

# INDIA EMERGENCY ASSISTANCE ACT OF 1951

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REPORT  
OF THE  
COMMITTEE ON FOREIGN AFFAIRS

ON

H. R. 3017

A BILL TO FURNISH EMERGENCY FOOD  
RELIEF ASSISTANCE TO INDIA



MARCH 5, 1951.—Committed to the Committee of the Whole House  
on the State of the Union and ordered to be printed

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UNITED STATES  
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## INDIA EMERGENCY ASSISTANCE ACT OF 1951

MARCH 5, 1951.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. MORGAN, from the Committee on Foreign Affairs, submitted the following

### REPORT

[To accompany H. R. 3017]

The Committee on Foreign Affairs, to whom was referred the bill (H. R. 3017) to furnish emergency food-relief assistance to India, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

#### I. COMMITTEE ACTION

The Indian food emergency was first discussed officially on January 31, 1951, at a meeting of the Consultative Subcommittee on Africa and the Near East of the Committee on Foreign Affairs. The Honorable George McGhee, Assistant Secretary of State for African and Near Eastern Affairs, reviewed the situation and indicated the choices of action open to the executive branch.

On February 12, 1951, the President sent a message to the Congress (H. Doc. No. 56, 82d Cong., 1st sess.) requesting legislation to authorize emergency assistance to India.

Three days later, on February 15, 1951, identical bills embodying the recommendations of the President were introduced by 11 Members of Congress and referred to the Committee on Foreign Affairs. These are H. R. 2692, by Hon. Frances P. Bolton; H. R. 2693, by Hon. Emanuel Celler; H. R. 2694, by Hon. Thurmond Chatham; H. R. 2695, by Hon. James G. Fulton; H. R. 2696, by Hon. Christian A. Herter; H. R. 2698, by Hon. Jacob K. Javits; H. R. 2699, by Hon. Walter H. Judd; H. R. 2700, by Hon. Edna F. Kelly; H. R. 2702, by Hon. Thomas E. Morgan; H. R. 2705, by Hon. A. A. Ribicoff; and H. R. 2706, by Hon. Roy W. Wier.

The committee held open hearings for 4 days, from February 20 to February 23, 1951, and heard 19 witnesses, 8 from the executive branch, 2 Members of Congress, and 9 from private life. All testified in favor of the legislation.

The committee met in executive session on February 27 and 28, 1951, to consider the bills before it. The result of committee consideration was H. R. 3017, a clean bill introduced on March 1, 1951, by Hon. Thomas E. Morgan and referred to the Committee on Foreign Affairs. The committee met on March 1, 1951, and ordered H. R. 3017 reported favorably without amendment.

## II. PURPOSE OF THE LEGISLATION

The purpose of this legislation is to authorize emergency assistance to India by a grant of funds to purchase 2,000,000 long tons of food grains. The authorization in the bill would permit 1,000,000 long tons to be provided to India immediately and the remainder during fiscal year 1952, subject to a thorough review of the situation. The legislation requires an agreement between the United States and the Government of India before aid can be furnished, and specifies certain conditions deemed essential. Because of the urgent necessity to get the shipping program started as soon as possible, the legislation provides for an advance of funds from the Reconstruction Finance Corporation for this purpose.

## III. THE INDIAN FOOD EMERGENCY

### A. CAUSES

The present food emergency in India is due to a number of causes, some growing out of India's political and economic history since the end of the war, and others more immediate—a shortage of crops caused by a series of extraordinary natural disasters.

#### 1. *The effects of war, independence, and partition*

India is predominantly an agricultural country. About 70 percent of its working population depend on the land for a livelihood; the remaining 30 percent are in industry, 10 percent of which are found in large-scale industry. The war, the achievement of independence, and the partitioning of the country have severely strained the Indian economy. Use of India as a supply base for allied armies during the last war and the requirements of war financing drew heavily on India's resources and produced a serious inflation. After the war the external balance of payments showed a considerable deficit, caused by greatly increased imports of food grains to make up for domestic shortages, consumer goods to meet demands, and capital goods for industry.

Partition of the country was accompanied by civil turmoil on a considerable scale, and mass migration of large numbers of people. Besides the political strain, the economic strain was considerable. A part of the trade in cotton, jute, and food grains that had formerly been domestic trade became foreign trade with Pakistan. India was a net debtor in these transactions, which further aggravated the balance-of-payments problem. In addition, substantial claims were made on the internal budget for rehabilitation of refugees and food subsidies. And, as is customary in an unsettled political and economic situation, the flow of savings into the capital market slowed down considerably.

#### 2. *Postwar food position of India*

India has been a net importer of food grains for some time, even prior to partition. Most of the imports were rice, coming from Burma,

Thailand, and Indochina. The average net imports annually before partition were about 1½ million tons. Imports increased from 1948 onwards. In this same period, rice supplies available from Burma and Indochina have decreased, owing to civil strife in these areas and the prior demand of other countries in the Far East which normally take the bulk of the rice export from Burma and Indochina.

Food acreage in India has been increased in the last 2 years. According to statistics from the Economic Cooperation Administration, concurred in by the Office of Foreign Agricultural Relations, Department of Agriculture, food crop acreage increased from 230,500,000 in 1948-49 to 237,600,000 in 1949-50. Food crop acreage for 1950-51 is estimated by these agencies to be 235,700,000. Of each of these totals, roughly 40,000,000 in each year represents double cropping. The Government is aiming at self-sufficiency in food grains by the spring of 1952. There are at present about 60 to 70 million acres of waste land, out of which the Government of India hopes to bring about 42,000,000 acres (India's own estimate) into cultivation.

Despite these efforts, food is still short in India. About the middle of 1950, it was estimated that about 4,000,000 tons would have to be imported in 1951 to increase the ration and build up reserves. These estimates were based on the assumption of full crops during 1951.

### 3. *Natural disasters*

Even in the best of circumstances, the Indian food situation is precarious. In 1950 when 3,000,000 tons of food grains were imported, the ration had to be reduced from 12 ounces per day (1,200 calories) to 9 ounces (900 calories).

In the midst of this, large and widely separated areas of the country were beset by a series of natural disasters—earthquakes, floods, droughts, and locust plagues—which reduced the domestic food grain availabilities about 6,000,000 tons.

Dr. Clifford C. Taylor, counselor of Embassy for agricultural affairs at the United States Embassy in India, pointed out in detail to the committee the effect of the natural disasters.

MR. TAYLOR. \* \* \* This is the Rice Bowl of India through here [Uttar Pradesh, Bihar, Orissa, West Bengal, and Madras] with Assam in the extreme northeast. The rice area extends down this coast [east coast].

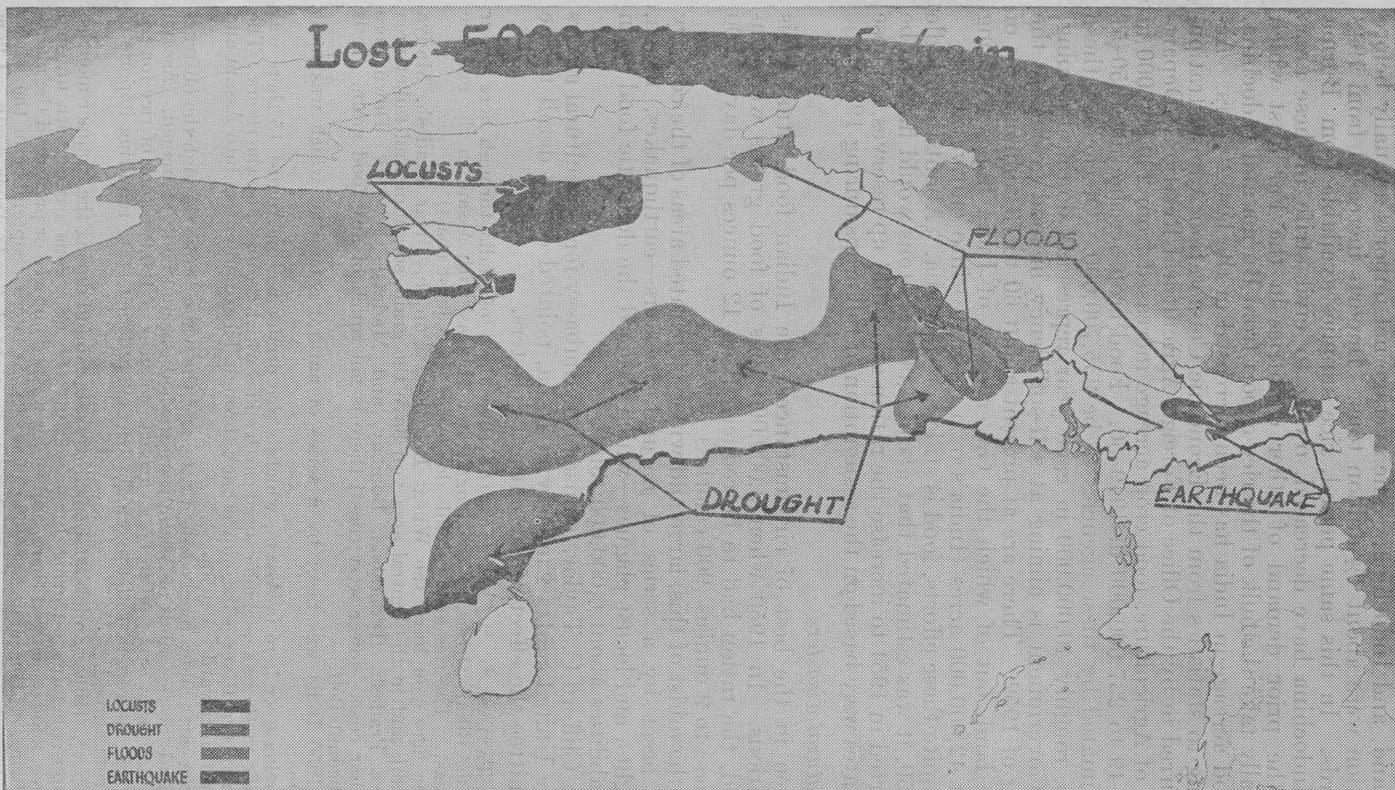
Over here you have the Wheat Belt [East Punjab, Uttar Pradesh, Madhya Pradesh], and in the central area you have the grain, sorghum, and millet area [Madhya Pradesh, Hyderabad, Bombay, and Madras]. \* \* \* Down here [Malabar coast—lower west coast] there is not much of any food grain. It is the Coconut Belt.

In 1950 India was beset by a series of natural calamities which was most abnormal.

Starting over here in Assam, which is rice producing, on August 15 there was a terrific earthquake, which caused earth slides which dammed up the rivers. The Brahmaputra River comes down back through Tibet and enters into Assam and flows down toward Calcutta.

Those earth slides blocked the rivers, and the water broke through the obstructions and the rice lands of Assam were washed out and badly damaged. Assam, which had been expected to be a surplus producer of 100,000 tons of rice for the benefit of the rest of India overnight became a deficit state requiring imports of food from abroad.

\* \* \* [Bihar and West Bengal] gets its rainfall during the summer months, the monsoon rains. During June and July the monsoons struck with unusual violence, floods occurred there, and either washed out rice or prevented the planting of rice. Then again speaking of floods, as late as September in the wheat belt, where the wheat land was about to be planted, floods struck again. I flew over that area. As seen from the air, it was a vast sheet of water covering those



wheat lands. As seen from the land, the warehouses that contained grain had either been flooded or washed away.

Those floods were bad enough but the worst was yet to come. Drought set in. Ordinarily, the monsoon rains continue here along through September and October and really make the crop, but before the end of September, the rains stopped abruptly and instead of getting the rain that was necessary to fill out the heads of the rice, none came. At that stage, if you recognize my phraseology, the rice was in the milk stage, or the doe stage, and instead of filling out the heads of the rice it wilted away what promised to be a very good crop where the floods had not washed it out. It suddenly turned into a most dismal prospect and something over 2 million tons of rice was lost by the impact of that calamity in the State of Bihar, in the eastern part of Uttar Pradesh and the contiguous areas of Orissa—all of them important rice-producing areas.

