number of collaboration agreements with West Germany approved by the Government of India was 532 up to December, 1970; of these, 371 projects have already been implemented or are under installation".*

If investments through the World Bank in the private sector are taken to be mainly under the domination of the U.S. then the position of U.S. investments in the Indian private sector improves further to nearly 34 per cent of the total foreign private investments in India.

Investments in the manufacturing sector exhibits the greatest inflow from the foreign private capital. Out of the total foreign investments in the *manufacturing* sector (of Rs. 821.6 crores as in March 1968) U.K.'s investment was only Rs. 278.5 crores. America's investments in this sector almost equal this investment, with Rs. 272.9 crores. It is clear that it is the U.S.A., and not Britain, which is today the most dominant foreign monopoly capital in the manufacturing sector since investments in the post Second World War period have been in the most technically sophisticated industries. Japan and West Germany are the next

most important investors with Rs. 45.3 crores and Rs. 44.4 crores, respectively.

## Strangle hold of Foreign Companies on Indian Corporate Sector

Due to paucity of adequate data, it is very difficult to correctly gauge the domination of foreign capital on the Indian corporate sector. Various methods are adopted by foreign companies to control Indian industrial production to their advantage. The foreign partner, due to various conditions attached to the collaboration agreements, controls Indian industry to an unimaginable degree. The Indian collaborators are hedged-in umpteen ways from taking independent action in regard to production, source of supply of raw materials, sources of finance; the foreign partner does not transfer the knowhow, thus keeping the industry permanently subservient. The Indian partner is not permitted to transfer the knowhow in the name of secrecy and patent rights ; most collaboration agreements restrict exports. Thus the foreign partners enjoy a greater degree of influence and authority out of proportion to the degree of share-holding.

Foreign capital has accounted for one-fourth of the total investments in the organised private sector during the three Five Year Plans. This percentage of foreign private capital in the total organised sector naturally does not give the picture of the full octopus grip of foreign capital over Indian corporate sector. This does not mean that foreign capital controls only one-fourth of our organised sector. Even purely Indian investment was more often linked with technical collaboration agreements with foreign firms, which restrict and control import of needed raw materials, restrict exports, and expansion, except with their consent. In the last 10 years two - thirds of the entire capital raised by the private sector went into enterprises involving foreign collaboration. More often, the foreign partner enjoyed a greater degree of influence, as shown above, because of his capacity to arrange financial assistance through loans from financial institutions or banks and even rupee finance through P.L. 480, counterpart funds.

Generally, foreign-controlled firms are internationally large- they are world-renowned giants. It would be instructive to note that, in chemical and allied industries, nine out of the first ten British companies (including the first six) were active in India; In electrical engineering, six out of the first ten (including the first); in vehicles four (including the second); in textiles two (including the second) ; in other manufacturing two (the first two); in tobacco, two (including the first, overwhelmingly larger than anyother) ; metal goods not elsewhere specified two (the first two); metal manufacture two (the second and the third). Of the British companies functioning in India, 20 were among the top 100 British companies. It can be very well imagined that these internationally famous industrial monopolies certainly would have immensely great control over the Indian industry in which they have been collaborating. The same on a most stupendous scale is the case with the American, German and Japanese firms functioning in India. In these circumstances, the participation of foreign finance capital in collaboration with the Indian bourgeoisie will mean nothing more than an alliance between the giants and the lilliputs.



Even so, there are those who argue that the Indian industrial panorama has changed unmistakably towards independant development. The patent argument of those who underestimate the importance of the growth of foreign private capital is that the rate of growth of Indian capital is greater than that of foreign capital. This is evidently not true. The rate of growth of foreign capita due to *"Government insistence on foreign collaboration"*, sometimes even *"against the wishes of the Indian capitalists"* (Politics of Foreign Aid, Page 160), has helped the growth rate of foreign capital's intrusion into the Indian corporate sector. Even though it is difficult to study this problem because of paucity of material, it is necessary to try to understand this issue to expose the anti-national character of this government and the falsity of the propaganda of its agents. Let us look at this problem from different angles and different sources.

(1) The Ministry of Commerce and Industry listed the 100 biggest companies by total net assets in 1956-57; subtracting government companies, the 27 foreign firms formed just under one-third of the private sector. A later, 1962, unofficial ranking of 100 largest companies, by volume of sales and net profits, includes 33 foreign companies, 2 of which - Hindustan Lever and Imperial Tobacco - are among the first five. This, in a way, shows that among the biggest Indian companies foreign companies form atleast 33 per cent of the total of big companies. This does not

mean that all the other 67 companies were Indian! Substantial foreign interests can be seen, controlling quite a number of the so-called Indian companies, through loan capital, technical knowhow, patent rights, and many other methods.

(2) According to the surveys on foreign collaboration made by Economic Times, the total equity and preference capital contributed by foreign collaborators in the case of large and medium size public limited companies, as per the first survey constituted about 14 per cent. The second survey up to September 1963 showed that their contribution increased to 19.5%. The later survey, up to June 1965, pushed up the contribution by foreign collaborators to 22.7 per cent and the latest survey, upto December 1965, available with me, shows that their participation had grown to 24.4 per cent. Therefore, it is not true to say that the *rate of growth* of foreign capital is less than the rate of growth of Indian capital.

(3) Again, those who talk of the rate of growth of Indian capital, conveniently forget the growing grip of foreign loans and deferred payments that are gaining the upper hand in new projects. The domination of foreign funds in the form of loan and deferred payments was brought out glaringly in a survey made by the Research Bureau of Economic Times, April 18, 1971, under the significant headline **'Sharp Rise in Foreign Loans'.** It says that *"foreign loans and other borrowed capital played an increasingly important role in financing new investments made in 1970-71"*. The following Table, prepared from that article, shows the growing domination of foreign loan capital in the Indian industries :

*(See for Tabel : Page. 253*

Whereas the percentage of foreign loans in total estimated expenditure in new projects during the Third Plan was 17.5, the percentage of foreign loans during the next five years (1966-67 to 1970-71) was 25. The importance of foreign capital in Indian industries is evidently growing. Since this Table does not include the amount of equity and preference capital of foreign collaborators, which certainly cannot be insignificant, the full picture is not readily available. But the trend is significant. This only shows how



**TABLE : 7.4**

## Financing of New Projects, April 1961 to March 1970

| | Total for Third Plan | 1966-67 | 1967-68 | 1968-69 | 1969-70 | 1970-71 |
|---|---|---|---|---|---|---|
| Total Number of Initial issues | 275 | 39 | 38 | 34 | 21 | 38 |
| Estimated expenditure (Rs. in lakhs) | 457.30 | 103.95 | 138.25 | 78.55 | 39.89 | 128.40 |
| **Sources of finance :** | | | | | | |
| (1) Total capital issues | 193.09 (42.2%) | 34.30 (33.0%) | 38.60 (27.9%) | 19.74 (25.1%) | 14.60 (36.6%) | 42.20 (32.9%) |
| (2) Deferred payments and foreign loans | 80.36 (17.5%) | 8.58 (8.2%) | 38.72 (28.0%) | 27.79 (32.8%) | 2.23 (5.6%) | 46.68 (36.4%) |

difficult it is to analyse the domination of foreign capital in Indian industry since required data are generally not available.

(4) According to Kidron, *"neithter increasing collaboration nor Indianisation of foreign investment has resulted in a diminution in foreign control of Indian projects. On the contrary, controlled business investments, as defined by the Reserve Bank of India, rose from 79.4 per cent of the total in mid 1948 to 99.1 per cent at the end of 1961. Nor was the desire lessened. Using a far less comprehensive definition of control than the Reserve Bank's, and taking no account of prior rejections or amendments by the Capital Issues Committee - both of which must result in gross understatement of the results - control was permitted to rest with the foreign collaborator in 169 out of 324 possible cases between April 1956 and December 1964 – or 52 per cent of the cases, accounting for 42 per cent of the authorised capital"* (Kidron, Page 274).

(5) The domination of foreign capital in the Indian corporate sector was studied in relation to large-sized companies (companies with a paid-up capital of Rs. 50 lakhs and above) by the research and statistics division of the Company Law Administration and published in Company News and Notes of January 1964. Its results are revealing. In all, there were 596 large-sized companies in 1963, foreign branches functioning in our country are excluded in this list, as they happen to be categorised as companies incorporated outside India with established business in India. They were companies incorporated in India. Of these, 596 large-sized companies, 64 happened to be subsidiaries of foreign companies; as per section 4 of the Companies Act.

The following Table presents the position of foreign companies in various industries and the extent of dependence of the country on foreign capital in some of the industries of India. The Research Bureau points out that the list of foreign subsidiaries *"has been prepared only on the basis of equity capital supplied by foreign companies". "It does not indicate the dependence of Indian industries on foreign loan capital obtained either from Government sources or non-Government sources."* Even so, this table reveals certain startling facts :

*(See for Table : Next Page)*

TABLE : 7.5

## Large-sized Foreign Companies – Industry-wise

| Name of the industry | Foreign Subsidiaries with Paid-up Capital of Rs. 50 lakhs and Above | | | Companies with Paid-up Capital of Rs. 50 lakhs and Above | | | | |
|---|---|---|---|---|---|---|---|---|
| | No. of Companies | Paid-up Capital (Rs. in lakhs) | Net Assets (Rs. in lakhs) | No. of Companies | Paid up Capital (Rs. in lakhs) | Net Assets (Rs. in lakhs) | (3) as % of (6) | (4) as % of (7) |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| Tea (including processing & manufacturing) | 2 | 217.50 | 1687.75 | 10 | 891.37 | 3284.09 | 24.4 | 51.4 |
| Hydrogenated oil | 1 | 50.00 | 458.75 | 5 | 382.03 | 1368.03 | 13.1 | 33.1 |
| Dairy products | 1 | 92.76 | 172.12 | 1 | 92.76 | 172.12 | 100.0 | 100.0 |
| Bakeries and Confectionaries | 1 | 69.11 | 295.79 | 1 | 69.11 | 295.79 | 100.0 | 100.0 |
| Cigarettes | 3 | 1715.54 | 3778.22 | 4 | 1840.49 | 4230.42 | 93.2 | 89.3 |
| Thread and thread ball making | 1 | 200.00 | 303.09 | 1 | 200.00 | 303.09 | 100.0 | 100.0 |
| Other textile industries such as cotton card clothing etc. | 1 | 63.00 | 143.32 | 2 | 142.78 | 310.37 | 44.1 | 46.2 |
| Footwear | 1 | 100.00 | 929.81 | 1 | 100.00 | 929.81 | 100.0 | 100.0 |
| Iron & steel (basic mfg.) | 3 | 788.11 | 2300.23 | 21 | 53243.12 | 125598.78 | 1.5 | 1.8 |
| Non-ferrous metals (basic mfg.) | 1 | 640.44 | 2182.01 | 5 | 2266.21 | 6000.24 | 28.3 | 36.4 |
| Motor vehicles | 1 | 497.11 | 1065.13 | 14 | 3298.10 | 9931.78 | 15.1 | 10.7 |
| Electric lamps | 1 | 220.00 | 894.63 | 2 | 270.00 | 1070.97 | 81.5 | 83.5 |
| Bicycles | 1 | 250.00 | 848.88 | 3 | 478.55 | 1674.19 | 52.2 | 50.7 |

(Continued in Next Page)

