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L.B. Rist: Round the world trip

1952

(11)

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Archives



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Leonard B. Rist - President Eugene Black Round the World Trip - Correspondence -
Volume 1 - 1952 - Ceylon, India, Pakistan

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Date: 11/15/2010 BZW

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**Information on Malaya and Singapore, combined, follows section on Singapore.

CONFIDENTIAL

January 22, 1952

DECLASSIFIED

Date: 11/15/2010 BAW

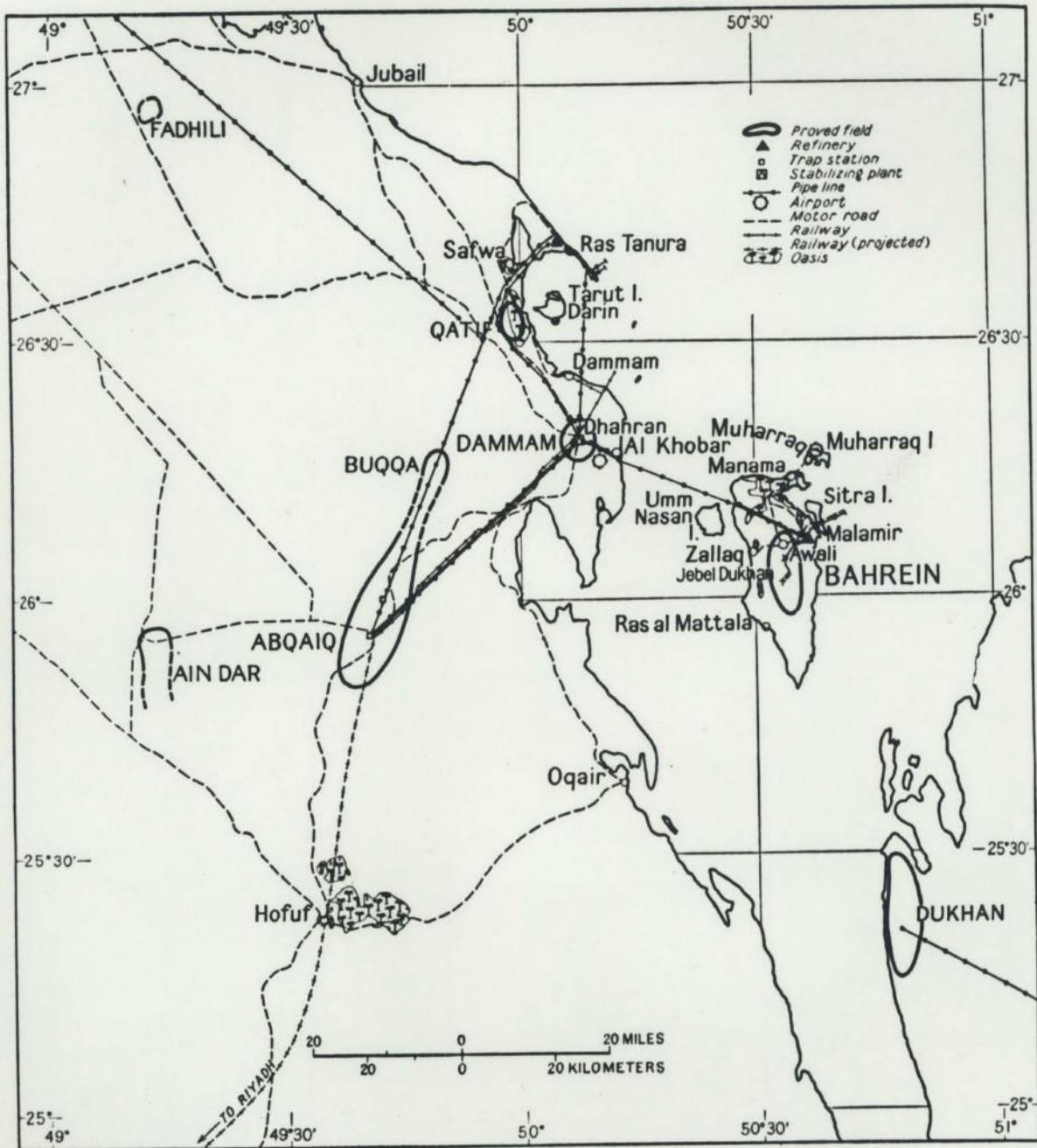
MR. BLACK'S TRIP TO THE FAR EAST

ITINERARY

					<u>Travel Time</u>	<u>Days</u>
Lv: New York	6:00 p.m.	Fri. Jan. 25	Trans World Airlines			
Ar: London	10:30 a.m.	Sat. Jan. 26	Constellation #970		11:30	
			Hotel Claridges			5½ days
Lv: London	11:59 p.m.	Thurs. Jan. 31	British Airways			
Ar: Bahrain	9:20 p.m.	Fri. Feb. 1	Argonaut #768		21:21	
			Umm A'Sabaan Island			2 days
Lv: Bahrain	6:05 p.m.	Suh. Feb. 3	British Airways			
Ar: Karachi	10:50 p.m.	Sun. Feb. 3	Argonaut #780		3:15	
			Government House			6½ days
Lv: Lahore about	10:00 a.m.	Sun. Feb. 10	Pakistan Air Force		2:00	
Ar: New Delhi about	12:00 noon	Sun. Feb. 10				
			Government House			
New Delhi	7:30 a.m.	Fri. Feb. 15	Indian National			
Calcutta	11:45 a.m.	Fri. Feb. 15	Dakota		4:15	
			Government House			
Lv: Calcutta	7:00 a.m.	Thurs. Feb. 21	Air India			
Ar: Bombay	12:50 p.m.	Thurs. Feb. 21	Viking #509		5:50	
			Government House			12 days
Lv: Bombay	7:10 a.m.	Sat. Feb. 23	Air India			
Ar: Colombo	3:45 p.m.	Sat. Feb. 23	DC 3 #521		8:35	
			Galle Face Hotel			7½ days
Lv: Colombo	8:00 a.m.	Sun. Mar. 2	British Airways			
Ar: Singapore	5:50 p.m.	Sun. Mar. 2	Argonaut #768			
			Hotel Raffles or Government House			2 days
Lv: Singapore	8:45 p.m.	Mon. Mar. 3	Cathay			
Ar: Bangkok	1:00 a.m.	Tues. Mar. 4	DCh		4:15	
			Government House			4 days
Lv: Bangkok	3:30 p.m.	Sun. Mar. 9	Royal Dutch Airways (KLM)			
Sydney	8:30 p.m.	Mon. Mar. 10	Constellation #829		26:00	
			Hotel Australia			6 days

					<u>Travel Time</u>	<u>Days</u>
Lv: Sydney	10:30 p.m.	Sun.	Mar. 16	Tasman Empire Airways		
Ar: Wellington	7:30 a.m.	Mon.	Mar. 17	Solent #882	7:00	
				Hotel Waterloo		1 day
Lv: Wellington	9:40 a.m.	Tues.	Mar. 18	New Zealand Airways		
Ar: Auckland	11:35 a.m.	Tues.	Mar. 18	DC 3 #152	1:55	
Lv: Auckland	3:00 p.m.	Tues.	Mar. 18	British Commonwealth		
Ar: Honolulu	1:00 p.m.	Tues.	Mar. 18	Pacific Airways DC 6	20:30	
				Hotel Royal Hawaiian		1 day
Lv: Honolulu	8:00 p.m.	Wed.	Mar. 19	United Air Lines		
Ar: San Francisco	7:45 a.m.	Thurs.	Mar. 20	Stratocruiser #46	9:15	
				Hotel Mark Hopkins		2½ days
Lv: San Francisco	10:10 p.m.	Sat.	Mar. 22	United Air Lines		
Ar: Washington	10:50 a.m.	Sun.	Mar. 23	DC 6 #630	9:40	

Note: Flights within the visited countries are shown on separate schedules for each country.



NOTES ON BAHREIN ISLAND AND KUWAIT

I. BAHREIN ISLAND (Shaikhdom)

GEOGRAPHY

Largest and most populous of Bahrein Archipelago. Situated in an arm of Persian Gulf, bounded on West by Al Hasa Province of Saudi Arabia, on East by Qatar Peninsula.

Topography and Structure - Regionally lies near flank of large ancient geosynclinal basin of which Persian Gulf is present expression. Island is within wide band of folding which exists along eastern coast of Arabia.

Roughly oval, approximately 28 miles long, 10 miles wide. Rocky slopes dip down and outward from rim of a central erosional basin disappearing into Gulf or passing under sandy beaches. Central basin about 12 miles long, 4 miles wide - clearly outlined by cliffs - the "Rim Rock" - 20-100 feet high, forming nearly continuous inward wall deeply serrated by steep and narrow valleys making roads over Rim somewhat difficult.

Cluster of high peaks rising to 450 feet, known collectively as Jebel Dukhan (Hill of Smoke) near center of this basin. Elsewhere in basin highest area 220 feet.

Major portion of island barren limestone exposures. Broad belt fertile soil, devoted to alfalfa and dates, forms horseshoe round northern end, immediately above shoreline extending along both eastern and western shores for about one-third of length of island: corresponds to area in which artesian wells and natural springs are found. Many of wells developed by Bahrein Petroleum Company Ltd. located here.

Shoreline characterized by wide flat sandy coquina-like beaches sloping gently beneath the water; at southern end roughly triangular sandy beach terminates in elongated spit. Number of salt swamps on western side - most prominent between Zallaq and Ras al Mattala. Large waste area often covered by high tides near Malamir.

Surrounded by number of coral reefs; many of larger covered by 3 - 5 feet of water at high tide; varying in size from a few square yards to several thousand acres; hindrance to navigation and with gradually sloping beach entail anchorage of shipping some distance off shore and use of lighters and barges.

Manama, principal port, usually filled up with pearling and fishing (barracuda and shrimp) fleets of native dhows and small craft from Basrah or India.

Bahrein is easily approached by sea or air; BOAC airfield and seaplane landings on Muharraq Island. Ample auto transport. Connected by causeways with Muharraq and Sitra Islands.

POPULATION

Estimated at 125,000 for archipelago - mostly Moslem arabs..

Manama - capital - population about 40,000.

Muharraq - about 20,000

Number of BAPCO employees in Bahrein in 1948 exceeded 6,000, including more than 75% Bahreinis.

HISTORY

From 16th to early 19th century occupied or claimed successively by Portuguese, Persians, Muscat Arabs, Wahhabi Arabs and Turks. Treaty with U.K. in 1820 and convention signed 1861 whereby Shaikh promised to abstain from "war, piracy and slavery by sea" in return for British support against external aggression.

When Turks annexed Hasa in 1871, inclusion of Bahrein was prevented by this treaty. History since then relatively uneventful, excepting for domestic quarrels and in 1895 invasion from Qatar. Turkey formally renounced any claim to island by Anglo-Turkish Convention 1913.

GOVERNMENT

Present ruler of Bahrein and Dependencies - His Highness Shaikh Salman bin Hamed Al Khalifa, Hon. K.C.I.E. (1943). Age 56 - married, 3 sons. Educated Bahrein. Al Khalifa family came originally from neighborhood of Kuwait and occupied Bahrein, then in hands of Persians. Acceded to Shaikhdом February 3, 1943 on death of father. Earlier, for ten years, carried out administrative duties in government. Proud of public works accomplished in Bahrein and very interested in future progress. Friendly - pleasing personality.

U.K. Government, by commercial treaties with the Shaikh, controls monetary system and advises on all political and economic matters. Note: U.S. is held in fairly high esteem by Bahreinis generally.

INDUSTRIES

Petroleum - Concessions originally granted to Eastern and General Syndicate (independent British) 1925. Syndicate granted two option contracts to Eastern Gulf Oil Company (American) 1927, covering Kuwait and Bahrein Concession. Latter transferred in 1928 to Standard Oil Company of California which organized Bahrein Petroleum Company Ltd.

(BAPCO) - registered in 1930 under Canadian law as British corporation and approved by British Government. Concession now owned exclusively and equally by Standard Oil Company of California and Texas Company (which became a partner in 1936).

Concession expires June 1999.

98.8 million barrels crude oil produced in Bahrein between start of production 1934 and end of 1948. 66 producing wells January 1, 1949. Average daily production 30,000 barrels for 1948. Average depth of producing zones about 2,300 feet in Middle Cretaceous limestone.

Refinery capacity about 155,000 barrels daily on north east of Island. Two thermal cracking units, fluid catalytic cracking unit, two thermal reforming units, asphalt and manufacturing facilities, sulfur dioxide treatment plant, crude stills and vacuum units, 100-octane gasoline manufacturing facilities, acid manufacturing and recovery plants and various treating and re-running facilities.

In addition to 30,000 barrels daily of Bahrein crude, handles 125,000 barrels per day transported by 12-inch, 34-mile submarine pipe from Dharan.

Refined products delivered by pipe to Sitra Island shipping tank from whence 13 lines (16-18 inches) three miles long conduct products to deep water pier, connected to shore by causeway and trestle, where tankers may load two at a time.

Incoming cargo lightered ashore to company pier on Sitra Island. Oil Royalties - distributed equally to Shaikh for disbursement to his feudal society, State of Bahrein for investment and to public works, education, police and general administration expenses.

Soon after initial exploration and development, BAPCO gave considerable financial aid to American Mission Hospital, Manama, for Arab employees and their families. Recently completed modern 50-room Arab hospital at main camp in Awali. Cooperated with local government agencies and Shaikh to improve housing facilities both for employees and Bahreinis. Native "barrasti" of palm leaves and reeds is being replaced by permanent dwellings with piped water, electric light, cooking and sanitary facilities. Since war has assisted Government's technical Arab boys' school - graduates employed largely by BAPCO where training continued. Those with real ability soon advanced to responsible positions. Sponsors safety education programs, cooperation with Government for better sanitation, control of disease, development of water resources, improvement of agriculture production by import of selected U.S. seeds.

Pearl - Before petroleum discoveries, greatest industry of region for more than 2,000 years and chief source of Bahrein income, in good years as high as \$9 million - only small share of profits passed to divers and others working in industry.

Season early June - late September. In April and May when water too cold many fishermen explore warmer areas of Gulf.

October-May strong northwest winds interfere with fishing but some oysters obtained in small protected bays and inlets throughout year.

PRINCIPAL EXPORTS

Oil, pearls, dried fish and dates. Pearl wealth goes largely to India whence wood, sacked coal, brass trays, Kashmir shawls, sandals and many other necessities and luxuries imported.

In bazaars many standard American and British brands of canned food and other articles. Automobiles from both countries common in Manama.

II. KUWAIT (Shaikhdom)

HISTORY

Part of Turkish Empire until 1899 when gained independence and entered treaty relationship with British.

Keen international competition for its harbor rights at turn of century when Russia anxious to establish coaling station.

Visited by German Railway Commission questing suitable terminus Berlin-Baghdad railway in 1900 and by French and Russian cruisers 1902-3.

Ruling Shaikh - Mubarak - accepted protection of British who were careful not to violate independence.

During World War I, British developed Basra as port of entry into Iraq and with construction Basra-Baghdad railway, possible importance as railway terminal ceased.

In 1946 again achieved importance as oil-producing state ranking 7th in 1948.

PETROLEUM

Concession granted 1934 to Kuwait Oil Company Ltd. jointly owned and managed by Anglo-Iranian Oil Company Ltd., and the Gulf Exploration Company (Gulf Oil Corporation)

First test drill at Bassa, North of Kuwait Bay unsuccessful but second well drilled in 1937 at Burgan, 30 miles south of Kuwait town, struck oil in quantity in a Middle Cretaceous sandstone at 3,692 feet. Development drilling interrupted by war. Production about 40,000 barrels per day commenced mid-1946. Average rate 1948 - 126,000 barrels per day, 1949 - 240,000 barrels per day. One of largest oil fields in world - reserves estimated at about 11,000 million barrels.

PAKISTAN

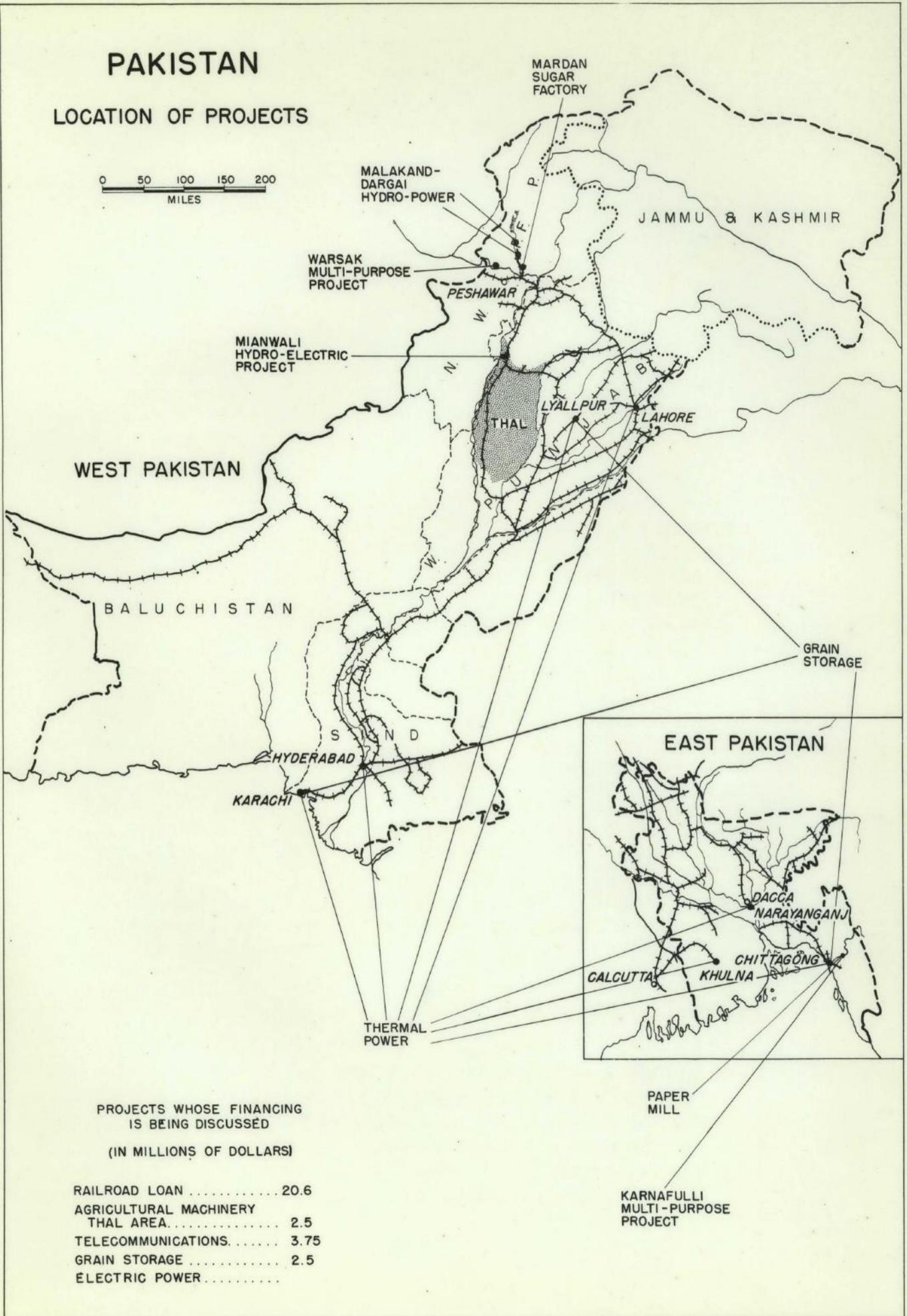
(from Sunday, February 3 to Sunday, February 10, 1952)

Sunday Feb. 3	Monday Feb. 4	Tuesday Feb. 5	Wednesday Feb. 6	Thursday Feb. 7	Friday Feb. 8	Saturday Feb. 9
<p>Ar. <u>Karachi</u> 10:50 PM BOAC #780.</p> <p>Lodging - Government House.</p>	<p><u>Karachi</u> Calls on: Cabinet Ministers.</p> <p>Lunch free.</p> <p>Reception by Governor General.</p>	<p><u>Karachi</u> Morning, calls on: Prime Minister Cabinet Ministers.</p> <p>Lunch free.</p> <p>Afternoon: Meeting with Gov. of State Bank and bankers.</p> <p>Dinner by Hon. Prime Minister.</p>	<p><u>Karachi</u> Morning visit to industrial area near Karachi.</p> <p>Lunch by Hon. Minister of Finance.</p> <p>2:15 PM - in Pakistan Air Force plane to <u>Peshawar</u> (Northwest Frontier Province).</p> <p>Lodging - Government House.</p>	<p><u>Peshawar</u> Morning, call on Chief Minister NWFP. Visit by car to Warsak (hydro-electric project).</p> <p>Lunch at Peshawar.</p> <p>Afternoon visits by car: Mardan sugar factory, Malakand-Dargai hydroelectric power development.</p>	<p>Morning by Pak. Air Force plane to <u>Mianwali</u> (Thal colonization area) and thence by car visit to Kalabagh and Thal area.</p> <p>Lunch at Mianwali.</p> <p>Afternoon by Pak. Air Force plane to <u>Lahore</u>.</p> <p>Lodging - Government House. Dinner by H.E. Gov. of Punjab.</p>	<p><u>Lahore</u> Morning, call on Chief Minister of Punjab.</p> <p>Lunch free.</p> <p>Afternoon visits to historical sites.</p> <p>Evening free.</p>

<p>Sunday Feb. 10</p> <p><u>Lahore</u> Lv. for New Delhi about 10:00 AM by Pakistan Air Force plane.</p>
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PAKISTAN

LOCATION OF PROJECTS



PROJECTS WHOSE FINANCING
IS BEING DISCUSSED
(IN MILLIONS OF DOLLARS)

RAILROAD LOAN	20.6
AGRICULTURAL MACHINERY THAL AREA	2.5
TELECOMMUNICATIONS	3.75
GRAIN STORAGE	2.5
ELECTRIC POWER	

KARNAFULLI
MULTI-PURPOSE
PROJECT

PAKISTAN

(Land of Paks - The spiritually pure and clean)

GEOGRAPHY

The dominion of Pakistan consists of two areas totalling 364,000 square miles on the Indian sub-continent, known as Western Pakistan (310,000 square miles - approximately 85%) and Eastern Pakistan (54,000 square miles), separated by more than a thousand miles of territory belonging to India.

Western Pakistan - composed of four provinces - Baluchistan, Sind, West Punjab, and Northwest Frontier Province, and thirteen smaller princely states, including Bahawalpur and Khairpur, which acceded to Pakistan after its separation from India. Bounded on north by Afghanistan, on south by Arabian Sea, on west by Iran, and on east by Kashmir and Union of India.

