Oil multinationals and Governments in Post-colonial transitions: Burmah Shell (BS), the Burmah Oil Company (BOC) and the Indian state 1947-70

Abstract

Using the post-colonial perspective of hybridity, this paper analyses how two British companies, the Burmah Oil Company (BOC) and Burmah Shell (BS) adapted to changes in the socio-economic environment from Indian independence in 1947 until 1970. Post-colonial theory is useful in exploring the continuing imperial influence, the changing relationship between BS, BOC and the GOI and the impact of this on the operations of BOC and BS post-independence. The approach recognises that the relationship between BOC, BS and the GOI was complex with differing levels of cooperation and tension existing between the three parties throughout the period.

Keywords: Oil industry, Burmah Oil Company, Burmah Shell, Imperialism, Hybridity, Post-colonial theory, Independence, Government of India, decolonisation, economic and political context.

1. Introduction

Using a post-colonial perspective, this paper explores how post-independence realities shaped the policies of the Government of India (GOI) towards oil firms in India through a historical analysis of the changing operations of two British oil companies, the Burmah Shell Oil Storage and Distributing Company (BS) and the Burmah Oil Company (BOC). BS had been set up in 1928 jointly by BOC of the UK and Royal Dutch Shell (Shell) of the Netherlands to market oil products in India and was the most important oil company in India in the period of our analysis, as shown in the following table.
Although BS was jointly owned by BOC and Shell, it was mainly run by BOC from its headquarters in London. BOC operated in certain regions of India in its own right but had a much less direct and smaller presence in India than BS. Both BS and BOC entered into negotiations with the GOI post-independence and were influential in determining changes seen within the oil industry in India².

Imperialism was seen in many countries throughout the period (1947-1970). According to Baran (1957), it has been argued that “in the face of changing political conditions, Britain exchanged formal for informal control, transferring power to moderate nationalists and leaving British businesses and their multinational successors in positions of unassailable strength”¹. From the perspective of theories of the world-system, independence is important because state sovereignty potentially changes the political "rules of the game." Gilpin (1981) emphasised that the state is viewed “as an independent actor in exchange, competition, and conflict with other states and sovereignty is viewed as a social status that enables states as participants within a community of mutual recognition²”.

The decolonization of Asia in the mid-Twentieth century was an important event in recent world history³. The breakdown of Western empires and the entry of non-
Western states into the inter-national states system is one of the largest political processes of the Twentieth century\(^4\), following a long period of resistance to diplomatic recognition of colonial independence by western empires. This changed in the mid twentieth century as many colonial dependencies of Western states became recognized independent states, starting with India in 1947, Burmah in 1948 with other Asian and African states following in the 1960’s and 1970’s.

Post-colonial theory, which is discussed more fully in the literature review, has been employed to study this process of de-colonisation analysing a range of issues including the process of imperial resistance, formal and informal structures of domination\(^3\), continuing power asymmetries and imbalances\(^4\) and “indigenisations and hybridisations”\(^5\) in relation to post-colonial states. Applying a postcolonial perspective, this study explores the challenges faced by BS and BOC immediately post-independence, during a time of significant change in the socio-economic and political environment in which they operated. Our study embraces the post-colonial view of incorporating the voice of the other i.e. the non-British view and perspective and highlights the continuing imperial influence post-independence. We recognise that the relationship between the GOI and BS was complex with changing hybridity throughout the time period and differing levels of co-operation and tension existing between the two parties, culminating in changes to both the environment faced by BS and its operations.
The study adds to the literature on post-colonial states, and looks at one of the first states, India, to become independent. The study explores important British companies, BS and BOC, in India, and focuses on a key industry, the oil industry which was of importance to the GOI post-independence. Our particular contribution lies in analysing both the imperial influence which remained post-independence and how this changed over the time period. In addition, we recognise that socio-economic considerations combined with the imperial influence and that both were important in determining the outcomes seen. We argue that the post-colonial notion of hybridity is helpful in charting the changing relationship between BS, BOC and the GOI and the impact of this on the operations of BOC and BS in our chosen time period. Our study explores both the British and Indian perspective and concerns within the interactions and negotiations between the GOI and BS and BOC.

Data for this paper has been collected from the British Petroleum (BP) archives based in Coventry\(^5\). BOC transferred its shareholdings in BP (formerly Anglo Iranian Oil Company (AIOC)) to the British Government in 1975 as part of a financial rescue package offered to BOC when it faced a major crisis threatening its commercial viability. BP was returned to public ownership in the late 1970’s and in 2000 went on to take over BOC\(^6\). At this time, the BOC archives were transferred to, and became part of the BP archives.

We now present a literature review introducing imperialism, discussing post-colonial theory and its application within management studies. This is followed by our analysis of the influence of political, economic and social influences on BS and BOC.

\(^5\) The records are located at the BP & Castrol Archive, University of Warwick, United Kingdom.
We then explore the influence of imperialism and hybridity on the companies and present conclusions at the end.

2. Literature review

A growing interest in the social and economic dimension of British decolonisation is attested by recent studies which explore not only how decolonisation affected expatriate business, but also the strategies adopted by business in response to political and social change in a colonial setting. The word "imperialism" dates from the end of the nineteenth century and implies the use of state power to secure economic monopolies for national companies. Imperialism arises through protectorate relations, where a non-Western ruler surrenders direction over foreign affairs and full international personality to a protecting power. As argued by Bush, imperialism inscribes “social and political relations of power between the empire and its subordinated periphery”. Imperialism is a sophisticated type of dominance relation which cuts across nations for the potential joint benefit of the centre and the periphery. Imperialism is a species in a genus of dominance and power relationships. The effects of imperialism and colonialism continue to reverberate long after formal colonial relationships have been ended in the periphery, for reasons that are partly social and cultural and partly due to the contemporary global system of hegemonic economic power. It is this observation that suggests that postcolonial theory (PCT) is potentially useful in within Business History. PCT is now considered further.