## Large-sized Foreign Companies – Industry-wise

| Foreign Subsidiaries with Paid-up Capital of Rs. 50 lakhs and Above | | | | Companies with Paid-up Capital of Rs. 50 lakhs and Above | | | | |
|---|---|---|---|---|---|---|---|---|
| Name of the industry (1) | No. of Companies (2) | Paid-up Capital (Rs. in lakhs) (3) | Net Assets (Rs. in lakhs) (4) | No. of Companies (5) | Paid up Capital (Rs. in lakhs) (6) | Net Assets (Rs. in lakhs) (7) | (3) as % of (6) (8) | (4) as % of (7) (9) |
| Other electric machineries, apparatus, appliances, etc. | 7 | 907.40 | 3676.05 | 29 | 7213.06 | 23187.28 | 12.6 | 15.9 |
| Machineries, apparatus other than transport & electrical | 3 | 226.01 | 723.20 | 33 | 12733.78 | 30722.96 | 1.8 | 2.4 |
| Miscellaneous metal products | 2 | 752.00 | 1498.31 | 17 | 1886.94 | 5356.88 | 39.9 | 28.0 |
| Explosives & fireworks | 1 | 300.00 | 834.76 | 1 | 300.00 | 834.76 | 100.0 | 100.0 |
| Synthetic resins & Plastic materials | 1 | 341.00 | 1184.31 | 5 | 1296.08 | 4521.28 | 26.3 | 26.2 |
| Medical & pharmaceutical preparations | 9 | 994.49 | 4305.59 | 13 | 2650.14 | 7318.57 | 37.5 | 58.8 |
| Washing soaps & other washing and cleaning compounds | 1 | 824.36 | 1992.25 | 2 | 959.37 | 2949.46 | 85.9 | 67.7 |
| Paints, varnishes & allied products | 3 | 203.19 | 543.61 | 3 | 203.19 | 543.61 | 100.0 | 100.0 |
| Matches | 1 | 275.00 | 775.26 | 1 | 275.00 | 775.26 | 100.0 | 100.0 |
| Kerosene & petroleum refineries | 2 | 750.00 | 4387.55 | 6 | 6295.28 | 19514.63 | 11.9 | 22.5 |

(Continued in Next Page)



## Large-sized Foreign Companies – Industry-wise

| Foreign Subsidiaries with Paid-up Capital of Rs. 50 lakhs and Above | | | | Companies with Paid-up Capital of Rs. 50 lakhs and Above | | | | |
|---|---|---|---|---|---|---|---|---|
| Name of the industry (1) | No. of Companies (2) | Paid-up Capital (Rs. in lakhs) (3) | Net Assets (Rs. in lakhs) (4) | No. of Companies (5) | Paid up Capital (Rs. in lakhs) (6) | Net Assets (Rs. in lakhs) (7) | (3) as % of (6) (8) | (4) as % of (7) (9) |
| Glass & glassware | 1 | 80.00 | 244.94 | 8 | 733.69 | 1490.71 | 10.9 | 16.4 |
| Asbestos and asbestos cement products | 1 | 185.00 | 573.09 | 1 | 185.00 | 573.09 | 100.0 | 100.0 |
| Rubber and rubber manufactures | 4 | 1106.15 | 4797.66 | 8 | 1604.53 | 6390.99 | 68.9 | 75.1 |
| Pulp, paper & paper board | 1 | 200.00 | 387.29 | 19 | 4544.85 | 14165.31 | 4.4 | 2.7 |
| Other utility items, as gas works & steam supply | 1 | 364.00 | 1213.31 | 3 | 644.28 | 1548.07 | 56.5 | 78.3 |
| Wholesale trade other than food stuffs | 6 | 570.00 | 3360.62 | 28 | 3427.67 | 17360.84 | 16.6 | 19.4 |
| Managerial services | 1 | 250.00 | 350.05 | 9 | 953.00 | 1803.74 | 26.2 | 19.4 |
| Transport & communication (Ex. incidental service) | 1 | 100.00 | 171.61 | 1 | 100.00 | 171.61 | 100.0 | 100.0 |
| Grand Total | 64 | 13332.17 | 46088.19 | 257 | 109280.38 | 294402.73 | 12.2 | 15.7 |

*Source :* **Economic Times,** *'Large Foreign Companies in India 1963-64'.*

What does above Table reveal ?

(1) It would be seen from the above Table that, in nine industries, such as dairy products, bakeries, and confectioneries, thread ball making, footwear, explosives and fire works, paint and varnishes, matches, asbestos, and transport and communication services, we have only large-sized foreign companies and there is no Indian company in these industries with a paidup capital exceeding Rs. 50 lakhs.

(2) It would also be seen from the above table that, in eight industries, i.e., tea, cigarettes, bicycles, electric lamps, pharmaceuticals, washing soaps and detergents, rubber manufactures, utility items (such as gas works and steam supply), the assets of foreign companies exceed 50 per cent but less than 100 per cent of the assets of all large-sized companies.

(3) It would also be seen that, in hydrogenated oil, one foreign company owns 33.1 per cent of the total assets, whereas five Indian companies own 66.9 per cent of the total assets. In the same manner, in industries such as cotton card clothing, non-ferrous metals, and miscellaneous metal products, the foreign companies are bigger in size than the Indian companies.

Therefore, it becomes clear that even though foreign capital may be less than Indian capital, the foreign sector dominates the scene due to its hold on the largest companies in India.

(4) It is unfortunate that there are no correct figures available as to the number of foreign branches of foreign subsidiary companies functioning in India along with the necessary data regarding finances, production, sales etc., to analyse their share in the total Indian corporate sector. According to Company News and Views, No's 15 and 16, 1970, the number of foreign branches at work in India, as on March, 1970, were 529, with assets worth Rs. 1,285.9 crores; Apart from the branches, there are 223 Indian subsidiaries of foreign companies functioning in India, with assets amounting to Rs. 1,129.4 crores. (Unfortunately, these figures do not tally with the figures given by the Industrial Licensing Policy Inquiry Committee, which accounts for lesser number of branches and more subsidiaries - 288 branches and 243 subsidiaries. It only goes to show how difficult it has become to study the tightening octopus grip of foreign capital in the Indian economy.

According to the special article in Company News and Views,



*"the foreign holding companies together hold Rs. 161.8 crores out of an equity capital of Rs. 240.7 crores of 233 Indian subsidiaries at work as on March, 31, 1969".* But the net assets of these subsidiaries aggregated Rs. 1129.14 crores. *"It may, therefore be said that with a capital investment of only 14.3 per cent of the total capital employed by these companies, the foreign-holding companies are in a position to exercise effective control over them".* Therefore, to just take only the amount of the total foreign investment into consideration and be satisfied that it is after all only 25 per cent of the Indian corporate sector and so does not dominate the Indian economy is to deceive oneself and deceive others.

(5) Let us look at this problem from another source. According to the report of the Industrial Licensing Policy Enquiry Committee(Appendices, Volume (II) there are 112 companies each with assets of Rs. 10 crores and above. Of these, 48 companies were either foreign branches or were Indian subsidiaries of foreign companies, 48 companies were mainly Indian owned and can be said to be Indian-controlled; the rest of the 12 companies with extremely heavy foreign loans and equity capital were in all essence foreign-controlled. Thus nearly 43 per cent of the companies were foreign companies, 14 per cent of the companies were foreign-controlled companies. (Even among the so-called 48 Indian-owned companies, in quite a number of them foreign control is heavy, due to restrictive collaboration agreements or heavy doses of foreign loans. Thus we find that among the biggest companies in India, a minimum of 57 per cent of the companies belong to foreign capital.

Total assets of all these companies in 1966 amounted to Rs. 2552.29 crores; 48 concerns belonging to foreign finance capital accounted for Rs. 973.25 crores; and the 14 foreign-controlled companies had assets worth Rs 397.60 crores. Thus foreign-owned and foreign-controlled companies owned and controlled 53.7 per cent of the assets of the giant companies.

Who can say that Indian industry today is more independent than before the Plan period? If further details of the capital structure of Indian industries are made available, and if the collaboration agreements are fully published, one should not be surprised to find that this classification is an understatement.

(6) One big company is capable of dominating hundreds of

small companies in any particular industry : because, a few bigger firms are not only equivalent to, but extremely superior to, hundreds of smaller firms. Therefore, a few big foreign monopolies are capable of controlling the entire sector. For example, National Herald of November 17, 1970, reports *"that a review of the inter-ministerial group in June this year has revealed that 64 foreign drug manufacturers, out of a total of 2300 in the country, control 82 per cent of the total turnover"* – i.e., less than 3 percent of the firms (belonging to foreign finance) produce 82 per cent of the drugs in the country.

In the same manner, according to Economic Times, September 17, 1970, *"a small number of large-scale firms with foreign collaborations control the instruments industry in India. The industry is dominated by a small number of large-scale firms, 7 per cent of them producing nearly 65 per cent of the total output".*

While, in the pre-'Independence' and immediate post-'Independence' periods, the existing instruments industry was overwhelmingly based on local designs and knowhow, the emphasis shifted almost to the other extreme during the decade 1956-65.

During this period, foreign technology constituted the basis of much of the Industrial output in this field. *"Firms having foreign collaboration agreements were three times larger than average, whether by employment or sales ..... Indeed, one prominent manufacturer of relatively advanced electronic instruments maintained strongly that, to his knowledge, many foreign collaboration agreements were unnecessary in the sense that a little ingenuity on the part of the indigenous manufacturer would have solved the probelm. He also maintained that what was very often sought was the brand name; rather than foreign technology."* (Economic Times, *September 17, 1970* ).

(7) Let us look at this problem from one more source and one more angle. The assets of foreign companies as per the Reserve Bank of India's annual reports on finances of foreign-controlled companies, published yearly, shows that the rate of growth of foreign companies is faster than that of the Indian-controlled companies. The following table shows the growth of assets of foreign-controlled companies in comparison with Indian-controlled public and private limited companies, as reported in R.B.I. Bulletins (June 1968, June 1970, and March 1971) :



**TABLE : 7.6**

## Growth of Gross Fixed Assets Formation

*(per cent per annum)*

| | Foreign-Controlled Rupee Loans | Indian-Controlled Public and Private Ltd. Companies |
|---|---|---|
| 1958 | 15.4 | 11.2 |
| 1959 | 8.8 | 7.5 |
| 1960 | 9.4 | 8.1 |
| 1965-66 | 11.4 | 8.7 |
| 1966-67 | 13.9 | 9.2 |
| 1967-68 | 9.1 | 8.9 |

Thus, from whatever angle one perceives this problem, any honest person will necessarily come to the conclusion that India continues to be the unrestricted hunting ground for amassing super-profits by foreign finance and that in this great game it is the foreign finance capital that receives the biggest cake-leaving a smaller one to its subordinate, Indian finance. Yet, if one were to characterise this state of affairs as semi-colonial one can be immediately called "Dogmatist' by the revisionists and 'traitors', by the ruling class.

## Loosening the Gordian's Knot

In trying to study the international finance capital's octopus grip on the Indian economy in general and Indian industries in particular, we must keep in mind the great secrecy which is maintained even in the official data, to conceal *"the contours of foreign investment".* As Kidron, in his detailed survey of "Foreign Investments in India" ruefully remarks : *"Official series often contradict each other. Mostly, however, the difficulty arises from government policy, which normally permits foreign investments national treatment in statistics as well as in law. With few exceptions, they are indistinguishable from purely Indian investments .... the identity of investors and firms is effectively concealed".*

Therefore, it is my duty to try to loosen the Gordian Knot, to

reveal the true state of affairs. In 1966, out of 26,895 public and private limited companies in India, the giant companies, each with assets of Rs. 5 crores and more, numbered only 252 - forming not even one per cent (0.93 per cent) of the total number of companies. Of these, 58 companies, as per the Industrial Licensing Policy Enquiry Committee, are subsidiaries or branches of foreign companies. That is, nearly 23 per cent of the giant companies are either subsidiaries or branches of foreign monopolies. These 252 giant companies own Rs. 3,407 crores of assets, of which the 58 foreign companies own Rs. 947 crores, or nearly 28 per cent of the total assets of the giant companies.

Does the above reveal the true state of affairs? In my opinion, it certainly does not. The following , in my opinion, reveals the truth :

Among those companies categorised by the Industrial Licensing Policy Enquiry Committee as'*Large independent companies'*, the following five companies are definite foreign concerns :

| | |
|---|---|
| 1. Indian Cable Company : | subsidiary of British Insulated Calendar Co., U. K. (Kidron, Page 202). |
| 2. Larsen & Toubro : | Foreign firm (Kidron, Page 206). |
| 3. Sen-Raleigh : | Raleigh Industries Limited, U.K., Hold 51 per cent of the paid-up capital. (Eastern Economist, March 15, 1963) |
| 4. Utkal Machinary : | "A West German Subsidiary" (Kidron Page 209). 66.23 per cent of shares are allotted to three West German companies. |
| 5. Vazir Sultan Co., : | Subsidiary of Raleigh Investment Co., U.K. |

The five companies, together, own roughly Rs. 47 crores.