Rugged mountains west and north traverse Baluchistan and Northwest Frontier Province, but most of West Punjab and practically all of Sind are a continuation of the Rajputana plains. Large areas of agricultural flat land which depend for their production on water supply by numerous rivers, the greatest of these being the Indus which enters the Arabian Sea at Karachi and has tributaries from all four provinces. Extensive irrigation systems in varying sizes exist in all Provinces excepting Baluchistan which itself is watershed for Indus. Largest and best known is Lloyd Barrage at Sukkur in Sind. Land outside the reach of water is desert or semi-arid incapable of cultivation. About 8,900 square miles of forest land, chiefly in the West Punjab and northern Baluchistan.

Brisk cool weather between November and March, with average mean temperature 60°F (lowest in Northwest Frontier Province and Baluchistan), and warm period between April and November with average temperature 85°. Extremes during both seasons recorded in all provinces; in Indus Valley range from 30° to 125°. Rainfall is sparse averaging 10 inches per annum (lowest in Sind, highest in Northwest Frontier Province).

Eastern Pakistan - comprising Province of East Bengal and district of Sylhet, bounded by Burma on southeast, Bay of Bengal on South and India at other points.

Low-lying, flat country with fertile alluvial soil providing basis for agricultural occupation of 90% of population. Rivers Brahmaputra, Padma, Meghna, Tista and Karnafuli, with numerous branches, cover whole province and provide natural irrigation. Forest area estimated at 2,200 square miles, main tracts lying in Dacca, Mymensingh, Bakergunj, Chittagong and the Chittagong Hill regions.

Within range of summer monsoon, assuring average annual rainfall 80 - 85 inches with heaviest rains between June and August. Average maximum temperature 75° and 100° in April - June, minimum between 45° - 60° in November - January. Average relative humidity 80%.

POPULATION

Estimated at 75 million (census 1951), 35 million (46%) in Western Pakistan and 40 million (54%) in Eastern Pakistan, latter one of most densely populated areas in world. With over 72% of population Moslems, Pakistan greatest Islamic state. Minority of nearly 15 million Hindus, mostly in Eastern Pakistan. National language Urdu.

PRINCIPAL CITIES

<u>Karachi</u>	1,200,000 - Capital of Western Pakistan, situated at extreme western end of Indus delta. Maritime terminus of NW Railway, main gateway for trade of Punjab. (754 miles by rail from Lahore.) Population swollen from 360,000 in 1941 by influx of refugees.
<u>Lahore</u>	1,500,000 - Capital of Punjab Province, largest city, industrial and trade center. Associated with every period of history and full of monuments. More than a dozen arts and science colleges and outstanding university.
<u>Peshawar</u>	130,000 - Capital of Northwest Frontier Province. Lying at foot of historical Khyber Pass, controls land route to Afghanistan and Central Asia.
<u>Quetta</u>	65,000 - Capital of Baluchistan. Important strategic center with rail and road connection with Iran and Afghanistan.
<u>Dacca</u>	213,000 - Chief city of Bengal, temporary seat of Government of East Pakistan; lies at junction of internal waterways and has direct railway connection with Chittagong.
<u>Chittagong</u>	Principal port for Eastern Pakistan, developing into a busy commercial and industrial center; important outlet for jute and tea exports.

HISTORY

More than a thousand-year history of distinct existence of Hindus and Moslems as two separate nations on sub-continent of India. First Mohammedan contacts established in early 8th century, when Arabs

temporarily invaded Sind Province. Around 1000 A.D. started long series of Mohammedan invasions from Afghanistan which led to occupation of India and Moslem rule for 700 years. Moslem power reached its zenith between 16th and early 18th century during Moghul Empire. Government was stabilized and Moslem arts developed to unsurpassed heights, e.g., Taj Mahal and other stately buildings and historic monuments.

Decline of Moghul power in early 18th century accompanied by gradual expansion of Hindu Dynasty of Maharattas, which in spite of hard pressures by Afghanis and Sikhs remained first power in India until early 19th century, when it had to bend before superior power of European expansion. Portuguese, Dutch and French profited variously from trade with India from 17th century. Ousted by British who initially expanded through East India Company, assuming full control by British Crown in 1857.

Revival of Moslem nationalism under British rule at first had limited objective in common with that of Hindus, of achieving increasingly greater share in British-controlled administration of India. In 1906 Moslem League was organized as single all-Moslem Party to compete with Congress Party for Moslem support. During World War I both Parties agreed on common political program. However, within decade following the War, Moslem League, considerably strengthened under Jinnah's leadership, developed strong opposition to Congress on the ground that the latter stood for "Hindu domination". Main conflict developed over demands as to future political status: Congress insisting on non-communal all-India Government in contrast to communal organization demanded by Moslem League in protection of 95 million Moslem minority. British insistence on League-Congress agreement as prerequisite to British-Indian agreement strengthened League's position, giving it virtual veto power on many points during World War II. With growing strength League took stronger position against Congress Party and in 1940 adopted "Idea of Pakistan", calling for creation of independent states from Moslem majority areas in northwest and northeast India. Subsequent attempts to find adequate formula to reconcile Congress League differences failed after final abortive meeting between Gandhi and Jinna in 1944.

Independence Act of 1947 established partition India and Pakistan as separate Dominions. Pakistan's Constituent Assembly first convened August 1947.

Actual partition resulted in destructive communal riots and a mass flight of population, which reached tragic proportions in Punjab (1948/49) where between 5 and 6 million Hindus and Sikhs and about an equal number of Moslems fled in opposite directions. A similar mass exodus of population on a smaller scale occurred in Bengal in 1949/50.

By 1949 Pakistan's boundaries were defined after the accession of all princely states in its orbit, with the exception of Kashmir. The present dangerous dispute between India and Pakistan over this predominantly Moslem state arose in 1947, when its Hindu Maharajah decided on the accession of Kashmir to India. Subsequent invasion of Moslem tribesmen with alleged support of Pakistan Government was followed by dispatch of Indian troops into the territory. Serious fighting ensued through 1947 and 1948 involving governmental forces on both sides, although India and Pakistan remained formally at peace. In January 1949 a "Cease Fire" was concluded under UN auspices but no truce agreement reached, since both parties failed to agree on terms for withdrawal of troops as precondition to the holding of a plebiscite. Despite continuous mediation efforts on part of UN and Western Powers the tension continued through 1950. It reached a new high in spring of 1951 when Kashmir Prime Minister Abdulah announced his Government's intention to hold elections to Kashmir's Constituent Assembly in early fall 1951, causing the Pakistan Government to submit a sharp protest to the UN. Considering Kashmir's location next to Pakistan's unsettled tribal areas and at the headwaters of some of its important streams, Pakistan's vital interest appears motivated by both political and strategic considerations.

GOVERNMENT

New Constitution still in drafting stage and prolonged transitional period expected. Present Provisional Government based on India Act of 1935, providing for federal structure within Dominion status. In form, Government resembles other Dominions of British Commonwealth: Governor General, appointed by King on advice of Pakistan Cabinet which is responsible to Constituent Assembly; Constituent Assembly, elected by Provincial Legislatures, is holder of all "de facto" power; Local Government is exercised either by Provincial Legislatures (Northwest Frontier Province, Sind, West Punjab and East Bengal) by Central Administration (Baluchistan), or shared between local and Central Governments (Princely States).

Political events leading to the creation of Pakistan in many ways were reflected in Government. Appointment of Jinnah as first Governor General was against established British tradition that Governor General should be non-political personality. Constituent Assembly, largely made up of Moslem League members who previously rejected "Union of India Assembly," is hardly equivalent of normally-elected Parliament.

Present Assembly composed of members selected by the Provincial Legislatures of undivided India. Seventy-nine members including: 58 - Moslem League; others - mainly Hindus of Old Congress Party

from East Bengal - called "Opposition", not "Congress Party" - latter name very unpopular - not likely to be elected. Cabinet chosen from membership of Assembly.

National elections not possible until new constitution established.

Provincial elections last two years:

West Punjab - Moslem League about 153 out of 190
North West Frontier Province - Moslem League
about 75 out of 83.

POLITICAL PARTIES

Pakistan Moslem League - the effective Moslem League which won partition and the creation and establishment of Pakistan. Continues in power very definitely the dominant political party. NAZIMUDDIN, Prime Minister, unanimously elected President of the League, November 16, to replace LIAQUAT ALI KHAN (assassinated October 16, 1951).

Top leadership of League appears friendly to U.S. and U.K.

Advancement of interest of Moslems all over the world and strengthening of the solidarity between Pakistan and other Moslem states has continually increased in importance as plank of the League.

Typical opposition charges are that government relies unduly upon the Commonwealth, the U.N. and the U.S. for solution of Pakistan's international problems; that it curtails civil liberties and that it is honeycombed with corrupt practices; that it does not make a strong enough stand for agrarian reform and that it has effected no industrial development in an area in which such development has been long neglected.

Jinnah Awami Moslem League - formed March 1950. Leaders H. S. Suhrawardy (President of League) and Fazlul Huq (former Prime Minister of Bengal); Khan of Mamdol (Punjab), Pir Ilahi Buksh (Sind), Pir Manki of Sharif (N.W.F.P.), Hamidul Huq Choudhry (East Bengal) - experienced politicians capable of administering the government.

Won surprising success in Punjab 1951 elections; barred from other provinces.

Usual opposition program with aims very similar to Pakistan Moslem League but seeks to wrest power from it. However, friendliness to U.S. and West doubtful.

Communist Party - formed February 1949 with Shjjad Zaheer (now in jail) as Secretary - leaders included Dr. Ashraf and Sobo Gain Chandani. Soon after formation a number of communists were arrested and expelled from country. Whole party now underground.

Numerically very small and not well organized. Attacks government's Western orientation and dilatory action on land reform and other measures of popular appeal.

Main influence in West Punjab and East Bengal.

Socialist Party - formed February 1947. Main force in labor movements. In control of most of the trade unions. Yusuf and Mubarak Sagar (who leans towards communism) Secretary and Editor of Socialist Weekly, respectively, with head office at Karachi and Directing Center at Lahore - have undergone imprisonment several times. Party strength very small and ineffective.

Democratic Youth League - formed in East Bengal just after partition. Conference at end of 1947 - student bodies and political parties - except Moslem League - participated.

Shamsul Haq, President of League in East Bengal. Similar League formed West Punjab early 1948, and in Sind mid-1948. Head Office at Karachi.

Platform includes: Production for use, not for profit; and each to give according to ability and receive according to needs.

POLITICAL SITUATION

During four years of Pakistan's life as a sovereign nation, her relations with two of her neighbors, India and Afghanistan, have not been happy. The Kashmir issue continues to be principal cause of friction with India.

Dr. Graham, U.N. Representative, is attempting to bring the two governments to an agreed demilitarization program preparatory to a plebiscite in the State of Jammu and Kashmir. India rejected the essential part of the Security Council Resolution of March 30, 1951, instructing Dr. Graham to effect demilitarization but received him as a distinguished American. India's objection to the resolution is the clause providing for arbitration of outstanding points of difference between Pakistan and India concerning the procedure of demilitarization. India asserts that arbitration is derogatory to its dignity and sovereignty arguing that the issue is a political one and not justiciable. In November, the SC extended Dr. Graham's tenure for another six weeks (until about December 22, 1951). He is continuing his negotiations in Paris where the UN is now in session.

Subordinate issues to the Kashmir question (vis-a-vis India) are (1) the canal waters dispute involving the distribution of river and canal waters for irrigation purposes between the two countries; (2) the evacuee property question involving movable and immovable property of millions of refugees in both countries; and (3) the division of certain

assets and settlement of other financial problems which arose out of the act of partition. These are all complex issues concerning which negotiations have been conducted off and on since partition without significant progress.

The assassination on October 16, 1951 of the late Prime Minister Liaquat Ali Khan was followed by a toning down of recriminatory propaganda between India and Pakistan. In addition, the leaders of India and Pakistan appear to have adopted a more conciliatory attitude, thus tending to reduce tension.

GOVERNOR GENERAL and CABINET

Governor-General - His Excellency Ghulam MOHAMMAD.

Born Lahore - age 56 - married but separated from wife - one married daughter and one son. Educated Mohammadan Anglo-Oriental College, Aligarh. One of first Moslems to enter Indian Audits and Accounts Service; Bhopal State Service, 1932-34; Deputy Accountant General, Posts and Telegraphs, Government of India; in Supply Department rose to rank of Additional Secretary and awarded C.I.E.; services loaned to the Hyderabad Government as Finance Minister, 1942; became a Director of Tata's, 1946; Knighted, 1946; renounced Knighthood and C.I.E. in accordance with decision of All-India Moslem League Council; Minister of Finance and Economic Affairs, 1947; Governor General on Nazimuddin becoming Prime Minister at assassination October 16, 1951 of Liaquat Ali Khan. Made several visits to U.S. and U.K. Helped organize Islamic Economic Organization. Considered pro-American, friendly and helpful. Sponsored Six-Year National Development Program. Former Governor Bank and Fund.

Known to colleagues as "G.M." or "Finance Mohammed" - wide tastes - versed in philosophy - linguist - English simple and direct - fluent Persian, some Arabic. Small but profound Urdu Library.

Prime Minister and

Minister of Defense - The Honorable Al Haj Khwaja NA ZIMUDDIN

Short, fat, devout Moslem - age 57 - educated at Moslem Aligarh (Anglo-Oriental) College, and in England at Dunstable Grammar School and Trinity College, Cambridge. Barrister-at-Law. Married SHAH BANO daughter of K. M. Ashruf Zemindar 1924. At age 28 entered politics and played prominent part in Bengal public life. Minister of Education there 1929-34; Home Minister 1937, Chief Minister 1943-45. Went, as Food Delegate on behalf of Government of India, to U.S. 1945-46. Represented India at last meeting of League of Nations 1946. Elected Deputy Leader of Moslem League Party and Deputy Leader of Opposition, Central Legislative Assembly, 1946. Member Working Committee of All-India Moslem League 1937-47, actively assisting

Mr. Jinnah in its reorganization. On creation of Dominion, appointed Prime Minister East Pakistan 1947; Governor General 1948 and Prime Minister on assassination of Liaquat Ali Khan (October 16).

Keen sportsman - cricket, hockey, football and tennis have been his favorite games and interest still continues. President Indian Hockey Federation 1938-39 and 1939-40, and President of Mohammedan Sporting Club since 1937. Also keen interest in billiards, shooting and fishing, gardening and raising fancy poultry.

British experts considered him to be as rational and pro-Western as Liaquat Ali but feared he lacked the same strength of character.

Favorably disposed to U.S.

Minister of Kashmir Affairs

and Acting Foreign Minister - The Hon. Mahmud HUSSAIN

Age 44 - married Sultan Jahan Begum - two sons and three daughters. Educated Aligarh, Etawah, Delhi and Heidelberg, (Germany) Ph.D. Provost Fazlul Huq Moslem Hall, Dacca University, 1944; Professor of International Relations, Dacca University, 1948. Member, Indian Consenbly 1946; member Pakistan Consenbly, 1947; Deputy Minister of Defense for State and Frontier Regions, February 1949; Secretary, Moslem League Parliamentary Party, 1949; Chief Government Whip, 1949; Minister of Kashmir Affairs and Acting Foreign Minister, November 1, 1951.

Publications: Quest for Empire, 1937, and Urdu Translations of Rousseau's "Social Contract" and Machiavelli's "Prince" with Introductions and Notes.

Minister of Foreign Affairs

and Commonwealth Relations - The Honorable Mohammad Zafrulla KHAN

Age 58 - married. Educated Government College, Lahore; King's College and Lincoln's Inn, London, LL.B., LL.D. Advocate, Sialkot, Punjab, 1914-16; practised in Lahore High Court, 1916-35; Editor, "Indian Cases" 1916-32; member, Punjab Legislative Council, 1926-35; delegate to Indian Round Table Conferences, 1930, 1931 and 1932; delegate to Joint Select Committee on Indian Parliamentary Reforms, 1933; President, All-India Moslem League, 1931; member, Viceroy's Executive Council, 1935-41; Agent-General to Government of India in China, 1942; Judge, Indian Federal Court, 1941-47; Constitutional Adviser to Nawab of Bhopal, 1947; Minister of Foreign Affairs since December 27, 1947. Leader of Pakistan delegation to Annual Session of U.N. General Assembly on Palestine, in 1947, and 1948; Leader, Pakistan delegation to the Security Council of the U.N. on India-Pakistan dispute, January 1948.

Publications: Indian Cases, Criminal Law Journal of India,
Reprints of Punjab Criminal Rulings, Vol. IV and Fifteen Year's Digest.

Minister of Finance - The Honorable M. Mohammad ALI

Age 46 - Educated Oxford University. Wife in purdah (veiled). Indian Civil Servant. Ministry of Finance and Commerce before partition, participating in sterling balance talks in 1947; recently (October 18) appointed Minister of Finance. December 6 appointed Governor for Bank.

Visited U.K. and U.S. in 1950 and again in 1951. Close friend of late Liaquat Ali Khan. Friendly, helpful to Americans, and a Civil Servant of exceptional industry and ability.

Minister of Communications - The Honorable Sardar Bahadur KHAN

Age 43 - Aligarh Moslem University, LL.B 1936; N.W.F. Province Assembly, 1939; Speaker of Assembly 1943-46. Sole Moslem League representative of Frontier Province in the Constituent Assembly of Pakistan; Chief Whip of Moslem League Party since February 1948; Deputy Minister for Foreign Affairs and Commonwealth Relations; Minister for Communications, Health and Works; Minister for Communications since October 1949. Pakistan delegate to U.N. General Assembly, Paris.

Minister of Commerce
and Economic Affairs - The Honorable Fazlur RAHMAN

Age 47 - Dacca Bar, 1934; Bengal Legislative Assembly 1937; Chief Whip, 1943; actively associated with the Moslem League since 1937; in 1946, re-elected Bengal Assembly, 1946, Minister-in-Charge of Revenue and Jail Administration; convened All-Pakistan Educational Conference, 1947, and laid foundation for reorientation of education in Pakistan; Minister for the Interior, Education and Information, 1947-48; also held portfolio of Relief and Rehabilitation for short time. Present post since August 1947.

Minister of Food and Agriculture - The Honorable Pirzada Abdul SATTAR

Minister of Information and Broadcasting
Refugees and Rehabilitation - The Honorable Ishtiaq Husain QURESHI

Age 48 - Educated St. Stephen's College, University of Delhi; Sidney Sussex College, University of Cambridge, Ph.D. Lecturer,

St. Stephen's College, Delhi; Head of Department of History and Deal of Faculty of Arts, University of Delhi; member Constituent Assembly of India; later member, Pakistan Constituent Assembly from East Bengal; University Professor, History, Punjab University. Present post since August, 1948.

Minister of Interior - The Honorable Mushtaq Ahmed GURMANI

Age 46 - married. M.A.O. College, Aligarh. Member Punjab, and later Pakistan Government continuously 1930-1947. Planned and organized Employment Exchange Service in India. Delegate to I.L.O. Conference, Montreal, 1946. Prime Minister Bahawalpur State, 1947-48. Chairman of Board of Directors of Abbasi Textile Mills, Sadiq Soap Factory and Sadiq Hydrogenated Oil Co., Ltd., the Bank of Bahawalpur, Ltd., Bahawalpur Flour Mills, Ltd., and the Pak Airways Ltd., 1947-48; was Minister for Kashmir Affairs, Government of Pakistan; Pakistan Ambassador at large; Minister of Interior, October 18, 1951.

Minister of Industries - The Honorable A. R. NISHTAR

Age 52. Advocate at Peshawar; Municipal Commissioner 1929 to 1938; Senior Vice-Chairman 1933; Finance Minister 1943-45; Member Working Committee, All-India Moslem League, 1946; one of the four representatives of the All-India Moslem League at the Simla Conference, 1946; member of Partition Council representing All-India Moslem League; Member for Communications, Interim Government, 1946-47. Member for Communications (Post and Air), Pakistan Government, 1947-49; Governor West Punjab, August 1949; Minister of Industries October, 1951.

Minister of Health, Labor,

Works and Law - The Honorable Dr. A. M. MALIK

Minister of State

for Minority Affairs - The Honorable Aziz Zuddin AHMAD

Minister of State

without Portfolio - The Honorable Ghyasuddin PATHAN

GOVERNORS OF PROVINCES

Northwest Frontier Province - The Honorable Khan Bahadur
(Peshawar) Sir Chaudhari SHAHABUDDIN

Educated at Government College, Lahore. Started Criminal Law Journal of India, 1904, and Indian Cases, 1909. Member, Lahore Municipal Committee 1913, President 1922. Member, Punjab Legislative Council; re-elected President, Lahore Municipal Committee 1924; President Punjab Legislative Council 1927.

Publications: The Criminal Law Journal of India, Indian Cases and 2 Punjabi Poems.

West Punjab - His Excellency Ismail I. CHUNDRIGAR
(Lahore)

Age 54. Educated Bombay University. Legal practice at Ahmedabad; Ahmedabad Municipal Corporation, 1924-27; Bombay Legislative Assembly from 1937; Bombay High Court 1937; deputy leader of Moslem League Party in Bombay Assembly, 1938; President, Bombay Provincial Moslem League, 1940-45; member of the Working Committee, All-India Moslem League, 1943-47; Commerce Member in the Interim Cabinet, Government of India, 1946-47; Leader, Government of India Delegation to Preparatory Committee of U.N. Conference on Trade and Employment, 1947; Minister of Commerce, Industries and Works, in the first Pakistan Cabinet, 1947-48. Ambassador to Afghanistan, 1948. Governor, Northwest Frontier Province 1950 to present appointment.

Sind - His Excellency Khan Bahadur Sheikh DIN MOHAMMED
(Karachi)

Age 65. Educated mostly at Lahore, LL.B., Hon. LL.D. (Punjab). Lawyer 1910. Vice-President and President of Municipal Committee, Gujranwala, 1916-33; Additional Judge, High Court, 1934; Special Officer to Government, Punjab, 1936; Additional Judge, High Court, May, 1936; Puisne Judge, 1937 to retirement; Fellow and Syndic of Punjab University, 1939-47; Chairman, Air Transport Licensing Board, Government of India, June 1946 to March 1947; Chief Justice, Bahawalpur; was member, Punjab Boundary Commission; Governor of Sind since 1948.

East Bengal - Malik Firozkhan NOON, K.C.S.I., K.C.I.E.
(Dacca)

Age 58. Educated Lahore and Wadham College, Oxford. Advocate, Lahore High Court, 1917-26; member Punjab Legislature, 1920-36; Minister for Local Self-Government, Punjab Government, 1927-30; Education Minister, 1931-36; High Commissioner for India in Great Britain, 1936-41; Labor member, Viceroy's Executive Council, July 1942-September 1945; Representative of the Government of India on Imperial War Cabinet and Pacific War Council, 1944; member Pakistan Constituent Assembly and Punjab Legislative Assembly; Indian delegate to San Francisco Conference, April, 1945; renounced titles September, 1946.