In \* \* \* [Madras] the monsoon rains come a little later. October is the month when they expect monsoon rains in that area. \* \* \*

There was a commencement of rains in October which raised hopes in this State of Madras that the drought which those people had suffered for the past 2 or 3 years was not to recur, but actually the rains did not continue and the rice crop down there is bad. That is not so entirely. In here [northeast Madras] it is good. Here is where the Godavari River comes in with a delta.

Even elsewhere around here [in the rice area] there is some irrigation which provides water enough to make a crop. However, at least a half-million tons of rice was lost there as a result of that drought.

Now, the earlier drought that I had mentioned that struck [the rice area] also afflicted this grain sorghum and millet area.

I will cite a case in Madhya Pradesh \* \* \* where a crop similar to a grain sorghum crop was showing greater promise than in years. The stocks were tall and it showed great promise. However, because the drought struck at the wrong time, the heads did not fill out and what they got was nothing but fodder.

Now the effect of the losses on the grain sorghums and millets, and we will include corn, is something on the order of 2.75 million tons loss.

Thus far we have accounted for about 5.5 million tons of crop loss.

Now the wheat crop is not yet harvested. It is still growing. In this estimate of 5, 5.5, or 6 million tons of food grain lost by natural calamities, no allowance is being made for any reduction in the wheat crop or barley crop, which are winter grown. Yet, in my personal opinion, I think it would be miraculous if the wheat crop equals the extra large wheat crop that they got last year, which was 6.1 million tons. Yet no allowance is made for any reduction of the wheat crop in any of my discussion.

I have mentioned floods and I have mentioned droughts. The earthquake is the same thing as the floods because it was the earthquake causing the landslides which damaged the crops through floods. It is true some of the tea plantations were affected by earthslides but we are not concerned with that at the moment.

Locusts come in through this dry country here. [Northwest India.] I am not accenting the locust loss, although the man in charge of locust-control work in New Delhi tells me that the loss from locusts is about 2 percent but I am not putting that in at all. I am trying to put this in on the conservative side of what we can already see has happened, as the loss. (Hearings, pp. 28-29.)

## B. THE NEED IN 1951

Coupled with the long-term difficulties, the effect of the natural disasters is that in the present year India faces the sure prospect of a severe food shortage. India's total estimated food-grain requirements for 1951 for the rationing system is 10.5 million tons, as follows:

	Million tons
For "pipeline" stocks .....	1.6
For the rationing system .....	8.9
(a) For those now in the ration system .....	7.9
(b) For those to be brought into the rationing system .....	1.0
Total .....	10.5

The pipeline stocks are those necessary to keep supplies flowing from the source of supply through warehouses and the transportation system to the ultimate consumer. The figure of 1.6 million tons is the total amount needed in the pipeline to keep the ration system operating. During 1950, shortages reduced the pipeline supplies by 900,000 tons to a total of 700,000 tons; and many ration shops do not now have supplies to meet the ration. The actual pipeline supplies needed in 1951 is 900,000 tons—to bring the supply back up to the 1.6 million tons needed.

The ration system used 7.9 million tons in 1950 for distribution to about 115 to 120 million people. The same amount will be needed in 1951 for those already in the ration system. About 1 million additional tons will be needed to feed the 10 to 15 million additional people who, because of the shortages, will have to be brought under the ration system. This was explained by Dr. Taylor, as follows:

Mr. TAYLOR. \* \* \* The question arises of how this fits into the over-all food picture. The total population of India is about 350,000,000. The rationed population is about a third of that. The rest of the population are either self-suppliers, growing their own food, or buying their own food locally.

The critical need is for taking care of the people who are dependent on the ration distribution. Now, in 1951 the ration distribution will be of the order of 125,000,000 to 130,000,000 people. That is 10,000,000 or 15,000,000 more than last year because some of the rural deficit areas in that rice bowl are going to have to have shops out there supplying grain, where it was not necessary before.

\* \* \* This ration population of 125,000,000 consists of about 45,000,000 who are fully rationed in urban areas. That 45,000,000 includes some fully rationed people down in the Coconut Belt, but those are the fully rationed people, about 45,000,000. The partially rationed people make up the difference, which in this past year was on the order of 70,000,000 in rural deficit areas, and in this present year, 1951, it will be on the order of 80,000,000 or 85,000,000, because there are more rural deficit areas. (Hearings, pp. 31-32.)

To meet these requirements, India is forced to rely even more heavily than usual on imports. And even with United States assistance, present estimates show that India will be 300,000 tons short of meeting the requirements. Local production will supply only about 3.6 million tons; and there are 700,000 tons still available in the pipeline. About 6.2 million tons will have to be imported. India is planning to purchase 3.9 million tons; and is requesting 2 million tons from the United States.

The following table shows in brief form the sources from which India intends to meet its estimated food requirements in 1951:

	<i>Million tons</i>
I. Total estimated food grain requirements and supplies for all of India:	
Total estimated food grain requirements for 350,000,000 people	50. 67
<hr/>	
Total requirements to be supplied from:	
Total local production of food grains	43. 77
Available pipeline supplies	. 70
Purchases by India, and allocations and transfers under	
International Wheat Agreement	3. 90
Assistance requested from United States	2. 00
<hr/>	
Total	50. 37
Balance needed	. 30
<hr/>	
Total	50. 67
<hr/>	

II. Total estimated food grain requirements and supplies for all of India by unrationed and rationed population:	<i>Million tons</i>
Total requirements for whole population, unrationed and rationed	50. 67
Total requirements for unrationed population	40. 17
To be supplied from total local production	43. 77
Less local production available for ration system	3. 60
Total	40. 17
Total requirements for rationed population of 125 to 130 million people	10. 50
To be supplied from:	
Pipeline supplies available	. 70
Local production available	3. 60
Purchases by India, and allocations and transfers under International Wheat Agreement	3. 90
Assistance requested from United States	2. 00
Total availabilities	10. 20
Balance needed	. 30
Total	10. 50

#### C. INDIA'S EFFORTS TO MEET THE PROBLEM—SHORT TERM

Although India has been an importer of food grains for several years, 1951 is the first since partition that import requirements have been more than 3.7 million tons. At the same time, exportable surpluses of food grains have declined in southeast Asia as a result of internal disorder in Burma and Indochina.

India has shopped all over the world, including the United States, and has thus far purchased or arranged to purchase all but 387,000 tons of the 3.9 million it can purchase with its own current funds. The following table shows the amounts and sources of supply:

*1951 imports of food grains procured or in process of procurement, by source and commodity*

Supplying country	Commodity	Long tons
Australia	Wheat and flour (wheat equivalent)	382,000
Pakistan	do	25,000
Canada	Wheat	290,000
Argentina	do	666,500
Uruguay	do	30,000
United States	do	350,000
International Wheat Agreement	do	458,000
Subtotal, wheat and flour		2,201,500
United States	Milo (grain sorghum)	330,000
Thailand	Rice	338,000
Pakistan	do	300,000
Burma	do	223,000
China	do	50,000
Vietnam (Indochina)	do	30,000
Egypt	do	5,500
Subtotal, rice and milo		1,276,500
Total food grains procured or being arranged		3,478,000
Additional amounts to be procured with additional funds		387,000
Grand total		3,865,000

Information from the executive branch indicates that India has explored fully all possible sources; and it has purchased substantially all that is available elsewhere. There may be a little slack left—additional grains available from other sources. But the committee was advised that this would be taken up in meeting import requirements already planned. Dr. D. A. FitzGerald, of the Economic Cooperation Administration, was questioned on this:

Mr. HERTER. Mr. FitzGerald, you are very familiar with the food situation the whole world over and the food prospects as they are reported to you. Do you visualize a substantial amount of the grain provided for in this bill coming from sources outside of the United States?

Mr. FITZGERALD. No, sir.

I will now refer to the Indian plans: The Indian program contemplated the purchase, with their own funds, roughly 2.5 million tons from Australia, Argentina, Burma, Siam, etc., and 1.5 million tons from the United States. That would total about 4,000,000 purchased with their own funds. I think the exact figure is 3,865 million.

In the submission that has been made to you by Mr. Andrews and the kinds of figures that I was talking about in the proposed shipping program, we contemplate only about 1,180,000 tons of Indian purchases from the United States, whereas, the Indians contemplated 1.5 million. That leaves them 320,000 tons yet to go on their own program [from the United States]. We think they can get it from sources other than the United States. It may be that they cannot. However, if they are able to get wheat from Pakistan, or rice, or more wheat from some of these other sources, it will merely go to fill up this 320,000 tons which the Indians had earlier contemplated buying from us and which we in our programming for shipping and transportation, hope they can buy somewhere else; so I conclude from that, that the 1,000,000 tons with which this bill deals, and the 2,000,000 tons mentioned in this bill, will very largely have to come from the United States. (Hearings, p. 87.)

#### D. INDIA'S EFFORTS TO MEET THE PROBLEM—LONG TERM

##### 1. *The development plan*

No one—including Indians—denies that India is an underdeveloped country. Part of its endemic food shortage is traceable to its lack of development, and India is aware of this.

India has a long range development plan under way. This plan is now a part of the so-called Colombo plan, a coordinated development plan for south and southeast Asia countries worked out by the British Commonwealth nations in the area. India's present development projects were planned before the Colombo plan was fully developed. New projects, not yet undertaken, were added as a result of the coordinated planning of all the countries concerned.

India's plan proposes the following:

(a) To undertake certain basic public development such as irrigation and rural electrification, in order to increase agricultural production.

(b) To increase the supply of fertilizers, agricultural implements, and building materials, at a reasonable cost, in order to raise the yield of land under cultivation.

(c) To develop and improve transport facilities.

(d) To promote the full use of existing industrial equipment and capacity, and to extend the production of iron and steel.

(e) To encourage industry in the villages in order to provide work for the underemployed and unemployed rural population.

India's plan calls for an expenditure of 18,400,000,000 rupees (\$3,864,000,000) over a 6-year period. The table below shows the

scope of the plan and the estimated 6-year cost of projects involving expenditure of over 2,500,000 rupees.

	Schemes in hand		New projects	
	Rupees	Dollars	Rupees	Dollars
I. Agriculture.....	5,124,000,000	1,075,040,000	569,800,000	119,658,000
II. Transport and communications:				
Railways.....	4,800,000,000	1,008,000,000		
Roads.....	389,000,000	81,690,000	607,500,000	127,575,000
Ports and harbors.....	66,000,000	13,860,000	64,000,000	13,440,000
Other.....	790,000,000	165,900,000	27,500,000	5,775,000
	6,045,000,000	1,269,450,000	699,000,000	146,790,000
III. Fuel and power.....	533,000,000	111,930,000	14,500,000	3,045,000
IV. Industry.....	558,100,000	117,201,000	1,216,000,000	255,360,000
V. Social capital:				
Education.....	1,039,500,000	218,295,000	99,200,000	20,832,000
Medical.....	290,200,000	60,942,000	119,000,000	24,990,000
Other.....	1,308,500,000	274,785,000	126,000,000	26,460,000
	2,638,200,000	554,022,000	344,200,000	72,282,000
Total of all projects.....	14,898,300,000	3,127,643,000	2,843,500,000	597,135,000

India estimates that it can finance from internal sources about 10,300,000,000 rupees (\$2,163,000,000). The remainder, a sum of 8,100,000,000 rupees (\$1,701,000,000) will have to come from sources outside India, including substantial amounts from the sterling balances, one of India's few sources of accumulated capital.

The real significance of the Indian development plan should be kept clearly in mind, particularly in relation to the emergency program in the pending bill. The development plan is an effort to deal with India's problems on a broad front, to reduce its foreign exchange expenditures on food, to increase exports of raw materials and manufactured articles, and to stimulate the capital formation. Part of this includes land reclamation, irrigation, flood control and improvement of agricultural practices. All of these improvements will reduce the future prospect of emergencies like the present one by enabling India to absorb more of the impact of natural disasters when they occur.