Among companies which are categorised among larger industrial houses, at least the following nine are definitely foreign companies :



| | (Rs. crores) |
|---|---|
| 1. A.C.C. Vickers Babcock (Kidron, Page 207) | 15.47 |
| 2. Bengal Coal (Andrew Yule) | 11.75 |
| 3. Bird & Co. (Bird Heilger) | 6.61 |
| 4. Burrakur Coal (Bird Heilger) | 6.51 |
| 5. Titagurh paper (Bird Heilger) | 13.50 |
| 6. Bengal paper (Foreign company) (H. Venktasubbaiah, Page 166) | 8.54 |
| 7. Ahmedabad Electric (British) (H. Venkatasubbaiah, Page 155) | 22.23 |
| 8. Kohinoor Mills (Foreign) (H. Venkata subbaiah, Page 163) | 5.19 |
| 9. Crompton Greaves (Greaves Cotton & Crompton Parkinson of U.K. hold 50 per cent of equity capital each) | 9.23 |
| Total Assets | 99.03 |

These nine companies own nearly Rs. 100 crores of assets.

Out of the companies in large industrial houses the following are foreign companies :

| | Rs. Crores |
|---|---|
| 1. Madhura Mills | 15.68 |
| 2. Balmir Lawrie | 5.42 |
| 3. Braith waite & Co. | 9.09 |
| 4. Jardine Handerson | 9.45 |
| 5. Siemens' Engineering Co. | 16.53 |
| 6. Bangalore Woolen, Cotton & Silk Mills | 5.25 |
| 7. Equitable Coal | 5.01 |
| 8. Hardilla Chemicals | 7.23 |
| 9. Coromandal Fertilisers | 31.71 |

| | | |
|---|---|---|
| 10. | Rallis India | 12.93 |
| 11. | Shaw-Wallace | 8.72 |
| 12. | Tinplate of India | 5.57 |
| 13. | Simpson & Co. (Foreign) (Kidron, page 236) | 10.73 |
| 14. | Wheels India 'Dunlop' | 5.15 |
| 15. | Lodna Colliery | 6.50 |
| 16. | Turner Morrison | 5.21 |
| 17. | Bombay Burman Trading Co. | 9.60 |
| | Total Assets : | 169.78 |

These 17 foreign companies, listed under large industrial houses, own Rs. 170 crores of assets.

Therefore, out of 252 companies listed in the Industrial Policy Licensing Enquiry Committee report, each owning assets of Rs. 5 crores and more, 89 companies are foreign companies, i.e., about 35 per cent of the companies are foreign-owned.

Out of Rs. 3,407 crores of assets owned by all the 252 companies, foreign-owned companies are in control of Rs. 1,263 crores amounting to 37 per cent. Does it mean or indicate that the rest of the capital to an extent of Rs. 2,144 crores can be accounted as Indian capital or that the rest of the companies can be called Indian - owned, financed, controlled, and managed, by the Indian nationals ? Obviously, it is not so. As we have previously noted, there are multiple forms of actual control by foreign companies other than formally proclaimed control.

The terms of agreement with foreign companies are a source to understand the actual control of a company in matters of control of raw material, the quantity of production, the areas of sale, the fixing of prices, accumulation of capital and methods of expenditure. Other than these, loan capital from imperialist countries has become the *most powerful* factor in the private sector.

We shall try to analyse a few of the rest of the companies from this aspect and see to what extent our *'giants'* are dependent upon



international finance capital - almost subservient to it. *"The paid-up capital forms only a part (some times quite small) of the total, and cannot, therefore be taken as an appropriate indication of the existence or furtherance of concentration." "It would probably be interesting to analyse the sources from which funds were obtained by these industrial houses"* to gain an understanding of the true control over a particular company. (Company News and Views, Page 6, May 1970). On this basis, let us analyse first a few companies which are said to be owned by the well-known nationalist industrialist of India.

**(1) Hindustan Aluminium :** This is the biggest unit of the Birla House. Its total assets in 1966 were Rs. 49.30 crores. Its paid-up capital was only Rs. 9.99 crores. The assets were five times more than the paid-up capital. Kaisers, one of the biggest world magnates is a minority share-holder. But *"Kaiser Aluminium and Chemical Corporation also handled a loan from the U.S. Export Import Bank".* Hindustan Aluminium was almost entirely built, and is being expanded, with funds in the form of loans provided from America. It has so far been in receipt of three loans from Cooley funds, popularly known as P.L. 480 funds, in 1960, in 1964, and in 1966, totalling Rs. 5 crores in Indian currency. The Export Import Bank of America has further provided three loans in 1960, 1963, and 1965, in foreign exchange to the extent of $ 29.65 million equivalent to Rs. 22.35 crores. Other than these loans, the Americans have also provided loans to Renusagar Power Company, which supplies electric power to Hindustan Aluminium - of Rs. 4.79 crores. Hindustan Aluminium alone has received, to the extent I am able to gather, more than Rs. 27 crores of loans from international finance capital through P.L. 480 funds and the Export Import bank. To name this concern as part of Birla House and therefore call it *'Indian-owned'* is nothing but public deception.

**(2) Hindustan Motors :** This is the next biggest unit in the Birla fold. The controlling equity block of Birlas was less than 20 per cent. Yet, with a wide disbursal of capital, it can be controlled by the Birlas. But the state of affairs of this company, again, is most revealing. This company has also been living entirely on loans from D.L.F/AID funds from the U.S. Three loans - one in 1962, again two loans in 1965 - totalling $ 41.75 million, equivalent to Rs. 31 crores, have been funnelled into this unit, thereby the

entire unit is mortgaged to the Agency for International Development.

**(3) Orient Paper Mills :** This Birla industry is the biggest paper manufacturing unit in the private sector. *'Indian owned'* and that, too, owned by a *'nationalist'* who prides himself as having been very close to the *'Father of the Nation'*. This unit is the third biggest unit in the Birla empire. The total assets of this unit are Rs. 28.70 crores. This unit, too, has been built only on the basis of the loans from the Export Import Bank of the U.S.A., which has given $ 18.50 million in 1965-66 equivalent to Rs. 13.87 crores.

It is enough to understand the nature of Birla industries which have grown into an immense empire in the post-'Independence' era. That the Birla empire is nothing but foreign-dominated will be clearer if only we are able to get complete details of the investments made in various companies by foreign finance capital and if we are able to get hold of the collaboration agreements which the Birlas have signed (of course, with the blessing of the Government of India) with foreign monopoly capital. It is unfortunate that the Government of India is screening the details of this and other empires built in India, refusing to publish the details in a cogent form.

**(4) Synthetics and Chemicals :** This company is known to belong to Kilachands. One of the world's biggest industry, Firestone Tyre & Rubber Co., owns equity shares worth Rs. 1.13 crores (as in 1960) as against the holdings of Rs. 1.72 crores of Kilachand and his friends. For any ordinary person, it will look as though Kilachands are the real owners of this company. But the Firestone Company of U.S.A., advanced $ 56,25,000 in 1960 - part of it as its share capital and the rest as loan. In the same year, three banks in America agreed to advance $ 60 lakhs as loan - nearly Rs. 2.50 crores. Again, in 1961, the U.S. government through PL 480 advanced a loan of Rs. 3.90 crores and further in 1962 Rs. 1.50 crores. In 1964 Firestone of U.S.A. loaned to this *'Indian company'* a sum of Rs. 47.50 lakhs in Indian currency and $ 22,10,522 in American currency. The assets of this company, in 1966, were Rs. 18 crores. Can anyone in his senses call this an Indian company? Is it not clear that this is an American - controlled and American-managed company?

**(5) National Organic Chemicals :** Let us now take the



interesting case of Mafatlals. It is national in name but in actuality a subsidiary of Royal Dutch Shell Group of Companies. This company's total assets in 1966 were Rs. 13.80 crores. Shell Company is one of the world's most powerful oil monopolists. This foreign company as per the agreement in 1965, has agreed to advance a loan of £ 9.2 million, in sterling, equivalent to Rs. 12.2 crores. It is no wonder that due to collaboration, such as this, in the course of the past 10 years, Mafatlals have shot into being one of the biggest monopolies of India. How much Indian this growth is, how healthy it is, and whether it is in the interest of national economy, can be very easily judged by any doctor of Indian finance.

**(6) Indian Iron & Steel Company :** It is known as Martin Burns Company. Martin Burn is an Indo-British concern in which Martin holds 40 per cent, Mukherji 37 per cent, and Banerji 14 percent of the controlling block (Hazari). Therefore, Indian Iron is an Indo-British concern. The total assets of this company were Rs. 104 crores. Four loans, amounting to $ 98.65 million, have been granted by the World Bank to this company (equivalent to Rs. 74 crores) for the expansion and modernisation of this company, out of which $ 61.57 million had been drawn upto March 1968. It is evident that Indian Iron even initially is not an indigenous concern, but an Indo-British concern, with British capitals as major share-holder in Martin-Burn which controls Indian Iron. Added to this, the World Bank through funnelling loans has become the most important outside agency controlling the majority of assets.

**(7) Tata Iron & Steel Co., :** Is known as the biggest Indian industry in the country. We have no knowledge as to how much of the equity capital of this company is in the hands of any foreign concern. Tatas are minority holders of shares. Such public sector concerns, as L.I.C., hold not less than one-fourth of the share capital of this company. TISCO too has mortgaged itself to foreign finance capital in the name of expansion. Its total assets in 1966 amounted to Rs. 163.24 crores. The loans this company has incurred amount to not less than Rs. 86 crores. The following are the loans from the World Bank and DLF/AID.

On June 26, 1956, World Bank gave a loan of $ 75 million.

On October 20, 1957, World Bank gave a loan of $ 32.50 million.

On October 21, 1963, DLF/AID gave a loan of $ 7.70 million.

These three loans, were equivalent to Rs. 86.56 crores. It is well to remember that the Government of India gave a loan of Rs. 20 crores to this company. A loan from the World Bank is always hedged with innumerable conditions. As B. K. Nehru put it, *"as far as the United States is concerned, there is a very considerable degree of end-use reporting and seeing that things are done as they were promised to be done, and there is quite an army of American officials carrying on this kind of supervision"* whenever D.L.F./ A.I.D. loans are given to any company. In the case of loans from the World Bank, *"extensive system of controls"* are maintained, the Bank taking *"a more active part in actual administration of projects"*. *"If assistance is given on a substantial and continuous basis, regular administrative machinery must be established to vet the requests, negotiate agreements , disburse funds, check administration of projects at every stage and submit reports to authorities and legislative bodies at home."*

("Politics of Foreign Aid", Pages 45, 58, 78)

Thus a plethora of reports are to be presented year after year both to the World Bank and the D.L.F. regarding management, production, sales, prices, labour relations, accounts etc. The World Bank and its officials have a right to check and re-check any aspect of a problem whenever they wish. The power of the World Bank, it seems, in the inner mechanism of the functioning of this industry is much more powerful and deeper than even the power of the Government of India. Before proceeding to any other case for examination, let us examine two more concerns belonging to Tatas.

**(8) TELCO :** Tata Engineering and Locomotive Company is the second biggest Tata concern involving Rs. 78.36 crores of assets. By 1958, Benz of Germany had acquired 16 per cent of equity, (Hazari, Page 46). It is said that this collaboration with Benz paved the way for future collaboration agreements with foreign capital in India. *"It would be true to say that when Daimler Benz of Germany and Telco of India put their resources together to produce their famous diesel engine vehicles in India, the post war technical collaboration programme came of age in the country."* (Directory of Foreign Collaborations, Volume II Section2, Page 84).

This coming of age led at a slow process of loss of its independence. In 1962, DLF/AID of U.S., granted a loan of $ 13.70



million, equivalent to Rs. 10.28 crores. In 1964, DLF/AID again granted another loan of $ 11.80 million, equivalent to Rs. 8.85 crores. In 1964, German credit of Rs. 1.36 crores was also granted. Thus, in a matter of only 2 years, total loans from international finance capital aggregated Rs. 20 crores.