Publications: Canada and India; Wisdom from Fools;
India Illustrated; Scented Dust.

PREMIERS OF PROVINCES

Northwest Frontier Province - The Honorable Abdul Qaiyum KHAN

Age 50. Married - two daughters. Educated Peshawar; Moslem University, Aligarh; London School of Economics; Lincoln's Inn. Practiced law in Peshawar; elected to Central Assembly of India on Congress Ticket,

1937; Deputy Leader of Congress Party in Assembly, 1924-45; joined Moslem League, 1945; elected to Frontier Assembly and Leader of Moslem League Party. Premier since August, 1947.

Publications: Guns and Gold.

East Bengal - The Honorable Nural AMIN

Age 54. Married twice. Educated Mymensingh Ananda Mohan College and Calcutta University. Practiced in Mymensingh District Bar 1924 to 1945. Chairman, Mymensingh District Board, 1937-1946. Member, Indian Central Jute Committee for 8 years; elected Chairman, Mymensingh Central Cooperative Bank; associated with Moslem League from beginning. Bengal Legislative Council, 1942; Bengal Legislative Assembly, 1946; Speaker, Bengal Legislative Assembly, 1946-47; Minister for Civil Supplies, East Bengal 1947-49; Prime Minister, East Bengal, since September, 1949.

West Punjab - The Honorable Mian Mumtaz Muhammad Khan DAULTANA

Sind - Mr. M. A. KHURO

Note: Radio Broadcasts in December, 1951, reported that the Governor had asked Mr. Khuro to resign and had called an emergency meeting of the Moslem League Party to elect his successor.

OTHER PAKISTAN PERSONAGES

Ambassador to U.S. - H.E. Al-Haj Mirza Abol-Hassan ISPAHANI

Age 49. Educated Madras and Cambridge University. Called to Bar (Inner Temple) 1924; returned to India, entered import and export business 1925; Calcutta City Corporation 1933-36, and 1940-47; Bengal Legislative Assembly 1937-47; member of Indian Constituent Assembly, and later Pakistan Constituent Assembly; member of All-India Moslem League, Central Cabinet 1942- ; visited U.S. as representative of All-India Moslem League, and Mr. Jinnah's personal representative 1946. Leader of Government of India Trade Delegation to Middle East 1947; Ambassador to U.S. since 1947. Appointed High Commissioner for Pakistan in U.K., January 1951; Ambassador designate - Mohammad Ali - now High Commissioner for Pakistan in Canada.

Governor, State Bank of Pakistan - Mr. Zahid HUSAIN

Age 56. Educated Old M.A.O. College, Aligarh (now Moslem University); Indian Audit and Accounts Department from 1918; was Finance Adviser, Supply Department during the war; subsequently Financial Commissioner, Railways.

Governor for Bank and Fund - Mohammad ALI (see Cabinet)

Alternate Governor for Bank - Mr. Amjad ALI

Former Minister Economic Affairs at Pakistan Embassy, Washington; Leader Pakistan Delegation to Bank, August, 1951.

Alternate Governor for Fund - Mr. Yaqub SHAH

Appointed September 7, 1951. Executive Director of Bank for Pakistan, Egypt, Iran, Syria, Iraq and Lebanon.

Chairman, Pakistan Jute Board;)
Chairman, Industrial Development Corp.;) - Khan Bahadur Ghulam FARUQUE

Age 52. Married - five sons and two daughters. Member, Railway Board, India Wagon Turnround Committee, 1939; on deputation to Tata Iron and Steel Works, Jamshedpur, in connection with reorganization of transport system of the steel works; Transport Advisory Officer, Railway Board, India, 1940-42; Controller of Coal Distribution, Government of India, 1942-46; Transportation Manager, B-N Railway, 1946; transferred as Chief Operating Superintendent, East Indian Railway; General Manager, E.I. Railway, 1946-48. Leader of Pakistan Trade Mission to Britain, Germany, France, Belgium, October, 1951. Member of Institute of Transport, London; Member of Royal Asiatic Society of Bengal. Honors: Khan Bahadur, 1941, C.I.E., 1946. Secretary to Government of Pakistan since 1948.

Members of Trade Mission to Western Europe:

- ✓ Mr. M. Shoaib, Financial Adviser (Development), Government of Pakistan
Mr. Mirza Ahmad Ispahani, Chairman of the Board of M.A. Ispahani, Ltd., Importers of textiles, locomotives, iron and steel products, etc., exporters of tea, raw cotton, jute and gunny bags.
Mr. Abdul Waheed Adamjee, Adamjee Jute Mills, Ltd.
Mr. A. Currim, Adamjee Jute Mills, Ltd.

Chairman, Karachi Chamber of Commerce - Mr. B.R. Graham, O.B.E.
(Anchor Line Limited)

Abdul Hameed Ismail, Managing Director, Pan-Islamic Steamship Company, Karachi; Pakistan Industrial Development Corp., Ltd., Karachi; Director, the Pakistan Glass Works, Ltd., and the Pakistan Timbers and Plywood Ltd., Proprietor, Zafor Corp. Visited U.S. in May 1950.

Fakhruddin M. Tavawala, Director, Pan-Islamic Steamship Company; India Flour Mills, Ltd.; Degri Cotton Ginning and Pressing Factory, Ltd.; Pakistan Glass Works, Ltd.; Pakistan Industrial Development Corp., Ltd.; Pakistan Timbers and Plywood, Ltd.

Khan Bahadur H. M. Habibullah, Proprietor of large Karachi firm importing textiles and general merchandise, exporting raw cotton and wool. Visited U.S. in July 1950. Owns coal mining leases in Baluchistan. Vice President of the World Federation of United Nation's Association.

Mohamed Ali Pirani, Chief Accounts Officer of the National Bank of Pakistan; visited U.S. in July 1951 for study with Chase National Bank.

Sir William Roberts, partner in Abbasi Textile Mills of Rahimyar Khan, owns or controls 100,000 acres of land in the Punjab and Bahawalpur State of which 20,000 planted to cotton. British extraction--most of life spent in Punjab. Visited U. S. in May 1950.

Mohamedali Habib, Managing Director of Haydair Construction Company, one of two managing directors of Habib Bank, Ltd., of which other managing director is his brother; Director of Habib Insurance Company and Director of Muhammadi Steamship Company. He and his wife own Habib Sons, exporters of cotton. Visited U. S. in May 1949, mail address in care of Chase National Bank.

Rashid Dawood Habib, Deputy General Manager of Habib Bank Ltd., age 24, visited U. S. in June 1949 to study banking methods and practice at Chase National Bank.

Husain Haji Ahmed, Proprietor of Karachi firm importing textiles and yarns, visited U. S. in June 1950 to explore possibilities for purchasing textile machinery.

M. M. Ispahani, President, Pakistan Jute Association; owner of M. M. Ispahani, Ltd., Narayanganj; Jute traders.

Wajid Ali, Ford Motor Agency, involved in many lines of business. (Is brother of Amjad Ali, sometime Economic Minister in Pakistan Embassy in Washington.)

U.S. DIPLOMATIC REPRESENTATIVES

Ambassador (Karachi) - Avra Milvin WARREN

Age 58 - born Ilchester, Maryland. Married. Educated Catonsville High School; Johns Hopkins University, A.B. 1915; forestry work 1915-16; U.S. Army 1917-19, 2nd Lieut. overseas service; grain-exporting company 1919-20; Foreign Service 1920: Consul Cap Haitien 1920-21, Karachi 1922-23, Nairobi 1924-25, St. John's, Newfoundland 1926-30; Consul General Buenos Aires 1932-35; Adviser to Pan-American Commercial Conference, Buenos Aires, 1935; Chief of Visa Division, Department of State 1935-41; Ambassador to Dominican Republic 1942; Minister to New Zealand 1945-48; Minister to Finland 1947-49; Ambassador to Pakistan since 1949. Visited U.S. in December 1951.

Counselor of Embassy - Warwick PERKINS

Age 52 - born Baltimore, Maryland. Married. Johns Hopkins University, A.B. 1921; S.A.T.C. 1918; newspaper reporter and assistant financial editor 1921-24; Foreign Service 1924 - various posts including Vienna, Lucerne, Moscow, Lausanne, Danzig, Warsaw, Toronto, Ankara. Counselor of Embassy, Karachi, since March 1950.

Economic Counselor - John N. PLAKIAS

Age 44 - born Boston, Mass. Married. University of Pennsylvania, B.S. 1929; New York University, M.B.A. 1935; analyst, statistician with investment and commercial banking firms 1929-41; Department of State 1941 -- Foreign Funds Control Division, 1942; Financial Division 1943; Office of Transportation and Communications 1944; attaché at Paris 1945; U.S. telecommunication delegations 1945 and 1949, 1st secretary and consul Paris 1947, Budapest, 1950; Economic Counselor, Karachi.

Attaché (Commercial, Financial and Economic) - Edward DAHL

Age 51 - born Buffalo, New York. Married. B.A., Yale, 1923; oil corporation in Calcutta and Colombo, 1927-34; manager Burma office, manufacturing company 1934-40; manager, Far East Division of metals company 1940-41; Virginia State Department of Education, 1941-42; U. S. Navy 1942-46, Massachusetts Institute of Technology 1946-47; political economist, Department of State 1947.

Second Secretary, consul - Henry William SPIELMAN
(Agriculture)

Age 40 - born Chickasha, Oklahoma. Oklahoma Agricultural and Mechanical College, B.S. 1933, M.S. 1935; Department of Agriculture Graduate School 1940; Brookings Institute 1933-34; Department of Agriculture 1934-42; Agricultural economist at Sao Paulo, 1942, Bombay, 1945, consul 1947; 2nd secretary Karachi, 1949.

DACCA

Vice Consul - John Williams BOWLING

Age 31 - born Pryor, Oklahoma. University of Oklahoma 1937-40; George Washington University, A.B. 1942; Reconstruction Finance Corporation, 1941-42; U.S. Army 1942-46, Foreign Service 1946 - Vice consul Lagos, 1946; detailed to University of Pennsylvania for Hindustani language and area study 1948; 2nd secretary and vice consul Karachi, 1949, vice consul Lahore, 1949., 1949.

LAHORE

Consul General - Raleigh Augustus GIBSON

Age 57 - born Indianapolis, Indiana. Married. University of Illinois, A.B. 1917; U.S. Army 1917-20; Foreign Service 1920 - various posts; Buenos Aires, Tenerife, Guadalajara, Tegucigalpa, Mexico City, San José, Salonika. Consul General Jerusalem 1949.

UNITED KINGDOM

High Commissioner (Karachi) - H.E. Sir Gilbert LAITHWAITE, K.C.M.G.
K.C.I.E., C.S.I.

Age 57 - Trinity College, Oxford (M.A.). Served in France with 10th Lancashire Fusiliers 1917-1918 (wounded); India Office 1919; Private Secretary to Parliamentary Under-Secretary of State 1922-24; Assistant Private Secretary to Secretary of State 1924; specially attached to Prime Minister for 2nd Indian Round Table Conference 1931; Secretary Indian Franchise Committee, 1932; C.I.E. 1935; Secretary Indian Delimitation Committee 1935-36; Private Secretary to Viceroy of India and Secretary to Governor-General of India (in addition) 1937-1943; K.C.I.E. 1941; Assistant Under-Secretary of State for India 1943; and Under-Secretary of State for Burma 1945-1947, for India 1947; K.C.M.G. 1948; Deputy Under-Secretary of State for Commonwealth Relations 1948-1949; U.K. Representative to Republic of Ireland 1949-1950; Ambassador 1950 - September 1951.

Publications: The Laithwaites, Some Records of a Lancashire Family.

Deputy High Commissioner - Mr. R. R. Burnett, C.M.G., C.I.E., O.B.E.

Principals - Mr. R. A. Burrows
J. O. McCormick, M.C.
H.S.H. Stanley
(R.G. Chisholm temporarily in Peshawar)

Financial Adviser - Mr. H. G. Curran

Labour Adviser - Mr. J. J. Keane

Economic Adviser - Mr. F. B. Arnold

Director, U.K. Information Office - Mr. G. F. Crawley

DACCA

Deputy High Commissioner - Mr. L. G. Coke-Wallis, C.I.E.

Information Office - Mr. W. R. George

LAHORE

Deputy High Commissioner - Mr. R. L. D. Jasper

Information Office - Mr. A. E. Smith

PESHAWAR

(Acting) Deputy High Commissioner - Mr. R. G. Chisholm

FRANCE

Ambassador - His Excellency Pierre AUGE

Age 56 - Lic.L; Assistant Consul, Shanghai, 1920; Consul, Swatow, 1925; Colombo, 1932; Vancouver, 1935; Shanghai, 1937; Acting Consul General, Shanghai, 1940; Minister to Australia, 1944; Officer of Legion of Honor, 1946.

AUSTRALIA

High Commissioner - John Egerton OLDHAM

Age 49 - Trinity College, Melbourne University, LL.B. - practising lawyer 1930-37; External Affairs Department, 1937; London 1939-45; Personal Assistant, Australian Member, British War Cabinet, 1942-45; Washington Embassy, 1945-47 (Chargé d'Affaires, 1946); Delegate, 2nd and 3rd Sessions, U. N. General Assembly; appointed High Commissioner, May 1949.

Publications: Eminent Victorians (with Alfred Stirling, now H.C. for S. Africa)

CANADA

High Commissioner - Kenneth Porter KIRKWOOD

Age 52 - unmarried - military service in Europe - educated Canadian, British and U.S. universities - college professor - Department of External Affairs 1928; served in The Hague, Greenland, Rio de Janeiro; Poland; Adviser to Canadian delegation at U.N. General Assembly Paris, 1948. Appointed High Commissioner November 1951.

Publications: (with Arnold J. Toynbee) Turkey; Renaissance in Japan, Unfamiliar Lafcadio Hearn, Excursions Among Books, etc.

BASIC STATISTICS

Area 364,000 sq. miles

Population (1951) 75 million

Exchange Rate

1 Pakistan rupee = US \$0.30: 1 US \$ = Rs. 3.30

1 million rupees = US \$330,000

Area of Principal Crops and Production (in millions)

	1949/50		1950/51	
	Acreage	Total Production	Acreage	Total Production
Rice	21.7	8.1 T	21.6	8.1 T
Wheat	10.5	3.9 T	10.7	3.9 T
Millet	3.5	.6 T	3.5	.6 T
Gram	2.7	.7 T	2.8	2.8 T
Cotton	2.8	1.2 Bales	2.9	1.3 Bales
Jute	1.5	3.3 Bales	1.2	4.4 Bales
Sugarcane	.7	1.0 T	.7	.7 T
Tea (in thousands)	.1	17 T	.1	17 T

External Trade - Year: July - June (million Rs.)

	1949-50	1950-51	1951-52 ^{1/} (July-Sept.)
All exports ^{2/}	1171	2554 2307	236
Imports ^{3/}	1197	966 1676	385
Balance	- 26	+ 1588 631	- 149

Balance of Payments - July - June (million Rs.)

	1949-50	1950-51 ^{5/}
Current Receipts ^{4/}	947	2491
Current Payments ^{4/}	1297	1868
Balance ^{4/}	-350	+ 613

^{1/} Excludes over-land trade

^{2/} Includes exports to India

^{3/} Includes imports from India, but not all Government imports

^{4/} Including transactions with India from February 1951, when transactions with that country were included in Foreign Exchange Regulations.

^{5/} These figures are somewhat inflated. It seems that actual surplus was close to Rs. 450 million.

<u>Foreign Assets (million Rs.)</u>	<u>1949(June)</u>	<u>1950(June)</u> ²	<u>1951(Oct.)</u>
Gold	42.0	42.0	42.0
Sterling securities (issue department)	841.7	671.2 ^{1/}	870.6
Government of India Securities	324.6	143.9	121.3
Indian notes	419.3	299.9	299.9
Balances held abroad (Bank dept. including cash, short-term securities and balances with RBI)	827.0	313.0	604.2
	2454.6	1470.0	1938.0

Government Budget (million Rs.)

	<u>1949-50</u>	<u>1950-51</u>	<u>1951-52</u>
Total Expenditure	1294	1296	1807
Ordinary receipts	755	1236.7	1148
Surplus or deficit	- 539	- 59	- 536

<u>Public Debt (million Rs.)</u>	<u>1949(June)</u>	<u>1950(June)</u>	<u>1951(June)</u>
Bonded debt	735	859	952.0
Debt to India (approx)	2000	2000	2000
Treasury Bills	124.8	101.5	98.9

<u>Money Supply (million Rs.)</u>	<u>1949(June)</u>	<u>1950(June)</u>	<u>1951(Oct.)</u>
Currency	1725	1747	2129

Development Plans (million Rs.)

Six-Year Plan Total Cost	2600
Agriculture	820
Transport and Communications	530
Industry and mining	490
Fuel and power	470
Social Capital	290

Cost of Living Index (1949 = 100)

	<u>1950</u>	<u>1951 (Oct.)</u>
Karachi	95	101

1/ The reduction was mainly on account of devaluation of sterling.

ECONOMIC STRUCTURE

Pakistan became a British Dominion in 1947, as a result of the partition of India. The country has a total area of 364,000 square miles and a population of 75 million. It is composed of two separate areas: East Pakistan with an area of 54,000 square miles and a population of over 40 million, giving the area a density of over 800 people per square mile; and West Pakistan which comprises 310,000 square miles and has a population of about 35 million, giving the area a density of over 110 per square mile of territory.

Pakistan is a heavy producer of food grains, wheat being grown in West Pakistan, along with other grains, and rice in East Pakistan. It is the world's largest producer and exporter of raw jute, all of it grown in East Pakistan. Cotton is produced in both regions, but largely in West Pakistan, and since there are few local mills almost all of it is exported. Other commodities produced are wool, around 30 million pounds; tea, between 20 and 30 million pounds; hides and skins, around 9 million pieces; and some oilseeds and sugar.

Mineral production is as yet undeveloped, except for some 300,000 to 400,000 tons of coal; over 100,000 tons of oil; 15,000 to 20,000 tons of chrome ore, and salt. Pakistan's mineral exports, with the exception of chrome ore, are nil.

In the field of industry the country is just beginning to diversify production and starting to process more of her raw materials. The few industries available are of the consumers goods type, such as cotton textiles, shoes, matches, cigarettes, sugar, grain mills, sports articles, soap, cement, glass. But the level of production is low.

The lack of adequate coal and iron ore deposits makes it difficult to develop an iron and steel industry, and the low level of technical skills and administrative and managerial ability, plus insufficient local savings, has made industrialization, in general, a slow process. However, growing population pressure, the existence of a large domestic market and the availability of some agricultural raw materials are bringing about the development of light industry.

While the irrigation works in West Pakistan rank among the most important in the world, there are still large tracts of land insufficiently supplied with water or subject to recurring and damaging floods. A considerable increase in production can be achieved not only by new irrigation works, measures of flood control and reclamation of extensive waste-lands, but also through the application of new techniques of production, the use of certified seeds and fertilizers, and the provision of improved credit facilities to farmers. Such an increase in agricultural production is necessary if Pakistan is to feed its growing millions, and at the same time export enough to finance the greater imports require for both consumption and development.

RECENT ECONOMIC DEVELOPMENTS

Production - In the field of agriculture, there has been little change in the last two years. Acreage devoted to main crops, with the exception of jute acreage, which was reduced in 1949/50 and 1950/51 has remained more or less stable. There has been a slight increase in sugarcane acreage. Favorable weather conditions produced high yields in 1950/51 and the current year. Jute production increased in 1950/51 over the figure of 1949/50, in spite of smaller acreage. Cotton production has been good for the last two seasons, and production of foods has been at the same level for the last two years. Good crops have enabled the country to keep up its exports, and the availability of home-grown foods, in the absence of other inflationary influences, has maintained food prices at reasonable levels, with the exception of the price for sugar.

In the field of industry, little progress is evident, although additional production facilities, like new textile mills, oilseeds crushing plants, will soon enter the production stage. In the case of mining, there has been little, if any change.

Fiscal Position - Budget deficits are a yearly feature of Pakistan finances, due to the impact of 1) defense expenditures and 2) measures for development and aid to refugees. In 1949/50, defense expenditures were almost as large as total ordinary revenues, and they have kept at high levels since. In 1951/52 increased capital expenditures are primarily responsible for a large deficit which has been projected in spite of the high level of ordinary revenues.

In 1950/51, total revenue and expenditures were almost at balance, with an overall deficit of 59 million Rs. as compared to a deficit of Rs. 539 million in 1949/50 and an almost equally large deficit estimated for 1951/52. The 1951/52 deficit is to be financed by drawing on cash balances with the State Bank. Contrary to the experience of the last two years when almost Rs. 200 million in Government securities were sold in the capital market, no increases are expected in Government bonded indebtedness. There is no prospect of unanticipated increases in tax revenues as in 1950/51 when high export prices enabled the Government to increase export taxes.

The Government's indebtedness in the fiscal years 1949/50 and 1950/51 increased by only Rs. 192 million, but this was exclusive of the securities issued to the State Bank to cover the latter's losses resulting from the devaluation of sterling and Indian currencies.

Balance of Trade - Pakistan was in a good position to profit from the sharp rise in prices and demand precipitated by the Korean War. Not only were jute and cotton crops exceptionally good, but expanded port facilities, especially in Chittagong, larger jute-baling capacity and improved river transport enabled the country to handle a larger volume of exports. Jute

prices remained relatively low until the renewal of Indian buying after February 1951, but the quantity available, both from larger crops and stocks, nevertheless increased the value of exports.

Total trade with all countries increased, and even trade with India, which had been practically at a standstill during part of 1949 and 1950, recovered to a considerable extent in the last half of the year 1950/51.

Exports to the U.S. in 1950/51 were more than twice the low levels of 1949/50, and the country enjoyed a favorable trade balance on private account. Exports to the sterling bloc also increased, but the largest increase occurred in trade with Japan and the OEEC countries.

It is anticipated that in the present trade year, the country may again be favored with a positive balance of trade on private account, in spite of the fact that prices of jute, wool and hides and skins are below the peaks of last season. Cotton prices have again recovered from the drop in September 1951, but still remain below the highest levels attained early in 1951.

Balance of Payments - The large export surplus in 1950/51 turned the balance of payments in favor of Pakistan, giving the country a current account surplus of over Rs. 400 million. This was a welcome development after the deficits of 1948/49 and 1949/50. With the U.S. and the sterling area, exclusive of India, there was still a deficit, but in each case it was smaller than in the previous years and would have been eliminated but for the high level of Government imports for defense.

Reflecting the favorable balance on current account, the foreign assets of the State Bank rose from a total of Rs. 1,470 million in June, 1950 to over Rs. 1,900 million in June, 1951. After a brief decline, they again started to rise in September when exports began to move. These assets, together with Government cash balances, may, if used wisely, go a long way in providing the means to pay for the foreign exchange and domestic cost of development projects.