This plan is India's own plan. Its relevance to this bill relates only to the extent of India's total resources and to the best use of them.

The committee desires to emphasize that this bill does not deal with any development plan, but with a food crisis. The United States has made no commitment to the Indian development plan, and approval of this bill does not entail any commitment.

## 2. Crop acreage

Attempts to resolve the food problem have put India on the horns of a dilemma. An increase in food acreage reduces dependence on food imports and thus reduces the pressure on the balance of payments. On the other hand, acreage in export crops earns foreign exchange. Since partition, and the suspension of trade relations with Pakistan, India has been growing jute. Jute acreage in 1948-49 was 830,000 acres. In 1949-50, it increased to 1,160,000 acres. In 1950-51 the estimated acreage will be 1,300,000 acres. In the same years food acreage was 230,500,000 acres, 237,600,000 acres, and 235,700,000 acres, respectively. The decreased food acreage in 1950-51 resulted

from the natural disasters, which reduced the acreage sown. The Indian peasant will not sow grain on parched or unproductive land. The committee was concerned with this problem, to determine the effect of the increase in jute acreage on the present food shortage in India. From testimony in the hearings, it appeared that the increase in jute acreage was not a controlling factor in the present Indian food crisis. The following colloquy between Hon. Christian A. Herter and Dr. Taylor brings this out:

Mr. HERTER. There has been a good deal of talk about India transferring some of its food-producing land into jute and cotton in order to make up for their difficulties with Pakistan and also that India increased its acreage in food-producing grains by something like 6,000,000 acres. What is the actual truth of the increase in an effort to take care of this situation themselves?

Mr. TAYLOR. I think that question is equally easily disposed of. It takes very little land to grow all of the jute that is grown, whereas the food grain acreage is upward of 200,000,000 acres and there are only 1,000,000 acres used for all the jute grown in India. The increase this past year was something like 140,000 acres, which, if used for rice, would have made perhaps 50,000 tons and you cannot even say that all of that rice was lost because to some extent the jute is grown as a summer crop on land which again grows rice as a winter crop. So much for the jute.

As to the cotton, the increase in the cotton acreage this past year is something on the order of 1,200,000 acres. We have not heard from the southern part of India yet because their cotton is later than up north, but judging from the three-fourths of the crop which is grown up north where the increase in acreage was 900,000, I would say the total increase in cotton acreage this year was 1,200,000; 1,200,000 acres diverted from food grains or other crops into cotton. That cotton land produces sorghums and millets and other grains. If you calculate about one-fourth of a ton of food grains, or one-fifth of a ton, or one-sixth of a ton of food grains from each of those 1,200,000 acres, you have the maximum sacrifice of food-grain production caused by the diversion into cotton. But even that overstates the case, if I may make one further point. The land that is used for cotton does not necessarily come out of these food grains. They might come out of their oilseeds or they might have come out of other miscellaneous crops; for example, in 1943, after the Bengal famine, India reduced its cotton acreage in order to get more food grains produced.

The acreage of cotton was cut from 20 million down to 10 or 11 million acres, but they did not get that other 9 million or 10 million acres into food grains. They did not get half of that into food grains. They went into all sorts of crops. By the same token, not all diversion of grain land into cotton is to be counted as lost food grains. (Hearings, pp. 34-35.)

#### E. INDIA-PAKISTAN TRADE RELATIONS

The partition of India left a legacy of bitterness between India and Pakistan, as well as a number of exceedingly complex and difficult problems. However, up to September 1949 economic relations between the two countries under trade agreements had been reasonably satisfactory. In September 1949 Britain devalued the pound. India followed suit and devalued the rupee but Pakistan did not. The Indian rupee, formerly worth about 30 cents, was devalued to 21 cents. The Pakistan rupee stayed at about 30 cents. The difference in currency values greatly affected the whole trade relationship between the two countries, and led to what was virtually a trade embargo between them.

In the present Indian food crisis, it has been asserted on behalf of Pakistan that part of India's problem was created by a refusal to purchase food grains readily available in Pakistan. It has been replied on behalf of India that this was not the case; and that Pakistan did not in fact have available the supplies.

The committee inquired carefully into this matter during the hearings, seeking to establish the true facts of the case. After the hearings had been completed, India and Pakistan announced the conclusion of a trade agreement on February 25, 1951. The committee believes the House should have before it the essentials of this agreement.

In 1951, Pakistan agrees to provide India with 325,000 tons of food grains, consisting of 300,000 tons of rice and 25,000 tons of wheat and flour. Pakistan agrees to deliver 158,400 tons of rice by June 30, 1951, and the remaining 141,600 tons by December 31, 1951. The wheat will be delivered in the form of 9,000 tons of flour immediately and 16,000 tons of wheat during the rest of the season.

Pakistan was reported to have 150,000 tons of wheat available by May 1951, but only 25,000 tons are being made available to India. The best available information is that Pakistan has other previous commitments for 1951 wheat. It made contracts in 1950 with Germany and Japan which it was unable to fulfill, and an embargo was imposed on wheat export. This is still in effect, but it was relaxed to the extent of 25,000 tons for India.

The additional availability of grains from Pakistan does not diminish India's need for the assistance provided in this bill. The Pakistan grain will represent a portion of the 3,900,000 tons India has planned to purchase. It reduces to 387,000 tons (see table on p. 7) the amount of planned purchases yet to be located.

Other provisions of the agreement provide for an exchange of Pakistan raw jute and cotton for Indian coal, and assorted manufactured products, chiefly iron and steel, and cotton cloth. The net effect of the trade agreement on India's accounts with Pakistan is estimated to be a deficit for India equal in rupees to \$70,000,000. In terms of India's total international accounts, the estimate is a small deficit if any change at all. According to present estimates, therefore, the trade agreement will not increase India's ability to pay for food-grain imports.

The committee desires to record its approval of the trade agreement as a further indication that India has sought to uncover every source of grain that it can purchase with its own funds. At the same time, the committee desires to emphasize that the India-Pakistan trade agreement does not affect the request contained in this bill.

#### F. REQUEST FOR UNITED STATES ASSISTANCE

India had been fully aware of its emergency food problem before the end of 1950. The problem was discussed with the executive branch on December 16, 1950. India requested United States assistance only after it appeared that requirements could not be otherwise met.

On February 8, 1951, the Indian Government addressed the United States Government officially—

to give them ad hoc assistance during 1951 to obtain 2,000,000 tons of food grains and would greatly appreciate if the grain be supplied on special and easy terms.

The executive branch studied the request carefully and concluded that aid should be made on a grant basis.

The President, in his message to the Congress, said:

\* \* \* it seems desirable to make a substantial portion of the requested grain available promptly on a grant basis, with India paying for the cost of transportation. This initial grant will avert the imminent danger and provide time to

explore in greater detail the need for the balance of the Indian request and to determine the best way of supplying the amounts needed. (H. Doc. No. 56, 82d Cong., p. 3.)

And Secretary of State Acheson told the committee:

It is clear to me that our own interest and India's interest require that we provide the grain which India needs to supplement its purchase program on a grant basis. India's need is of an emergency relief character \* \* \* (Hearings, p. 9.)

On the question of transportation, the Department of State informed the committee that—

The Government of India did not request assistance in connection with ocean freight on these food grains, and in subsequent informal discussions with officials of the Indian Embassy in Washington a clear understanding was reached between those officials and the Department of State that India would pay the cost of ocean freight if the grain were made available by the United States Government.

#### G. INDIA'S ABILITY TO PAY

Even if India were able to finance all of its grain needs from its own funds, the United States would be the only available source of supply. The question then is, "Can India finance the whole of its needs?" If the United States has the only remaining available supply, the questions are whether India has any available funds for purchase of grain beyond those already committed all over the world, and if not, is a credit transaction suitable?

The committee considered this matter carefully, for it could not recommend to the House any grant if India's resources would warrant further purchases out of its own funds.

#### 1. *Sterling balances—general*

In brief, the "sterling balances" referred to here are credits in pounds sterling and held on India's account (and other sterling countries as well) in the Bank of England, banker for the sterling area. They are, broadly speaking, sterling credits accumulated during the war for goods and services furnished to Britain for the war effort. Normally, Britain would have settled them in the usual balance-of-payments transactions. During the war, however, British resources were strained and the balances accumulated. At the end of the war, Britain was unable to liquidate them without jeopardizing her financial solvency. Accordingly, these balances were "blocked" or "frozen" and could not be utilized immediately.

Sterling accumulated in the Bank of England by these countries since the "freeze" is "regular sterling"; that is to say, it is the amounts of sterling on account for the use of the holder just as any normal foreign exchange holdings.

Beginning in 1947, arrangements were made to release gradually the blocked balances. In general, the arrangements consist of agreements negotiated between Britain and each government concerned covering the amounts of drawings, the type of conversion permitted, etc.

When amounts of blocked balances are released, Britain makes sterling available in these amounts to the regular sterling account of that country in the Bank of England. It then becomes available to that country for use; it disappears as "blocked sterling," becomes "regular sterling," and is commingled with the other sterling in the regular account.

If release of blocked sterling involves conversion to hard currencies, such as dollars, the release agreement usually so stipulates. This stipulation involves consultation and agreement with the sterling countries for the use of the "dollar pool," a hard currency pool on which all of them draw.

One of the important points in the release of blocked sterling accounts (i. e., drawing down the sterling balances) is the principle involved. This is that Britain can liquidate these obligations by releasing blocked sterling in given amounts over regular periods of time (an installment payment idea). For this reason, financial arrangements are usually negotiated annually.

In theory the recipients of the sterling can have available for use only the agreed amount. In practice, the countries having blocked balances have on occasion utilized more sterling than was released. This was done by drawing down the regular sterling account, which the Bank of England replenishes by releasing additional blocked credits, and making them available in sterling in the regular account. Drawing on blocked balances in excess of the agreed release amount is not encouraged but has been permitted in special circumstances.

## 2. *Current earnings and reserves*

Studies by United States agencies of India's balance-of-payments prospects for 1951 indicate that there will not be available to India net current earnings to finance any grain imports beyond what India already plans to procure in foreign countries. Any additional imports could only be paid for by drawing on India's sterling balances and converting such drawings into dollars through the United Kingdom.

As a result of drawings to finance essential imports and the transfer to Pakistan of her share of the sterling balances they have been reduced to approximately one-half of the amount at which they stood shortly after the war. With the devaluation of sterling their dollar value has been reduced even more and is now only about one-third of what it was at its peak in 1946.

The following table shows the combined effect of these factors upon India's sterling balances from 1946 through 1950:

### *India: Total sterling balances*

[In millions of dollars]

Year:	Balances	Year—Continued	Balances
1946.....	4, 900	1949 <sup>2</sup> .....	1, 740
1947 <sup>1</sup> .....	4, 600	1950.....	1, 750
1948.....	3, 100		

<sup>1</sup> Partition of India, Aug. 15, 1947.

<sup>2</sup> Devaluation, Sept. 19, 1948.

These balances constitute the bulk of India's international assets. They provide the greater part of the backing for its currency, and the working funds used to finance its normal volume of international transactions.

Apart from its sterling balances, India's reserves are not large. India has a modest independent gold reserve which since independence has been maintained at \$247,000,000. This traditional gold reserve is part of the legal reserve requirement against the note issue of the Reserve Bank of India, and is necessary in order to maintain confi-

dence in India's currency. It is accordingly not available for meeting current-account deficits in India's balance of payments.