**(9) Tata Power :** The total assets of Tata Power were Rs. 30 crores in 1966. This company, too, has gone in for huge amounts of loan capital, again from the World Bank and DLF/AID. On November 19, 1954, and again on June 29, 1957, the World Bank gave a loan of $ 13.84 million and $ 9.66 million respectively. On June 28, 1962, DLF/AID of U.S., gave a loan of $ 17.90 million. The loan of the World Bank is equivalent to Rs. 18 crores and DLF/ AID loan amounts to about Rs. 13 crores. Therefore, it is evident that the loans from international agencies were more than the assets of this concern. It is unfortunate that no data are available with me, at the time of writing this in jail, as to the amount of equity capital in this concern in the hands of foreign companies.

It can be very clearly seen from the above three examples as to how the three biggest industrial units belonging to the biggest industrial giant of India have been growing with spoon feeding from the biggest international finance agencies. These three giants of the Tatas, with assets of nearly Rs. 271 crores, have been aided by the U.S. agencies and the World Bank with nearly Rs. 140 crores - nearly half of the total assets. Again, it is unfortunate that we have no idea as to what further loans from other foreign financial institutions or banks these industries have received. Even without these data, it is clear that the Tatas too have been entirely dependent on international finance for their growth, along with the extremely heavy dosage of help they have been receiving from public funds through the Government of India. If we were to keep in mind that the funnelling in of such loans means *'extensive system of controls'* and *'active participation in the actual administration of projects'*, it becomes very clear that the industry which has received such substantial loans can take no step of any consequence without the concurrence of the donor.

*"The growth of institutional finance is not only of great structural significance for the industrial financing system, but has also wider social and political implications because of its bearing on the control and direction of the private industry"* ("Changing Structure of Industrial Finance in India", L. C. Gupta , quoted in **Economic Times,** April 15, 1970).

**(10) Madras Aluminium Co.** : A minority holding of share capital by the foreign collaborator is no indication of the collaborator's actual hold. A careful study of the agreements with foreign collaborators (which are generally kept secret and are not allowed public scrutiny) would reveal in a majority of cases a total subservience of Indian capital to foreign finance. Let us now examine the onerous conditions of collaboration agreements of the Madras Aluminium Company wherein the foreign collaborator imposes very revealing terms on the Indian promoters of the company-among whom are Madras State Industrial Investment Corporation and the Industrial Finance Corporation of India. The equity breakdown of the company is :

| | *(Rs. Crores)* |
|---|---|
| Montecatini | 1.2 |
| Madras State I.I.C. | 1.5 |
| I.F.C.I. | 1.2 |
| Directors and Public | 2.1 |

From this, generally, any one would conclude that this should be an Indian company since public institutions such as M.S.I.I.C and I.F.C.I. are major shareholders. But the following data from the collaboration agreements will reveal that it is not so.

Montecatini, an Italian firm, was entitled to one lakh twenty thousand shares - without paying a single pie of its own to the equity capital. It was entitled to the above number of shares on the following counts :

| | | *(Rs. in lakhs)* |
|---|---|---|
| (i) | For transfering technical know how | 45 |
| (ii) | For engineering fees, drawings, assistance in purchase of plant, and other allied services | 40 |
| (iii) | Cost of foreign experts, contractors and other services and charges | 35 |
| | Total | 120 |



Thus the collaborators, without paying a single pie in foreign exchange, were allotted shares. On the basis of these, they would continuously draw on the profits of the company as investors in the equity capital of this industry. Further, to help the company purchase the machinery, *"foreign exchange component was raised by Rs. 5 crores through a 10-year bond issue in Italy with the help of Montecatini, under a guarantee of IFCI for the said loan and interest till 1973 (Totalling about Rs. 5.6 crores)."* (Kidron, Page 198).

Thus the Indian company will pay Montecatini profits as a shareholder, as well as interest on the loan, but still more serious are the other conditions of collaboration which involve complete subservience of this industry to the dictates of the foreign collaborator.

The other condtions which totally bind the company to the interests of the foreign collaborator are :

1. *Further issue of equity capital over and above the issue of Rs. 4.5 crores should not be made without their consent.*
2. *They shall be entitled to appoint four directors to the board.*

(3) *Debentures should not be issued without their consent.*

(4) *Other loans of any kind, except the then existing foreign loans in excess of 25 per cent of equity capital, should not be contracted without their prior consent.*

(5) *There can be no increase in the authorised capital by the creation of new shares without their prior consent.*

(6) *There can be no variations in the terms of the managing agency without this prior consent.*

(7) *Every increase in productive capacity and every new industrial venture shall be examined and agreed upon between the two parties.* (Directory of Foreign Collaborations; *Volume II, Section 2, Page 764).*

Such are the conditions agreed upon. The so-called Indian indsutry has no right to issue further shares, has no right to appoint any manager under any terms of agreement on its own without the collaborator's consent. No increase in productive

capacity, no new industrial venture shall be undertaken, no further loans can be contracted even for the development of this industry without the consent of the foreign collaborator. I would like to question in what way can this be called *"an Indian unit?"* It is not a fact that this industry is technically, financially, and managerially controlled by the foreign monopoly?

Lenin aptly analysed the hold of a handful of monopolies who control banks as follows :

> *"They are enabled by means of their banking connections, their current accounts and other financial operations - first, to* **ascertain exactly** *the financial position of the various capitalists, then to* **control** *them, to* **influence** *them by restricting or enlarging, facilitating, or hindering credits, and finally to* **entirely determine** *their fate, determine their income, deprive them of capital, or permit them to increase their capital rapidly and to enormous dimensions etc."*

Such is the hold of the banking capital in general. It is much worse when the loan capital enters an underdeveloped, dependent country. It is still worse when such onerous conditions are imposed upon the debtor industry. A steadily increasing proportion of capital in industry ceases to belong to industrialists who employ it. A higher and higher proportion of capital in our country is not even Indian capital, but capital siphoned from foreign banks - there by increasing the growing hold on our industry, in the hands of foreign finance capital. thus the 10 examples we have chosen, to prove that the biggest of our industries in this country are mainly in the hands of foreign finance capital, have been studied only to the extent that the facts were available to us. I hope I have made it clear how these 10 industries are actually foreign-controlled since the loan capital is heavy, and the conditions imposed on the Indian industry by the loans are onerous enough to make them subsidiaries of foreign capital.

We had, in the previous pages, shown that 89 foreign companies had assets worth Rs. 1,263 crores. The 10 industries which have been referred to above, and in which foreign finance capital has a dominating voice, have assets as follows :



**TABLE : 7.7**

| | *Rs. crores* |
|---|---|
| (1) Hindustan Aluminium | 49.30 |
| (2) Hindustan Motors | 29.90 |
| (3) Orient Paper | 28.70 |
| (4) Synthetics and Chemicals | 17.93 |
| (5) National Organic Chemicals | 13.80 |
| (6) Indian Iron and Steel | 103.95 |
| (7) TISCO | 163.24 |
| (8) TELCO | 78.36 |
| (9) Tata Power | 29.87 |
| (10) Madras Aluminium | 19.01 |
| Total : | 534.06 |

In addition to these 10 units about whose capital structure certain details have been enumerated in the previous pages, there are at least five more units which belong to this category.

**TABLE : 7.8**

*(Assets in Rs. crores)*

| | | |
|---|---|---|
| (1) Mandhya National Paper Mills | 5.15 | 35 per cent capital in the hands of U. S. company; Rs. 4 crores of foreign currency loans. |
| (2) Indian Rayon Corporation | 7.26 | One-fifth equity capital in the hands of foreign company; Rs. 4.8 crores foreign loans. |
| (3) National Engineering | 5.59 | DLF/AID loans Rs. 3.23 crores. |
| (4) Straw Products | 7.92 | Deferred payments of Rs 3.54 crores. |
| (5) Bharat Forge | 5.98 | Other than equity shares held by a U.S. company, a loan of Rs. 2.93 crores from Export - Import Bank, U.S. |
| Total | 31.90 | |

These five companies, with total assets of Rs. 31.90 crores and the 10 companies with total assets of Rs. 534.06 crores (i.e., total of 15 companies worth Rs. 565.96 crores of assets) are under foreign finance with *"an extensive system of controls"*, and an *"active part in the actual administration of projects"*. This can by no criteria be contested.

The result of this analysis clearly shows that not only foreign capital owns 89 companies with assets amounting to Rs. 1263 crores, but also controls the above 15 companies.

Therefore, out of total assets of Rs. 3407 crores, owned by 252 companies, the assets of 104 companies involving an amount of Rs. 1829 crores are either foreign controlled or foreign owned. This amount would be 58.7 per cent of the total capital owned by 252 companies. This stark reality of our subservience in industrial *'expansion'* is being hailed by interested parties, including the so-called *'communists'* playing the role of propagandists of the Indian big business, as independent industrial growth".

The hold of foreign companies on these giant units does not end with the above enumerated data. There are quite a number which can be called Indo-foreign companies, in which the foreign collaborator has substantial financial, technical and managerial control in quite a number, probably, with control in their hands. The following can be counted among such companies.

**TABLE : 7.9**

*(Assets in Rs. crores)*

| Company | Assets | Remarks |
|---|---|---|
| (1) Escorts | 15.55 | Has been acting as representatives of MAN & AEG of West Germany, Westing House of U.S.A., Massey Furgusson of U.K., others. |
| (2) Madras Rubber | 7.31 | Mansfield of U.S.A. holds 25. per cent of the shares. |
| (3) Nirlon Synthetic Fibres & Chemicals | 7.36 | More than one third of the equity shares with Vonkohorn international U.S.A., Foreign exchange loan of Rs. 66 lakhs. |
| (4) Oil India | 90.79 | Burma Oil holds 50 per cent of the shares. |
| (5) Asian Cables | 5.70 | Enfield holds 25 per cent, Duncan Bros 26 per cent of the shares ; Duncan Bros will manage the company **in association** with Enfield U.K., and Phelps, Dodge, Enfield International, U.S.A. |
| (6) Polyolefin Industries | 8.99 | Farbwerke, Hoechst of West Germany holds one third of equity, (Rs. 1.20 crores), promoter of the company in association with NOCIL (in which one third of the equity shares are held by Shell Petroleum); a loan of Rs. 2.27 crores from West German Financial Institutions. |
| (7) Martin Burn | 11.89 | Indo - British Martin 40 per cent, Mukherji 37 per cent. Banerji 14 percent. |
| (8) Indian Tube | 21.67 | Jointly owned by Stewards & Lloyds, and Tatas. |
| (9) Tata Hydro Electric Power | 12.05 | Is under joint control of Tata 50.1 per cent and a foreign company 49.1 per cent. |
| (10) Voltas | 31.05 | Promoted by Volkarts and Tatas. |
| (11) Greeves Cotton | 9.97 | Substantial foreign hold. |
| (12) Hindustan Construction Co. | 15.70 | Joint venture with Braith, White, Burn & Jessop Construction Co. Ltd., which is jointly promoted by Jardime Handern, Martin Burn & Sahujain. |
| (13) Cable Corporation of India | 10.17 | About one-third of equity capital is held by Siemans and Felton of West Germany. |
| (14) Mahendra Ugine | 7.56 | Loan of Rs. 2.70 crores from IFC, U.S.A. I.F.C. has also agreed to subscribe to the equity capital. |
| Total | 244.76 | |

To the extent that I could gather concerned data, the above 14 could be termed as Indo-foreign concerns, in which the foreign collaborator has substantial financial interest, with a powerful technical hold and heavy managerial power. Certain other companies, which I feel should be included in the above Indo-foreign concerns (such as National Insulated Cable Co, Fort Gloster, Bombay Suburban Electric, Britania Engineering Co., Premier Automobiles, South India Viscose, Colourchem, Seshasayee Paper and Boards) have not been included since I could not substantiate my statement with the necessary financial data. Even without taking into consideration such other concerns, about whose capital structure information could not be collected to my satisfaction, the total picture as has been enunciated above is itself revealing and shocking to any person with an iota of national interest in him. The total picture is as follows :

**TABLE : 7.10**

| | | *Rs. crores* |
|---|---|---|
| **58** | Subsidiaries and branches of foreign companies as enumerated in the Industrial Licensing Policy Inquiry Committee Report, Volume II. | 947.00 |
| **31** | Foreign companies included in large independent Companies, larger industrial houses, and large industrial houses. | 315.81 |
| **15** | Foreign - controlled units due to more than nearly 50 per cent of investment from foreign sources, either in the form of equity or loans or both. | 565.96 |
| **14** | Indo-foreign joint concerns in which foreign collaborator has substantial financial interest, powerful technical hold and heavy managerial power. | 244.76 |
| | Total of **118** companies | 2,073.53 |

Therefore, out of 252 companies with assets of Rs. 5 crores and more in 1966, at the very least 118 companies *cannot* be categorised as *"Swadeshi Concerns"*. They are either foreign companies, or foreign - controlled companies, or at most Indo-foreign companies, in which the Indian capitalist plays a sleeping role or at most the role of a junior or a subservient. That is, not less than 46.8 per cent of the giant Indian companies are actually foreign companies on Indian soil. These 118 companies own Rs. 2,074 crores worth of assets, out of a total of Rs. 3,407 crores of all the 252 companies, i.e., 60.9 per cent of the total assets.