Money and Prices - During 1949/50 there was little change in the volume of currency in circulation, but the favorable turn in the balance of payments in 1950/51 brought about a considerable expansion. Government deficit financing in the current fiscal year tends to bring about a further increase. The rise in prices and the cost of living has, however, been kept modest in the last few years. Pakistan's refusal to devalue in the fall of 1949 and the imposition of steep export taxes in 1950/51 have to some extent insulated her from rising price trends abroad. While the cost of living has remained well under control, increases have been noticeable especially in East Pakistan and in cities like Karachi. In East Pakistan prices have shown a more marked tendency to rise owing to difficulties in distribution and smuggling to India under the incentive of higher prices in that country.

DEVELOPMENT PROGRAMS

On November 7, 1950, Pakistan announced her six-year development plan as part of the Colombo Plan. It called for the expenditure of Rs. 2,600 million in the next six years. Of that figure, Rs. 820 million or 32% will go to agriculture, Rs. 530 million to transport and communication projects, Rs. 470 million to fuel and power, Rs. 490 million to industry and mining, and Rs. 290 million to social services. If completed, the plan is expected to increase the production of cereals and pulses by 17%, of cash food crops (oilseeds, sugarcane, tea, and fruits) by 86% and of non-food cash crops such as tobacco, jute, and cotton by 14%.

The program includes public investments totaling Rs. 2,200 million and private investments amounting to Rs. 400 million. In addition about Rs. 450 million of private investment outside the program is anticipated. Of this entire volume of investment it is hoped to finance Rs. 1,200 million from private savings and Rs. 500 million from added revenues of existing taxes. The balance would thus have to be financed out of foreign loans and grants except for Rs. 150 million which will be met from existing sterling balances.

A second plan - a two-year priority plan - was announced on April 9 1951. It involves total expenditures of about Rs. 505 million, including Rs. 225 million for projects not previously part of the six-year plan. Most of the projects in the two-year plan are in the fields of industry, power, shipping and communications. No figures have been given concerning either the ways in which this new plan is to be financed or the distribution of costs as between local and foreign expenditures. It has been indicated, however, that the Government is ready to go ahead with the plan, even if no private local financing is forthcoming. Outside of these general declarations, nothing else has been announced.

PRINCIPAL ECONOMIC PROBLEMS

Even though both the six-year and the two-year plans have been drawn with the idea of bringing about a balanced development, it remains to be seen whether the resources of the country, including here not only capital, but also managerial skills and trained personnel, will be adequate to the task of achieving the goals. Much care will have to be exercised on the part of the Government to restrict as far as possible expenditures of a non-productive character; and coordination is needed to avoid undue competition for resources, so that one aspect of the plan will not receive too much attention at the expense of the others. There is some danger that social welfare schemes may absorb, in the short run, more resources than the country can afford at the present time. The defense expenditures of the country, if unchecked, will continue to absorb the greater part of current revenues, so that little will be left for development.

Handwritten calculations on the right margin:
2200
400
450

3050
- 1700

1350
- 150

1200

The Human Element in Planning - As a recently created country, Pakistan suffers particularly from a universal lack of well trained managers and administrators, skilled personnel and technicians, at all levels of planning and implementation. The Government is aware of this bottleneck, and up to now it has availed itself of all the opportunities offered by the program of technical aid launched by the U.N. and friendly governments. Foreign technicians and advisers may not be fully effective, however, unless integrated into the country's administrative and planning machinery.

The Capital Market and Financial Organizations. - The publication of the six-year plan and the realization that the cost of the projects must be financed largely through local resources, poses the problem of how to increase savings and what institutions must be created to cater to the needs of farmers and industrialists.

Banking facilities in Pakistan are limited to commercial banks, and a large number of cooperative societies with scanty resources. Old habits of hoarding and distrust of paper money make the mobilization of savings a real problem. The high profits obtainable in commerce and trade and real estate speculation limit the funds available for financing the needs of farming and industry. The solution of this problem must be tackled with all the resourcefulness of government. Much has been done in these last two years both towards increasing the level of savings and the creation of specialized credit institutions. Government savings certificates have been offered for sale at all banks and post offices, and an educational campaign designed to break the apathy of small savers, inducing them to purchase savings certificates, and make greater use of banking facilities, has been launched. It may take many years, however, for the Pakistan farmer to recognize the local cooperative bank or society as a safe place for his savings or to consider Government securities as a safe investment.

The Pakistan Government is now giving some financial assistance to the farmer and industrialist. The State Bank has opened an Agricultural Department, and legislation has been proposed, making it compulsory for commercial banks to grant credits to both agriculture and industry. The Government is also supporting rural cooperatives, especially through the so-called central banks for cooperative societies. To cater to the needs of industry, an Industrial Financial Corporation has been founded, though its resources are indeed small in relation to needs. In two years it has granted loans totalling Rs. 12 million. The Government has also proposed the establishment of an Agricultural Financing Corporation to meet the needs of long-term financing in agriculture.

Commercial Relations with India - The problem of Indo-Pakistan commercial relations is of great importance to the future development of the two countries. At the time of partition it was thought that normal commercial relations would continue, in view of the complementary nature of the two economies. Partition, however, brought with it other problems, like the

interchange of population and the disruption of the economies of both countries. It created special problems for Pakistan, since the merchant and banking class had been made up of Hindus. Nevertheless, trade did flow in 1948 and 1949 until the issue of devaluation brought normal trade relations to almost a standstill. An agreement to reopen trade was reached in April 1950, but it was not until February 1951 that a second agreement finally settled the issue to the satisfaction of both parties. Trade since February 1951 has improved, but it is doubtful that the volume and composition will ever be the same as a few years ago. More changes are to be expected in the future, once Pakistan begins production of goods from her newly established cotton and jute mills. In the last analysis the future of Indo-Pakistan is also bound up with the over-all relations between the two countries, and the settlement of other outstanding issues. If India and Pakistan could reach a real settlement of all their issues, including the conflict over Kashmir, mutual disarmament would release resources in both countries for development and make possible more normal trade relations.

RELATIONS WITH BANK

Loan Negotiations - On the basis of recommendations of the Bank Mission to Pakistan of October-November 1950, the Bank on March 6, 1951, offered to negotiate loans for financing of the foreign exchange cost of selected development projects in the equivalent of about \$60 million, of which a large portion would be in European currencies. Bank pointed out that if it could not obtain full amount of European currencies required for projects under consideration, it would discuss advisability of substituting other projects. Pakistan negotiators arrived at the end of June 1951 and after discussions some of the projects included in the above total, but later found unsatisfactory, were replaced by supplementary projects submitted by the Pakistani. During the Mission's stay in Washington further technical investigations of projects in the field were carried out by Bank.

Considerable delay in loan negotiations was caused by the question of non-dollar financing. The non-dollar currency component amounted to about 50% of the total foreign exchange requirements equivalent to \$61.6 million for the following projects: (Million of \$ equivalent)

Railway Rehabilitation	30.0
Agricultural Machinery	2.5
Telecommunications	5.0
Grain Storage	3.1
Thermal Power Plants	16.0
Paper Mill	5.0

Except for the equivalent of \$12 million in French francs, the Bank has not been able to obtain currency releases from other members, nor has it been in a position to lend sterling to Pakistan, because of Pakistan's

substantial sterling balances. Pakistan, on the other hand, maintained its original position that it will not accept dollar or Swiss franc obligations for purchases other than in the dollar area or Switzerland. Negotiations were temporarily suspended in October 1951.

Present Position - Iliff's Mission arrived early December 1951 and an understanding was reached between Mission and Pakistan Government as outlined by Iliff's letter of December 20, viz:

Financing requirements of the Government's development program over six years of Colombo Plan exceed potential own resources, leaving gap to be financed from external sources. Bank's Management is prepared to recommend to Board financing of external expenditures of specific projects in the program, to the limit of Pakistan's servicing capacity, in hard currency loans up to \$65 million, and an unspecified amount in non-dollar currencies, depending upon their availability to Bank. Pakistan Government will resort to external borrowing only at a time and under circumstances when such borrowing is actually needed and proved necessary. At present the Government would ask for Bank loans (i) to finance purchases payable in U.S. dollars or Swiss francs; (ii) to finance purchases payable in other currencies where Bank could provide such other currencies.

Mission has examined six projects submitted by Pakistan Government and reached the following conclusions:

(1) State Railways (estimated foreign exchange cost \$16.5 million) - Estimate, revised by Folk on January 5, for equipment cost: U.S. \$12.7 million; Canadian \$0.3 million, and French francs 3.5 million. Details of Loan Agreement to be worked out by Mission in Pakistan. Amount of loan may be raised if orders are placed (a) in France for 197 railway carriages equivalent to \$8.5 million; and (b) in Canada for wooden sleepers (amount and cost undetermined).

(2) Agricultural Machinery Pool (Estimated foreign exchange cost \$2.5 million) - Establishment of a Pool of Agricultural Machinery, initially to be used for land reclamation in Thal area. Machinery to be purchased in U.S. or Canada. Details to be worked out by the Mission.

(3) Telecommunication System (Estimated foreign exchange cost \$3.25 million) - Purchase of radio stations and other wireless equipment. New list of equipment, differs considerably from project hitherto considered by Bank. Possible Bank financing depends upon clarification of two questions: (i) whether technical aspects of new proposal are satisfactory to Bank; and (ii) whether equipment required need necessarily be procured from dollar sources. Immediate prospects for Loan Agreement are uncertain.

(4) Grain Storage (Estimated foreign exchange cost \$2.5 million) - The rehabilitation of an existing 4,000 ton silo (Lyallpur) and the construction of 40,000 ton additional grain handling and storage facilities in Karachi

(20,000 tons) Lyallpur and Chittagong (10,000 tons each). Since specifications have still to be prepared, bids asked for and adjudication made, it will take several months before scope and nature of Bank financing can be determined.

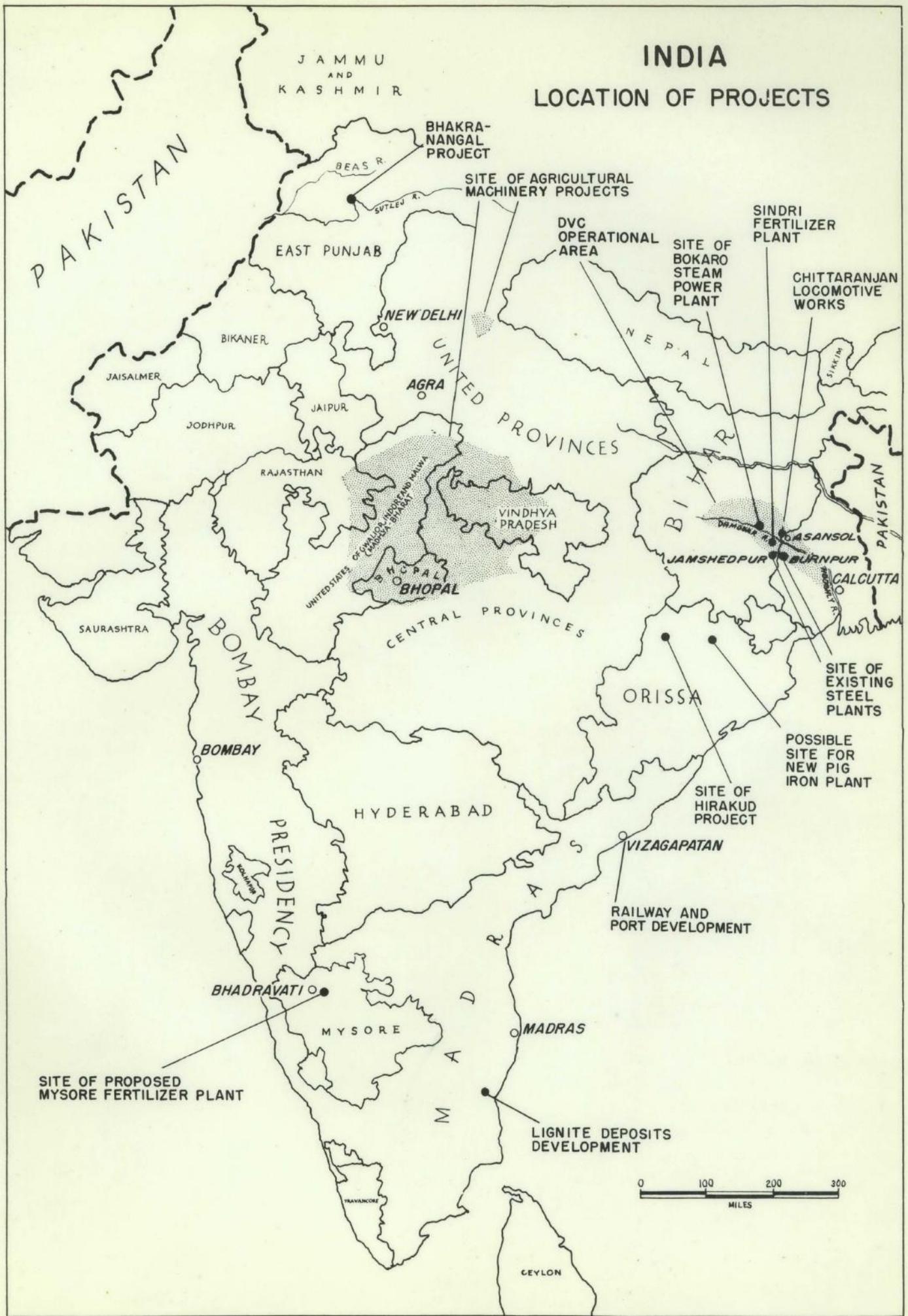
(5) Thermal Power - Erection of three thermal plants in West Pakistan (Karachi, Punjab, Sind) and three plants in East Pakistan (Chittagong, Narayanganj and Kulna), of combined capacity 75,000 and 50,000 KW respectively. Bids for all plants except Karachi have been called for and will be opened in mid-March and mid-April. Considering additional time needed for award of contracts, the extent and nature of Bank financing could not be determined before middle of 1952. Saitzoff reported on January 12 that generating capacity of proposed plants increased to 140,000 KW, their cost to \$22 million, and that equipment for all plants likely to come from Europe.

(6) Paper Mill (Estimated foreign exchange cost \$1 million and Swiss francs 1 million) - Government reaffirmed its intention to establish a paper company to be financed at the outset by the Government and operated by the Industrial Development Corporation as managing agent. Mission discussing with the Industrial Development Corporation the progress so far made in construction work and other arrangements for the execution of the project and Saitzoff visited site.

INDIA

INDIA

LOCATION OF PROJECTS



PAKISTAN

JAMMU AND KASHMIR

BHAKRA-NANGAL PROJECT

EAST PUNJAB

SITE OF AGRICULTURAL MACHINERY PROJECTS

DVC OPERATIONAL AREA

SITE OF BOKARO STEAM POWER PLANT

SINDRI FERTILIZER PLANT

CHITTARANJAN LOCOMOTIVE WORKS

NEW DELHI

NEPAL

BIKANER

AGRA

UNITED PROVINCES

JAISALMER

JAIPUR

JODHPUR

RAJASTHAN

BHOPAL

UNITED STATES OF INDIA (INDIA AND PAKISTAN)

CENTRAL PROVINCES

VINDHYA PRADESH

JAMSHEDPUR

BURNPUR

CALCUTTA

SAURASHTRA

BOMBAY

BOMBAY

HYDERABAD

ORISSA

SITE OF EXISTING STEEL PLANTS

POSSIBLE SITE FOR NEW PIG IRON PLANT

SITE OF HIRAKUD PROJECT

VIZAGAPATAN

RAILWAY AND PORT DEVELOPMENT

BHADRAVATI

MYSORE

MADRAS

SITE OF PROPOSED MYSORE FERTILIZER PLANT

LIGNITE DEPOSITS DEVELOPMENT

TRAVANCORE

CEYLON



INDIA (Republic)
(From Sanskrit "a river" - the Indus.)

GEOGRAPHY

Area 1,218,000 sq. miles, somewhat larger than combined land and water territories of U.S. east of Mississippi River. Bounded on north by Kashmir, China and Nepal, on west by Pakistan, on east by Burma; and surrounds Eastern Pakistan in northeast.

Three principal natural regions: (i) the Himalayas, highest mountains in the world, form natural northern boundary; (ii) the Hindustan Plain, at foot of Himalayas, one of the greatest stretches of flat alluvium in the world. Watered by the Indus, Ganges and lower Brahmaputra, includes richest, most populous and historically most famous part of India; (iii) the Deccan region in south, separated by Vindhya Mountains from Northern Plain.

Greatest extremes between heat and cold in northwest; moist and cold in Himalayas; hot and dry in Indus Desert. Tropical climate in south, more agreeable owing to proximity of sea. Central region has four months dry and pleasant, eight months rain caused by Monsoons. Average rainfall 60 inches in sub-Himalayan region, 39 inches in Indo-Gangetic plain, 30 inches in Deccan region.

POPULATION

Estimated at 356 million (census 1951). 225 languages excluding dialects. Official language Hindi; fourteen other languages recognized including Bengali, Bihali, Punjabi, Marathi, Tamil, Telegu, Sanskrit. English continues for official purposes for 15 years. System of more than 2,000 castes, and numerous sub-castes, breaks the population into strictly separated groups with 50 million pariahs, or low caste at the bottom.

PRINCIPAL CITIES

- Delhi - 1,500,000 - Capital since ancient times, situated on Jumna River. Almost equidistant from Calcutta and Bombay, connected with most principal towns by 6 railways. Numerous historical buildings and monuments of Moghul Empire and other periods. New Delhi is fine example of modern town planning. Great educational center.
- Calcutta - 3,000,000 (plus very large refugee influx) - Chief city of Bengal Province, principal port, about 86 miles from sea. Receiving and distributing center for Assam and northern central parts of India, fed by network of railway and water-borne traffic of Ganges River.

- Bombay - 1,490,000 - Chief city of Province, situated on island, principal seaport of western India with one of the finest natural harbors in the world.
- Madras - 1,000,000 - Chief city of Province, principal port (artificial harbor), important railway terminal. Earliest acquisition of East India Company, has many buildings of historical interest.
- Hyderabad - 740,000 - Chief city of Province, fourth largest city. Picturesquely situated on Musi River, has railway connection with Bombay, Calcutta and Madras.
- Bangalore - 1,000,000 - largest city of Mysore state, 190 miles west of Madras. Important rail and freight center. Seat of Institute of Science and Agricultural experimental station. Center of region of great development potentialities.
- Cochin - Natural harbor, lying on direct route to Australia and Far East from Europe.

HISTORY

Central Asia was main source of settlers, who arrived in waves through few natural passes of Himalayan range. Dravidians believed first, followed by Aryans. Latter introduced caste system and religion later known as Brahmanism. In fifth century B.C. Buddhism arose mainly as racial reform and revolt against caste system and exclusiveness of Brahman priesthood. Never became general in India but flourishes in adjacent countries. Alexander's invasion 326 B.C. is first landmark of history. Scythian conquest between 165 B.C. and 320 A.D. swept away Greek influence and left lasting marks on character, religious beliefs and institutions of Hindus. Confusion and anarchy largely prevailed from sixth until latter part of 10th century.

Islamic rule started in early 11th century by Afghani invasion, lasted for 700 years, reaching highest point during Moghul Empire (between early sixteenth and early eighteenth century), extending at one time from Oxus River in Central Asia to borders of Gangetic delta.

Since seventeenth century impact of Western influence noticeable. Portuguese, Dutch, French and British trading stations on Indian sea coast engaged in commercial and political rivalries at time when Moghul power was at low ebb and Maharattas and Sikhs competed for political supremacy. British ousted European rivals and gradually established rule in India through East India Company. After Indian Mutiny, administration taken over by British Crown. Over next sixty years British consolidated position, expanded economy and strengthened administration on large decentralized basis (through territorial division into British India and Indian States).

Indian nationalism, first organized in Congress Party (1855) in its early stage sought social and economic improvement for India within British Empire. During World War I, Congress Party supported British but increased political demands adopting "Home Rule" as ultimate objective. After war India was seething with political and social unrest which minor British concessions could not allay. Mohandas G. Gandhi came prominently upon political scene and won mass support for non-violence political struggle. In 1935 British passed Government of India Act establishing local governments within federal system for British India and subsequent elections in 1937 brought sweeping majority to Congress Party in seven of eleven provinces.

During World War II constitutional struggle further aggravated by widening Hindu-Moslem rift over communal question and eventual adoption by Moslem League of Pakistan Idea (1942). British proposal (Cripps Plan 1942) of Indian Union--a new Dominion--after the war and of similar status for political units not willing to join such Union, rejected by both parties. "Quit India" campaign and mass disobedience movement resulted in arrest by British of Gandhi, Jinnah and other political leaders. Despite release of Gandhi in 1944 and subsequently of other political leaders, deadlock continued. Elections in 1945 (under Cripps Plan) to Constituent Assembly brought Congress Party 205, Moslem League 73, out of 385 total seats. In early 1946 British Cabinet Mission visited India and subsequently formulated scheme in White Paper; (i) recognizing India's right to choose independence; (ii) suggesting federal government with considerable autonomy to Moslem majority Provinces and (iii) providing for interim government. Violent controversies over implementation of Cabinet Mission Scheme ensued between both Parties, ending with withdrawal of Moslem League from Scheme. Final phase of nationality struggle marked by grave disorders, violence and heavy losses of life and property.

Since no agreement could be reached on nationality issue, Mountbatten Plan adopted in 1947, enabling Congress Party and Moslem League to decide on partition of India. Subsequently Indian Independence Act was passed by British Parliament, effective August 15, 1947, terminating British Indian Empire and setting up separate Dominions of India and Pakistan. Final partition, following prompt British withdrawal, caused immeasurable hardships to people in critical areas and reached climax in tragedy of Punjab, involving more than 200,000 casualties and at least 10 million refugees. On January 30, 1948, Gandhi assassinated by member of Mahasabha, extremist group opposing his conciliatory policy toward Moslem community in India. By 1949 process of voluntary accession to India of the more than 500 Princely States was practically completed with exception of Hyderabad and Kashmir. Hyderabad, largest Indian State, after brief resistance annexed by Indian forces 1948. Status of Kashmir still awaits solution depending on outcome of dispute between India and Pakistan regarding final control over its territory, now split between both States.

In 1949 Constituent Assembly passed new Constitution, establishing India as "Sovereign Republic" but maintaining its membership in the British Commonwealth of Nations. The new Republic was proclaimed January 26, 1950.