From testimony given by Assistant Secretary of State Thorp, India's reserve position and requirements at the present time may be summarized and expressed in dollar terms as follows:

	<i>Millions of dollars</i>
Reserves:	
Sterling balance.....	1,750
Gold reserve.....	247
Working funds.....	50
Total.....	<u>2,047</u>
Estimated requirements:	
Currency backing.....	940
Necessary working capital.....	200
Total.....	<u>1,140</u>
Totals:	
Reserves.....	2,047
Less requirements.....	<u>1,140</u>

Sterling balances in excess of currency backing and trading balances. 1907

<sup>1</sup> Some economists believe that this figure should be from \$1,300 million to \$1,550 million, and the total balance over requirements from \$747 million to \$497 million. The requirements would be \$1,000 million for currency backing and \$300 to \$500 million for necessary working capital. They point out that India's currency laws are subject to varying interpretations, justifying the figure of \$1,000 million. Some economists estimate necessary working capital requirements as 25 percent of the total annual imports of goods and services. On this basis, the estimated requirement would be \$300 million. Others use 25 percent of the total foreign trade as the estimating base. On this basis, the figure would be \$550 million. Using these estimates, the total estimated requirements are from \$1,300 million to \$1,550 million; the balance in excess of requirements is from \$747 million to \$497 million.

These sterling balances are the principal source of capital for economic development. The total cost of the 6-year development program is \$3,864,000,000, of which \$1,701,000,000 must be raised abroad. Drawing down the sterling balances for conversion into dollar exchange to purchase grains would reduce the extent of long-term efforts, in the development program, to resolve the deficit food situation.

### 3. Long-term loan

The committee gave special consideration to the question of whether the aid requested by India should be made available as a loan "on special and easy terms," as requested by the Indian Government, or as an outright grant. The committee believes that a loan would be an unrealistic approach to the problem. It would be contrary to the firmly established policy of the United States not to make loans where there is no reasonable expectation that they can be repaid. Furthermore, a loan that cannot be repaid engenders ill will instead of creating good will.

(a) *Jeopardy to essential development of India.*—Considering India's financial situation, there is little doubt that curtailment or postponement of its essential development program, would be necessary if about \$200 million had to be borrowed to cover the emergency food requirement. The development plan is designed to improve, expand, and replace economic facilities particularly in agriculture, which have deteriorated since the beginning of World War II. While the development plan is large in absolute terms, it cannot be expected to accomplish much more than a return to the Indian prewar level of per capita production and standards of living. These were and still are

among the lowest in the world. Unless great efforts are made in the development program, India faces further deterioration in its economic, social, and political structure. This would threaten internal stability.

According to the report by the Commonwealth Consultative Committee, about one-half of the cost of India's development program will have to be raised from external sources (about \$360,000,000 the first year, or an average of \$285,000,000 per year for 6 years). Of this amount, agreements have been reached with the United Kingdom to provide £35,000,000 (\$98,000,000) per year from the blocked sterling balances. This will still leave a considerable sum per year to be obtained from abroad—by loans or grants (about \$260,000,000 the first year, or an average of about \$187,000,000 per year for 6 years).

At the present time, India owes \$100 million to the International Monetary Fund and \$62.5 million to the International Bank. In addition it is estimated that foreign capital invested in India amounts to over \$1.25 billion. These present obligations, both loan and equity, involve very substantial annual service payments. If India were required to borrow to pay for its emergency food grain needs, its requirements for foreign exchange to service outstanding obligations would be still further increased and its ability to service future loans would be correspondingly reduced. This factor would inevitably reduce the amount that India would be able to borrow from foreign lending institutions. In view of the prospective heavy borrowing requirements for the development program, it is important to maintain India's ability to obtain external loans for that purpose.

The committee has considered whether India could repay a loan from the proceeds of expanded production and export of scarce materials. India is already exporting to the United States about three-fourths of its manganese production, valued at about \$15 million. Almost two-thirds of other scarce materials, such as mica and jute goods, are exported to the United States. With the possible exception of jute goods, increased capital investment will be necessary before India can substantially increase its production of these materials, and the greater part of the capital would have to come from abroad. Moreover, the foreign exchange earnings of these scarce materials are already counted in India's international financial accounts.

(b) *Unproductivity of a grain loan.*—India's need is for food this year. This food will keep alive people who otherwise would die, but it will not directly increase India's ability to pay for the food or to repay a loan made to buy it. This kind of a consumption loan is not considered sound by private bankers or by governments. As a result of experience with World War I loans, it has been the general policy of the United States since World War II not to make loans, but rather to make grants, where it believes help should be given and the recipient is unable to repay a loan.

#### IV. THE PROGRAM IN THE BILL

##### A. ITS NATURE

###### 1. A "one-shot" program

The program in this bill is for emergency assistance to meet threatened famine conditions in 1951. Famines are not new to the people of India. Between 1803 and the present there have been 21

famines, excluding the present one. Considering the total period of 148 years, there has been a famine somewhere in India every 7.05 years. The 21 famines occurred between 1803 and 1943, a period of 140 years, or an average of one every 6.7 years. Since 1900, four famines have occurred, or one every 12.75 years.

In view of this history, the committee does not assure the House that Indian famines will cease to occur after 1951. However, the committee wishes to emphasize that this bill deals with one crisis—the present one. It makes no commitment on any future crisis.

## 2. *Review of the program*

Although India estimates its 1951 needs at 2,000,000 long tons of food grains, it needs 1,000,000 tons immediately. On this point the evidence is undisputed. Consequently, the program in the bill will make assistance available in two parts. The first part is the immediate supply of 1,000,000 tons. As soon as the legislation is approved, a United States mission will go to India and there examine the program in detail. At the same time, the next few months will permit examination of estimates in the light of actual crop yields and the success of present efforts to increase production. This will form the basis for a review of the whole program at the half-way stage. The review will determine more exactly the remaining need and India's capacity to finance further imports from its own resources in the light of its trade and exchange position at the middle of 1951. It will also permit the United States to review its own supply and transportation position.

## B. AVAILABILITY OF FOOD GRAINS IN THE PROGRAM

### 1. *Balancing the needs*

The committee desires to emphasize at the outset that this is not a surplus program. It is not a question of providing supplies to relieve the pressures caused by too much grain in the United States. On the contrary, availabilities in the United States have been estimated by balancing our own needs against the needs of this program. The bill takes account of this. A proviso in section 3 requires the Secretary of Agriculture to certify that any procurement for the Indian program "will not impair the fulfillment of the vital needs of the United States." The executive branch has calculated the grain supplies available in the United States and has concluded that India can be supplied. The calculation was made in the light of carry-overs of various types of grains and the margins of safety for United States requirements.

These points were made during the hearings by Mr. Stanley Andrews, Director of the Office of Foreign Agricultural Relations, Department of Agriculture:

MR. ANDREWS. \* \* \* Now, as to the availability of this food in the United States, or whether we can afford to let 75,000,000 bushels [2,000,000 long tons] of grain go out of the United States, we do not want to sit here and say that we have that much surplus to give away or that we are anxious to get rid of it, or that the giving of this 75,000,000 bushels of wheat or food will be without some sacrifices in this country. But when we take the total needs in the United States as we see some of them, plus our international commitments to the Wheat Agreement, and other countries in the world to which we have sold wheat, and add all that up, we will still have a carry-over at the end of this year of about 425 to 450 million bushels of wheat.

Assuming this is all in wheat, if you take 75 million bushels from the 450 million, you still have somewhere between 350 and 375 million bushels of wheat in this country, which we regard as a safe carry-over but not a desirable situation, in view of the present world picture.

Mr. Brannan has stated, and he told the President, in connection with this the other day: We can spare this wheat but we would feel a lot better if we had 500 million bushels of wheat in storage in the carry-over, rather than this 375 that we will have. It would appear that we have a good crop coming up in the coming year and it is the feeling of the Department of Agriculture that we can supply this wheat without any serious threat or risk to our own well-being.

We have, in addition to the wheat, I imagine somewhere between 150 and 200 thousand tons of rice. That is over and above our normal trade and domestic requirements. We have some beans which are plainly surplus; we have lots of them in the Commodity Credit Corporation, and there might be some need for them. We have some grain sorghums which is an important food item for India, which we would not say are over and above what we need, but certainly we do not need them in our normal economy.

To sum up, we can supply this 75 million bushels of various types of food, which ought to be flexible enough to use wheat and grain sorghum and rice and beans if that is desirable, and if that is what our Indian friends want and if that is the best way to make it available, without any serious disruptions of our own supply or any disruptions of our commitments in other parts of the world. (Hearings, p. 39.)

## 2. The types of grain

The Indian program contemplates furnishing the need in four types of grains—wheat, milo (grain sorghum), corn, and rice. Beans may possibly be substituted for one of the grains. The following table shows the composition of the first million long tons of the program:

*Composition of first million long tons of Indian emergency food aid<sup>1</sup>*

	Quantity	Approximate price per ton	Estimated total cost, f. o. b. or f. a. s.
Wheat and other grains:			
Wheat.....	660,000	\$105	\$69,300,000
Milo.....	250,000	61	15,300,000
Corn.....	70,000	80	5,600,000
Rice.....	20,000	240	4,800,000
Total.....	1,000,000		95,000,000

<sup>1</sup> A tentative table of composition. A change in the physical composition of the aid may be necessary if United States reserve requirements change or if prices increase.

The use of the various types of grain was based primarily on the availabilities in relation to the needs of the United States and what could be spared. Thus, the program cannot be calculated by taking the cheapest grain and filling the whole need. This is illustrated in the following colloquy between the Honorable John M. Vorys and Mr. William McArthur of the Department of Agriculture:

Mr. VORYS. We are talking about starving people in India and we are speaking of our country which has exhaustible supplies. If they had 2,750,000 tons of corn last year that they do not have this year—I say corn and millets—I am wondering why it would not be the provident thing to furnish the thing that we can furnish most cheaply, which would have them just as well off as they were last year. \* \* \*

If we give them what they had last year, and something which has the food value, and which costs millions of dollars less, I wonder what would be wrong with that. \* \* \*

Mr. McARTHUR. Speaking from our standpoint in the way of supplies, a carry-over of wheat at 425,000,000 bushels is very substantial as compared to a probable carry-over of 500,000,000 bushels of corn, as we estimate; 425,000,000 bushels of

wheat as against a domestic consumption of about 500,000,000, that is. You see, that is relatively high. I refer to food consumption domestically here.

We estimate this year's consumption of corn at over 3 billion for livestock food and a total of 3.4 billion for feed, industrial uses and probable exports.

We are, therefore, greatly concerned with our corn carry-over. It is important in supporting our own food economy.

Even if we have a normal crop in 1951, we will not gain very much in our corn carry-over, or surplus. This year we are losing, on our carry-over, from over 800 million to probably over 500 million, or perhaps 300.

Therefore, from our standpoint, wheat is far more available and without the same risk that you have in corn. \* \* \*

In the case of wheat we have as of today, probably 160,000,000 bushels of wheat owned by Commodity Credit, uncommitted. Even if we applied the whole 75,000,000 bushels against that, we would still have adequate stocks left.

In the case of corn, while we have over 400,000,000 bushels of corn, we are selling from that stock, largely for feed purposes, considerable amounts every day, and by October 1 it would probably result in a total carry-over of a little over 500,000,000 bushels of which Commodity Credit may not own beyond 200,000,000 at that time.

Mr. VORYS. They put it in tons for me today. We have a wheat carry-over of 10,000,000 tons as of July 1, and at October 1, 13,000,000 tons in corn. Now, when you say "We want the corn and are ready to spend millions of dollars on the corn rather than the wheat," what do you think of that?

\* \* \* \* \*

Mr. FITZGERALD. Another way to put it, Mr. Vorys, is that the 10,000,000 tons of grain which represents 80 percent of the annual requirements of the United States for wheat, whereas 13,000,000 tons of corn only represents 15 percent of the annual requirements of this country for corn.

Mr. McARTHUR. I might put it in another way, if you will permit. Our estimated crop of wheat for 1951 is, on account of the acreage and the prospective yield, 1,150,000,000 bushels. If we have a 400,000,000 carry-over of wheat, it gives us a supply up to 1,600,000,000 bushels. (Hearings, pp. 94-95.)