And yet, the country is being misled by revisionist propaganda that *"the prevailing trend in this period was the consolidation of indigenous capital"* that India has embarked *"on the road of Independent development"* ("Capitalism in India" by *A. I. Levkovsky*, Page 451). The Soviet communist's praise of independent economic growth of India and the curbing of foreign monopolies knows no bounds. **"In independent India"**, the Soviet communists' bombard, *"the part of the capitalist system represented foreign (originally almost exclusively by British) monopolies* **ceased to be the leading force.** *This change was brought about by slow and complex processes of development of Indian capitalism in the economic sphere, backed up by the movement for national liberation: as for the qualitative turning point, this occurred following the loss of political power by the British"* (Levkovsky, Page 481).

This pynagyrics on the growth of Indian independent development, growing into independent status, cannot be bettered even by the paid agents of the Indian big business or their masters the foreign finance capital. Facts belie this prettification of growing subservience of the Indian bourgeoisie to foreign monopoly - in some instances more so today than at any time in the past.

## Concentration of Production in Foreign Dominated Industries

In the previous pages, I have tried to give the depth of the foreign hold on our industries from various angles, in relation to the capital structure of the industry. We have seen how difficult it is to correctly focus the relation of foreign capital with the Indian capital. Due to the utmost secrecy maintained by the Government and by the Indian bourgeoisie on collaboration agreements and other necessary data, the common man in this country is almost blindfolded from the truth of the extraordinary loot, which results from foreign monopolies in India.

I propose now to deal, within all these limitations, with the concentration of production in foreign-dominated industries in our country. It is my opinion that not a single article which the common man uses in this country - from tooth paste, tooth brush, toilet articles, stationery, transport, dress and shoes, tea and

coffee, to the confectionary given to children - everything that is used from morning till night is nothing but a foreign commodity sold in the name of the *"Swadeshi industry"*. This deceit, which is being perpetrated on this country, should be exposed with all possible capacity to mobilise the people to liquidate foreign monopolies as early as possible and so save the country from foreign domination.

I will how deal with some of the industries to show how heavily foreign concerns dominate industrial production today. It would be surprising to note the octopus grip of foreign finance on our corporate sector and the supreme domination which they today enjoy, after 15 years of *'planned economy'*.

**(1) Agriculture :** The plantations industry is almost entirely concentrated among foreign interests. Seven tenths of the total acreage under **tea** is under foreign control. All the processing factories are, to this day, foreign-controlled.Two British firms Liptons and Broke Bond, fairly well-known names even in our villages, handle 85 per cent of the retail distribution of tea within India. Export trade to this day remains very much a British monopoly.

Nearly one-third of the acreage under coffee and three-fifths of the area under **rubber** are foreign-controlled.

Similarly, **agricultural machinery** is very much a foreign preserve, controlled mainly by Massey Furgusson and International Harvestors, U.S.A., through Tractors and Farm Equipments Limited and International Tractor Co. Insecticides and Pesticides are also dominated by international companies such as ICI, CIBA, Bayers, and so on.

**Tea machinery** manufacture is in foreign control. The major producer, covering almost the entire range of equipment, is Davidson of India. Of the four others, British India Electrical Construction Co., Port Engineering Co., and Steel were foreign-controlled.

**(2) Mining : Coal** mines in the private sector even to this day are heavily controlled by British producers. The Andrew Yule group,Mac Neill Barry, Turner Morrison, and Shaw Wallace, to this day control production which is very much higher than the biggest of any of the Indian companies. For example, in 1964,



companies of the Bird group did business of nearly Rs. 11 crores. The Andrew Yule group did business of nearly Rs. 13 crores. No other Indian company could compete with them in terms of their turnover.

In copper production, the British-controlled Indian Copper Corporation of India is the dominant company. In lead production, Metal Corporation of India which is another foreign concern meets over one-quarter of the estimated demand. In zinc, Binani Zinc which is a Canadian - controlled firm has lately entered the arena. In bauxite, foreign-controlled Indian Aluminium Co., is the major producer. Mining machinery manufacture is dominated by the fully foreign-controlled A-V-B Limited and Mcnally Bird Engineering.

**(3) Food Industries :** We have seen that one foreign company - Hindustan Lever - produces 33.1 per cent of the **vanaspati** produced in the country. In the production of **toffee and allied sweets,** Parry & Co. and Cadbury Fry dominate the scene. Among the producers of **biscuits** Britania Biscuit Co. and Huntly Palmer are important producers. **Yeast produciton** is almost monopolised by Indian Yeast Co., set up by Shaw Wallace. Even **milk powder** production is heavily foreign-controlled : Hindustan Lever, Glaxo Laboratories, and Horlicks, are the dominant producers. The sole manufacturers of sweetened full cream and condensed milk is Nestles Co. In **soft drinks,** of late, the country has been hearing enough about the domination of the American Coca-Cola Company. It will be interesting to note that Larsen & Toubro accounts for 50% of the dairy machinery.

**(4) Cigarettes :** The biggest concern in India is Imperial Tobacco the largest *'Indian'* producer. Vazir Sultan Tobacco Company, another major firm, which has become very popular with Charminar Cigarettes, is under the control of British American Tobacco Company. Cigarette machinery manufacture is controlled by Molins of India private Ltd. Cigarette paper production is controlled by Tribeni Tissues Pvt. Ltd., which is also a foreign company.

**(5) Textiles :** Cotton textiles is mainly in Indian hands but foreign capital controls a few of the larger units, such as Buckingham & Carnatic, Finlay, and Madhura Mills. According to Kidron, foreign capital is more apparent in **woollen** textiles. **Wool**

**combing** is dominated by foreign firms. Issac Holdens (India) Pvt. Ltd., set up in 1959, is alone capable of supplying one-third of the total estimated requirements of wool tops. Modella Woollens Ltd., is very closely tied, financially, to Robert Jowitt & Sons of Bradford. Dhuva Woollens is also linked to a foreign firm with a technical collaboration agreement.

British interests are still powerful in **jute textiles.** Jute mill machinery manufacture is British-controlled. Lagan Jute Machinery Co., and Low and Bonar Ltd. are major producers in this field.

Terylene is the monopoly of Alkali & Chemical Corporation of India-an ICI subsidiary.

**(6) Bata Shoe Private Ltd.,** is the largest producer of **foot wear** in the country. This company dominated the field of leather manufacture with 99.6 per cent of the indigenous-type leather footwear and 80 per cent of the Western-type footwear. It occupies the top place in vegetable tanning of hides. It is the largest producer of boot polish such that smaller firms have found it almost difficult to survive under its domination.

**(7) In basic metals, tin plate** production is in the private sector. It is a near monopoly of the Tin Plate Co., of India Pvt. Ltd., which is under the domination of Burma Oil. It produces nearly nine-tenths of the total capacity in the private sector.

**Tungsten carbide metal and cutting edges,** which is essential to the tool industry, is dominated by two foreign subsidiaries - Sandvik Asia Ltd. and Saka Industries.

The **aluminimum industry** is dominated by foreign monopolies. Indian Aluminium Co., is a subsidiary of U.S., controlled Aluminium Co., of Canada. Jeevan Lal Ltd. is its wholly owned subsidiary. Hindustan Aluminium Corporation, is a heavily foreign-financed industry, with a large financial stake of the world renowned Kaisers, in addition to large financing from American financial agencies (Export Import Bank).

The same is the case with Madras Aluminium, where Montecatini of Italy, a substantial minority share-holder, raised Rs. 4 crores in foreign currency loan and became the major investor.

**The Aluminium foil industry** is dominated by Venesta



Foils Ltd. and by the foreign Indian Aluminium Co.

Acro India Limited is the largest firm in the manufacture of steel **framework,** scaffolding, and construction equipment. **Steel tubes**in the private sector are really foreign controlled, with Indian Tube Co. and Tube Products of India dominating the arena.

**(8) In transport, (a) The bicycle industry,** the common man's vehicle, is entirely dominated by Tube Investments. Every part of bicycle production is foreign-dominated. T. I. Cycles of India Limited and Sen-Raleigh Industries of India Ltd., are controlled by Tube Investments of Britain. Bicycle chains are manufactured by T. I. Diamond Chain Co., steel tubes needed for the industry are manufactured by the Tube Products of India. Saddles and large number of other accessories are also produced by them. Cycle rims, cycle tyres, and tubes are manufactured by Dunlop. **(b) In motor vehicles,** Ashok Leyland is formally under foreign control. It does not mean that the other manufacturing industries are independent of foreign control. Hindustan Motors and Premier Automobiles are as much under foreign domination. *"In this industry, even a small import content restricts the freedom of local manufacturers; the order of imports normal in India reduces it to a shadow."* (Kidron). **(c)** In the **motor accessories** industry, the control is more explicitly foreign. Automobile Products of India dominates the scene. Tyres and tubes production is naturally foreign with Dunlop, Firestone, Good-Year, and Ceat, in the field. Motor vehicle batteries is the monopoly of Associated Battery Makers (Eastern) Ltd., and Chloride and Excide Battery Ltd. Fuel Injection equipment is dominated by the largest in this field - Motor Industries Co. Ltd. - which is a subsidiary of Robert Bosch.

Electric components are very much concentrated in the hands of Lucas Ltd., Simmons Motor and Electrics Corporation, and Robert Bosch, through Lucas TVS (Private) Ltd. Wheels India Ltd., a Dunlop concern, and Shankey Wheels (Guest Keen Williams and Joseph Shankey and Sons are major share holders) control wheels production. Napco Bevel Gear of India is a major producer of gears.

Thus every part of the motor vehicles production is in the hands of foreign monopolies.

**(d) Motor cycle and scooters :** Automobile Products of

India Ltd. accounts for 52 per cent of the production of scooters. Production of motor-cycles is concentrated in Enfield and Escorts. Auto Products Limited accounts for nearly 70 per cent of the three-wheelers manufactured in the country. Motor-cycle and scooter engine production is greatly concentrated in a joint venture of Enfield and Vittiers Engineering Co. Ltd., Walverhampton.

**(9) In eletrical equipment,** the field is very heavily dominated by a handful of foreign firms. In the manufacture of **transoformers,** world renowned companies have had a free field in manufacturing units such as AEI India (Pvt.) Ltd., British India Electric Construction, Crompton Parkinson, English Electric, G.E.C., Greaves Cotton, Heckbridge, Hewittie and Easun. English Electric alone is expected to meet one-fifth of the country's needs for generation, transmission, and distribution equipment, from its plant at Pallavaram.

The picture is the same again in the manufacture of **electric cables.** Indian Cable Co. is a British subsidiary. In Cable Corporation of India, West German interests are heavily involved. Henley Cables (India) Ltd. and W. T. Henley Telegraph Works, are subsidiaries of AIE. Madras Cables Private Ltd. is linked with Krupps. Traco-Cable is Japanese controlled.