GOVERNMENT

India is a "Sovereign Democratic Republic", consisting of a "Union of States", composed as follows:

- 9 States (sharing 60% of total territory and more than 70% of population) formed of former Provinces of British India partially by merger with a number of minor Princely States. They include Madras, Bombay, West Bengal, East Punjab, United Provinces, Central Province and Bera, Bihar, Assam and Orissa.
- 8 States (sharing about 33% and 20% of territory and population respectively), formed of former Princely States or of Unions of States; including Rajasthan, Jammu and Kashmir (still disputed), Hyderabad, Madhya Bharat, Mysore, Travancore-Cochin, Patiala, East Punjab and Jaurashtra.
- 12 Centrally administered areas of lesser size and rights formed of former lesser Princely States or Unions and smaller administrative units, including Delhi Vindhya Pradesh, Himachal Pradesh, etc.

Structure of Government is federal but spirit is unitary, providing for considerable power of Central Government.

Central Government comprises:

- (i) Bicameral Parliament, on British model, consisting of House of People and Council of States with 500 and 250 members respectively.
- (ii) President as nominal Chief Executive and Prime Minister and Cabinet (former appointed by President), who hold actual executive power.
- (iii) National and Independent Judiciary System, with Supreme Court as guardian of Constitution.

Constitution provides for national suffrage for persons aged 21 and over, abolition of caste system, civil liberties with some limitations, and strong protection of private property rights.

Constituent Assembly elected to frame Indian Constitution was transformed into present Provisional Indian Parliament. Members are nearly all Congress Party with a small number of independents.

General elections to Central and State Legislative Assemblies, now in progress in some states, are expected to be completed for all states by end of January 1952.

POLITICAL PARTIES

Congress Party - the All-India Congress Party, having an overwhelming majority in the Constituent Assembly, has been the Government party since India became independent. Although subjected to considerable internal stress and public criticism during the past four years, it remains by far the strongest political party in India today. Only party which can claim well-organized local units in every state of the Union. In addition to its superior organization and strong financial backing, commands wide popular support because of its history as the party of national independence, because it is still considered the party of Gandhi and because it is headed by the one great living Indian leader, Jawaharlal Nehru. Safe to predict that the Congress Party will win a substantial, although not overwhelming, majority in the Central Parliament and most of the State Assemblies.

The Socialist Party of India - Was organized within the ranks of the Congress Party in 1934 and its members were among the most active participants in the Indian independence movement. However, the organization split from the Congress in 1948 and is contesting the present election as an independent party. Marxian in concept of class conflict, but more strongly anti-communist than any other party. Has taken its lead from Western democratic socialist philosophy, but has adjusted its program to suit India's particular problems. Although principal leaders are of intellectual class, party draws support in large measure from among peasants and industrial workers. Probably the strongest opposition party, despite its chief handicap--inadequate finances. Claims strong support in Bombay and Travancore-Cochin and hopes for election successes also in parts of northern and central India. Condemns Congress Party as corrupt and controlled by capitalists and landlords. Agrees with Nehru's foreign policy. Demands faster progress in land reform. Led by Jai Prakash Narayan who commands large mass following.

Akhil Bharat Hindu Mahasabha - Organized in 1928, the Hindu Mahasabha was for many years primarily a Hindu cultural organization representing the most extreme and orthodox Hinduism. Committed to establishment of Hindu hegemony over whole Indian sub-continent.

In late 1950 the party resolved to contest the general elections and has been quite active politically since. Despite emotional appeal to the Hindu nationalist spirit, has gained little public support and recently has lost some of its strongest leaders to other conservative parties.

Bharatiya Jan Sangh (Indian Peoples' Party) - A relatively new party, the Jan Sangh was organized by critics of the Government's "socialist"

economic policies, and was specifically intended to attract the leading commercial, industrial and financial interests in India. Definitely conservative and nationalistic in character, has gained support of orthodox Hindus including some former members of the Congress and the Hindu Mahasabha. Hopes to achieve its greatest election successes in north and northwest India. Seeks better relations with U. S. but probably will not make strong showing.

Kisan Mazdoor Praja Party (Peasants, Workers, Peoples' Party) - Established during 1951 by a group of dissident Congress members, led by Jiwatram Bhagwandas KRIPLANI, many of whom were convinced that their personal interests and ambitions were being thwarted by stronger Congress leaders, particularly those of the conservative faction. Split not ideological. Despite numerous organizational difficulties and lack of well-defined policy, has succeeded in attracting in many states a number of former Congressmen who are united on the one issue of opposition to the Congress Party. However, the party apparently has failed to arouse the interest of the general public. Claims that increasing corruption will bring revolution. Might possibly combine vote with Socialists. Rafi Ahmad KIDWAI resigned as Minister of Communications, July 1951, to join party.

Communist Party of India - Follows the party line as dictated from the Kremlin and is closely linked to the Communist international movement. The party's recent use of violent methods and attempts to organize agrarian revolt were severely suppressed by the Government of India and the several state governments. Party still banned in three states, and some of its leaders are underground. However, has had considerable success in organizing and dominating various leftist unity groups (e.g. the United Leftist Front and the United Socialist Organization) which will contest the elections in some states, while in others party will present its own slate of candidates to the voters. West Bengal chief stronghold, but hopes for some success in south India as well. Labels Congress Party as capitalist and corrupt and demands immediate land reform. Secretary General Ajoy K. GHOSH.

All-India Scheduled Caste Federation - Several months ago the Scheduled Caste Federation issued an election manifesto which called for close cooperation with the Western Democracies and the partition of Kashmir on communal lines, a radical departure in Indian foreign policy thinking. Until that time the Federation had achieved very little public notice. Although party claims to speak for India's 50 million untouchables and advocates policies for improving their lot, most of the scheduled castes still are attracted to and support the Congress Party because of its close association with the names of Gandhi and Nehru. For this reason the party is expected to win only a few of the seats reserved for scheduled castes. Now headed by B. R. Ambedkar*- former Law Minister.

*Lost seat to Congress candidate in current election.

Akali Dal Party - Sikh party active in Punjab led by Tara SINGH - alleges Hindu-dominated Congress wishes to crush Sikhs and their culture.

POLITICAL SITUATION

General election - chief interest - is first nation-wide election to be held since adoption of Indian Constitution of 1949 and the first election ever conducted on the principle of universal adult suffrage in India. Indian statesmen, who claim for their country the largest democratic electorate in the world, estimate that 170 million people will be eligible to vote for candidates to fill 489 seats in the House of the People (lower house of the Central Parliament) and a total of 3283 seats in the various state assemblies.

The election campaigning of the several major political parties has dwelt principally on domestic issues. The Congress Party has been defending its record in office, while the party's President, Prime Minister Nehru, has been leading a personal crusade against communalism and the so-called communal parties. The opposition parties have been directing their main attack on the Government's domestic economic policies, particularly those concerning food and clothing production and distribution, housing and nationalization of land and industry. Government corruption, alleged support of vested interests, and suspicions of the official collusion of Congress in or "informed ignorance" of large-scale black-marketing operations also have been election talking points for the opposition.

The foreign policies of Government have not been strong issues in the election campaigning, since the major parties in their respective official platforms are substantially in agreement on international questions. International problems in any case do not make effective election points in India because they have too little direct bearing on the lives of the peasants and poorer urban classes who make up the vast bulk of the electorate.

Conceded generally that Congress Party will win a substantial majority in the Central Parliament and most of state assemblies. Scattered results so far reported confirm this.

PRESIDENT AND CABINET

President - the Honorable Dr. Rajendra PRASAD

Age 65 - Presidency college, Calcutta; Professor of English, 1908; law practice, 1911-20; Joined Mahatma Gandhi, suspended law practice, joined non-cooperation movement; President, Indian National Congress, 1932, 1934, 1939, 1947; Imprisoned several times for Civil Disobedience Movement; Minister for Food and Agriculture, 1946-47; Chairman, Indian Constituent Assembly from formation in December 1946, to January 1948. President of Congress, November 18, 1947 - December 1948; President, Indian Republic since January 26, 1950; Newspaper founder and social humanitarian and relief work.

Prime Minister - The Honorable Pandit* Jawaharlal NEHRU

Age 62 - born Allahabad, United Provinces, son of wealthy Kashmiri Brahmin - widower - educated Harrow; Trinity College, Cambridge; barrister-at-law (Inner Temple, London); Returned to India and joined High Court as Advocate. Entered politics, joining Congress, then obscure moderate party, 1912. Finally gave up law practice to devote himself to politics. Secretary of Home Rule League, Allahabad, 1918; Member All-India Congress Committee since 1918. President Indian National Congress 1929, '36, '37 and '46. Became foremost leader of Hindu India when Gandhi assassinated early 1948. Imprisoned 8 times for political activities (agitation for Indian independence) -- four-year term for anti-war speeches. Released 1945 to establish transition government - Vice President of Viceroy's Executive Council September 1946. Prime Minister and Minister for External Affairs and Commonwealth Relations since August 1947. 1951, won leadership of Congress Party from Purushottamdas Tandon on issue of whether Nehru as party member should follow directives of party's Executive Committee.

Calls himself a democrat and a socialist. His policy of "dynamic neutrality" based on several stubbornly held notions, the chief that India should not align itself either with the U.S. or with Russia, but remain "independent". Considers both American and Russian systems too materialistic. Has admitted world Communism an expansionist movement, but does not see Communism as in itself an evil. Considers "fear" basic threat and that there is good and evil on more than one side of international crisis. Looks on U.N. as desirable for round table discussions but holds that U.N. puts itself in the wrong if it tries to impose its will by force. Declares that China, although closely allied to Russia, makes its own decisions. Expects India to have cooperative relations with China and supports recognition of Chinese Communist Government by U.N.

Prefers skiing and swimming as sports. Energetic and proud. Described once as a "continually expanding bundle of contradictions" (devout disciple of Gandhi's non-violence; has been known to beat rowdy followers over the head with a chair). Strong-willed and does not like criticism; "his passionate answers to critical questions in the legislative assembly have sometimes been his best, because in his fury he says more than he perhaps intended, and the emotion becomes politically irresistible."

During periods of imprisonment wrote books, historical and autobiographical. Reviewers paid particular attention to Glimpses of World History. Attention drawn in ATLANTIC MONTHLY to his "fine, lucid, sensitive and eloquent English."

*Pandit - an honorary title meaning "wise man".

Deputy Minister

for External Affairs - The Honorable Dr. Balkrishna Vishwanath KESKAR

Age 48 - Educated in India and Paris - Active in Congress Party since 1926; General Secretary for the Party, 1946. Member of Constituent Assembly, 1948; Official delegate to Inter-Parliamentary Conference, Rome, 1948. Regular contributor of articles to the press.

Minister for Food

and Agriculture - The Honorable Shri Kanialal Maneklal MUNSHI, M.P.

Age 64 - Married. Advocate, Bombay, 1913; Newspaper editor various times 1915-46; Secretary Bombay Home Rule League 1919-20; member Bombay Legislature, 1927-46; Home Minister, 1937-39; sentenced to 2 years detention for Civil Disobedience, 1932; detained under Defence of India Act 1940-41; member Constituent Assembly; Agent General for the Government of India in Hyderabad, 1947; Vice Chairman, Institute of Agriculture, Anand, since 1939; Trustee, Kasturba Gandhi National Memorial Trust. Author numerous publications.

Minister for Natural Resources

and Scientific Research - The Honorable Shri Sri PRAKASA

Age 61 - married, two sons, two daughters. Educated Allahabad and Cambridge, (LL.B.). Benares Hindu University 1914-17; Newspaperman 1917-43; All-India Congress, 1918-45; Member Legislative Assembly 1934 and 1945; imprisoned four times for Congress activities; Constituent Assembly, 1946; High Commissioner for India in Pakistan, 1947-49; Governor of Assam, 1949-1950; Minister for Commerce, 1950. Present post January 1951. Author in both English and Hindi.

Minister for Communications and Health - Honorable Rajkumari AMRIT KAUR

Age 62. Sherborne School for Girls, Dorsetshire and London. Secretary to Gandhi 16 years; active All-India Women's Conference since 1930; Jullundur Municipality, 1934-36; first woman member Advisory Board of Education (Government of India) from inception to 1942, reappointed, 1946; Delegation to UNESCO London, 1945; Deputy Leader to Paris, 1946; Minister for Health since 1947; led Delegation to W.H.O. 1948 and 1949; Held high posts St. John Ambulance Association and Indian Red Cross Society, 1948; Trustee Gandhi Memorial Fund; President All-India Conference of Social Work, 1948-49; Indian National Committee; Recently formed All-India Sports Council. In younger days won many tennis championships in Simla and Lahore.

Minister for Defense - Sardar Baldev SINGH (Sikh Congress Party)

Minister for Education - The Honorable Moulana Abul Kalam AZAD

Minister for Finance - The Honorable Sir Chintaman Dwarkanath DESHMUKH,
C.I.E. (1937) Kt. (1944).

Age 56 - married. Elphinstone College, Bombay, and Jesus College, Cambridge; entered Civil Service November, 1919; Assistant Commissioner, Central Provinces and Berar; Under Secretary to Government, Deputy Commissioner and Settlement Officer, 1920-31; Revenue and Financial Secretary, 1932-39; Joint Secretary Government of India, Department of Education, Health and Lands, 1939; Secretary, Central Board of Reserve Bank of India, 1939-41; Deputy Governor, Reserve Bank of India, 1941-43; Delegate to World Monetary Conference, 1944; Governor for Bank and Fund since 1946; Governor Reserve Bank of India, 1943-49; Financial Representative in Europe and America, 1949-1950. Minister of Finance, May 1950.

Minister for Home Affairs - The Honorable Dr. Kailas Nath KATJU

Minister for Commerce and Industry - The Honorable Sri Harekrushna MAHTAB

Age 51 - married - Educated Ravenshaw College, Cuttack. Joined Non-cooperation Movement, 1921; since then a worker of Indian National Congress; Bihar and Orissa Legislative Council, 1924; Editor seven years; Civil Disobedience Movements, 1930 and 1932; Twice President, Utkal Provincial Congress Committee, organized the Inchudi Salt Satyagraha; imprisoned several times for political activities. Leader, Congress Assembly Party, Orissa; largely instrumental in merging Orissa States with the province of Orissa, 1947; Chief Minister, Orissa, 1946-50. Minister of Industry and Supply, May 1950 to January 1951; Minister of Commerce and Industry, January 1951.

Publications: Three popular novels; A drama, "History of Orissa", the only authentic history of the province.

Minister for Labor - The Honorable Shri Jagivan RAM

Age 43 - married - one son, one daughter; Educated Benares Hindu University; Calcutta University; B.Sc. 1930; Active interest in the uplift of Depressed Classes; President, All-India Depressed Classes League, 1936-46; jailed twice; Chairman I.L.O. Regional Conference New Delhi, 1947; sponsored many bills to better the condition of industrial workers; has now ordered inquiry into conditions of agricultural labor to consider protective and ameliorative measures. Present post since September 1946.

Minister for States,

Railways and Transports - The Honorable Shri N. Gopaldaswami AYYANGAR

Age 69 - married - Educated Wesley, Presidency and Law Colleges, Madras. Madras Civil Service, 1905; Indian Legislative Assembly, 1927; Board of Revenue, Madras, 1935-37; Prime Minister of Kashmir 1937-43; Member, Constituent Assembly; Leader, Indian Delegation to U.N. Security Council, 1948. Minister for Railways and Transport, 1948; Minister for States since January 1951.

Minister for Works, Production and Supply - Honorable Shree N.V. GADGIL

Age 57 - born Rajputana - educated Neemuch, Baroda and Poona. Government Law College, Bombay. Poona Bar; Member, All-India Congress Committee; Vice-President, Poona Municipality. Imprisoned several times in connection with Satyagraha; Central Assembly, 1934; Whip and Secretary, Congress Party; Minister in the Central Cabinet; Minister for Works, Mines and Power, 1947 - 1951; Present post since January 1951. Author: in Marathi and English on Economics, Finance and Politics.

MINISTERS OF STATE WITHOUT CABINET RANK

Minister for Transport - The Honorable Shri K. SANTHANAM

Age 56 - Enrolled in High Court, Madras, 1920; gave up practice; joined non co-operative movement; jailed several times; Editor, 1933-48; Indian Legislative Assembly; Constituent Assembly; Minister of State for Railways and Transport, 1948; Minister for Transport, January, 1951.

Minister of State for Rehabilitation - The Honorable Shri Ajit Prasad JAIN

Age 49 - married - two sons, one daughter. Lucknow University. Took part in all Civil Disobedience Movements from 1930; Legislative Assembly, U.P., 1937-48; Parliamentary Secretary, 1937-39; Constituent Assembly of India, 1946-50; All-India Congress Committee; Zamindari Abolition Committee, U.P.; Indian Parliament since 1950; Minister of State for Rehabilitation since May, 1950.

Minister for Information, Broadcasting

and Minister of State - The Honorable Shri Ranganath Ramachandra DIWAKAR

Age 57 - Graduated 1916 Fergusson College, Poona, M.A. 1918. Professor of English, 1916-20; Non-cooperation Movement, 1921; edited Karamveer, a Kannada weekly, 1921-30; English weekly, 1923-24; imprisoned for sedition three times; President, Karnatak Provincial Congress Committee, 1930-34; started No-Tax Campaign in North Kanara District; Civil Disobedience Movement, 1941; underground 2 years, surrendered to authorities, August 1944, interned for about a year; still conducting a Kannada daily and weekly as sole trustee.

Chairman, Planning Commission - Gulzarilal NANDA.

Age 53 - married. Educated Agra, Allahabad; non-cooperation movement 1921; Professor of Economics; Secretary, Textile Labour Association, Ahmedabad, 1922-46; Parliamentary Secretary, Government of Bombay, 1937-39; Government delegate to 30th Session of I.L.O., Geneva; Minister for Labour, Government of Bombay; Deputy Chairman, National Planning Commission, March 1950; Chairman, September 1951.

Secretary General, Ministry

for External Affairs - Sir Girja Shankar BAJPAI,

Age 60 - married - educated Allahabad and Oxford - distinguished career in Civil Service since 1915; has visited U.S. several times. Was Agent-General to U.S. 1941-46 and Chargé d'Affaires 1946-47. Has served on Indian delegations to UNRRA, FAO, ECOSOC and other U. N. agencies.

GOVERNMENT OF BOMBAY

Governor - Raja Maharaj SINGH

Lawyer. Long record of public service in education and government administration. Delegate to Commonwealth Relation Conference, 1945, to U. N. 1946 and 1947. Because of his tact and wisdom, more influential in local affairs than his figure-head position would ordinarily warrant.

Chief Minister and Minister of Education - Bal Gangadhar KHER

Lawyer. Former director, Bombay Mutual Life Assurance Society, Ltd. Active in Congress Party affairs. Founder, Bombay Legal Aid Society. Prime Minister of Bombay, 1937-1939. Member of Constituent Assembly.

GOVERNMENT OF BIHAR

Governor - His Excellency Madhao Shrihari ANEY

Age 71 - widower - Morris College, Nagpur; Teacher, 1904-07; Bar 1908; Vice President Indian Home Rule League; President, Berar Provincial Congress Committee 1921-30; Civil Disobedience Movement; Legislative Assembly for Berar, 1924-30 and 1935; Active Congress member since 1924; General Secretary 1935; Viceroy's Executive Council (Indians Overseas), 1941-43; Government Representative in Ceylon, 1943-47; Constituent Assembly of India 1947; present position since January 1948. Publications: Writings and speeches in Marathi.

Chief Minister - The Honorable Sri Krishna SINHA

Age 63 - married, 2 sons; Calcutta University; Bar 1916; gave up practice 1920 in response to Gandhi's call; since then leading member and active worker of Indian National Congress; 8 years in jail for political activities; President Bihar Provincial Congress Committee 1936; Legislative Assembly, Centre, 1935-36; first Prime Minister of Bihar, 1937 - 39; present position since 1946.

GOVERNMENT OF BHOPAL - (at present administered from New Delhi - will probably have an elected assembly after present elections.)

Chief Commissioner - Venkata VISWANATHAN

Born South India - educated Bangalore, London and Oxford; Indian Civil Servant since 1931. Alternate delegate to U. N. special commission on Palestine. 1947; Deputy High Commissioner in Pakistan 1947-48; Chief Secretary, Madhya Bharat Government 1948-49; present appointment since April 1950.

Home and Revenue Minister - Morarji Randhhodji DESAI

Provincial Civil Service. Active in Congress Party affairs for many years. Member of Bombay Legislative Assembly and Minister of Revenue and Forests, 1937-1939. Again Member of Bombay Legislative Assembly, 1946.

Mayor of Bombay City - S. K. PATIL

Active in Congress affairs and President, Bombay Provincial Congress Committee since 1946. President of a Bombay Congress labor organization since 1944. Toured Europe and U.S. to study city administration, 1949.

GOVERNMENT OF WEST BENGAL

Governor - Dr. Harendra Coomar MOOKERJEE

Professor of English. For many years associated with Calcutta University and City College, Calcutta. Former editor. Active in educational and Christian organizations. Bengal Legislative Assembly, 1937-1942. Vice-President, Constituent Assembly, 1947-1951. First Bengali to become Governor of Bengal.

Publications: Religion, economics, sociology.

Chief Minister - Dr. Bidhan Chandra ROY

Leading Indian physician. Active in Congress Party since 1925. Active in medical and educational organizations. Organizer and chairman of four electrical supply companies. Chairman of Airways India, Ltd. Chairman of United Press of India, Ltd. Was Gandhi's physician during all his fasts in India.

OTHER INDIAN PERSONALITIES

Ambassador to U.S. - H.E. Shri Binay Ranjan SEN, C.I.E.

Age 54 - married - Calcutta and Oxford University; Deputy Magistrate, Midnapore, 1937-40; Revenue Secretary to Government of Bengal, 1940-43; Director of Civil Evacuation, Bengal, 1942-43; Relief Commissioner, 1942-43; Indian Department of Food, 1943-47; First Counselor and Minister in U.S., 1947; Secretary, Ministry of Agriculture, 1948; Chargé d'Affaires ad interim and Minister Plenipotentiary in Washington 1948-50; Ambassador to Italy, 1950 - to present appointment, December 19, 1951.

Sir (Chandrasekhara) Venkata RAMAN

Age 73 - educated Presidency College, Madras, Indian Finance Department 1907; Research Associate, California Institute of Technology, Pasadena, 1924; President Indian Academy of Sciences, 1934; Honorary Member, Physical Societies and Academies of several countries - numerous medals and awards, Nobel Laureate in Physics; Director Raman Research Institute, Bangalore; Member first Advisory Council, International Bank.

Alternate Governor, Fund and Bank - Sir Benegal Rama RAU, Kt. (1939) C.I.E.

Age 63, married. Educated at Madras, and Cambridge. Entered Civil Service 1913; Finance Department; Joint Secretary, Industries Department; Secretary, Round Table Conferences and Joint Select Committee of Parliament on India Bill; Deputy High Commissioner in London; Agent-General and High Commissioner in Union of South Africa; Chairman Bombay Port Trust, 1941-46. Head of the Indian Liaison, Tokyo, 1947; Indian Ambassador in U.S. 1948-49. Governor, Reserve Bank of India, since July 1949.