#### C. MOVEMENT OF THE GRAIN—THE PROBLEM

The Secretary of State told the committee that the grain should begin to move as soon as possible and in no case later than April 1. It is hoped that about 1,000,000 tons can be delivered to India before August 1, 1951, in order to meet the most critical period of food shortages. If this is to be more than a hope, the food grains will have to move forward without delay. Transportation is therefore of major importance and the committee was much concerned with this question. No assurances were given by the witnesses that the transportation program would operate smoothly. The committee nevertheless feels that this bill should be approved, and that the transportation problem should be considered as one of the difficulties to be overcome. There are two possible bottlenecks in the transportation of the food grains from the United States to India (1) rail, and (2) merchant shipping.

##### 1. Rail

The difficulties of rail shipment within the United States were described by Dr. FitzGerald, during the course of his testimony:

In the case of boxcars we need somewhere around 25,000 to 27,000 boxcars of grain delivered at the ports a month in order to export 1.3 million tons. The difficulty of getting that many into movement of grain for export, in the light of all the other competing demands there are for boxcars in the country, is going to be, in my opinion, the most difficult problem. At the present time, partly because of the walk-out of switchmen there are ships available on the west coast, but no grain at port. The Commodity Credit Corporation had to cancel six shiploadings on the west coast this last week because of lack of grain. There are at the present time about 500 cars a week of grain showing up to the west coast ports, whereas

we should have 3,000 a week in order to use those facilities at capacity. \* \* \* The Department of Agriculture and the Defense Transportation Agency are currently working on an order which would require permits for the shipment of grain to port so that the urgent programs can be called forward and if there has to be any slip in loadings of grain, it can fall on those destinations in which the requirements are less urgent. A permit system, of course, will not guarantee cars and it may well be necessary, if this program is to be largely implemented, to use ICC car service orders to require the delivery of empty boxcars to the grain areas in order that it may move to port. We think, Mr. Chairman, it can be done, but it is going to interfere with other movements in this country, at least to some extent. (Hearings, p. 84.)

## 2. *Merchant shipping availabilities (refit of merchant tonnage)*

The ocean shipping situation affecting the India grain program was outlined for the committee by the Maritime Administration. While the problem of meeting the shipping requirements will be great, the Administration believes that it can meet the schedule.

(a) *Number of ships required.*—To move the first million tons of grain, 112 sailings at an average carrying capacity of 9,000 tons of grain per vessel will be required. Approximately the same number of sailings will be required to move the second million tons. It is estimated that 12 vessels will be ready for loading from 2 to 3 weeks after funds become available, to be followed by 25 sailings per month thereafter. Depending upon the United States ports of embarkation and the India ports of discharge, the minimum turn-around (elapsed time of round-trip voyage from United States port, including loading and discharge time in foreign ports) will range from approximately 110 to 134 days assuming maximum efficiency in the use of both United States and India port facilities for loading and discharging cargo, respectively. In order to meet these requirements, an estimated 90 to 100 Liberty ships will be needed, substantially all of which will come from the United States Reserve Fleet. These ships will, of course, have to be reactivated, repaired, and otherwise made ready before they can be used.

(b) *Availability of commercial vessels.*—At the present time it is understood that no appreciable number of commercially owned and operated United States flag vessels can be obtained at present charter market rates; and there is little likelihood that additional commercial tonnage will become available at least within the next 9 months. Present rates in the commercial freight market for shipping grain from United States Gulf ports to India are in the neighborhood of \$25 per ton.

(c) *Costs of reactivation and operation.*—It is estimated that the average reactivation and repair cost per ship will be approximately \$140,000. This is based on the experience of the Maritime Administration in breaking out vessels from the reserve fleet for use in connection with Korean and ECA operations during the second half of 1950, and on the condition of the remaining ships in the reserve fleet. Based on experience in the general agency operation of ships by the War Shipping Administration during and following World War II, working capital of \$200,000 per vessel will have to be advanced to the general agents who will handle the India grain ships working in order to complete the 110 to 134-day minimum turn-arounds required by the program. This results in a total cost for transportation of approximately \$34,427,000 to move the first million tons of grain.

If the transportation problems are to be solved, they must be handled vigorously by the ECA and the Maritime Administration. This the committee urges.

(d) *Method of financing ocean transportation costs.*—In accordance with the condition contained in section 4 (g), India will pay the costs of ocean transportation involved, which at present freight rates, will cover the costs of activation and repair of the necessary vessels. Quite aside from the need for funds with which to purchase grain, it is necessary to provide temporary financing to cover reactivation and operating costs, pending the receipt of freight payments by India in amounts sufficient to put the transportation program on a financially self-sustaining and self-liquidating basis. This need is met by the \$20,000,000 Reconstruction Finance Corporation advance provided for in section 8 of the bill. In the event that funds are later appropriated to the Department of Commerce for activation and operation of vessels, this advance will be repaid from the appropriation. However, section 8 also provides that freight receipts shall be used to repay the advance as well as for the operation of these vessels. In the event that no appropriation is made to the Department of Commerce, the advance can be ultimately liquidated by payments as freight receipts are obtained in amounts sufficient to cover transportation costs including reactivation and repair of vessels and the need for working capital for the remainder of this transportation program.

(e) *Return cargoes of strategic materials.*—There is a large quantity of manganese ore requiring transportation from the east coast of India to United States ports. Equally large quantities of manganese and chrome ores require transportation from the east coast of Africa to United States ports. The present deficit of shipping tonnage from the east coast of Africa to the United States suitable for ore transportation is in the neighborhood of 1,000,000 tons per year. The use of grain ships when and as strategic material return cargoes are available will lengthen the turn-around time and thus require some additional ships over and above the minimum which would be required if the ships return in ballast. These disadvantages, however, are more than offset by the need of continuous shipment of materials required for the United States stockpiling program; and over-all transportation costs to the United States Government in connection with both the India grain and the stockpiling programs would be decreased.

(f) *Rail transportation costs.*—The cost of rail transportation will, in effect, be paid by the United States, not by India. The charges will come out of the funds available for the program because they are part of the purchase price of the grains. This is not unusual; it is customary commercial practice. The export price of grain per unit is quoted "f. a. s."—freight alongside ship—the cost of the grain per unit delivered at the pierhead. In other words, the price per unit is a delivered price and includes the cost of the grain plus the delivery charge to the export loading point. This is true whether the grain is bought at one point to be shipped to the port or whether it is bought at an elevator at the port; the price includes delivery from point of origin.

## D. ADMINISTRATION OF THE PROGRAM

The policies embodied in this bill for providing the food relief to India are based on previous experience of the United States in other programs. The requirements of an agreement by the recipient to certain conditions, counterpart funds, and termination, are well-established congressional policies.

Although the Government of India will defray the cost of ocean transport of food grains included in the program, the Economic Cooperation Administration will assist the Government of India in handling and forwarding the grain as well as in obtaining necessary shipping. Transportation of the grain in India will be under the control and supervision of the Government of India and will be accomplished through the existing Indian rationing system. It is further planned that a mission of the Economic Cooperation Administration will be sent to India to observe the distribution of the emergency food supplies furnished by the United States.

*1. The agreement—Section 4*

India will receive United States food relief in accordance with an agreement, which is a condition precedent to our aid. There are two important features to this requirement: Those undertakings set forth by the Congress and any others the President may determine to be desirable. In general, the terms of the agreement follow the pattern of previous relief and assistance programs to other countries.

*2. The conditions—Section 4*

India must agree to distribute the relief supplies and similar supplies obtained locally or imported from outside sources by the Government of India among the Indian people without discrimination. This is a double-barreled provision, to insure that the United States food grains as well as those obtained elsewhere are used for the maximum benefit of those in need. A further requirement is that of full and continuous publicity to United States assistance. It is important that the recipients of our assistance—the people—know who their friends are. It is important for the United States to have the good will of these people. It is equally important that they have our good will. They must know the origin of their aid, and we must be assured of a mutual respect. India must also agree to permit United States representatives to observe the distribution in India of the relief supplies.

A further condition is long-range in character. It is true the immediate target of this bill is the emergency situation in India. But the committee feels it should not be blind to the factor of recurring famines and the ways and means of lessening the danger of similar future emergencies. Thus, India must agree—before any United States aid is forthcoming—to take all appropriate measures to reduce its future needs for assistance; to encourage increased production and supply and improve distribution of foodstuffs within the country. She must also agree to pay the ocean freight charges. Another important condition is the counterpart provision, discussed below.

### 3. *Applicable provisions of the ECA Act—Section 6*

The assistance to India is to be provided under those provisions of the ECA Act of 1948, as amended, which apply to and are consistent with the purposes of this bill. This brings the program of emergency relief assistance to India in line with the experience under the ECA. The provisions of the ECA Act that should be applied to the India assistance must, by the very nature of the program, be determined by the ECA Administrator in the light of the particular circumstances of the India program.

### 4. *Arrangements in India*

(a) *ECA*.—The ECA will send a mission to India much in the way it has to the countries receiving aid under the European recovery program. Its function was described by the Honorable Richard M. Bissell, Jr., Deputy Administrator, ECA, in response to the questioning of the Honorable Frances P. Bolton:

Mr. BISSELL. I think that the two immediate purposes would be to supervise the distribution and sale of this grain by the Indian Government. When I use the word "supervise" I mean, of course, only that its purpose will be to satisfy the United States Government that the distribution and sale were being conducted in an appropriate and proper fashion and in that way its function would be precisely parallel to the function of the ECA missions in all states where there are such.

Mrs. BOLTON. Would it mean that you will stipulate at all to whom the food goes?

Mr. BISSELL. I would imagine, Mrs. Bolton, that we would be more apt to make stipulations as to the general procedure of distribution. For instance, I think that obviously we would not wish to see the distribution of grain handled in such a way that private dealers in India could make an exorbitant profit out of it. All of my information is to the effect that the distribution of rationed grain is extremely well handled in India but I simply give you that as an example. Therefore, we would wish, I am sure, to satisfy ourselves; but maldistribution in that sense would be avoided if the machinery for avoiding it was accurate. (Hearings, p. 80.)

(b) *Distribution, sale, and use*.—In order to make its food supplies go as far as possible, India has a rationing system operating throughout the country where rationing is necessary. Rations are distributed in India through statutory rationing, nonstatutory rationing, controlled distribution, and fair-price shops. They cover from 125,000,000 to 130,000,000 people. In areas under statutory rationing, the Government is obligated to provide a specific ration to every card holder at a fixed price. Under nonstatutory and controlled distribution there is no legal obligation on the Government, but in practice its commitments are as fully honored as under statutory rationing. Fair-price shops allow poor people to obtain food at low prices in otherwise unrationed areas. In all cases the ration varies according to the availability of food grains for the rationing system. Consumers draw their rations normally on a weekly basis and attempt to spread their supply over 7 days. Children receive half rations, and heavy workers in urban areas are entitled to an extra 4 ounces.

The distribution system is based on a Government monopoly of the food grain market. The Government imports food grains, purchases locally in surplus areas, and distributes this through the ration shops in deficit areas. The ration system does not cover all of India; it is not necessary in all areas. Dr. Taylor described this aspect to the committee, as follows:

Mr. RICHARDS. As I understand it, Indian farmers raise grain, the Government gets part of it and the farmer keeps part of it for his own consumption, is that correct?

Mr. TAYLOR. That is correct.

Mr. RICHARDS. They have to turn part of it over to the Government?

Mr. TAYLOR. There are 28 States in India and those different States there have different procurement systems as they call them, collection systems, which are tailored to fit the situation. They work it a little differently where they have surplus districts than they do in other States where they have a deficit situation with which to deal. In any case, they try to pump as much of this local production into the ration supplies as they can. If they go too far in that direction, you reach the point where everyone who is not a self-supplier has to go to the ration shop to get his food. To simplify their procurement and rationing system, they cordon off districts and do not permit grain to flow from one district to another. Within a cordoned-off district they may, under the system of monopoly procurement, permit free trading within that cordoned-off district, but anything that is to be sold in the market must be sold to the Government procurement agency, or a licensed merchant operating in the name of the Government procurement agency. (Hearings, p. 32.)