The manufature of **teleprinting equipment** is a foreign monopoly - Olivetti and Company.

The **electric lamp industry** is completely controlled by international manufacturers. Electric Lamp Manufacturers (India) Private Ltd., Philips India, Hind Lamps Private Ltd., Osler Electric Lamp Manufacturing Co. Ltd.

In **electric tools, electric furnaces, X-ray equipment, compressors and refrigerators,** the largest firms are foreign - controlled and those which are said to be Indian are invariably conditioned by foreign technical and finance collaboration.

In **radio receivers** production, even for the common man, Philips, Murphy, Marconiphone Company, Gramphone company, and GEC, are household names.

**(10) In office equipment, calculating machines** are the exclusive preserve of big international firms. Manufacture of **typewriters** is dominated by foreign firms.



Foreign firms are important even in the manufacture of fountain pens and inks - Pilot Pen Cc. Ltd., Parker Pen Co. Ltd., Water Man Co. Ltd., Stephens Inks Pvt. Ltd., and others. (Formally, Pilot does not qualify as a foreign-controlled company, since only 30 per cent of its equity is held abroad in Japan. However, since the rest is widely spread and technical control rests with the foreign collaborator, it may be considered foreign controlled in practice).

**(11) Chemical and allied industries** are important and a vastly growing sphere of foreign capital. It is a difficult industry to analyse, because it is fast-growing and because the lines of demarcation between its branches are very diversified and very secret. Yet, its growing muscle can be visualised.

**(a) Fertiliser production** is fast becoming foreign-dominated : EID-Parry, Coromandel, Cawnpore Fertiliser factory (Indian Explosives Subsidiary of ICI), Zuari Agro fertiliser factory (so called Birla factory) are either in production or under construction. At the same time, Utkal Machinery Pvt. Ltd., a West German subsidiary of Simon Carves Ltd. of Britain are large manufacturers of **fertiliser plants.**

**(b) Blasting explosives** are a monopoly of Indian Explosives.

**(c) Petro-chemicals :** In an interesting and instructive article in the **Hindu** Survey of Industries, 1969, Mr. V. K. Srinivasan, writing on petro-chemicals, gives a rich illustration of the inter-relationship of various industries, from one end of production to the other, showing in graphic manner the inter-connection between the petroleum industry to the basic chemicals in petro-chemical industry, to the raw materials necessary for the consumer industry – *"a rich illustration of not only capacity establishment of various basic petro-chemicals but also of their utilisation and close inter-relations".* This industry presents a graphic picture of dominance of foreign capital from one end to the other. The two foreign subsidiaries in oil refining, ESSO and Burma Shell, feed naphtha to NOCIL petro-chemical complex and to Union Carbide Ltd., both foreign companies. These two petro-chemical complexes feed Hardilla Chemicals Ltd., Polyolefins Ltd., and Polychem Ltd. (all three foreign dominated), with ethelene and benzene for the production of polyethelene, which goes into a number of applications like pipes, for the production of polystyrene

and phenol, useful as a raw material for the production of general plastic from polystyrene, and for the manufacture of phenol formaldehyde resins, dyes and pharmaceuticals from phenol.

> *"The large group of intermediaries and end-products find their outlets in several functional applications like plastics, and resins, synthetic rubber, detergents, farm chemicals, fibres, solvents, plasticisers and miscellaneous products like carbon black".*

> *"Such an operation, as one can well imagine, involves almost a labyrinthene process route, which is not so much a route but a network of routes, paths, by-lanes and short-cuts".*

No wonder that all the routes, paths, by-lanes and short-cuts of this extremely, important industrial complex is completely and decisively under the stringent control of foreign monopoly capital.

A carbon black unit, with 40 million lbs. capacity, has been set up as part of this complex by United Carbon India Ltd.

(d) **Dyestuffs :** It is one of the industries which has developed quite fast, but with foreign interests dominating this sector. Imperial Chemical Industries, through Attic Industries Pvt. Ltd., has been the dominant firm. It claims to supply nearly 60 per cent of the India's requirement. They have a packing and mixing plant, in which auxiliaries including weighting agents, cleaning and scouring agents, dyeing and printing agents, and textile finishing products for softening, stiffening, and water proofing, are made. ICI has a powerful network of distribution.

Montecatini of Italy, with substantial interest in Amar Dye Chemicals and Indian Dyestuffs Industries and also with a growing interest in explosives, plastics, aluminium, and other fields has a powerful foreign hold.

Sandoz Products Pvt. Ltd., and Suhrid Geigy Trading Ltd - also foreign - controlled - account for a large proportion of *optical bleaching agents.* Production of *ultramarine blue* is dominated by Reckkit and Colman of India. Farbantabrik Bayer of Germany, Hilton Davis of U.S.A., and many other foreign firms, are in the field.

**(f) Drugs and Pharmaceuticals :** This sector of industry is



completely foreign-oriented. It has a disgusting history of political blackmail; Indian interests have been thrown overboard for the sake of super profits for foreign monopolies. The industry is new and growing rapidly. Its major branches - antibiotics, sulphadrugs, phytochemicals, antituberculosis drugs - barely existed in 1950.

The largest firms in the country are under foreign control. Of the patents registered in India 90 per cent belong to foreign companies.Merck Sharpe & Dohme, Parke Davis & Co., Geoffrey Manners, Hoechst, CIBA, Cynamide, Pfizer, Wyeth Laboratories, Glaxo, Burroughs Welcome, Teddinghton Chemical, May & Baker, Johnson & Johnson, Boots Pure Drug, British Drug Houses, Beechem Group Laboratories, Dumex Pvt. Ltd., Lederle Laboratories, E. R. Squibb and Sons, and Roche Products, over-power the entire horizon in this field.

Merck Sharpe and Dohme control the products of sulphathizol and pathalye. Parke Davis monopolises the production of bulk amodiquin and bulk chloromycetin. Geoffrey Manners dominates the production of meprobamate. Hoechst manufactures 99 per cent of the antibiotic drug known as tolbutamide. CIBA controls the production of sulphasomidine; Merck Sharpe and Dhome is the leading producer of Vitamin $B_{12}$. Chloromphinicol production is dominated by Bocheringer & Knoll and Parke Davis. Tetracycline is the monopoly of Cynamid and Pfizer. More than 85 per cent of the production of corticosteriod hormones is in the dominion of Wyeth and Glaxo. Burroughs produces nearly half of the anti-leprosy drugs and the same is true of liver extract injections production by Teddington Chemical. Any number of instances can be given upto the commonly marketed Aspro, Saridon, Vico Rub, throat lozenges, and so on.

(g) **Pesticides** production reflects the same. Imperial Chemical Industries, Tata Fison (in which the foreign partner holds 50 per cent of the capital), Japanese - controlled pesticides, Bayer, and American Cynamid rule the horizon in this field.

(h) **Polyethelene** capacity is shared by ICI and Union Carbide.

(i) **Industrial Lamanites** is also foreign-controlled by Formica International India Ltd.

(j) **Paint** is virtually a foreign province, occupied by giants such as ICI, Jenson & Nicholson (India) Ltd., British Paints (India)

Ltd., Goodlass Wall (India) Ltd., and Shalimar Paint, Colour and Varnish Ltd., a subsidiaryof largest paint-manufacturing firm in the world, Pinchin.

(k) **Titanium dioxide,** an essential ingredient for paints and varnishes, is in the hands of two foreign firms, Travancore Titanium Products Ltd. and Botanium Ltd.

(12) **Soaps and detergents :** One foreign company, Hindustan Lever, still occupies a commanding position in this manufacturing field, being the top producer of soaps.

(13) **Match industry :** The unquestioned ruler in this industry is yet the Swedish Match Co. - though its subsidiaries, Western India Match Company (WIMCO) and Assam Match Company. The Company is in an even stronger position as a supplier of potassium chlorate, the chief chemical ingredient for matches.

One can go on giving a never - ending number of examples, with tooth brushes, tooth paste, face powders and creams, glass fibre, plate glass, and sheet glass, industrial glasses, etc.

It is not possible to fully expose the control of foreign monopolies in various sectors of industry since, as kidron says, *"Official figures offer no guidance in the matter"* and, as Kidron says, one is left with the evidence adduced above on the basis of bits of information, official and unofficial.

## The Great Drain

Foreign private investment is a continuous drain, increasing the foreign exchange crisis, reducing capital accumulation for further investment, and thereby making the country eternally dependent. It is almost imposible to calculate the various methods adopted by foreign investors to create outlets for their various forms of exploitation. Foreign finance capital serves foreign investors as an outlet for their outmoded machinery, as a market for their raw materials, for their semi-finished products, spares etc., at exorbitant rates - not included in the account of remittances of profits, royalties etc., at high rates of return.

We can take the following instance from the *Dutt Committee's report.* The report shows that, in 1965-66, a total of Rs. 298.9 crores in foreign exchange were spent on account of collaboration



projects, while only Rs. 49.5 crores were earned by India through export from these projects. There was thus a net drain of Rs 249.4 crores. This gives an idea, even though it is only a part of the excessive foreign loot of our country (Main Report, Page 136).

All the same, the Government has been reiterating that all collaboration agreements are screened in the national interest, that approvals to foreign collaboration agreements are given only after taking into account the availability of indigenous knowhow which already may have been developed in the country, and only after taking into consideration the scope for import substitution and export potential. The Government has been continuously asserting that the terms and conditions for royalty and technical knowhow payments of fees are closely scrutinised in the national interest to keep the payments to the minimum.

This facile claim about safeguarding the country's interest, to cover its anti-national activities, has been burst by the Dutt Committee which after investigation came to the conclusion that, *"the approval of foreign collaborations together with foreign equity participation resulted both in giving a dominating voice to the foreign partner and also an indirect drain on the foreign exhcnage resources of the country"* (Main Report : Pages 137-138).

The following list of items for which foreign collaboration has been allowed, as per the report of the Dutt Committee, knocks the bottom out of such claims :

Animal feed, ballpoint pens, biscuits, beer, brassiers, cornflour, crockery, cosmetics, embroidered fabrics, foot wear, frozen food, fruit juice essence, hair clippers, loudspeakers, lipstick, pencils, picture frames, play balls, gin, stationery items, readymade garments, toothpaste, ice cream, sewing needles, safety-pins, rubber contraceptives, mirrors, toothpowder, dental cream, talcum powder, shampoo, shaving cream, brilliantine, cigarettes, electric bulbs, fountain pens, ink, paper, etc. (Main Report, Page 131).

Of course, this is not a complete list. To prepare a comprehensive list would need tons of paper. Yet the patriotic rulers of our motherland want us to believe that we are on our way to a self-sufficient economy, and that import substitution and export potential have been - and are being - created.

There are yet many items in which collaboration agreements were allowed and are being allowed, and thereby not only foreign exploitation of the Indian market but also the additional drain of India's meagre foreign exchange resources will continue.

## Accounts Clouded

The accounts of foreign branches and foreign subsidiaries are extremely clouded. They are kept under such secrecy that, even the Central Government is incapable of giving the full details to Parliament. According to one news item, the Central Minister declared in the Parliament that, since the Rserve Bank of India obtained data from the companies covered by the survey on a *strictly confidential basis,* it would not be possible to divulge any company-wise information even after the completion of the survey! Information regarding the progress made by the *individual companies* having foreign collboration *would not be available.* It is no wonder that the Government itself is incapable of getting detailed information regarding the drain for which foreign collaboration has been responsible.

Even the Reserve Bank is in the same dilemma. The accounts of foreign branches are not available even to the Reserve Bank of India. In the diplomatic language of the RBI Bulletin, trying to camouflage the truth from the ordinary Indian citizen !

