

Memorandum from Terence Allen Shone on the economic effect of the disturbances in Eastern Punjab (31 October 1947)

Caption: On 31 October 1947, Terence Allen Shone, High Commissioner of the United Kingdom to India, sends a memorandum to Philip John Noel-Baker, Secretary of State for Commonwealth Relations, on the economic consequences of the disturbances in Eastern Punjab after the partition of the British Indian Empire. The note claims that the partition, which sparked major population movements and massacres among the various communities, has also caused severe problems for agriculture, industry and the economy in general.

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OFFICE OF THE HIGH COMMISSIONER
FOR THE UNITED KINGDOM,

6, Albuquerque Road,

New Delhi.

~~29th~~ 31st October, 1947.

DESPATCH NO. 121

Ref: 682/47/TR/29.

Sir,

I have the honour to transmit herewith a Memorandum on the "Economic Effects of the Disturbances in Eastern Punjab" prepared by the Economic Adviser to the High Commissioner.

2. A copy of the Memorandum is being sent to the United Kingdom High Commissioner in Pakistan at Karachi.

I have the honour to be, Sir,

With the highest respect,

Your most obedient humble Servant,

High Commissioner.

The Right Honourable P. Noel Baker, P.C., M.P.,
Secretary of State for Commonwealth Relations,
Commonwealth Relations Office,
LONDON, E.W.1.

ECONOMIC EFFECT OF THE DISTURBANCES IN EASTERN PUNJAB.

The economic life of both the East and West Punjab has been completely upset by the recent communal disturbances. Before partition the population of the Punjab was about thirty million - half Muslim, three-eighths Hindu and one-eighths Sikh. Agriculture was the staple industry employing over 65% of the population. Wheat was the main crop. The Punjab had ten million acres, of twenty six million in the whole of India, under wheat in 1946. Barley, rice, millet, maize, oilseeds, cotton and sugarcane were other important crops. Moga was the largest grain market in north India. A considerable proportion of the wealth of the community was invested in livestock and the hides and skins trade was important. The West Punjab was a very important food exporting area and the East Punjab should normally have been self-supporting in most foodstuffs.

2. There has been steady industrial growth over the last decade with large textile mills at Lyallpur and Okara. Amritsar was a large centre for the wool, silk and cotton textile, carpet industries and flour milling. Ludhiana was probably the largest centre for the hosiery industry in India, and Sialkot was the home of sports goods and surgical instrument manufacturers. Lahore had a variety of industries including metal foundries, steel mills and the manufacture of textiles, carpets, sewing machines, electrical apparatus and footwear.

3. Even before the announcement of June 3rd opinion in the Punjab began to be fairly clear that partition was inevitable and there were disturbances in the province mainly in the cities, whilst commercial interests began to consider the desirability of moving to safer areas. By May, Hindu businessmen were already moving their property away from the West Punjab and, to a lesser extent, Muslims were moving into the Western Punjab although, as they are less commercially advanced, the interests moved were much smaller. Property values in Delhi rose considerably on account of the demand for land for investment arising from traders who had moved to Delhi from such towns as Lahore. No estimate is possible of the amount of capital transferred but it undoubtedly runs into many crores. The main transfers of business interests were the Punjab National Bank which transferred its registered office from Lahore to Delhi, the Traders Bank and the Mahalaxmi Insurance Company. But a host of smaller dealers from the bazaars of Amritsar considered it /desirable...

desirable to transfer their interests elsewhere whilst they could, many of them moving further east to Ludhiana. On the other side dealers in furs, mostly Muslims, transferred themselves from Delhi to Multan, and traders in other textiles moved from Amritsar. In effect well before August 15th, Amritsar which had been the largest wholesale distributing centre in northern India particularly in textiles but also for a vast range of miscellaneous goods had largely ceased to exist as a distributing centre. Equally the machinery of distribution based on Lahore had been largely destroyed by the migration of dealers to what they considered safer areas. It should be remembered that both Amritsar and Lahore in particular, but other towns in the Punjab also, contained very mixed business communities with a tendency on the part of dealers in the trades to be of the same community.

4. With the announcement of the findings of the Boundary Commission on August 18th, and their particular disappointment for the Sikhs, communal trouble which had been simmering in the Punjab for months blow up into final disorder amounting almost to civil war between Muslims and non-Muslims. Trouble rapidly spread throughout the whole of the Eastern Punjab and even Delhi was not spared. Estimates of casualties necessarily vary and are unlikely ever to be accurately known but the number of casualties in the East Punjab alone has been placed at over 100,000.