The committee was interested in how the Indian consumer uses food grains. According to information from the Department of State—

Food grain rations in India are usually issued to the consumer in the form of whole grain, although in the larger urban centers wheat is frequently issued in the form of "atta," a coarse-ground whole-wheat flour. Outside of these large cities, the consumer receives wheat in the grain. It is estimated that well over three-fourths of the wheat consumed in India is processed into "atta" by small village mills and that much of the remainder is milled or pounded in households.

Except for a relatively restricted group in the larger cities, wheat is consumed in the form of fried cakes, not as bread. Hence, the great mass of the Indian people are unaccustomed to fine ground flour and do not know how to use it. Moreover, the Indian "atta" is milled with an extraction rate of 95 percent, an important nutritional factor in a diet so predominantly composed of food grains as that of India.

(c) *Gift to the needy.*—With respect to distribution of food by India free to those in need, the Department of State informed the committee that—

Free grain is distributed through governmental channels to indigent persons in refugee camps. Forty-four thousand tons of food grains were so distributed in 1950, which amount would have provided the standard 12-ounce ration to 360,000 people for 1 year. Specific information is not available as to other free distribution through governmental channels. It should be noted that the Government also has work-relief projects which provide employment to indigent people. No statistics are available on the number of people benefited by these projects. In the field of private relief there are, particularly in the urban areas, numerous charitable organizations such as the Indian Red Cross which provide food and other relief to those in distress. In the rural areas indigent Indians are through long-accepted custom supported by their own family group. It would be impossible to determine the number of persons receiving assistance from private organizations or through the family group.

The testimony indicated that a considerable number of people in India will be unable to pay for the food grains. The committee considered carefully the question of providing for gifts of food to those people.

It is the considered view of the committee that a specific provision in the bill making this a requirement upon the Indian Government would be administratively unworkable and undesirable from a policy standpoint. This was emphasized in the questioning by the Honorable Christian A. Herter of Dr. Franklin C. Fry, president of the

United Lutheran Church in America, in the latter's testimony before the committee:

Mr. HERTER. I would like to ask just one question, if I may: There have been two suggestions that have been brought up informally here before the committee. One is with respect to having a portion of this gift distributed by private agencies, whether that be through the Quakers or through missionary efforts or through an organization like CARE, or what not. A good many have been hoping that a part of this gift could be put into their hands for distribution. That is one suggestion that has been made and the other you have heard discussed here this morning with regard to a percentage given away free as against that intermingled with the rationing system and the general distribution system. I would like to ask you whether you feel, from your experience, that such provisions are as administratively feasible when we are dealing with a situation of considerable urgency.

Dr. FRY. \* \* \* If you allow me to speak for myself, I would be negative on both proposals that you mention. I believe the gift to be most effective had better be given to the Government of India, rather than private agencies or anybody else. I happen to be the president of one of the larger voluntary relief agencies of the country so I speak against my own interests and not for it.

As to stipulating in the venture a percentage that must be given away in India and the like, I am sure the Indians that I know would interpret that kind of a provision as a demonstration of lack of confidence on our part that they would do the right thing for their own people.

Mr. HERTER. That is what I was wondering about, whether that would not really be intruding ourselves into their entire distribution system, saying "You are not doing this right; you have to give away more, and you can't do it this way."

Dr. FRY. I am sure they would be critical of that, the people I know. The Indian Government people whom I know are keenly aware of the need for free distribution of food to the poor of their nation. Large stocks of food are now being distributed free. (Hearings, pp. 200-201.)

The Honorable Willard L. Thorp, Assistant Secretary of State for Economic Affairs, also commented on this problem:

Let me point out the kind of problem that would be created if you tried to take our wheat and give it away in India. In the first place, you have a very difficult distribution problem. This is, after all, just a fraction of the total wheat available in India and you have to set up some kind of machinery for deciding which people shall receive this wheat which the United States insists should be distributed free. The general effect, we think, of that would be to require a whole new set of machinery to be set up for philanthropic distribution, along with the rationing machinery. (Hearings, p. 59.)

##### 5. *The counterpart provisions—sections 4 (d) and (f)*

The bill contains counterpart (local currency) provisions. This follows a well-established policy laid down in previous foreign relief and assistance acts. These provisions constitute two of the seven conditions to which India must agree before the United States assistance is forthcoming. The counterpart fund will be available for local currency administrative and operating expenses of the United States in connection with aid to India, and also for other purposes of mutual interest to the two countries. On this point Mr. Bissell testified:

I think it is the general view that probably the principal use that should be made of such counterpart funds is in connection with increasing agricultural output in India. I would hope that the legislation would not prescribe that as the only possible use. Mr. Thorp referred this morning to the possibility of using counterpart funds to promote the production of goods that could be exported from India and that would in the longer run strengthen its financial and general economic position. Of course, prominent among those Indian exports are commodities which are critical materials in short supply at the present time and have great direct interest to the United States. I would hope that agricultural production, the expansion of production for export, with particular emphasis on items that are in world short supply, would be the main uses of counterpart, but I believe that reasonable flexibility should be permitted in the administration in the nego-

tiations concerning the administration of those funds and I think that it will be some time after a mission has been on the ground in India before any program of definite nature for their use could be developed. (Hearings, pp. 74-75.)

It was estimated during the testimony that the total counterpart would amount to the rupee equivalent of \$150,000,000. Decisions on the use of the funds by the Government of India will be reached by mutual agreement between the United States and the Government of India. The ECA mission in India, as in countries where ECA programs have been carried out, will represent the United States in effecting joint United States-Indian controls to assure that counterpart funds are expended for agreed purposes.

The counterpart fund mechanism, if wisely administered, can materially help in reducing the degree of future famines through the know-how which the funds will make possible.

#### V. THE INTERESTS OF THE UNITED STATES

While the immediate impulse behind this legislation is humanitarian, it can be justified only if it serves the purpose expressed in section 2, to "provide for the general welfare of the United States." This is basic to the committee's consideration and approval of the bill.

In his statement before the committee, the Honorable Loy Henderson, United States Ambassador to India, urged approval of the measure in these general terms:

History had destined that India and the United States are to exist for generations to come as two of the world's greatest nations and as neighbors in a fast shrinking world. It is important for peace and human happiness that the peoples of these two countries shall live together in friendship and mutual confidence. An atmosphere of this kind cannot be created overnight. Neither can it be produced by a single act. It can be developed only by patient protracted effort, by the constant exercise of mutual tolerance, and by the display over the years of a sincere spirit of human helpfulness. I am convinced that it will mean much to the relations between the peoples of the United States and those of India during the years to come if it can be said that when India, in a great food crisis coming so soon after its attainment of independence, turned toward the United States, the United States was not found wanting. (Hearings, pp. 102-103.)

It is expected that the measure will assist in stabilizing the position of India, which can have an important impact on the stability of the Far East as a whole.

#### A. STABILITY IN INDIA

Next to Communist China, India's population of some 350,000,000 is the largest in the Far East. India is over 1,000,000 square miles in area. Its stability, therefore, is important to the interests of the United States in the Far East. The following interchange between the Honorable Jacob K. Javits and the Secretary of State illustrates the concern of the committee over this question:

MR. JAVITS. I notice that you have said in your statement that "danger which would then threaten the new democratic constitution and governmental institutions which it has so recently established \* \* \*."

Is that one of the reasons for the recommendation by the President and the Department of State that this be done—a concern for the stability of constitutional government in India?

SECRETARY ACHESON. That is most certainly so. I think an acute famine situation undermines the stability of any country and this is a new one that has been created out of great difficulties and this would have an unstabilizing effect.

MR. JAVITS. And we feel that is a legitimate basis for our concern in connection with the security of the United States, even though India did oppose our views in the United Nations; is that correct?

SECRETARY ACHESON. Yes. (Hearings, pp. 12-13.)

The importance of the stability of India had been stressed earlier by the President in his message to the Congress:

\* \* \* \* \*

Like any nation which has just achieved independence, India is confronted with great difficulties—difficulties which have been aggravated by the crisis in Asia caused by the aggressive forces of Communist imperialism. The present food crisis, if permitted to continue, would magnify these difficulties and threaten the stability of India.

It is important to the free world that the democratic institutions which are emerging in India be maintained and strengthened. With a population of almost 350,000,000 people India has substantial mineral resources and important industries. Its continued stability is essential to the future of free institutions in Asia.

\* \* \* \* \*

(H. Doc. No. 56, 82d Cong., p. 2.)

India's full independence was achieved in August 1947. It became a Republic on January 26, 1950. The form of government authorized by India's new constitution is modeled upon the British parliamentary system, and many of its constitutional provisions have been drawn from the United States Constitution. The new Republic in Asia is non-Communist and antitotalitarian. It thus stands as an important symbol in the Far East, an area upon which the Soviet Union is exerting every conceivable pressure and whose weaknesses the Kremlin seeks constantly to exploit. The impact the program can have on the long-range relations between India, other parts of Asia, and the United States should not be minimized. A stable India, free and independent, is an important objective of United States foreign policy toward that country. Approval of this bill will help to achieve that objective.

#### B. IMPACT UPON INDIA AND THE FAR EAST

The threat of famine in India is two-pronged. It would mean suffering and death by starvation for at least a million people. It would make more fertile the ground for the subversion of India's independence and its democratic government. James B. Carey, secretary-treasurer of the CIO, testifying before the committee, put the matter thus:

\* \* \* Communism takes root and grows only in a soil and atmosphere that is conditioned by chaos and confusion. You cannot sell communism to people who are secure, or even reasonably secure. You can sell it without any difficulty to depressed, friendless, starving people.

Someone is bound to point out, of course, that the Communists cannot give more than promises. That, of course, is true, but nevertheless even an empty promise is effective in the absence of any other proposed action. Now I ask your committee to determine what happens when an empty promise is offset by a promise from the other side and this latter promise is promptly carried out in all honor. (Hearings, p. 170.)

This same idea was echoed by Mr. Thorp in response to the questioning of the Honorable Walter H. Judd:

\* \* \* Countries in which there is a deteriorating economic situation and in which there is no basis for hope looking ahead are the ones in which any revolutionary approach can make a great appeal to the people because they see no possibilities in the status quo, in the existing government, and therefore are very susceptible to any kind of panacea that is presented.

Of course, in India you have also the possibility that it can break into a great many individual pieces. There were the native states, and the Central Government has certain duties and obligations to perform. If the situation becomes

difficult, you could perfectly well have the onus of it thrown on the Central Government and have a disorderly situation which again is the easiest kind of situation for penetration. (Hearings, p. 66.)

### C. STRATEGIC MATERIALS

The natural resources of the United States of certain strategic and critical materials are deficient or insufficiently developed to supply the industrial, military, and naval needs of our country. This the Congress specifically recognized in the Strategic and Critical Materials Stock Piling Act (Public Law 520, 79th Cong., approved July 23, 1946). With the deterioration of world affairs during the past few years, the committee recognizes that the need for strategic materials has become even more vital to the defense of the United States. India is an important source to the United States of such critical materials as manganese and mica. The United States is already receiving substantial supplies of these materials from India. In 1948 the United States became seriously concerned over the manganese situation because at that time our substantial receipts from the Soviet Union began to diminish. That year the United States obtained 190,576 tons of manganese from India. India was asked to increase these shipments, and in 1949 manganese shipments to the United States rose to 383,217 tons (representing about 70 percent of India's shipments). In 1950 they reached 585,971 tons. The importance to the United States was illustrated in the following interchange during the testimony:

Mr. HERTER. If by chance it should be shut off, it would be a serious thing from the point of view of the United States, would it not?

Mr. THORP. It would be very serious. We have new sources of manganese which are being developed, but the main sources are elsewhere.

Mr. JUDD. The Soviet Union was our largest source for a great many years?

Mr. THORP. That is correct. (Hearings, p. 97.)