> *"An important point to be noted in this context is that the profit figures relating to branches of foreign companies presented in the article are based on the accounts of companies, some of which are single branch companies. In the case of some branch companies, the accounts furnished by them relate to global accounts,* **recast by the companies** *in rupees in the form prescribed by the Companies Act, 1956. The profit figures compiled from such accounts, therefore, do not exclusively relate to profits made by the branches in India. Further, profit figures for the current year are arrived at after excluding items such as loss or gain due to devaluation besides non-recurring items like profit or loss on sale of assets.* (RBI Bulletin : June 1970, Page 929-930)

It is clear that as a *'sovereign'* country we have no control over the accounting methods of foreign branches with global



accounts maintained in their 'head' offices outside our country. Devaluation increases the value of the assets. From the jungle of global accounts, one has to clear a path through devaluation, profit or loss on sale of assets, clear the passage through profit figures of other branches outside the country, estimate the proportionate volume of expenditure on the Head Office to be deducted from the income of this branch, and so on and so forth, to arrive at the depleted figure of profits in the interests of the company.

Let us take, as an example, the remittances of foreign oil companies. They are unaccountable to any one else except themselves. They alone can say how much they have been remitting on various counts. According to patriot dated June 2, 1970, *"the remittances are said to cover : (1) Engineering services, (2) Technical information services, (3) Royalties, (4) Licensing fees, (5) NewYork, London or any other foreign office expenses, (6) Remittances as dividends, (7) Remittances of interest on overseas loans, (8) Remittances of depreciation reserve with a certificate that this was required for replacement of plant and machinery, and (9) Remittances on account of items not specified."*

It is clear from this that the country never knows full remittances which the oil companies have been making on these various accounts every year. Generally, only remittances made as dividends, or royalties, or remittances on depreciation reserve, are accounted for and that too on the basis of the accounts given by the oil companies.

It is in such difficult circumstances that one has to prod to find out the various losses incurred by the country on account of the great drain for which these foreign companies are responsible.

## Drain of Import Requirements

*"Most of our collaboration agreements are pretences to convert India into a market for immediate American and Western surpluses."* (Patriot July 13, 1968).

There can be no more deceptive solgan than the reason adduced for all-round foreign collaboration than the slogan of *'import substitution'*. As a matter of fact, the corporate industrial sector, which is based mainly on foreign branches, subsidiaries, and foreing collaboration through loans and technical knowhow,

have become more dependent with the increasing costs of imported raw materials and components; import requirements were mountign because new industrial development was mostly import-based. As one of the articles in the Hindu Survey of Industries, 1966, points out : *"the dependence on maintenance imports has been much more than was originally foreseen"*.

**This dependence of our industries on imports is a major cause for the drain of our capital.** It is not only through repatriation of profits, export of accumulated capital, royalties, and payment through technical know how, but more essentially through import of raw materials, intermediate goods, and spare parts, needed for industries established with foreign capital, that the drain is heavy, costly, and continuous. As the secretary of Engineering Export Promotion Council, Dr. R. K. Singh, explains in Hindu Survey of Indian Industries, 1966, **"Engineering goods** on an average have an import content ranging from 40 to 50 per cent" (Page 55). Dr. Vidyarthi, Secretary, Engineering Association of India, further explains that *"as much as 80 per cent of the imports are now obtained utilising US Aid. American materials were costlier by 25 to 40 per cent than those from U. K., Germany or Japan, and devaluation has accentuated the problem."* (Hindu Survey of Industries, 1966 : Page 53 and 57).

The country has today five important producers of **tractors** : - all of them foreign-oriented. According to Hindu Survey, 1969, the indigenous content of the tractors varies from 22 per cent to 79 per cent. What a drain of capital not only distorting our balance of payments but also an unaccountable export of super profits due to the managed high price of these imports!! As Kidron points out many of them are in a uniquely favourable position to modify their accounts to their advantage.

The Company Law Committee has expressed that *"many managing firms also earn large amounts as buying and selling agents either direct or through their associated companies."*

The Tariff Commission, in its Report on Rubber Tyres and Tubes, explain that it is impossible and therefore it is unable to fix and recommend *"differential prices in such a way as to eliminate the excess profits"* made by these foreign companies since for example *"Firestone (USA) can make up the loss of profits resulting from such action by charging suitably higher prices for materials or equipment*



*supplied to its subsidiary in India"*.

Foreign manufacturing firms in a wide range of industries prefer a high revenue from sales to their Indian branches or subsidiaries to high profits made in India, since such profits are non-cognizable.

The **textile industry** is one of our oldest industries. Textile machinery making is also nearly 20 years old. Even so, the value of imported machinery has been increasing year after year. As Managing Director, Mr. G. Balasundaram, Textool Co. Ltd., reports in the Hindu Survey of 1966, *"the prevailing tendency among powers that be to reject any manufacturing project in the absence of foreign collaboration will spell ruin to industrial development. Though foreign collaboration has helped in the industrialisation of the country, it has not aided the development of indigenous skills and techniques .....Machines of different kinds and specifications being imported from various corners of the globe, with the result that there is a great veriety of machines functioning here. This* **necessitates imports of spares and components** *on a large scale for replacement, not to speak of the inevitability of continued dependence on imports. If a wide variety of textile machinery is imported, the import of spares also increases correspondingly as it becomes uneconomical for the Indian manufacturers to undertake production of a wide variety of spares. The continued dependence on imported knowhow is neither in the interest of national prestige nor national economy."* (Page 101).

The following table, on textile machinery production and imports, gives an idea of how the increase in production does nt automatically reduce the value of machinery imported into the country.

**TABLE : 7.11**

**Textile Machinery Production and Imports**

(Rs. crores)

| Year | Value of Machinery Imported | Value of Machinery Produced in India |
|---|---|---|
| 1960 | 20.23 | 10.39 |
| 1961 | 26.48 | 11.48 |

| | | |
|---|---|---|
| 1962 | 27.32 | 14.02 |
| 1963 | 23.70 | 18.52 |
| 1964 | 27.30 | 21.62 |
| 1965 | 28.43 | 24.22 |

*Source :* R.R. Ruia : Chairman, Mill Owners' Association, Bombay, (**Hindu** Survey 1966, Page 99).

**The oil companies,** which are affiliates of international *'majors', "are primarily interested in maximising their profits on their worldwide operations".* They own oil fields; they also own tankers for transport; they control refining and marketing companies as well. This control on an international scale has enabled them to have *'captive'* outlets for their crude oil, as in India.

The country is being looted for more than 20 years now by the **oil companies** through the excessive price they have been charging for the crude oil they have been allowed to import as raw material not only for the private sector refineries but laso for the so called public sector refineries in Cochin and Madras. As per the agreement with Philips petroleum of USA, the Cochin Refinery had agreed to Philips as an agent for the purchase of imported crude on the best possible terms. A similar agreement was concluded with the National Iranian Oil Company and American International Oil Company for the supply of Darius crude from the Middle East to the Madras Refinery. Both these refineries are said to be public sector projects, with majority shares in the hands of the Government of India. Nevertheless, the minority share - holding foreign companies had such a powerful hold that *"Oil refineries refused to take Rostum crude because under refinery agreements, they have freedom to import their crude from their own sources."* (Hindu Survey 1969).

The **Economic Times** of April 21, 1968, has brought out the fact that the foreign oil companies had sent home as profits in foreign exchange as much as Rs. 364 crores in 1961-66. It pointed out that Burma Shell remitted Rs. 30 crores worth of profits in 1966.

Michael Tanzer, who had been on the job training in India on behalf of ESSO in his valuable and knowledgeable study



entitled, *"Political Economy of International Oil and the Underdeveloped Countries"* gives many examples of downright cheating by these companies. For example in July 1965, Jersey announced an oil price reduction for which the Government of India had been pressing for months. But it did this by importing into this country a different kind of mixture of crude oil, consisting of less expensive oils.

The adverse nature of this tie-up in India with the oil majors has been described and further explained by him, taking India as his case study. The bulk of the company's profits are made on importing crude from the parent company, which already controls large supplies elsewhere - and not on refining oil or marketing refined products even though these two are also profit centres. The affiliate refineries pay higher prices for crude oil to the parent company, which would not otherwise be paid up independent companies. The affiliates are also made to pay a heavy price for transport, managerial services, and so on. This way, the parent company is able to fleece at both the ends - through profits on refining and marketing as well as on crude oil.

By allowing oil companies the right to import crude from their own sources, India is paying prices which are far above the cost.

## Extraordinary Remuneration to Directors and Managers of Foreign Companies

Another form of drain, which is not generally accounted for in the accounts of repatriation of profits by foreign companies, are the salaries and commissions on profits which are paid to the directors and managers of foreign companies. Since we cannot get a consolidated amount paid and repatriated under this category a few examples will have to serve our purpose.

The present ceiling on salaries and commissions on profit to be paid to the directors and managers in the private corporate sector is Rs. 7,500 on salaries, with provision for an additional Rs. 3,750 as share in profits - in all a total of Rs. 1.35 lakhs a year.

But the Government has sanctioned payment of remuneration during the last three years (1967 to 1969) over and above the ceiling in the case of as many as 99 companies, involving 146 persons of whom as many as 63 are foreigners who expatriate

their earning. It should be remembered that this remuneration does not include such perquisites as car, house, medical expenses, and so on.

The following are a few examples :

(1) *Cochin Refineries,* known as a public sector company in which foreign capital plays substantial role, pays its managing director, an American by name of Henry H. Lees, as much as Rs. 27,000 a month or Rs. 3.24 lakhs a year. This is tax-free, excludes perquisites like car, house and the like.

(2) *Union Carbide,* American-owned, pays its managing director A.C. Egler Rs. 22,916 a month and also one per cent commision on profits, subject to a ceiling of Rs. 3.40 lakhs a year. The same company pays its wholetime director M.E. Hitchcock Rs. 19,600 a month and half per cent of profits, subject to a maximum of Rs. 2.35 lakhs a year. Another director, D.P. Antia gets Rs. 15,000 a month and half a per cent of profits subject to a maximum of Rs. 1.80 lakh a year.

(3) *Shaw Wallace,* British owned, pays its managing director C.M.A. Bathurst Rs. 10,000 a month and two other directors C.I.M. Arnold and A. W. B. Hayward Rs. 9,000 and Rs. 7,000, respectively. Between them they also take 5 per cent of profits in the ratio of their salaries, subject to a Rs. 2.50 lakh limit.

(4) *Dunlop, British-owned,* pays managing director M.A. Moore a salary of Rs. 12,500 a month, plus one per cent of the profits subject to a maximum of Rs. 1.70 lakhs per year. Deputy managing director R.G.S. Nairn, S. Hill Smith, J. R. Scott, M. M. Sabherwal, and K. Padmanabhan, get Rs. 10,000 each plus half a per cent share in profits with the ceiling put at Rs. 1.50 lakhs.

(5) *Guest Keen William's,* managing director C.W.B. Eustace gets a fixed salary of Rs. 12,500 but a director K. G. Maitra gets Rs. 12,000 a month plus dearness allowance at 35 per cent (which makes a total of Rs. 16,200) as also one per cent share in profits. The limit is set at Rs. 2.20 lakhs.

(6) *Britania Biscuits'* managing director Julian Scott gets Rs. 8,250 plus 20 per cent dearness allowance a month. Also a 'devaluation allowance' of Rs. 35, 796 a year. He is also entitled to 3 per cent of profits fits as commission. The limit is placed at Rs. 2.50 lakhs. His colleague director, G. R. Garret, gets Rs. 5,800



plus 20 per cent as dearness allowance and one per cent of the profits.

(7) *Hindustan Milkfood's* J.R.L. Pountney gets Rs. 5,776 a month, plus a quarter of one per cent commission on profits, subject to a ceiling of Rs. 1.80 lakhs. He is also given a children's education allowance of Rs. 900 per month per child.

(8) *Western India Vegetable Products* pays A. M. M. H. Premji 5 per cent of the profits, subject to a ceiling of Rs, 1.80 lakhs.

(9) *Jeypore Sugar's* Smt. Rajeswary Ramakrishnan, as managing director gets 5 per cent of profits, and Smt. Ramakrishna gets 2.5 per cent, subject to a limit of Rs. 1.80 lakhs.

(10) *Ahamadabad New Cotton Mills's* Smt. Jyotsna Narottam along with her brothers, Ramesh and Bepin, are joint managing directors, and share 10 per cent of the profits subject to a ceiling of Rs. 5.40 lakhs.