Ahmedabad

Mangaldas SHANTILAL - Managing Director and Chairman, The Jehangir Vakils Mills Company, Ltd. and Hindustan Chemical Works, Ltd.; President, Ahmedabad Millowners Association, 1946.

Kasturbhai LALBHAI - Important millowner of Ahmedabad. Representative of the Government of India on the Textile Committee of the Combined Production and Resources Board, Washington, 1945.

Ambalal SARABHAI - Founder of Sarabhai Chemicals, Ahmedabad; Director of the Bank of India, Ltd., Bombay; Air India, Ltd. and a member of the Fiscal Commission of the Government of India. His son, Vikram Sarabhai is Managing Director of the Bihar Sugar Works.

Bombay

Jehangir R. D. TATA - Head of an Indian managing agency which has grown to spectacular proportions, having controlling interest in innumerable Indian enterprises, of which the best known are Tata Iron and Steel; Tata Hydro-Electric; Air India, Ltd., several of which are located in Calcutta. Maintains a New York office.

Sahushriyans Prasad JAIN - Controlling authority of the Dalmia-Jain group of industries in Bombay, embracing insurance companies, newspapers, and chemical works. Maintains a New York office.

Hirachand WALCHAND - Chairman of Scindia Steam Navigation Company, and of Premier Automobiles, Ltd., and Director, Associated Cement Companies. Leader of Indian delegations to International Chamber of Commerce meetings.

Sir Purshotamdas THAKURDAS - Cotton merchant. Chairman, Indian Radio and Cable Communications Company, Ltd., and a Director of the board of 51 other Indian concerns. Member of the Board of the Reserve Bank.

Calcutta

✓ Ghanshyandas BIRLA - Managing Director of Birla Bros., Ltd., one of the outstanding Indian industrial concerns, having extensive interests in jute, coal mines, and textiles. This concern employs more than 30,000 workers. Best-known subsidiaries are Hindustan Motors, and Hindustan Woolen Mills.

Seth Ramratan GUPTA - Founder of the firm of Beharilal Ramcharan, bankers, millowners, and industrialists. Also founder of Engineering Works of India, Ltd.

Shree Kailashpat SINGHANIA - Resident Director of J. K. industries, controlling some 14 Indian subsidiaries in textile, food and jute industries.

Sir J. P. SRIVASTAVA - Managing Director of J. P. Srivastava Group of Industries comprised of textile, timber, sugar, dyeing and printing industries. Former member of the Viceroy's executive council, visited the U.S. on a business trip in July 1951.

New Delhi

✓ Dr. John MATTHAI - Former Minister of Finance, Government of India 1948-50. President, Indian Tariff Board, 1931-1934. Director, Tata and Sons, Ltd.

Hansraj GUPTA - Managing Proprietor, H. G. Gupta and Sons, managing agents of numerous engineering and metal works.

Jaichand JAIN - General Manager of Bennett Coleman and Company, publishers of the Times of India. Visited U.S. early in 1951 for a six-week study of American journalism.

Seth Ramkrishna DALMIA - One of India's most important industrial entrepreneurs and financiers. Head of Dalmia-Jain Industries, embracing banks, insurance companies, sugar and chemical factories, publishing houses and newspapers. Maintains New York office.

South India

Sir Mokshagundam VISVESVARAYA - 90 year-old Economic Planner, one of the authors of the Bombay Plan, President of the All-India Manufacturers Organization since 1941.

DIPLOMATIC and CONSULAR REPRESENTATIVES

UNITED STATES

Ambassador - Chester BOWLES

Age 50 - born Connecticut - Yale, B.S. 1924 - twice married, 3 girls and 2 boys. Newspaperman on grandfather's paper, Springfield Republican; successful advertising career - 1929 helped organize firm Benton and Bowles, chairman 1936-41; OPA general manager, Washington 1943; Price Administrator, also member W.P.B. and Petroleum Council for War 1943-46; Director of Economic Stabilization 1946; member U.S. Commission for UNESCO 1946-47; Governor of Connecticut 1949. Ambassador to India 1951. Visited Madras and Southern India in December 1951. Author: Tomorrow Without Fear.

Minister Counselor - Loyd V. STEERE

Age 53 - born Ohio - married - Pomona College, 1920; Harvard University, 1923; Economist, Agriculture Department, 1923; Berlin Office, 1926; Commission of Agricultural Experts, Geneva 1930-31; attaché Berlin 1930; Foreign Service 1939; represented U.S. at various international conferences on agriculture 1936-1942; agricultural adviser, staff of U. S. political adviser on German Affairs, 1945; Counselor of Embassy for economic affairs, The Hague, 1947; Counselor of Embassy, New Delhi, February 1950.

Counselor of Embassy (Agriculture) - Clifford Curtis TAYLOR

Age 56 - married - Colorado Agricultural College, Iowa State College, 1923; Harvard University, Ph.D. 1930; various posts in agriculture - County, State and Federal, Agricultural attaché Pretoria 1930-33; London, 1935; Ottawa, 1939; U.S. representative at various international agricultural conferences; Warsaw 1946; agricultural attaché New Delhi, 1947; also at Nepal 1948; present post in addition to duties at Nepal since 1949.

Counselor of Embassy for Economic Affairs - Henry L. DEIMEL, Jr.

Age 52 - born New York City - married - educated Belgium and England; University of California, Ph.D.; U.S. Army 1918; teaching, University of California 1920-23; Department of Commerce 1923-31; Department of State 1931-41; Director, Division of Economics and Statistics, U.S. Maritime Commission, 1941-45; adviser to Vice-President, Allied Control Commission for Italy, 1943-44; Department of State, 1945; politico-economic adviser, Near Eastern, South Asian and African Affairs, 1949; present appointment 1949.

Political Counselor - Everett G. DRUMRIGHT

Age 45 - born Oklahoma - University of Oklahoma, commercial work 1929-30; Foreign Service 1930 with posts Ciudad Juarez; China; London; Tokyo; - Present post July 1951.

Minerals Attaché - Andrew Vincent CORRY

Age 47 - born Montana - Harvard University, 1926-27; Rhodes Scholar, Oxford, School of Metalliferous Mining (England) 1928; Montana State University, 1931; prof. of geology, Montana School of Mines, 1930-33; Montana State Bureau of Mines and Geology, 1930-33; instructor, Montana State University 1934-36; consultant engineer for mining companies in U.S. and Latin America 1930-40; consultant, various U.S. Government agencies, 1936-37 and 1940-47; Foreign Service, New Delhi, 1947; also at Colombo, Karachi, Rangoon, and Katmandu; Present post since December 1949.

Consul General - Bombay - Prescott CHILDS

Age 53 - born Massachusetts - Married - Yale, 1922; U.S. Army, overseas service; instructor in elementary school 1922-23; archeological expeditions in Near East 1923-24; Foreign Service, 1924 Canton, Lisbon, Montevideo, Nice, Monaco, Berlin, Barbados, Rio de Janeiro, Wellington, Habana. Present post October 1950.

Consul General - Calcutta - Evan Morris WILSON

Age 42 - born Pennsylvania - Haverford College, 1931; Oxford University, 1934; Geneva School of International Studies, 1932, 1933; Home Owners' Loan Corporation, 1935; Pan American Union 1937; Foreign Service 1937, with posts including Guadalajara, Cairo, Alexandria, Mexico, Teheran. Consul General, Calcutta, April 1950.

UNITED KINGDOM

High Commissioner (New Delhi) - His Excellency Lieut. General Sir Archibald Edward NYE, G.C.S.I., G.C.M.G., G.C.I.E., K.C.B., K.B.E., M.C.

Age 56 - Married - one daughter. Educated Duke of York's School, Dover; Barrister-at-Law, Inner Temple, 1932. Enlisted in Ranks, 1914; appointed 2nd Lieutenant, 1915; Lieutenant General, 1944; Vice-Chief of the Imperial General Staff 1941-46; Governor of Madras, 1946-48.

Deputy Commissioner - Mr. J. J. S. GARNER, C.M.G.

Financial Adviser - Mr. H. G. CURRAN

Economic Adviser - Mr. Roland H. OWEN, C.M.G.

Assistant Secretary - The Honorable F. E. CUMMING-BRUCE

Deputy High Commissioner (Calcutta) - Mr. L. J. L. ADDISON, C.B.E.

Deputy High Commissioner (Bombay) - Mr. L. POTT

Deputy High Commissioner (Madras) Mr. G. E. CROMBIE, C.M.G.

FRANCE

Ambassador - Count Stanislas OSTROROG

Age 54 - born Constantinople - father international lawyer - Ecole des Sciences politiques. Attaché, Peking, 1927; Secretary, 1928; Ankara, 1930; Ministry of Foreign Affairs, 1933; Chevalier of Legion of Honor, 1936; Moscow 1939-40; Division Chief in Asia Section, Ministry of Foreign Affairs, 1942; escaped from France 1943 and joined Free France - Commissariat of Foreign Affairs, Algiers, 1943; recalled by Vichy Government, 1944; Officer of Legion of Honor, 1946; minister to Eire, 1946.

AUSTRALIA

High Commissioner - Herbert Roy GOLLAN, D.S.O., M.C.

Age 59 - Service World War I; Delegate to Eastern Group Supply Conference, 1940; Member Eastern Group Supply Council, 1942-45; Senior Trade Commissioner, India, 1945-48; High Commissioner, India, since 1949.

CANADA

High Commissioner - Warwick Fielding CHAPMAN, K.C.

Age 71 - McGill University, 1901; Legal practice Quebec, 1906-13; Professor, McGill University, 1912-43; former member legal firm of Brown, Montgomery and McMichael, Montreal. Co-founder of League of Nations Society in Canada; first Canadian Minister to Chile, 1942; Ambassador, 1944; Senior Adviser, Canadian Delegation to U.N. Conference, San Francisco, 1945; Ambassador to Argentina, 1945; High Commissioner to India since 1949.

Author: The Amber Valley and Beyond the Road's End and various articles on philosophy, politics, literature and legal subjects.

BASIC STATISTICS

Area 1.2 million sq. miles

Population 1947 - 338.7 million
1948 - 342.1 million
1951 - 356 million

National Income, Official est. 1948/49

Total Rs. 87,100 million
Per Capita Rs. 255 (U.S. \$ 76.5 at the 1948/49 exchange rate or \$54 at the present rate)

Exchange Rate

1 Indian Rupee = \$ US 0.21; \$U.S. 1 = 4.761 Rs.
1 million Rs. = \$ US 210,000

Principal Crops, 1950/51 (millions)

	<u>Acres</u>	<u>Production</u>
Rice (tons)	75.5	20.4
Wheat (tons)	24.0	6.6
Groundnuts (tons)	10.5	3.3
Other Oilseeds (tons)	15.5	1.8
Sugarcane (tons)	4.1	5.5
Cotton (Bales)	13.9	2.9
Jute (Bales)	1.4	3.3

Industrial Production Index (1948 = 100)

<u>1949</u>	<u>1950</u>	<u>1951</u> (Jan - Oct)
97	96	107

External Trade (million Rs., including Pakistan)

	<u>1949</u>	<u>1950</u>	<u>1951</u> (Jan - Sept)
Exports	4,721	5,564	5,865
Imports	6,804	5,404	6,229
Balance	- 2,083	+ 160	- 364

Trade with U.S. (million Rs.)

	<u>1949</u>	<u>1950</u>	<u>1951</u> (Jan - Aug)
Exports	- 686	990	1,074
Imports	1,008	994	1,136
Balance	- 322	- 4	- 62

Balance of Payments (million Rs.)

	<u>1949^{1/}</u>	<u>1950^{1/}</u>	<u>1951^{2/}</u> (Jan - June)
Current Receipts	4,619	6,278	4,774
Current Payments	6,282	5,871	4,760
Balance	- 1,896	+ 407	+ 14

^{1/} excluding Pakistan,

^{2/} including Pakistan.

<u>Foreign Assets</u>	<u>1949</u>	<u>1950</u>	<u>1951(Nov.)</u>	<u>Jan. 4, 1952</u>
Total (million Rs.)	8,660	8,740	8,190	7,818

Central Government Budget (million Rs.)

	<u>1949/50</u>	<u>1950/51</u> (rev ^{est.})	<u>1951/52</u> (est.)
Expenditure, total	4,457	5,282	5,349
Ordinary	3,171	3,793	3,754
Capital	1,286	1,489	1,595
Revenue, ordinary	3,504	3,872	4,010
Surplus, ordinary	333	79	256
Overall deficit	953	1,410	1,339

Government deposits (million rupees, end of period)

	<u>1949</u>	<u>1950</u>	<u>1951(Nov.)</u>	<u>Jan. 4, 1952</u>
	1,520	1,650	2,070	2,081

Money Supply (million rupees, end of period)

	<u>1949</u>	<u>1950</u>	<u>1951</u> (Oct.)
Currency	12,070	12,670	12,370
Total (incl. demand deposits)	18,730	19,540	18,860

Cost of Living Index (1948 = 100)

	<u>1949</u>	<u>1950</u>	<u>1951</u> (Oct.)
Bombay	101	105	116

ECONOMIC BACKGROUND

Agriculture occupies over two-thirds of the working population and accounts for more than half the national income. Nevertheless, the country has a fairly diversified economy. Its basic resources include substantial deposits of coal and iron ore, small amounts of oil, manganese, bauxite, mica, ilmenite, and a number of less important minerals. A considerable industrial sector has been developed which provides almost 20% of the national income. The principal industries are cotton textiles, jute manufactures, iron and steel, cement, paper, matches, sugar, and a long list of other processing, engineering chemical, and miscellaneous industries.

Living standards are, however, extremely low because of the poor and uncertain productivity in the agricultural sector and the intense pressure of the large and growing population on the country's resources and productive capacity. Average per capita income in 1948/49 was equivalent only to about \$75. The population, which was over 356 million in 1951, is increasing at a rate of around 4 to 5 million a year.

In agriculture, principal crops are rice, wheat, other cereals, oilseeds, cotton, sugarcane and jute. The typical farm is extremely small and is cultivated by antiquated inefficient methods. Almost 50 million acres are irrigated but this leaves about 80% of the cultivated area dependent on the unreliable monsoons which have been particularly unfavorable in recent years, especially in 1950/51. In these circumstances the majority of peasants live in continual poverty and insecurity and this together with their inherent resistance to new methods creates difficult barriers to more effective utilization of agricultural resources.

Food and agricultural problems have been further aggravated as a result of the partition of British India in 1947. A significant part of the surplus agricultural areas went to Pakistan including not only food-producing regions but also the major jute-growing areas and a large part of the raw cotton lands. Subsequent unfavorable relations with Pakistan have interfered with the previously normal flow of these food and agricultural raw material surpluses to India.

Agricultural and industrial production have both increased above prewar levels. Yet it is a question whether total output of foodgrains has kept pace with population growth. Certainly the additions have not been sufficient to raise living standards significantly or to relieve the pressure of population on the land.

In these circumstances heavy domestic requirements create large import needs and also impose limitations on export capacity. While the country, nevertheless, maintains a large export trade, chiefly in jute goods, cotton textiles, manganese ore, lac, tea, mica, vegetable oils, coal and many other commodities, export earnings during most of the post-war period, including in some years those with the dollar area, have fallen short of imports. Deficits have been financed from India's sterling balances plus IBRD loans and the recent grain loan from the U.S. These balance of payments problems since the war have been accentuated by special conditions, especially heavy post-war restocking requirements, the serious (maladjustments which followed Partition, poor harvests, large overseas defense and development purchases, and a persistent inflationary pressure initially carried over from the war which the Government has been able to hold in check but not completely eliminate while carrying the heavy financial burdens of defense and development.

Basically, in order to achieve and maintain a continuing stability in the balance of payments and in the economic and financial position as a whole in the face of the large and growing requirements of the population, it will be necessary to reach higher levels of agricultural and industrial productivity along the lines already blueprinted in the Government's development plans.

RECENT DEVELOPMENTS

Production - Industrial production increased in 1951 by about 10% over 1949 and 1950. Cotton textiles recovered from the reduced output of the two previous years as raw material supplies and labor conditions improved;

In agriculture, principal crops are rice, wheat, other cereals, oilseeds, cotton, sugarcane and jute. The typical farm is extremely small and is cultivated by antiquated inefficient methods. Almost 50 million acres are irrigated but this leaves about 80% of the cultivated area dependent on the unreliable monsoons which have been particularly unfavorable in recent years, especially in 1950/51. In these circumstances the majority of peasants live in continual poverty and insecurity and this together with their inherent resistance to new methods creates difficult barriers to more effective utilization of agricultural resources.

Food and agricultural problems have been further aggravated as a result of the partition of British India in 1947. A significant part of the surplus agricultural areas went to Pakistan including not only food-producing regions but also the major jute-growing areas and a large part of the raw cotton lands. Subsequent unfavorable relations with Pakistan have interfered with the previously normal flow of these food and agricultural raw material surpluses to India.

Agricultural and industrial production have both increased above prewar levels. Yet it is a question whether total output of foodgrains has kept pace with population growth. Certainly the additions have not been sufficient to raise living standards significantly or to relieve the pressure of population on the land.

In these circumstances heavy domestic requirements create large import needs and also impose limitations on export capacity. While the country, nevertheless, maintains a large export trade, chiefly in jute goods, cotton textiles, manganese ore, lac, tea, mica, vegetable oils, coal and many other commodities, export earnings during most of the post-war period, including in some years those with the dollar area, have fallen short of imports. Deficits have been financed from India's sterling balances plus IBRD loans and the recent grain loan from the U.S. These balance of payments problems since the war have been accentuated by special conditions, especially heavy post-war restocking requirements, the serious (maladjustments) which followed Partition, poor harvests, large overseas defense and development purchases, and a persistent inflationary pressure initially carried over from the war which the Government has been able to hold in check but not completely eliminate while carrying the heavy financial burdens of defense and development.

Basically, in order to achieve and maintain a continuing stability in the balance of payments and in the economic and financial position as a whole in the face of the large and growing requirements of the population, it will be necessary to reach higher levels of agricultural and industrial productivity along the lines already indicated in the Government's development plans.

RECENT DEVELOPMENTS

Production - Industrial production increased in 1951 by about 10% over 1949 and 1950. Cotton textiles recovered from the reduced output of the two previous years as raw material supplies and labor conditions improved;

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and most other industries maintained the upward trend in output which has continued since the early post-war years. The industrial production index averaged 107 during January-September 1951 compared with 97 and 96 in 1949 and 1950 (1948 = 100). Production of jute goods, however, increased only slightly from the depressed 1949 and 1950 levels as the shortage of raw jute continued. In agriculture, acreage figures were almost uniformly higher in 1950/51 than in the two preceding years but production of grains suffered severely from a series of natural calamities. Consequently grain imports in 1951 jumped to the all-time record level of 4.2 million tons. Nevertheless, in some crops, including cotton, raw jute, oilseeds and sugarcane, there were substantial improvements in production as well as acreage.

Balance of Payments - From the devaluation of September 1949 up to mid-1951, export position showed a steady improvement except for a brief lull in the spring and early summer of 1950. The major increase came in late 1950 and the first half of 1951 under the stimulus of the high world-wide demand and prices touched off by the Korean War. In this period exports reached record levels due to increases in volume as well as in prices. As a result India maintained an almost steady trade surplus from October 1950 through May 1951 in spite of a substantial increase in imports. For the year ending in June 1951 as a whole India had a current balance of payments surplus of Rs 730 million. After allowing for net capital payments India added about Rs 300 million (\$63 million) to its foreign exchange assets in this period and contributed \$78 million to the central dollar reserves of the sterling area. In the last half of 1951, however, trade and payments balance has again moved into a large deficit as export prices and volume have declined and imports have continued at high levels swollen by heavy food and cotton requirements. Although a part of the grain imports have been financed by a U.S. loan of \$190 million for 2 million tons of grain (about half of which had been imported by the end of the year), India's foreign assets have taken a sharp drop of almost Rs 800 million during July - November 1951. In the same period of 1950 they showed a slight increase.

Public Finance - The Government's fiscal operations in 1950/51 (April-March) were much more favorable than budget forecasts had indicated, in spite of a large increase in economic development expenditures to a level of Rs 2,300 million or almost \$500 million. The actual ordinary budget surplus exceeded expectations and this, together with net borrowing from small savings and from the various capital accounts, was sufficient to cover the over-all budget deficit, including capital as well as ordinary expenditures. For the first time since the War the Government met its budget requirements without net withdrawals from Government balances. A much less favorable budget has been forecast for 1951/52 with an overall deficit of over Rs 1,300 million and withdrawals from Government balances of about Rs 500 million. Heavy development expenditures at Rs 3,100 million or almost 40% above 1950/51 (including recent additional grants) are chiefly responsible for this forecast. Actually, however, the 1951/52 budget can be expected to show a much more favorable picture than the estimates since customs receipts and excise taxes which account for over half of revenues have been running in the first half of the fiscal year about 50% in excess of the estimated levels.

Money and Prices. Since late 1949 the principal inflationary influences in India have been: (1) devaluation, (2) the shift from a deficit to a surplus balance of payments position in 1950 and the first half of 1951, and (3) the general world-wide price increases since mid-1950. From the beginning of 1950 through May 1951 the total money supply rose by around 10%. Subsequently, the combination of a trade deficit, a drop in commercial bank credit, and some rise in Government balances has reduced the money supply to about the level at the end of 1949. The price level has in general followed the course of the money supply with particularly sharp increases in the first half of 1951. Thereafter, the wholesale index has fallen and the cost of living has remained relatively stable. Steep increases in export duties helped to cushion the full inflationary effects of the export boom in late 1950 and early 1951.

PRINCIPAL ECONOMIC PROBLEMS

Almost all of economic and financial problems find their focus in inadequate productivity. Higher levels of agricultural and industrial output are essential to cope with the growing requirements of the population and the need for some improvement in living standards. To achieve this the Government has prepared a comprehensive and co-ordinated program of development during the five years beginning in 1951/52. Its targets in the public sector include an increase in irrigated lands by almost 16 million acres, other agricultural improvements which with the additional irrigation would raise annual grain production by 7 million tons and substantially increase other crops, and a 70% increase in installed power capacity. In addition to public investment, the program also includes a large expansion of industrial production through private investment. The program is divided in two parts, each based on different assumptions as to the level of available foreign financial aid.

While in some cases the targets appear ambitious, in general they seem reasonable in relation to India's physical capacity to absorb investment. Perhaps the most difficult objectives are in agriculture, especially in raising yields on existing cultivations. Past programs in this field have had limited success but the experience has brought out the shortcomings of past policies and suggested more effective measures. The present program embodies the benefits of this experience but whether achievements will measure up to the goals remains to be seen.