Below is a tabulation of Indian exports of manganese and mica by country of distribution:

*Exports by country of destination, 1950*

	Manganese	Mica
	<i>Long tons</i> 795,261	<i>Hundredweight</i> 1,340,000
Total.....		
To—United States.....	585,971	260,000
United Kingdom.....	117,793	57,000
Japan.....	33,488	.....
Germany.....	24,440	8,600
Canada.....	9,300	1,100
Belgium.....	8,800	.....
Australia.....	.....	2,700
Other countries.....	15,469	10,600

<sup>1</sup> Estimate, based on first 6 months.

The record of the Government of India in furnishing strategic materials and others required by the United States was commented on as follows by Mr. Thorp:

The proposed legislation means that the United States will be making available to India a very precious commodity. It will put a very substantial strain, as Dr. FitzGerald testified, on our own capacities to ship it. It is not an easy thing

for us to do. We believe that it can be anticipated that the Government of India, in recognition of this fact, will use its best efforts to facilitate the flow from India to the United States of those commodities which have real significance to American requirements. We think the record is very good on the part of the Indian Government up to the present time. We hope that it will be better. We hope very much that it will not be the feeling of the Congress that anything on this matter should be incorporated in the legislation. (Hearings, p. 98.)

#### D. POLITICAL DIFFERENCES

The committee is fully aware of the political differences between the United States and India in the United Nations on the issue of the admission of Communist China into membership and the ending of hostilities in Korea. Indeed, these differences have not been confined to the arena of the United Nations. Public utterances by Prime Minister Nehru have intensified them. India's position in the United Nations on the important issue of declaring Communist China an aggressor in Korea has not been in agreement with the position of the United States, nor with that of most of the United Nations membership.

While it is true these political differences exist, they do not mean that the people of India are unfriendly to the United States. The full record of votes by India in the United Nations shows accord with the United States on a high percentage of the important issues. At the same time, the United States should not close its eyes to the differences that exist between us and India.

The fundamental question of United States-India relations was discussed by the Secretary of State in his testimony before the committee, in response to the questioning of the Honorable B. Carroll Reece:

Mr. REECE. \* \* \* I do not see how we could justify using our resources—and they have already been drawn to the point where we are apt to endanger our own economy—unless we consider what effect, if any, there will be on our own position in the world. I could not justify the support of an expenditure which might in the long run strengthen those who might be siding against us when questions vital to our own security are involved.

Secretary ACHESON. The considerations Mr. Reece refers to are, of course, very important. I think one must feel very careful about reaching any number of conclusions which have been suggested here this afternoon. In the first place, it is not true that the Indian people are hostile to the United States, or that their Government is hostile to the United States. That is not true. It is true that the Government of India has differed from us, in taking certain positions in the United Nations. But we should not jump from that to the belief that this great people are enemies to or hostile to the United States. They are not at all. The positions which the Indian Government has taken, they have explained. It is not for me to defend those. I disagree with them. I have taken an opposite stand but I never believed for a moment that the people taking those positions were hostile to us or were doing it for the purpose of injuring us. It was their idea of what the best position was. I thought they were quite wrong about it but I never doubted their sincerity and I never doubted but what their actions sprang from perfectly worthy motives and not from those hostile to the United States.

Mr. REECE. But we are involved in a contest with a great power that is threatening the peace and security of the world and civilization itself. It gives us cause for reflection and concern, therefore, that there are those who side with that power rather than with the forces who are undertaking to preserve the peace of the world with no selfish action involved. (Hearings, pp. 16-17.)

## VI. THE COSTS

### A. THE NATURE OF THE AUTHORIZATION

The program in the bill is expressed in two ways: in money and in supplies. In estimating the program, the executive branch calculates that 2,000,000 long tons of grains can be made available at a total cost, including administration, of \$190,000,000. In view of rising grain prices, it is entirely possible that by the time procurement is completed, the total funds will not provide the whole 2,000,000 tons. The committee was aware of this but there were only two courses of action open: Authorize funds sufficient to furnish 2,000,000 tons of grains, realizing that the final cost might exceed the estimated \$190,000,000; or authorize a suitable maximum of funds to go as far as possible in meeting the supply goal. The committee chose the latter course and authorized the sum estimated by the executive branch as now sufficient to supply the required amount of grains.

Four considerations determined the language of the authorization: The necessity to meet an immediate need in India; the necessity to review the program at the halfway point; the necessity to have funds immediately available upon approval of the bill; and the necessity to provide working capital to provide ocean shipping.

### B. THE TOTAL AUTHORIZATION FOR SUPPLIES

The total program will cost \$190,000,000, including administrative costs outside India. Section 3 of the bill authorizes this amount, in two parts: \$140,000,000 in new funds and \$50,000,000 of funds already appropriated to the Economic Cooperation Administration, the amount estimated by ECA to be available above and beyond its planned commitments.

This arrangement serves a double purpose. Making available funds already appropriated to ECA provides immediate funds to procure the grains. Immediate procurement is urgent if the program is to be fully effective in India. At the same time, it reduces the outlay of new funds for the program.

### C. AVAILABILITY IN TWO INSTALLMENTS

While the authorization is for a total program, it also embodies the considered judgment of the committee that the Indian program should be carefully reviewed in mid-1951. Accordingly, not more than half the total funds—\$95,000,000—can be made available for obligation during fiscal year 1951. And \$50,000,000 of the first half has already been appropriated to ECA. On this point the committee's intention is that the first half include all of the ECA funds made available. The remaining half of the total cannot be made available until fiscal year 1952.

### D. ADMINISTRATIVE COSTS

The dollar administrative costs of this program are included in the total authorization and must come out of any appropriations made against the authorization.

## E. WORKING CAPITAL FOR THE SHIPPING PROGRAM

The RFC advance provided in section 8 of the bill meets a special situation. Immediate funds are needed for the shipping program, but if these were made available by a transfer out of the \$50,000,000 of ECA funds, the grain procurement program would suffer. Ocean freight payments would not become available in time to restore ECA's immediate funds necessary for grain procurement. Moreover, the shipping program is self-liquidating and the RFC advance will be repaid. For these reasons the \$20,000,000 advance is only a temporary cost to the program and has been treated separately.

## VII. SECTION-BY-SECTION ANALYSIS OF THE BILL

*Sections 1 and 2* make it clear that the act is designed to meet an emergency by providing foodstuffs in the amount requested by India to meet the threat of famine in that country.

*Section 3.*—This section relates to the dollars to be made available for purchase of food to carry out the purposes of the act. Fifty million dollars is made available by transfer from the current year's appropriations for the European recovery program, and appropriation of an additional \$140,000,000 is authorized. The section provides that not more than half this total amount is available for obligation during the current fiscal year, the balance to be available for obligation during fiscal 1952. It is understood that the first half of the total funds will include all of the \$50,000,000 made available from ECA funds. This reflects the committee's understanding that the first part of the program will cover a million tons of grain, and that the furnishing of the second million tons will not be initiated until after an ECA mission has been established in India and has reviewed and reported on Indian needs for further assistance, on possible means of meeting such needs, and on whether additional grain supplied by the United States to meet such needs should be furnished by way of grant or on some other basis.

The section also points out that assistance under the act is rendered solely to provide food required as a result of a succession of natural disasters in India during 1950, and that such assistance is not to impair vital needs of the United States.

*Section 4.*—This section provides that a bilateral agreement shall be made between India and the United States, providing for nondiscriminatory distribution of relief supplies furnished under the act and similar supplies acquired locally or imported by the Government of India; for full publicity in India concerning the assistance furnished; for unrestricted observation by United States representatives of the distribution of American aid; for action by India to reduce its needs, to increase production and supplies, and to improve distribution of food in India; and for payment by India of ocean-transportation costs of supplies furnished under the act. The agreement will also provide that India will establish a special account in local currency equivalent to the sums received from the import and sale of such assistance as is furnished on a grant basis. This account is to be used to meet the local currency expenses of the United States Government in India in connection with the furnishing of aid, and in such other ways as

may be agreed between the United States and India for improving and increasing food production and for projects of mutual advantage to the two countries. The agreement may contain such other provisions as the President may consider desirable to carry out the purposes of the act. The agreement is a prerequisite to the whole program. No assistance can be made available nor can any funds be expended until the agreement is concluded. However, these conditions do not apply to the advance from the RFC to the Department of Commerce to get the shipping program started.

*Section 5.*—This section permits the local currency furnished in accordance with the bilateral agreement to be used for local currency administrative and operating expenses of the United States in India in connection with American aid without charge against appropriations.

*Section 6.*—The emergency program under the act is to be administered by the Economic Cooperation Administration. This section is simply to make it clear, as has previously been done by Congress, in several other similar instances, including the China Area Aid Act of 1950, that such provisions of the Economic Cooperation Act, as amended, as are applicable and not inconsistent with the purposes of the India Emergency Act of 1951 will govern the furnishing of assistance to India.

*Section 7.*—In view of the fact that funds to carry out this program are made available to the President, this section authorizes transfer by him to any executive department or agency, and permits expenditures under laws applicable to such department or agency and not inconsistent with the present act.

*Section 8.*—This section provides that to the extent the President determines that private shipping is not available on reasonable terms and conditions to carry out this program, advances may be made by the Reconstruction Finance Corporation directly to the Department of Commerce not to exceed \$20,000,000 in the aggregate. This advance, which will be repaid from freight receipts to be obtained from India under the program, is necessary because the Maritime Administration has no other funds available to meet the costs of activating, repairing, and operating the necessary vessels. Funds advanced under this section may be placed in any funds or accounts of the Maritime Administration available for the activation (including the repair) and operation of vessels. The advance must be repaid either from subsequent appropriations or from receipts from vessel operations. Pending repayment of the Reconstruction Finance Corporation advance from the freight receipts, the section authorizes the use of freight receipts to meet the vessel expenses involved in this transportation program. The amount of the Reconstruction Finance Corporation advance authorized by the bill is, by itself, inadequate to meet the total expenses involved in transporting the 2,000,000 tons of grain under the program. In order that the operation of vessels can continue and can produce the total freight receipts necessary to meet the over-all costs of transportation, freight moneys received under the program must be available as a revolving fund with which to carry the transportation program to its conclusion and thus to earn the freight revenues necessary for liquidation of the transportation expenses.

*Section 9.*—This section provides for termination of the program by the President under certain conditions, and it leaves in the Congress the power to require the President to end the program. This provision acts as a double check: by the President and the Congress. It assures the Congress a proper share of control by providing for termination by the President whenever the Congress by concurrent resolution finds this desirable.

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*Section 8.*—This section provides that to the extent the President determines that private shipping is not available on reasonable terms and conditions to carry out this program, advances may be made by the Reconstruction Finance Corporation directly to the Department of Commerce not to exceed \$20,000,000 in the aggregate. This advance will be repaid from freight receipts to be obtained from India under the program, is necessary because the Maritime Administration has no other funds available to meet the costs of acquiring, repairing, and operating the necessary vessels. Funds advanced under this section may be placed in any funds or accounts of the Maritime Administration available for the activity (including the repair) and operation of vessels. The advance must be repaid either from subsequent appropriations or from receipts from vessel operations. Funding repayment of the Reconstruction Finance Corporation advance from the freight receipts, the section authorizes the use of freight receipts to meet the vessel expenses involved in the transportation program. The amount of the Reconstruction Finance Corporation advance authorized by the bill is, by itself, inadequate to meet the total expenses involved in transporting the 2,000,000 tons of grain under the program. In order that the operation of vessels can continue and can produce the total freight receipts necessary to meet the overall cost of transportation, freight monies received under the program must be available as a revolving fund which to carry the transportation program to its conclusion and thus to earn the freight revenues necessary for liquidation of the transportation expenses.

*Section 5.*—This section permits the local currency furnished in accordance with the bilateral agreement to be used for local currency administrative and operating expenses of the United States in India in connection with American and without charge against appropriations.