(11) *Kalinga Tubes's* Biju Patnaik as managing director gets 5 per cent of profits with a limit of Rs. 1.80 lakhs.

(12) *Hindustan Dowidat Tools's* (Birla's) chief of staff gets 5 per cent of profits as manager.

(13) One Mr. A. C. Mair draws from *Indian Explosives* Rs. 10,011 plus D. A. at 30 per cent and from *Alkali and Chemical Corporation* Rs. 10,620 plus D. A. at 47 per cent as managing director for both companies.

## Glaring Examples of loot

Before we take up the question of total remittances made by foreign controlled companies, let us try to find out from a few examples of the high - class loot of our country. The following few examples will give a picture of how India has become a happy hunting ground for super profits of foreign monopolies.

**(1) Gresham and Craven of India,** a subsidiary of Westing House Brake and Signal, is one of the extraordinary examples of the high-class loot of our country. With a paid-up capital of only Rs. 4.66 lakhs, this company lifted away as profit to the U. K. 7.65 times by this amount on an average per year, or 30.6 times the

amount in total, from 1962-63 to 1969-70. In absolute figures it amounted to Rs. 1,42,54,120.

**(2) Imperial Tobacco Company** is another example of extraordinary profits quite unrelated to the growth of production. The following figures reveal the astonishing figures :

**TABLE : 7.12**

| Year | Production (million bales) | Profit (Rs. lakhs) |
|---|---|---|
| 1964 | 23610 | 287 |
| 1967 | 28106 | 409 |
| 1968 | 30384 | 593 |
| 1969 | 29993 | 707 |
| 1970 | 31184 | 783 |

That is, a **11,364 per cent profit !!**

**(3)** The following fantastic information about the unimaginably high profits of American pharmaceutical companies, functioning through their subsidiaries, was furnished by Hindustan Standard of August 22, 1970 :

*"A senate sub-committee of U. S. Congress has sharply criticised the practice of Amercian pharmaceutical companies selling their products to their own subsidiaries in developing countries at 'dramatically excessive prices', according to a Washington report."*

*"These companies have been charged with selling antibiotics and other vital medicines to developing countries at rates inflated from 200 to 11,364 per cent, compared with the prices of the same product or its therapeutic equivalent in Europe. Giants among them have their subsidiaries in India."*

*"One senator deplored the fact that it was being done through the United States Agency for International Development (U. S. AID) which provides dollar loan for foreign exchange requirement when developing countries set up pharmaceutical industries with U. S. collaboration."*



*"One case affecting India cited is the selling by a U. S. firm of an anti-histamine called dibenzocylohepatriene piperdino to its subsidiary in India at $ 1060 a kilogramme when a therapeutic equivalent in Europe costs $ 20.50 a kilogramme. The mark up was 5,171 per cent".*

**4. Colgate - Palmolive** (U.S.A.) is a fully owned subsidiary of Colgate-Palmolive International of U. S. A. It was registered in 1937, with a total paid-up capital of Rs. 1.5 lakhs, which has remained the same all these years. In 1966, the dividend remitted to U.S. A. was 52 lakhs. This went upto Rs. 72 lakhs in 1968. In the last 14 years, more than Rs. 5 crores have been taken away by the company. This prosperity of the company is not reflected in the earnings of the workers. The lowest paid of the employees get only Rs. 110 a month. But the managing director draws a salary of Rs. 4,19,520 a year - about Rs. 35,000 a month. Perquisities are besides this fabulous salary.

**5. Super profits for British Drug Firm :**

*"Indian Schering Ltd. and Nicholas India, are associate companies of the British drug monopoly Aspro Nicholas of Slough, England."*

*"They enjoy a monopoly in manufacture of 'Neomercazol' tablets. The drug is used for the treatment of thyrotoxicosis and is therefore a life saving drug. The sale price of 'Neomercazol' is Rs. 16. The actual cost price is just 10 paise."*

*"Another drug marketed by the same companies is 'Sorbitrate', a coronary vasodilator. The price for 20 tablets is Rs. 3.15 in the market. The cost price is just 10 paise".*

*"Twelve tablets of 'Neutradonna' are priced by the two companies at Rs. 2.31. Its cost price is only five paise".*

## Remittances of Profits etc., in Foreign Exchange

The outflow of money from this country in foreign exchange

in remittances of profits, fees, professional services, etc., as reported by the Reserve Bank of India, is in my opinion a bald understatement. The few examples given above underscore the fact that the accounts given by the R. B. I. on the basis of the accounts provided to it by the foreign monopoly concerns do not reveal the true state of affairs. All the same, since we have no other go except to rely on R. B. I. accounts, let us now study those figures. Even these figures reveal the growing drain of Indian resources year by year.

Reserve Bank of India reports that, since *"the entire public sector and the private sector industries are based on foreign collaboration, the remittances are increasing year after year"*. The outflow of money from this country in foreign exchange due to remittances of profits, fees, professional services is as follows, according to Reserve Bank of India Survey.

**TABLE : 7.13**

*(Rs. in crores)*

| Year | Profit | Royalty | Technical fees | Total |
|---|---|---|---|---|
| 1960-61 | 11.38 | 1.51 | 3.36 | 16.25 |
| 1961-62 | 14.14 | 1.92 | 3.69 | 19.75 |
| 1962-63 | 18.35 | 2.32 | 3.38 | 24.05 |
| 1963-64 | 16.11 | 3.35 | 2.98 | 25.44 |
| 1964-65 | 20.58 | 4.95 | 4.03 | 29.56 |
| 1965-66 | 19.95 | 6.40 | 5.61 | 31.96 |
| 1966-67 | 21.50 | 7.97 | 4.13 | 33.60 |

It is clear from this table that the total amount repatriated has increased by more than double during the period 1960-61 to 1966-67. According to B. Rangaswamy, *"Royalty payments and fees for technical knowhow do involve a drain on foreign exchange; actual outgo amounts to about Rs. 50 crores annually."* (Indian Express, May 22, 1970).

This suggests that the royalty amounts given by the Reserve



Bank of India are a gross understatement.

The so-called public sector companies are also as criminal as private sector companies in serving the interests of foreign monopolies. The R. B.I. survey which covers 24 government companies reports that royalty payments by these companies rose from Rs. 15 lakhs in 1960-61 to Rs. 64 lakhs in 1966-67. Remittances for technical fees average Rs. 3.8 crores a year during the 7 years ended 1966-67. The foreign exchange outlay, on account of foreign technicians engaged by the public sector units, was Rs. 2.65 crores in 1963-64.

## Outflow of Capital

**Economic Times** of February 21, 1970, speaks of *"deliberately inflated prices of sale of shares of foreign companies, involving large transfer of foreign exchange"*, which is not accounted for. Even so, *outgo* of capital, even according to official accounts released, is a regular feature of foreign investment. This amount consists of repatriation of investments by way of liquidation of branches, transfer of share from non-residents to residents, and repatriation or repayments of debentures, loans, suppliers' credit for imports, etc. (This amount does not include the interest paid either on debentures or loans or suppliers' credits.)

As per the Reserve Bank Bulletin, March 1971, total outflow under this category (repatriation of capital) for 4 years is as follows:

**TABLE : 7.14**

*(Rs. crores)*

| Year | Amount |
|---|---|
| 1964-65 | 36.8 |
| 1965-66 | 45.1 |
| 1966-67 | 72.5 |
| 1967-68 | 90.9 |

The outflow of capital by selling shares to Indians does not mean that foreign capital has lost its hold on the industry. Keeping majority hold in their own hands, the foreign investors sell a few shares at inflated market valuations, sometimes three or four

times their actual investments threby reaping extraordinary profits.

Thus, even according to the accounts provided by the Reserve Bank Bulletins, the amount repatriated by foreign private capital in the form of profits, royalty, technical fees, and repatriation of capital, is not less than Rs. 150 crores a year.

## Interest Burden

The accounts so far discussed do not provide any clue to the amount of interest charges that private capital pays to the international finance capital on loans incurred either by foreign branches, or by foreign subsidiaries, or by Indian collaboration companies. Just as the interest charges on the Government of India are sharply shooting up with the growing indebtedness, both national and international, so also *"of late the share of interest charges in the gross profits (pre-tax profits plus interest charges and managing agency remuneration) of public limited companies in the private sector has shown a marked increase"* (**Economic Times** October 10, 1970).

As against only 9.1 per cent of gross profits being appropriated towards interest liabilities during the end of the First Plan, the proportion rose to 13.9 per cent during the end of the Second Plan, and further to 23.5 per cent during the end of the Third Plan. In 1968-69, the last but one year before the commencement of the Fourth Plan, the ratio was significantly marked up at 37.7 per cent.

The following table gives yearwise, from 1955-56 to 1968-69, the borrowings and interest charges of public limited companies.

**TABLE : 7.15**

**Borrowings and Interest Charges : Public Ltd. Companies**

| Year | Borrowings as percentage of Total Capital Employed | Interest Charges as percentage of Gross Profits |
|---|---|---|
| 1955-56 | 23.0 | 9.1 |
| 1956-57 | 25.9 | 10.4 |
| 1957-58 | 28.8 | 17.0 |
| 1958-59 | 29.3 | 17.6 |
| 1959-60 | 28.1 | 14.8 |
| 1960-61 | 28.6 | 13.9 |
| 1961-62 | 28.7 | 15.1 |
| 1962-63 | 29.4 | 15.5 |
| 1963-64 | 30.1 | 16.3 |
| 1964-65 | 31.3 | 18.9 |
| 1965-66 | 34.2 | 23.5 |
| 1966-67 | 36.8 | 27.2 |
| 1967-68 | 39.6 | 35.9 |
| 1968-69 | 39.7 | 37.7 |



*Notes :* (a) Total capital employed = total assets.
(b) Gross profits = pre-tax profits plus interest charges and managing agency remuneration.

*Source :* For the period 1955-56 to 1966-67 **RBI Bulletins;** for the subsequent periods, **Economic Times** studies on Company Finances.

The above figures do not give us an idea as to how much of the total borrowed capital consists of foreign loans. As we have seen in the previous chapters, foreign loans from various international institutions such as the World Bank and the International Finance Corporation or from various government and semi-governmental financial institutions of U.S.A., U.K., West Germany, and other countries, as for example the Export-Import Bank and DLF/AID of America of Commonwealth Finance Corporation of Britain and West German Banks, form a heavy amount in the Indian corporate sector. Therefore, as the above table indicates, bigger and bigger amounts in the form of interest charges, as a percentage of gross profits, due to international banks are leaving this country. Therefore, the outgo of profits in various forms is very much greater than what is depicted by either government publications or the Reserve Bank of India Bulletins. It would be certainly interesting and educative to pool all these facts in one place and study the outgo in relation to the national income of India or in relation to the total industrial production of our country. If such an exercise is successfully concluded, the Indian nation would receive shocking information of how more and more India is becoming a subservient to foreign finance capital.

## Profits of Foreign Companies are Higher Than Average Profits for Indian Industries

It is common knowledge that profits of foreign companies in India are higher than the average for Indian industry as a whole. Various Reserve Bank studies have proved this phenomenon in the Indian corporate sector. For foreign investments gross profits were 12.1 per cent of total capital employed in 1953 and 1955 respectively, as compared with 6.8 and 9.4 per cent for Indian joint stock companies in the same years. It is reported that foreign-controlled firms were earning some 20 per cent more than the Indian firms in the five years, 1957 to 1961, or on an average of 10.1 per cent compared with 8.4 per cent earned by Indian firms.

**The Reserve Bank of India Bulletin** of june 1970 reports that all the profitability ratios and dividend disbursement ratios for foreign controlled companies were higher than those for the Indian-controlled companies in the years 1965-66 and 1966-67. Gross profits as a percentage of sales for 365 foreign-controlled companies was 12.9 per cent and 12.3 per cent for 1965-66 and 1966-67, whereas it was 8.6 per cent and 8.4 per cent for 1,944 Indian-controlled public and private companies.

From all accounts, then, the Indian people have effectively been made into drawers of water and hewers of wood in the interest of foreign companies.