Another problem involves ability to maintain a balance between the short-run objectives of the 5-year plan and the longer-run development projects such as irrigation and power, a large part of the benefits from which will be realized in later years. It is important for example that basic long-run development is not sacrificed for quick achievements. On the other hand such short-run programs as the substantial expansion in the private industrial sector and the improvement of agricultural practices should not be hampered for lack of finance, personnel and materials through over-emphasis on the Government's major multi-purpose projects.

Availability of finance is one of the key elements for the successful achievement of the development goals. The Government believes that over the five-year period Rs 11,200 million can be raised internally for public investment on a non-inflationary basis. This represents an annual rate only slightly higher than that in 1950/51 and much less than in 1951/52. These, however, were particularly favorable revenue years, reflecting the influence of world boom conditions on exports and income. Furthermore, the high investment rate in 1951/52 includes use of counterpart funds from the U.S. grain loan. Maintenance of this investment level without inflationary consequences will require a careful control of expenditure and an effective program to increase revenues and mobilize and channel savings if the targets for Central and State ordinary budget surpluses, market borrowing and small savings are to be achieved. Should the Government abandon its non-inflationary policy of development financing in the event that the actual financial position falls short of the targets, the internal dislocations and the repercussions on the balance of payments position could well become serious.

The Government estimates that foreign exchange requirements of the program will range from a minimum of Rs. 3,000 million (\$630 million) to Rs. 6,700 million (\$1,400 million) depending on the extent of external financial assistance which may be available. The lower figure represents the external requirements of the investment plans to which the Government is committed irrespective of the level of foreign aid. It would seem advisable to limit the program so that external requirements do not exceed this minimum estimate since the larger figure appears beyond foreseeable foreign assistance possibilities. Even the figure of Rs. 3,000 million assumes an annual rate of foreign financing in excess of that extended to India during the first year of the program (excluding the emergency U. S. grain loan of \$190 million), consisting of U.S. Mutual Security aid of \$54 million, \$15 million from Canada, and £4.2 million from Australia. Further assistance from the U.S. and other contributing countries to the Colombo Plan and from the Bank will be an important determinant of the rate at which India can progress toward the increased production goals while avoiding a serious inflation in the process.

Improved relations with Pakistan would be of substantial benefit to the Indian economy by reducing the pressure for increased domestic production of raw jute and raw cotton and for a continuation of the high levels of military expenditure. While economic relations with Pakistan have improved since the settlement of the exchange rate dispute and the conclusion of a new trade agreement in February, 1951, the economic contacts between the two countries continue in a generally unfriendly and uncertain atmosphere perpetuated basically by the unresolved dispute over Kashmir.

Uncertain export markets for manufactured jute are a continuing problem in view of the war and post-war trend of rising jute goods prices in relation to other packaging materials. Substitutes such as paper and cotton have encroached on the share of jute in the packaging

market, especially in the U.S. A trend toward bulk handling has made further inroads. An important aspect of the problem is the increased costs of labor and raw materials in the jute industry compared to pre-war. A large proportion of the mills are also old and inefficient. Since jute goods exports are running at a quarter to a third of total exports the problem is important for the future balance of payments position. It has been accentuated by difficulties and uncertainties concerning raw jute supplies from Pakistan and recently by the maintenance of very high Indian export duties on manufactured jute in the face of declining prices. While the Government is aware of the long-term problem of high jute prices it is continuing for the present to maintain its high export duty policy in view of the immediately acute world-wide shortages of raw and manufactured jute. The prospect of an expansion in the combined raw jute production of India and Pakistan to 10 million bales creates an outlook for easier raw material prices for the jute mills in the future.

RELATIONS WITH THE BANK

A. Loans made

<u>Project</u>	<u>Date of Signature</u>	<u>Totals - Millions \$</u>	
		<u>Amount after Cancellation</u>	<u>Disbursed Dec. 31, '51</u>
1. Railway (17 IN)	8/18/49	32.8	32.8*
2. Agricultural Machinery (19 IN)	9/29/49	8.5	4.2
3. Bokaro-Konar (23 IN)	4/18/49	18.5	10.2
		<u>59.8</u>	<u>47.2</u>

*\$2.6 million repaid on principal as of December 31, 1951.

Outstanding Problems:

Agricultural Machinery. Of \$4.3 undisbursed, \$1.3 millions are earmarked for ancillary equipment and additional spare parts. The Government should shortly inform the Bank whether it will use a part of the balance of \$3 million for the purchase of 90 Allis-Chalmers and/or Caterpillar tractors to supplement or replace an equal number of Oliver tractors the performance of which is not satisfactory. Before the Closing Date - July 31, 1952, the Government should inform the Bank whether it will purchase disc plows, which will be tested during the forthcoming season and at that time the allocation of the undisbursed balance of the loan will have to be decided.

Bokaro-Konar - A delay in the construction of the Konar dam is mainly due to delayed delivery of earth-moving equipment from Germany. This, however, should not affect the first power unit at Bokaro which should be put into operation as scheduled -- end 1952.

B. Projects for Possible Bank Consideration

A Bank mission (Koster) visited India in November and December 1951. The following projects have been submitted as a possible basis for Bank loans:

1. Expansion of Pig Iron Production (foreign exchange cost -- \$18 - \$20 million)

Two alternative schemes envisaged and Bank's advice requested:

- (a) Expansion by 400,000 tons in capacity of pig iron production for foundries at one or other of existing plants, namely, Indian Iron and Steel Company works at Hirapur or Tata Iron and Steel Company at Jamshedpur. The most economical method, because capital cost and operating cost lower, in view of existing facilities;

- (b) Erection of new Government-owned plant of 340,000 tons capacity. Of long-term benefit to India, but capital and operation costs substantially higher.

2. Mysore Government Fertilizer Project (foreign exchange cost -- \$4.0 million)

Establishment of a plant for production of 50,000 tons of Nitro-lime or Ammonium Nitrate from local raw materials. Bhadravati, adjacent to Mysore Iron and Steel Works, has been proposed for site of plant, because of availability of water, cheap power from hydro-electric plant at Jog Falls, and of limestone. Existing facilities of Mysore Iron and Steel Works, such as rail connections, machine shops, services and township, could be extended to new plant. Cost of project, equivalent to about \$6 million, includes foreign exchange expenditures equivalent to about \$4 million.

3. Industrial Finance Corporation (\$10 million)

A credit to the Industrial Finance Corporation with the Government's guarantee to finance hard currency costs of various industrial projects. Corporation was established in 1948 to make medium- and long-term credits to industrial concerns where normal banking accommodation is inappropriate or recourse to capital issue methods is impracticable. Loans can only be made to public limited companies or cooperative societies engaged in the manufacture or processing of goods or in mining or in the generation or distribution of electricity. It cannot lend to government enterprises. As of June 1951, a total of Rs. 96 million (\$19.2 million) loans had been sanctioned and Rs. 57 million (\$11.4 million) were outstanding. Bonds of the face value of Rs. 58 million (\$11.6 million) have been issued by the corporation and are held by banks, insurance companies and other financial institutions.

C. Other Projects

Government submitted for Bank consideration following additional projects, external costs of which are in parenthesis: five-year railway rehabilitation and development program (\$100 million); additional equipment for first phase Damodar Valley development scheme (\$30 million); an additional steel plant, the cost of which has not yet been determined, and purchase of ships for coast and international service (\$40 million).

YEAR

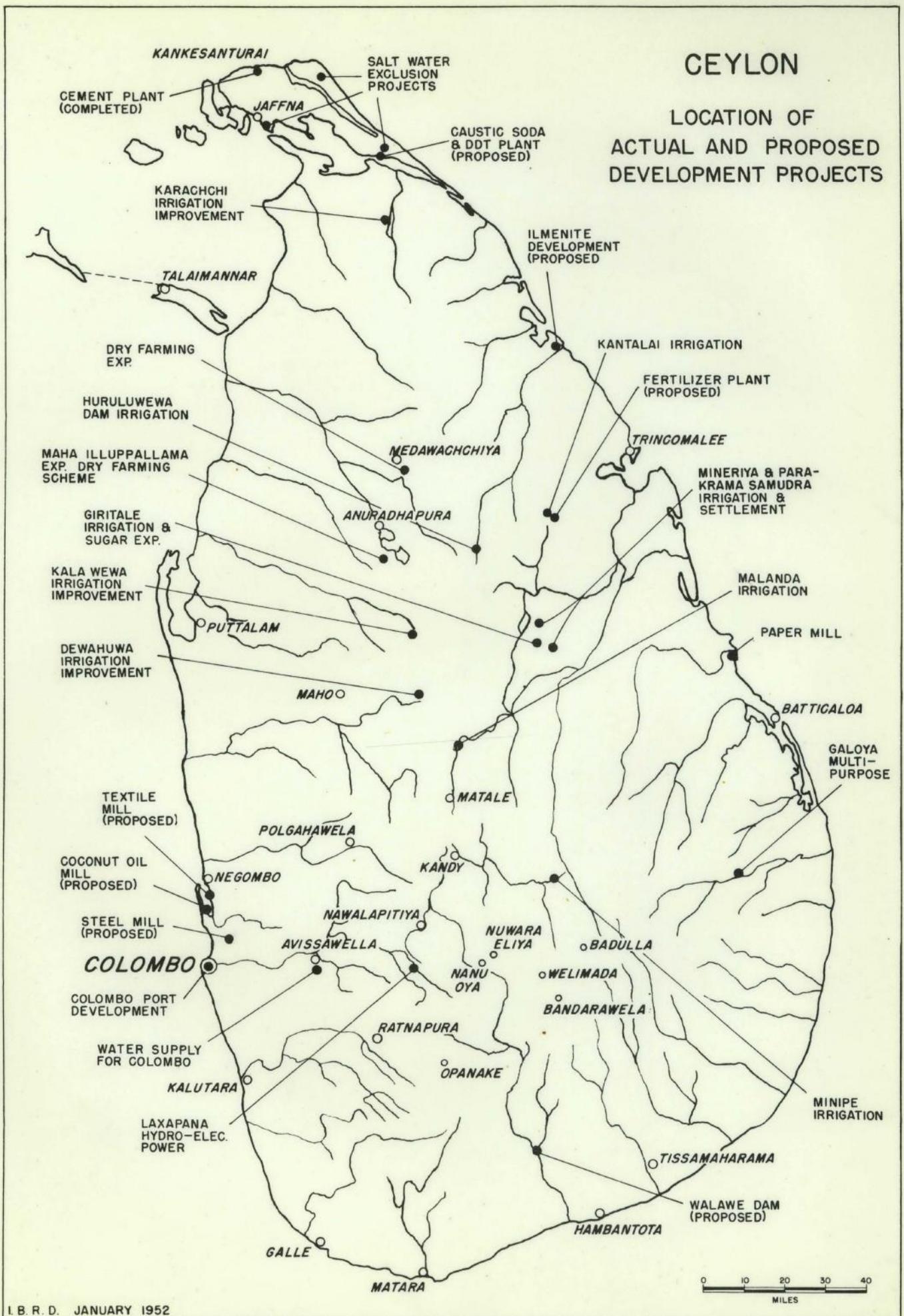
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CEYLON

CEYLON

LOCATION OF ACTUAL AND PROPOSED DEVELOPMENT PROJECTS



CEYLON (Dominion)
(Island of Dusky Leaves)

GEOGRAPHY

Large island (25,000 sq. miles, little over half size of New York State) in Indian Ocean, lying off southeast coast of India. Separated from mainland by the Strait* in north and Gulf of Mannar in west.

Physical Features -- Structurally an extension of the south Indian plateau. Roughly divided into three fairly distinct levels or terraces, 100 feet, 1600 feet and 6,000 feet high respectively. Latter includes Sacred Adam's Peak (7,365 feet) and Pidurutalaga (8,292 feet). About three-fourths covered by forests. Generally short and swift rivers radiate from central highland; longest Mahatweli Ganga, (little more than 200 miles) empties into Trincomalee Bay. Coastline generally low with occasional rocky headlands. Colombo Port, in southwest, is largely artificial. Trincomalee in northeast is one of the finest natural harbors in the world.

Climate -- Generally uniform tropical climate due to proximity of equator. Average temperatures in lowland about 80°, with small seasonal variations (3 - 4°), but considerable diurnal changes (as much as 15° in Colombo). Temperature decreases in ratio to elevation (average of 54° at 6,000 feet.). Heavy monsoon rains in summer, particularly in southwest (75 inches annual average) and some rains during rest of year due to thunder storms and cyclones. Northern plains and extreme southeast have considerably less precipitation.

POPULATION

Total estimated at 7.3 million (mid 1949), almost half in western and central regions. About two-thirds are Sinhalese, 1.6 million are Tamils (including about 700,000 Indian Tamils of first or second generation many with homes still in India) and there is a substantial group of Moslems particularly Moors (370,000), presumably of Arab origin. Population of non-Indian derivation (including Eurasians, Chinese, Afghanis and small group of Europeans) does not exceed 60,000.

PRINCIPAL CITIES

Colombo - 362,000 - Capital and principal port. Trading center for centuries, important railway terminal. Handicraft, little industry. Seat of university College.

Kandy - 51,000 - Romantic ancient hill capital - heart of resistance movement to white man domination until 1815.

Jaffna - 62,000 - Harbor and active business center in the north. Exports cotton, tobacco, timber and fruit. Includes old Dutch fortification and Hindu shrine.

*Palk

Galle - 49,000 - Old fortified seaport on Indian Ocean, 66 miles SSE of Colombo. Many curious old Buddhist monasteries.

HISTORY

Probably earliest invasion was in fifth century B.C. by Sinhalese from North India. Recorded history begins with reign of King Tissa of Anuradhapura (274 - 207 B.C.) when Buddhist mission from India sent by Emperor Asoka converted Sinhalese to Buddhism.

At end of tenth century Chola dynasty of Southern India conquered the island, destroyed Anuradhapura and made Pollonnaruva capital. Pollonnaruva dynasty united island and left distinct Dravidian-Hindu influence on culture. Fall of Pollonnaruvas in 13th century was followed by period of instability characterized by sporadic invasions from India, Malaya and even China.

Portuguese made first contacts at beginning of 16th century. Established in maritime provinces until middle of 17th century when given up to the Dutch. Dutch ousted by British at end of 18th century. After defeating highland Kingdom of Kandya (1815) British gradually pacified and unified Ceylon and introduced colonial system of administration. Opened up country by railways and roads. Introduced coffee, tea, rubber and planted coconuts more extensively. Quickly realized Ceylon's strategic position and its importance to trade. Since 1931 internal affairs have been to a large extent under control of Ceylonese elected ministers, but prior to 1946 the Governor, appointed from London, retained important reserve powers. A new constitution, based on the report of the Soulbury Commission and introduced in 1946, gave the elected parliament and ministers full responsibility on all internal affairs, reserving defense and external affairs to U.K. control. This was replaced very shortly afterwards by the Ceylon Independence Act, effective February 1948, which conferred "fully responsible status within the British Commonwealth of Nations" on Ceylon. However by agreement major responsibility for defense still rests with the U.K.

GOVERNMENT

Parliament - British model - Governor General representing the King. Senate of 30 members (15 nominated by the Governor General) and House of Representatives of 101 (6 nominated by Governor General). Senate has only revisory powers and real power rests with House.

General Elections August 23 - September 20, 1947. Of House of 101, six nominated by Governor and ninety-five elected as follows:

United National Party (UNP)	- 42
Independents (unattached)	- 21
Trotskyist	- 10
Ceylon Tamil Congress	- 7
Indian Tamil Congress	- 6
Bolshevist Lenin Party	- 5
Communist (Stalinist)	- 3
Labor	- 1

For administration divided into 9 provinces, each presided over by a government agent. There are 6 municipalities with 37 urban councils and 26 town councils.

Represented by an Ambassador in the U.S., by High Commissioners in U.K., Australia and India; in other countries through U.K. Diplomatic Missions.

POLITICAL PARTIES

United National Party (UNP) - A coalition of groups which have become used to working together under old constitution, led by Senanayake - leader of Ministers since 1943 and Prime Minister since inauguration of the new status.

Predominant political party, mostly conservative. Drawn from all communities including Ceylonese Tamils, Moslems, Burghers (mixed European and Ceylonese descent) and Europeans. Advocates remaining within Commonwealth; improving the standard of living through Government development projects; and further measures of Ceylonization - in particular, use of national languages and increased employment of Ceylonese nationals in commerce and industry.

Lanka Sama Samaja Party (Trotskyists) - In existence for more than ten years; describes itself as branch of Fourth International and receives considerable support from urban and clerical workers.

Sri Lanka Freedom Party - Recently formed by former Minister Health and Local Government and Leader of the House, S.W.R.D. Bandaranaike. More extreme nationalistic. Leader is an opportunist and may endeavor to form a coalition with other small parties to obtain power.

Ceylon Tamil Congress - A communal organization opposed to the new Constitution - more leftist than UNP but since 1947 elections has been represented in Cabinet by its leader, Mr. Ponnambalam, as Minister of Industries, Industrial Research and Fisheries.

Indian Tamil Congress - Leftist in social policy - represents primarily interests of Indian population in Ceylon.

Bolshevist Lenin Party - also Trotskyist, has almost identical program to Lanka Sama Samaja Party.

Communist Party - Orthodox Communist party - has negligible support.

POLITICAL SITUATION

Government is in effect continuation of group which has been in power since 1931; has in practice margin of about 14 and is not thought to be in danger of falling before the dissolution of present House which must under the present constitution take place at latest by end 1952. Prospective general election is leading to some increase of political activity.

Several leftist parties whose titles suggest extreme views, largest being Trotskyist group, but not certain that their policies in practice would be radically different from those of present Government and it is to be remembered that all parties of Ceylon, including the United National Party, would be regarded in U.S. as Socialist. Opposition parties, in spite of revolutionary titles, show no disposition to violent action and Ceylon has remarkable record of peace and good order in internal politics.

Externally Ceylon fortunate in being under no obvious threat of aggression and as U.K. still takes major responsibility for defense, preoccupation with and expenditure on defense is of little account. External problems of practical importance are relationship with the Commonwealth, attitude to the U.S., certain long standing disputes with India and certain sentimental connections with other British countries of Buddhist derivation, particularly Burma, and Thailand.

Present Government generally friendly toward U.K. and favors remaining within Commonwealth. It appeared immediately after attainment of present status that there was a move towards closer contact with U.S. More recently, perhaps because of disappointment of hopes of large-scale U.S. assistance toward development projects and more particularly because of the feeling created by U.S. pressure to prevent shipment of rubber to China and other Communist countries, combined with obvious U.S. attempts to bring down the price of rubber, there has been a distinct cooling off.

Problem of Indians in Ceylon is of long standing. There is a large community of so-called Ceylon Tamils - people of South Indian descent - established for many generations in Ceylon. In addition there are large numbers of Indian Tamils, i.e. immigrants of the last generation or so, brought in very largely for work on tea and rubber estates. Government has made it difficult for the Indians to become Ceylonese citizens even if they wish to and the policies of Ceylonization of employment are directed more against Indians than toward Europeans. These matters cause international friction with India but consequent tension less acute than a few years ago.

Internally, Government preoccupied with problems of maintaining, and to the greatest extent possible improving, standard of living of rapidly increasing population in country producing predominantly for export markets in tea, rubber and coconuts almost entirely outside the control of Ceylon itself and dependent on imports from abroad for nearly one-half of its food supply. There is therefore a very large public interest in any project of economic and social development.

GOVERNOR GENERAL and CABINET

Governor General - Lord SOULBURY (1st Baron, cr. 1941, of Soulbury; Herwald Ramsbotham, P.C. 1939, G.C.M.G., cr. 1949; O.B.E. 1919, M.C.; D.L.)

Married 1911 - 2 sons, one daughter. Educated Uppingham; University College, Oxford (M.A.). Double First in Honours School, Oxford; Hon. LL.D. University of Ceylon; Hon. Fellow, University College, Oxford. Called to Bar 1911. Served in European War 1914-18 mentioned 3 times in dispatches. M.P. (C) Lancaster Division, 1929-41; Parliamentary Secretary, Board of Education, 1931-35; Parliamentary Secretary, Ministry of Agriculture and Fisheries, 1935-36; Minister of Pensions, 1936-39; First Commissioner of Works, 1939-40; President, Board of Education, 1940-41; Chairman of Assistance Board, 1941-48; of Burnham Committees, 1942-49; Chairman of Ceylon Commission, 1944; President Classical Association, 1948; Governor General of Ceylon since 1949.

Recreations: shooting, fishing, golf.

Cabinet - Can be divided into an inner group led by Prime Minister, on whole conservative and pro-Western; two or three less stable ministers pursuing with some energy individual policies; and a remaining group of lighter-weight and less important characters. The members of inner group, in addition to Prime Minister are Sir John Kotelawala, Minister of Public Works; J. R. Jayewardene, Minister of Finance; Sir Oliver Goonetilleke, Minister of Home Affairs and Rural Development; D. S. Senanayake, Minister of Agriculture and Lands; the "individualists" are Mr. Ponnambalam, leader of the Ceylon Tamils, who is a fanatical advocate of industrialization; Mr. Goonesinha, Minister of State, who is a great advocate of Ceylonization of employment; and H.W. Amarasuriya, Minister of Commerce and Trade, who also takes a hand in pressing for Ceylonization.

Prime Minister and Minister of

Defense and External Affairs - The Rt. Hon. Don Stephen SENANAYAKE

Age 67 - of Sinhalese race - married - 2 children (one being Minister of Agriculture). Educated at St. Thomas College (equivalent to high school), Colombo. As a young man managed the family business,

consisting of coconut and rubber plantations and small plumbago mine. Member of State Council and Minister for Agriculture 1931 - 1948. Leader of government since about 1943. Active in the Independence Movement. Became Ceylon's first Prime Minister upon granting of Independence in 1948. Also took over portfolio of Minister of Health and Local Government on resignation of Bandaranaike. Has had great influence on extension of land development in Ceylon, the drafting of colonization schemes to open up more areas for food production, the cooperative movement, improvement of irrigation, and the development of local banking system. Was also a pioneer in the temperance movement.

Minister of Home Affairs
and Rural Development - The Hon. Sir Oliver GOONETILLEKE

Age 58 - widower with one daughter - a Christian. Educated Wesley College (high school), Colombo; received B.A. from London. Joined Ceylon Civil Service 1921; rose to be Financial Secretary, has wartime record. Minister of Home Affairs and Rural Development, 1947; High Commissioner to London, 1948; Minister of Home Affairs and Rural Development, 1951. Has visited U.S. several times on short trips.

Minister of Justice - The Hon. Dr. L. A. RAJAPSKE, K.C.

Minister of Commerce and Trade - The Hon. Henry Woodward AMARASURIYA

Age about 43 - educated at Ceylon's largest Buddhist College (equivalent to high school). Has been active in Ceylon politics for past 23 years - appointed to the Ministry of Commerce and Trade in December 1948. A very large landholder with properties principally in coconuts, rubber and tea and at the time of his appointment was Chairman of the Low Country Products Association. Has also been a Vice Chairman of the Ceylon Planters Association.