*Section 6.*—The emergency program under the act is to be administered by the Economic Cooperation Administration. This section is simply to make it clear, as has previously been done by Congress in several other similar instances, including the China Aid Act of 1950, that such provisions of the Economic Cooperation Act as amended, as are applicable and not inconsistent with the purposes of the India Emergency Act of 1951 will govern the furnishing of assistance to India.

*Section 2.*—This section provides for termination of the program by the President under certain conditions, and it leaves in the Congress the power to require the President to end the program. This provision acts as a double check: by the President and the Congress. It assures the Congress a proper share of control by providing for termination by the President whenever the Congress by concurrent resolution finds this desirable.

## MINORITY VIEWS

### INDIA EMERGENCY ASSISTANCE

We find ourselves unable to support the plan for assisting the Government of India proposed by the State Department in the hearings and implemented by the committee bill. Under the proposed plan, no food will be given by the United States to the people of India. Grain will be given to the Government of India, which will distribute it to the Indian people through its Government-rationing system. The proceeds of sales to the Indian people under this system, amounting to \$150,000,000 in rupees, will then be utilized by the Government of India for development projects which our Government approves.

The Indian Government did not ask for this gift. We do not think it should be made.

India has had to pay currently for all grain procured this year for emergency assistance from all other countries, including Canada and Australia in the British Commonwealth, and including 50,000 tons of rice purchased from Red China. On February 8, 1951, the Indian Government officially asked our Government for 2,000,000 tons of grain, and requested that "the grain be supplied on special and easy terms." We are willing to grant the Indian Government's request for a loan.

India needs grain immediately; we have the grain. We need strategic materials from India over a period of years; India has these materials. We should make India a loan which can be repaid in strategic materials. We should not make the Government of India a gift it has not asked for.

India's strategic materials include manganese, mica, monazite sands. Jute is "strategic" to our economy, for burlap bagging, etc. India now has an embargo on export of monazite sands.

In the India News Bulletin of February 16, 1951, issued by the Embassy of India in Washington, D. C., it is stated:

Investigations for oil and for a number of minerals, including mica, coal, iron, manganese and copper ore, bauxite, limestone, gypsum, graphite, gold, and diamonds will be continued by the Geological Survey of India during the field season which will end April 1951.

### INDIA'S NEEDS

There is hunger in India. Last year, before the present emergency, India reported in the Colombo plan that—

the average daily supply of food, consisting mostly of cereals, at present provides only about 1,600 calories, which is nothing like enough for adequate nutrition.

Most of the people in the world are hungry. The State Department, in presenting the point 4 program, said:

Primitive agricultural methods and poor transportation so limit the production and distribution of food that two-thirds of the world's population have

barely enough to eat to sustain life, and their diet usually lacks food elements essential to health. Malnutrition is general and starvation frequent throughout the underdeveloped areas.

The plight of hundreds of millions of ill-fed and starving people throughout the world wrings our hearts. The question is, What can or should the Government of the United States do about it?

India is threatened with famine again. As the committee report points out, "famines are not new to the people of India" (p. 15). Secretary of State Acheson told the committee that a food crisis in India "comes up from time to time." The committee report (p. 16) states that this bill deals with "one crisis—the present one." This bill will not solve India's present or future food problems. The 2,000,000 tons requested from us by India is only about one-twenty-fifth of what India expects to obtain this year. The failure to obtain this food will not in itself cause famine or starvation in India; on the other hand, delivering it will not prevent hunger and malnutrition in India.

#### INDIA'S DEVELOPMENT PLAN

India is now embarking on a 6-year development program, described in the committee report. (See pp. 8, 15.) The program calls for an expenditure of about \$3.8 billions, of which \$1.7 billions will have to come from sources outside India. There will be \$285 millions of outside money needed each year; of this amount \$98 millions will come from blocked sterling balances. The committee report says —

this will still leave a considerable sum per year to be obtained from abroad—by loans or grants (about \$260,000,000 the first year, or an average of about \$187,000,000 per year for 6 years).

The committee report does not say where this amount is expected to come from. A large amount will have to be in dollars, and dollars will have to come, directly or indirectly, from the United States. We heartily approve of India's determination for a long-range solution of her problems, but it is perfectly obvious that the proposed solution is going to require the closest kind of consultation and cooperation between India and her neighbors and the United States. It is obvious that the size and speed of such a program will depend somewhat upon the willingness and ability of other nations to finance nearly one-half of it.

Our committee has made no attempt to study the part we should take in all this, but the committee bill involves a partial advance commitment.

The committee report says (p. 9):

The committee desires to emphasize that this bill does not deal with the development plan, but with a food crisis.

It is obvious, however, that the committee bill involves a \$150,000,000 contribution to a development plan through the use of counterpart funds. We believe it would be better for us to make a loan at this time.

The committee report says (p. 14) that "a loan would be an unrealistic approach to the problem," and infers this is a loan "where there is no reasonable expectation of repayment \* \* \* a loan that cannot be repaid." This dim view of India's future prospects and intentions is, to say the least, not very complimentary, and might have a nasty propaganda value in India and elsewhere. Those who

advocate a loan have more confidence in the future of India and in its willingness and ability ultimately to carry out its obligations as an independent nation. This loan would amount to just about 1 year's borrowing, \$187 million, for the 6-year development plan as described in the committee report; thus, if repaid in 6 years, it might stretch the plan into a 7-year plan. We would not insist upon such rapid repayment, but even a 6-year loan would not ruin India or its plan.

We are amazed at the unerring prescience of American planners who can determine in advance that India can afford to pay 50 millions, in cash, in dollars this year, for shipment of this requested grain, but that India cannot ever repay a requested loan for the cost of the grain shipped. We do not share their confidence in their planning, or their lack of confidence in India.

#### OUR RESPONSIBILITIES

While considering India's needs, we must keep in mind our heavy responsibilities to the rest of the world—and to our own people. We are presented with a staggering budget of over \$71 billions. We have no details on the \$48 billions for defense and so-called international security and foreign relations. We know that in that budget, however, are large amounts for Korean relief, for Arab refugee relief, and unknown amounts for food and other aid to Japan, Germany, ECA countries, etc. We know that the proposed gift to India is not in that budget at all but is above and outside it. If we start making appropriations outside our \$71 billion budget, we will have little chance to reach a pay-as-we-go basis, and this gift to India will be added to our national debt. The committee report is concerned about the unproductivity of a loan for food. Apparently, either India or the United States is going to go in debt for this grain. We owe it to India and the rest of the world, as well as to ourselves, to remain strong enough here at home to carry our own great share of the burbans of the defense of freedom.

#### CHARITY

We are urged to do this as an act of charity. We believe that charity is "the greatest thing in the world," but it is a voluntary virtue. There is no such thing as compulsory charity. We hope that every Member of Congress is charitable with his own money. We do not believe that Congress has the right, under our Constitution, to be charitable with money taken from taxpayers without their consent.

The powers of Congress in this respect must be found in article I, section 8, of the Constitution, which invests Congress with the power to "provide for the common defense and general welfare of the United States." We do not see how this gift to the Indian Government provides for our defense or general welfare. If it does, however, then those propagandists in India and behind the iron curtain who will claim that this is an act of self-interest by the United States will be stating the truth. If this gift does not provide for our defense or general welfare, then we believe Congress has no right to make it. The committee, wrestling with this problem, provided in section 2 of the bill that—

it is the purpose of this Act to serve the cause of world peace and human brotherhood and thus provide for the general welfare of the United States \* \* \*

Thus the committee tries to blow hot and cold between warm-hearted generosity and cold-blooded self-interest. We doubt if it can be done in this case.

We are a generous people, with great humanitarian instincts, and many of our international dealings are characterized by open-handed, open-hearted generosity; but always there must be self-interest, albeit an enlightened self-interest, to bring the act under the Constitution. When we do these things, we are disappointed that the recipients are not more grateful. We forget that neither charity nor gratitude are characteristics of governments; we forget that people all over the world know this. We try to emphasize our generosity and conceal our self-interest, and belittle our generosity.

For instance, Miss Dorothy Norman, chairman of the American Emergency Food Committee for India, urged that we should give this grain to India on humanitarian grounds and without political strings. During the hearing, however, she was interrogated by Congressman Judd, who said he thought India's freedom was imperative to our own security and said:

I think it ought to be put strictly on that basis even by these people you represent. If, as you say, they want to give from their own taxes, let them give voluntarily for humanitarian purposes. They should not ask us to take the taxes of other people who may not want to give from their taxes for this purpose.

Miss Norman answered him, saying:

May I say that there are certain things that one can use in a room like this. That is why I said "self-interest" and "enlightened self-interest." I think one of the major acts of diplomacy in the world is not always to say everything out loud, in public statements; but in this room I certainly agree with you, but I think for the American Government to spell out too much would not be as beautifully understood as if we do this thing in the most generous spirit \* \* \*.

This constitutional question is one that must be decided by Members of Congress under their oath of office, for it has never been brought squarely before the Supreme Court and probably never can be. This does not relieve Congress of its constitutional obligations.

#### PRECEDENTS

The proponents of this bill will doubtless argue that there are precedents for such gifts—food to Russia in 1921, Japanese earthquake relief in 1924, etc. They also argue that this bill must not be considered a precedent for anything in the future. The President's message said:

It does not constitute a precedent for continuing to provide food to India on a grant basis or for providing similar aid for other countries.

The committee report states that this is a "one-shot" program (p. 15). We submit that every time Congress acts it creates another precedent, and this cannot be prevented by the words of the President or by Congress itself. In the past our generous acts were either tied to our self-interest, or were of questionable constitutionality. They may not have been carefully considered from this standpoint as many of them were small. The present proposal is large.

What will the United States do when famine threatens next, perhaps during the present year, anywhere in the world? Can Congress or the President prevent other governments from saying when they are seeking food, "You did it for India. How about us?"

For a period of 19 years Congress has acted in a series of emergencies, passing piece-meal, stop-gap measures. Each one has become a precedent for something else. As Henry Hazlett says in Newsweek, March 5, 1951, referring to this Indian program:

It has gradually, precedent by precedent, become the assumption of most foreigners and most American Fair Dealers that when any real or imagined deficiency of anything whatever exists anywhere on earth, it must be made good primarily, if not solely, at the expense of the American taxpayer.

Whatever we do in this instance will establish another precedent. We must be careful to make it a good one.

#### THE GOVERNMENT OF INDIA

There have been many unprecedented actions by the official representatives of India and of our own Government in this matter to date. Both President Truman and our committee have shown unprecedented forbearance and tolerance toward the important political differences between our country and the Government of India. They were not reviewed by the President in his message or in our committee hearings. The President and the committee felt that these grave political differences should not interfere with fair and friendly consideration of India's request and were careful to avoid criticism of the Government of India or any attempt to use this proposal as a means of influencing the policies of the Government of India.

There have been other unprecedented actions.

On the opening day of the hearings on this measure Mme. Pandit, the Ambassador of India, appeared in the committee room and was photographed with the Secretary of State and the acting chairman. She did not address the committee, but during the hearings J. J. Singh, a citizen of India, head of the India League of America, testified in behalf of aid to the Indian Government. During the hearings, Dr. Baharatan Kumarappa, India's representative on the United Nations Social Commission, was making speeches in Texas. He is quoted as follows in the Houston Chronicle, Friday, February 23, 1951 (p. 8A):

You are the most violent nation in the world. Not only are you arming to the teeth for another war, but you are also arming all the countries you can—whether they want to be armed or not. \* \* \*

The leaders of Communist China are idealistic men who are devoted to their country, like Gandhi and Nehru. \* \* \*

Our chief enemy in the Far East is not communism but the western imperialism. \* \* \*

We do not intend to criticize India as Dr. Kumarappa criticized the United States. We do not believe that the people of India should be penalized for any opinions that our Government or its citizens may have about the actions and policies of the Government of India and its representatives. It is the duty of Congress, however, to consider the extent to which the proposed gift to the Indian Government will be administered by that Government—

to serve the cause of world peace and human brotherhood and thus provide for the general welfare of the United States.

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