From the economic point of view the most important consequence has been the vast exodus of Muslims from East Punjab and non-Muslims from Western Punjab. The Military Evacuation Organisation set up by the Indian authorities at Amritsar reported a total movement of over one million refugees between the East and West Punjab in both directions in eight days, and all forms of transport have been mobilised to move refugees; the normal Hindu population of West Punjab was about four million with a similar number of Muslims living in East Punjab. Some estimates state that three quarters of each minority community is migrating but other estimates place the figure higher. Estimates however vary considerably and no great reliability can be placed on them. The one certain and melancholy

/fact is....

fact is that large numbers of the population, are in process of migration with all the dislocation of economic and social life which is involved. Apart from the losses to individuals and businesses through rioting and looting - arson has been common and the 'goonda' has seized his opportunity - the loss caused by the desertion of their businesses by Indian traders and the consequent collapse of the ordinary mechanism of sale and distribution must have been enormous. In Lahore for example it is estimated that half the total population was Hindu and most of the business concerns were run by Hindus. There are now only a few hundred Hindus left and the refugees for the most part left behind their capital wealth, securities and goods, but only the empty shell of the business remains. It is certain that conditions similar to those in Lahore pertain all over the Punjab on both sides of the border. The departure of their owners from these businesses means that their mainspring has gone and although Governments are now trying to install refugee businessmen in undertakings left deserted by members of the other community, they lack capital, good will, trading relations and in many cases the special knowledge of the business which is required. Measures to rehabilitate the small shop keeper, and even the wholesale distributor, by the provision of capital have so far been lacking, but even were they to be taken it will take years to rebuild the close network of trading relations which has been so completely destroyed in the last two months.

5. Most serious to India, however, of all the consequences of the disorders in the Punjab will be the loss of foodgrains. Although the East Punjab contained certain areas e.g. Hissar, which were known as 'famine areas' and were deficient in food production, certain districts were important sources of surplus foodgrains whilst the West Punjab was one of the richest granaries of India. It seems fairly certain that a surplus in West Punjab will not materialise in 1947 and production in East Punjab is likely to be greatly reduced by recent events with consequent greater strain on the revenues both of the Provincial and of the Central Governments. Fields have been deserted by their cultivators at a time when the harvest was due. In some areas the crop had already been

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harvested and had to be abandoned. Enormous losses of cattle have inevitably been suffered. Ownerless cattle have also been permitted to roam the fields uncontrolled and must have inflicted heavy losses on the standing crops. In most areas not only will crops not have been harvested but no seed will have been collected; it is inevitable that damage has been done to agricultural implements, rudimentary as they may be, and to storage capacity. It may be possible to resettle new cultivators in Eastern Punjab on lands abandoned by Muslims, but it seems by no means certain that they will have the necessary seed and cattle, nor will credit facilities be easily obtained from the village money lender, who formerly could lend on the security of the peasant he knew. Even if the money lender survives the present disturbances, he will not know the new peasant to whom he is invited to lend money. A further repercussion of the troubles will be the greatly increased difficulties of the Punjab authorities in procuring grain. The peaceful partition of the Provinces would necessarily have made difficulties, but the whole machinery will now have to be created anew with new suppliers. It is certain also that the happenings of the last month and particularly the experience of refugees who have found themselves stranded on the road between Pakistan and India for days without food, will provide every inducement for the ~~not~~ to retain for his own consumption more than adequate supplies of grain.

6. Reference should be made finally to the problems created for the railways. Particularly in the Eastern Punjab but also in the United Provinces and south of Delhi there have been frequent attacks on railway trains. During the first half of September many of the main line services to Delhi ceased to function; trains on the Eastern Punjab Railway (that section of the North Western Railway which remains in India) are still not running regularly. Rolling stock has been burned and tracks damaged, whilst large numbers of railway wagons are held up at various points on the line, with consequent inevitable loss. Moreover the Eastern Punjab Railway, since it began functioning, has hardly received a penny of rates since it has been very largely concerned with transporting refugees; the majority of its services have in fact been suspended.

7. It is too early yet to estimate this money value of the economic loss which will result from tremendous upheaval but there is little doubt that it will be

immense. In the East Punjab particularly the cost of the special measures to control disorder and care for refugees coupled with the loss of agricultural production and of land revenue will be an impossible burden unless help is received from the Central Government. These disorders and the subsequent suspicion and mistrust, at a time of grave economic difficulty and when production in most industries is already falling, cannot fail to be a serious factor in retarding those programmes for increasing agricultural and industrial output in the Indian Union which were, even before this new calamity, based on rather uncertain foundations.