Minister of State - The Hon. Mr. A. E. GOONESINHA

Minister of Labor
and Social Services - The Hon. Mr. M. D. BANDA

Minister of Finance - The Hon. Junius Richard JAYEWARDENE

Age 45 - Sinhalese, habitually wears the Sinhalese national costume - independently wealthy, having inherited lands from his father. Educated Royal College (high school), Colombo, and Law College, Colombo. In 1932 became an advocate and practiced law for some years. Member of Colombo Municipal Council 1940-43; elected to State Council, 1943; appointed Minister of Finance 1948. Governor of Bank and Fund.

Has travelled considerably in England and on European continent. First trip to U.S. made in 1951 as Ceylon's delegate to Japanese Peace Treaty conference in San Francisco.

Minister of Transport and Works - The Hon. Sir John KOTELAWALA, K.B.E.

Age 54 - Royal College, Colombo; Christ College, Cambridge, studied engineering in Paris for 4 years; Member of State Council, 1931; Minister of Agriculture and Lands, 1933; Minister of Communications and Works, 1936; Member of House of Representatives, 1947; Minister of Transport and Works, 1948. Knighted 1948. Visited U.S. spring 1950 en route to ICAO Conference, Montreal. Great sportsman, at one time flew own plane. Inherited third largest graphite mine in Ceylon. Gives 10% of net annual profits to his miners and unskilled workers. This practice has been of considerable advantage politically-- is very active in politics.

Minister of Education - The Hon. Mr. E.A. NUGAWELA

Minister of Industries,
Industrial Research and Fisheries - The Hon. Mr. G.G. PONNANBALAM, K.C.

A member of right wing of Tamil Congress. In 1947 elected to Parliament by 3 to 1 majority, and is leader of Tamil Congress group in Parliament. Very active in his ministry and has shown much interest in obtaining foreign aid.

Minister of Food and
Co-operative Undertakings - The Hon. Mr. RATNAYAKE

Minister of Ports
and Telecommunications - The Hon. Mr. C. SITTAMPALAM

Permanent Secretary, Ministry
of Defense and External Affairs - Sir Kanthiah VAITHIANATHAN

Age 55. B.S. (London). Joined Civil Service 1923; Permanent Secretary, Ministry of Defence and External Affairs, since 1947.

Minister of Agriculture and Lands - The Hon. Dudley Shelton SENANAYAKE

Son of Prime Minister.

OTHER PERSONAGES

Ambassador to U.S. - H.E. George Claude Stanley COREA

Age 57 - educated Wesley College (high school) and Law College, Colombo. Practised as lawyer; President Ceylon National Congress three times 1916-31; member of Parliament, 1931-46; Minister of

Labor, Industry and Commerce 1936-46; Representative of Ceylon in London 1946-48; Ambassador to U.S. since 1948.

Former Minister of Health
and Local Government and
Leader of House of
Representatives - Mr. Solomon West Ridgeway Dias BANDARANAIKE

Age 53 - Christ Church, Oxford; Inner Temple; born Christian, became Buddhist; closely identified with Buddhist elements, allegedly for political purposes; Founder - President, Sinhala Maha Sabha, association to press for independence, later one of parties forming United National Party; mid-1951, dramatically formed new party, Sri Lanka Freedom Party, announced as democratic alternative to UNP; extremely able and effective speaker; politically very ambitious; said to aspire to Prime Minister and resigned from UNP as that position closed to him in that party - this he denies.

Governor of Central Bank - John EXTER

American, age about 40. Formerly with Federal Reserve Board. Came to Ceylon to advise on constitution of Central Bank and invited to stay on as Governor. Is influential as advisor on general economic matters.

Chairman of Gal Oya Development Board - H. J. HUXHAM

Age about 60. Served in U.K. income tax administration. Appointed as head of Ceylon Income Tax Department on initiation of income tax in 1927. Later became Financial Secretary. Retired about 1945. Invited to return to action as Chairman of Gal Oya Development Board in 1948.

Vice Chancellor of University of Ceylon - Sir Ivor JENNINGS

Age about 50. A well-known authority on constitutional history and law and formerly on the staff of the London School of Economics. Appointed First Vice Chancellor of the University of Ceylon in 1942. Has entered into a wide variety of public activities in Ceylon and is believed to have given valuable advice to the present political leaders during discussions leading to the latest political status. Is the best-known and most influential European in the country.

Head of Technical Assistance Bureau, Colombo Plan
(dealing with all Colombo Plan countries) - Geoffrey WILSON

Lent from U.K. Civil Service, Cabinet office and Planning Staff. Young, enthusiastic - able.

Sir Lambert Wilfred Alexander DE SOYSA, K.B., M.R.A.C., (Circencester)

Age 67 - Director of large firm importing steel, chemicals, drugs, textiles, machinery. Represents U.S. Steel Export and Sears Roebuck. Exports Ceylon products.

Gahmini Ryle Johannes DE SOYSA, B.A. (Oxon).

Age 34 - also Director of De Soysa Company. Visited U.S. in July 1948. For two months visited New York, Chicago, New Orleans, Cleveland, Denver, Pittsburgh, and Washington.

Salehbhoy Husainbhoy MOOSAJEE, Governing Director, Moosajees Ltd., large firm operating graphite refining plant, tile factory. Export of fiber, kapok and graphite.

Age 48. Visited U.S. July 1950 to arrange sale of graphite to stockpile. Agent for Admiral radios and refrigerators.

E. A. BADMAN, A.C.A. (British), General Manager in Ceylon of Walker Sons and Co., Ltd., a London company, described as the largest engineering concern in Ceylon.

P. L. HARBOUR (British) is Assistant and General Manager of above firm.

S. C. SAMUEL, Managing Director of Samuel Sons and Co., Ltd., importers of General hardware, machinery, etc.

Lokumalalage Kadnes WEERASINGHE.

Age 43 - partner in firm of Weerasinghe and Guneris, exporters of cinnamon, teak, and other Ceylon products. Ships to several U.S. importers. Visited U.S. in January 1949.

S. M. Nayagam, Managing Director, Swadeshi Industrial Works, Ltd., manufacturers of soap, plastics, matches, glassware, etc. Visited U.S. in June 1949.

The DI MEL family is prominent in the graphite business. No details are available.

U. S. DIPLOMATIC REPRESENTATIVES

Ambassador - Joseph Charles SATTERTHWAIT

Age 51 - born Tecumseh, Michigan - married. University of Michigan, A.B. 1923, A.M. 1924; U.S. Army 1918-19, overseas service.

Department of Political Science, University of Michigan, 1923-24; Foreign Service 1924, posts at Guadalajara, Buenos Aires, Ankara, Damascus - Secretary General of U.S. Delegation to International Radio Conference and I. T. and T. Conference, Cairo, 1938; personal representative of President on special mission to Nepal, 1947; Ambassador to Ceylon since 1949.

Counselor - Bernard GUFLE

Age 48 - born Lawrence, Kansas - married - Princeton, A.B. 1925; Harvard School of Business Administration; Foreign Service 1929 - posts at Vancouver, Warsaw, Berlin; chief, Foreign Relations Division, Office of Political Affairs, Berlin, 1949-1950. Counselor, Ceylon, since 1951.

First Secretary - Myron L. BLACK

Age 45 - born Rochester, New York - married - Harvard 1927; editor trade review, U. S. Chamber of Commerce for the Levant, Istanbul, 1927-28; assistant trade commissioner, Washington, New York, New Zealand, 1928-37; free-lance writing 1930-32; foreign representative in commercial companies 1938-44; War Shipping Administration 1942-44; Foreign Economic Administration 1944-45; Foreign Service 1945 - Rome, 1946; U. S. delegate, Maritime Consultative Council, Paris, 1947; First Secretary, Ceylon since September 1950.

UNITED KINGDOM

High Commissioner - Sir Cecil George Lewis SYERS, K.C.M.G.
cr. 1949 (C.M.G. 1947), C.V.O. 1941

Age 48 - married - one son. Educated St. Paul's; Balliol College, Oxford. Dominions Office 1925; Assistant Private Secretary to Secretary of State for Dominion Affairs, 1930-34; Assistant Private Secretary to Prime Minister 1937-40; Assistant Secretary, Treasury, 1940; Deputy U.K. High Commissioner Union of South Africa, 1924-46; Assistant Undersecretary of State, Commonwealth Relations Office, 1946-48; Deputy Undersecretary of State, 1948; Assumed office as High Commissioner September 1951.

Deputy High Commissioner - Mr. M. R. METCALF, O.B.E.

Economic Adviser - Mr. C.E. THOROGOOD

Information Officer - Lt. Cmdr. R. D. WALL, R.N.

AUSTRALIA

High Commissioner - (vacant)

CANADA

Trade Commissioner - Mr. Paul SYKES

FRANCE

Minister - Roger ROBERT DU GARDIER

Age 46 - L.-ès-L. and graduate of Ecole des Sciences politiques. Foreign Service since 1931, posts in Tokyo, Peking, Addis Ababa, Pretoria, Cairo; diplomatic adviser to High Commissioner for Indo-China, 1948; Minister to Ceylon. Chevalier of Legion of Honor, 1936.

BASIC STATISTICS

Area 25,332 sq. miles

Population 7.55 million

Birth Rate, 1950 40.3 per 1000

Death Rate, 1950 12.6 per 1000

Exchange Rate

1 Ceylon rupee = U.S. \$ 0.21; 1 U.S. dollar = Rs 4.775

1 million Ceylon rupees = U.S. \$210,000

Per Capita National Income, 1950 (official est.) Rs 470 = \$98

Area of Principal Crops (thousand acres)

Coconuts 920

Rubber 660

Rice 620

Tea 555

<u>External Trade (million rupees)</u>	<u>1949</u>	<u>1950</u>	<u>1951 (thru Oct.)</u>
Exports	1063	1563	1614
Imports	1029	1167	1320
Balance	+ 34	+396	+294

<u>Balance of Payments (million rupees)</u>	<u>1949</u>	<u>1950</u>	<u>1951 (1st half)</u>
Current Receipts	1219	1664	1079
Current Payments	1249	1527	929
Balance	- 30	+137	+150

<u>Trade and Payments, U.S. and Canada</u>	<u>1949</u>	<u>1950</u>	<u>1951</u>
Trade Balance (million rupees)	+ 75	+371	+153 (thru Oct.)
Payments Balance (million rupees)	+ 66	+297	+127 (first half)

<u>Foreign Assets (million rupees, year end)</u>	<u>1949</u>	<u>1950</u>	<u>1951 (October)</u>
Total	934	1077	1185 (\$ 249)
Sterling	698	924	1021 (\$ 214)
Dollars	11	13	99 (\$ 21)
Indian rupees	218	138	58 (\$ 12)

BASIC STATISTICS (Continued)

<u>Government Budget</u> (million rupees)	<u>1949/50</u>	<u>1950/51</u>	<u>1951/52</u> (est.)
Expenditure, Total	798	945	1330
Ordinary	642	786	982
Loan Funds (essentially capital)	156	159	348
Revenues	691	897	984
Balance	-107	- 48	-346
<u>Public Debt. Net</u> (million rupees, Sept.)	<u>1949</u>	<u>1950</u>	<u>1951</u>
Sterling Loans	80	76	72
Ceylon Rupee Loans	364	365	469
Treasury Bills	16	79	30
<u>Money Supply</u> (million rupees, year end)	<u>1949</u>	<u>1950</u>	<u>1951</u> (October)
Currency	244	326	372
Total	649	911	1008
<u>Ratio, Central Bank Foreign Assets/Currency</u>	<u>1949</u>	<u>1950</u>	<u>1951</u> (November)
(Year end, percent)	211	173	179
<u>Cost of Living Index, Colombo</u> (year end)	<u>1949</u>	<u>1950</u>	<u>1951</u> (October)
	258	272	282

ECONOMIC BACKGROUND

The cultivation, processing and distribution of agricultural products form the basic foundation of Ceylon's economy. They directly provide the principal means of livelihood for about 60% of the working population and account for over two-thirds of the national income. Their importance is considerably greater if employment and income indirectly related to the production and distribution of raw and processed agricultural products are considered. Of Ceylon's total exports about 90% are agricultural.

Most of the cultivated area, as well as the large majority of the population and the greater part of the economic activity, is concentrated in the Southwest quarter of the island. Remaining area is, with few exceptions, scantily cultivated and thinly populated because of very uneven rainfall and the prevalence, until recent years, of malaria. By South Asian levels, living standards in Ceylon are relatively favorable with a per capita income in 1950 equivalent to at least around \$100.

Ceylon's agriculture is divided into two fairly distinct sectors. The first, covering nearly two-thirds of the total cultivated area, is specialized in the production of tea, rubber and coconuts. Almost all of the tea and rubber and about half of the coconut products are exported. Most tea and rubber lands and a part of the coconut areas are organized in large estates, operated by hired labor, and developed over the last century primarily by foreign capital and enterprise. These estates also include a substantial investment in tea factories and to a lesser extent in the processing of rubber.

The other sector, accounting for a little over a third of the agricultural land, consists of typically small-scale peasant cultivation primarily for domestic consumption. Rice is by far the predominant crop. Other crops include a wide variety of foodstuffs and a few cash commodities. Population pressure on these lands is particularly intense. Consequently the great majority of peasants cultivate holdings far below an economically adequate size, or exist entirely as agricultural laborers. The accompanying poverty, debt, absentee ownership and insecurity of tenure, together with the extreme conservatism of the typical small holder, perpetuate the poor yields of peasant cultivation and raise difficult barriers to more efficient techniques.

Food production is far short of requirements. Ceylon relies on imports for over half its rice supply, practically all of its sugar and flour, and a large volume of other foodstuffs. Most manufactured goods are also imported in the absence of any substantial degree of industrial development outside the field of agricultural processing.

Consequently, Ceylon is in the vulnerable position of depending almost entirely on the fluctuating export earnings from three commodities - tea, rubber and coconuts - to finance a relatively inflexible level of essential import requirements. Furthermore these import needs are continually increasing with the growth in population which, in the past few years, has been expanding at the extremely high rate of between 2.5 and 3%.

It is this economic instability and the unusual rate of population increase, in a setting of declining rates of growth in estate agriculture, static and inefficient peasant cultivation, and limited development outside the fields of farming and agricultural processing, which forms the essential background of Ceylon's economic problem and underlines the importance of its economic development.

RECENT ECONOMIC AND FINANCIAL DEVELOPMENTS

Balance of Payments - Although Ceylon's external and internal financial situation fluctuates from year to year with the fortunes of the principal exports in world markets and with the terms of trade, the country has usually managed a reasonably satisfactory balance of payments and fiscal and monetary position. The generally consistent export surplus has usually left a margin about adequate to meet the normal invisibles deficit arising from net investment payments and personal remittances which, together, amounted to Rs 125 million in 1950. Ceylon has also been a net contributor to the dollar reserves of the sterling area of which the country is a member.

The only large post-war balance of payments deficit was immediately after the war when imports were abnormally large. In other post war years, up to 1950, external accounts have shown only slight plus or minus deviations from a balanced position.

In 1950, however, Ceylon's export earnings jumped to boom proportions with the high world-wide commodity demands stemming initially from the Korean War. This provided a heavy balance of payments surplus which continued through the first quarter of 1951 but which has since been reduced chiefly by a rising level of imports plus some decline in export prices and volume in the last half of 1951. Allowing for invisibles, Ceylon officials expect the over-all balance of payments for the last half of 1951 to show a small current deficit.

The large post-Korean surpluses brought Ceylon's foreign assets (chiefly sterling) back to the high level accumulated during the war (equivalent to almost \$250 million in mid-1951).

Fiscal Position - The Government of Ceylon has had a steady budget surplus on ordinary account in the past few years, but a substantial over-all deficit because of relatively large capital expenditures. In

fiscal 1949 and 1950 (October - September) the total deficits were just over Rs 100 million which were financed by public borrowing (chiefly from commercial banks) and by drawing on Government balances. In fiscal 1950/51 the position was much more favorable as a sharp increase in revenue, associated with the export boom, cut the over-all deficit in half in spite of a marked rise in ordinary and capital expenditures, especially the former. The general prosperity also enabled the Government to borrow sufficient funds (mostly outside the commercial banks) not only to cover the deficit but also to reduce outstanding Treasury Bills and still show a substantial net cash operating surplus. About three-quarters of the total capital expenditure of over Rs 200 million in 1950/51 was met from current revenues.

Some decline from this favorable fiscal position can be expected as the high prosperity in the export industries tapers off. Yet awareness of the need to curb expenditures is not reflected in the 1951/52 budget forecasts where estimated outlays show a 25% increase on ordinary account and almost a 100% increase on capital account. Actually, however, the current estimates are frankly characterized as "political budget," and spending is likely to fall far short of the budgeted level leaving the over-all deficit well below the record estimate of almost Rs 350 million.

Money and Prices - The money supply rose by 50% from the beginning of 1950 through September 1951. Most of this increase was the result of the heavy balance of payments surplus during June 1950 - February 1951, reinforced to some extent in 1950 by a rise in commercial bank credit on both Government and private account. Since March 1951, however, the money supply has been stable. Prices responded only mildly to the rapid increase in the money supply, probably because of an increase in individual and business liquidity, larger Government subsidies on rice and flour, and a rising volume of imports. Overseas influences appear to have been the major factors affecting the price level.

PRINCIPAL ECONOMIC PROBLEMS

Balance of Payments. Ceylon's immediate external position is reasonably comfortable and the country has large foreign reserves. Yet the prospects are for some decline in exports because of further drops in the price of rubber and perhaps declining export supplies of rubber and coconut products. At the same time minimum essential import requirements will continue upward, with the growth in population, at a rate of between Rs 20 to 25 million per year. By the late 1950's this could lead to a basic disequilibrium in the absence of further economic development. The development necessary to forestall this eventuality should be within the country's economic potentialities but the situation does

not allow for undue waste of time and resources. A corollary problem is the control of imports. Assuming a prudent import policy and a reasonable rate of development Ceylon should be in a position to utilize part of its present foreign assets, and to borrow abroad, for investment purposes.

Economic Development. In industry some expansion is feasible in light domestic manufactures. The scope for industrial expansion is, however, limited by the absence of coal, oil and other basic industrial resources. This is inadequately appreciated in certain circles, especially the Ministry of Industries. Most new industrial ventures since the war have been under direct Government auspices and management. Their record is almost uniformly bad. At the same time the prospects for private industrial enterprise, left to its own devices, is not encouraging. The need, in stimulating some new industrial ventures and reorganizing present Government plants, is for a form of Government and private cooperation which would enable the Government to assist in fostering industry but still allow managerial autonomy. A development financing and promoting institution with Government, Central Bank and commercial bank participation has been suggested for this purpose.

Major development emphasis, however, must be in agriculture, particularly foodstuffs. Fortunately, the major cause for the recent increasing rate of population growth - control of malaria - has also opened the thinly populated so-called "dry zone" for development. This region includes well over half the island. It is not really dry but rainfall is heavily concentrated in three or four months with a long dry intervening period. Water storage, irrigation, land clearance and introduction of suitable crops are necessary. The first essential is a careful survey of the regions' water and soil resources. This has not as yet been done. Rather, the Government is proceeding with inadequately planned, uncoordinated, expensive and often wasteful programs for "dry zone" development.

In peasant agriculture the problems are typical of those in most Asiatic countries. The tenure situation is particularly unfavorable, calling for measures to improve peasant security and incentives.

In export agriculture much of the rubber area is low yielding with high unit costs. Replanting with improved varieties or alternative crops may be necessary if many areas are not to become sub-marginal, particularly with the prospect of declining rubber prices. A similar situation exists in coconuts because of the advanced age of a significant proportion of palms. A broader problem of estate agriculture arises in connection with Government policy toward foreign ownership. Discrimination has not as yet been significant but some agitation to use estate lands to relieve population pressure in peasant cultivation, together with emphasis on "Ceylonization" in other spheres, tends to encourage sales of some estates and to discourage new investment in others.

Administration of Development. At present there is almost no coordinated screening of development proposals on the basis of technical merit or cost-return analysis. So-called programs consist only of a list of the pet projects of individual Ministries. The list is growing to impossible proportions and nearly all the items included are, of course, ranked as first priority. Possible organizational changes required are some form of development planning Secretariat, an inter-Ministerial coordinating group at the Secretariat level, and a development committee within the Cabinet. The planning and execution of development is hampered by an acute shortage of technically trained personnel both within and outside the Government. The causes are probably deep in the island's culture but improvement should be possible through educational reform with emphasis on vocational, technical and scientific training at all levels.

Public Finance. Measures to curb mounting ordinary and welfare expenditures in the interest of development are needed. On the income side, direct taxation is relatively mild and a lower income tax exemption limit and higher rates on middle and upper incomes seem feasible. Measures are also necessary to stimulate and channel savings. While Ceylon is in a position to finance a significant development program, this presupposes a prudent budget policy and greater effort to mobilize financial resources.

"Ceylonization". Strong support exists within the Government and outside to replace foreign employees in private business with Ceylonese and to reserve certain business opportunities for Ceylonese. The immediate targets are employment held by Indians and the export-import business. In both cases the rapid prosecution of this policy involves loss of effort, efficiency and experience.

International Economic Relations. In its relations with the Sterling Area Ceylon has pressed for an independent dollar reserve. The U.K. has agreed to a dollar reserve equivalent to £4 million. Some difference in interpretation of the agreement exists, however, and Ceylon is holding dollars in excess of the £4 million figure for the purpose of providing independent cover for dollar transactions. As of October 1951 Ceylon's short-term dollar assets were about \$20 million. This issue will probably be considered at this month's Commonwealth meetings in London.

In connection with U.S. aid, a problem has arisen over Ceylon's refusal to prohibit rubber shipments to China. The U.S. appropriation for aid to Ceylon in fiscal 1952 under the Mutual Security Act was \$240,000. Only a negligible amount of this has been committed for trainee purposes. Action by the U.S. on further commitments is reported awaiting a decision on whether further U.S. assistance would be in violation of the Battle Act.

Although Ceylon has been a member of the Fund since August 1950 establishment of initial par value delayed, reportedly due to a prolonged consideration by Ceylon authorities of the possibility of revaluation. This has now been dropped and official exchange rate was approved as initial par value by the Fund, January 16, 1952.

RELATIONS WITH BANK

At the request of the Government, May 9, 1950, a Bank Economic Survey Mission, headed by Sir Sydney Caine, visited Ceylon from early October until early December 1951, to study Ceylon's economic potentialities and to make concrete recommendations to the Government regarding the preparation and implementation of a long-term development program. By the beginning of January the Mission had reassembled in Washington and is now preparing its report. It is hoped that the first draft of this report will be ready by the end of February or the beginning of March.