3. Post-colonial theory
PCT is a diverse body of knowledge which refers to the colonial condition, and its formal and informal structures of domination, which did not suddenly disappear after the end of formal direct-rule\textsuperscript{11}. An important aspect of post colonialism has been its insistence on the cultural dimensions of imperialism and colonialism, arguing that, far from being secondary to the economics of colonialism, culture must be seen as essential to the production and maintenance of colonial relations. Scholars such as Said (1979) and Bhabha (1994) have shown how colonizers not only shape the culture and identities of the colonized but are in turn shaped by their encounter in a range of interesting and complex ways characterized by asymmetrical power relations. The “third spaces, the negotiations, the resistances, the indigenisations, the hybridisations”\textsuperscript{12} are all interesting and complex processes which have been addressed by post colonialism\textsuperscript{13}.

Within PCT, Saïd has introduced the concept of orientalism which is founded on a binary epistemology that necessitates a sharp distinction between colonizers and the colonized. In contrast, Bhabha suggests that “the construction of colonial subject in discourse, and the exercise of colonial power through discourse, demands an articulation of forms of difference”, which does not necessarily result in a binary form\textsuperscript{14}. This ‘difference’ creates continuity and a permanent ambivalence. Bhabha’s work therefore represents a hybrid epistemology, taking into consideration the fusion and the mutual effects of both colonizers and the colonized. Orientalism and hybridity are therefore often described as mutually exclusive: either as two consecutive phases in postcolonial theory or as two competing epistemologies.
The concept of hybridity has been introduced into the study of post-independence states. Newly independent states inherit colonial structures and ideals and, hence, the influence of imperialism does not end when formal rule by the colonial power ends with both colonial hierarchies and knowledge persisting after independence. The inherited structures are not, usually, complete imitations of the structures of the former imperial master but instead more hybrid in nature and thus inherited imperial structures are seen which have been “inflected” or “tinged with local colour”. This hybridity continues as changes are made within the structures and processes of the newly independent states whose leaders attempt to deal with the social, economic and political contexts they face.

Post-colonial approaches have not been without criticism. It has been argued that post-colonial approaches have been over-dominated by post structuralism, literary studies and psycho-analytical studies. Within literary studies, inspired by Said, discourse analysis has been widely used within the field but the work has often been criticised as being highly theoretical and abstract without consideration of specific locales and actual practices. Indeed, as argued by Gandhi, Said’s work could be critiqued as ahistorical and dependent on abstract generalisations. Postcolonial studies have also been influenced by psycho-analytical perspectives on identity formation to elaborate on the concept of the “other”, particularly influenced by the writings of Frantz Fanon. Perspectives from both literary studies and psychoanalysis have been applied to understand how the “other” is constructed through the western gaze. The focus has very much been on the cultural and social as a direct reaction to the prior emphasis on the political and economic but the work maybe criticised for it’s
over dominance on the cultural and social, without consideration of the political and economic.\textsuperscript{20}

Recognising these criticisms, our study explores the economic legacies of empire and their influence on an important British company, BS and its changing operations post-independence, thus addressing a specific company in one post-colonial state. In the study, an attempt is made to apply post-colonial concepts of imperialism and hybridity to the operations of BS and BOC in post-independence India and in their relationship with the GOI, thus placing the political at the centre of the study. The period of analysis is the post-colonial period and the focus is on the periphery rather than the centre with the periphery being the newly decolonised Indian state in the early years of independence. The paper offers an analysis of how two British oil companies adapted to a post imperial environment and combines both socio-economic and imperial influences within the analysis.

Post-colonialism deploys diverse theoretical and political resources to interrogate the continued power asymmetries, imbalances and repressions, and effects of contemporary neo-colonialism, and other forms of imperialism\textsuperscript{21}. Post-colonial theory has been well researched in academic fields such as literary studies, history, anthropology and other humanities disciplines. However, compared with these disciplines, there has been less engagement with PCT within business history and management studies.
3.1 PCT within business history / management studies / organisational studies

The post-war period, during which industrialization in the Third World has been sustained, rapid and widespread, is often characterized as the period of ‘neo-colonialism’. This term is meant to designate the view that formal political independence has not significantly improved the prospects of independent industrialization in the periphery. As discussed in Cooke (2003a), Prasad and his colleagues (Prasad 2003a) made a significant contribution in demonstrating the relevance of the colonial encounter to organizational processes such as organizational control, labour resistance, organizational accounting, and globalization. In a similar vein, Cooke (2003a) shows that early signs of managerial identity evolved out of the slave plantations in southern USA, and that British indirect rule in India had important ramifications for participatory management in the West. Management is seen as a body of theory and practice which sustains an advantageous status for particular, managerial, elite, which is able to attain that position in the first place because of the separation of ownership from control. For Braverman, colonialism is framed by the ‘antagonism between those who carry on the process and those for whom it is carried out, those who manage and those who execute . . .’.

Easthope and McGowan (1992, p.243) point out that “what occurs in the process of the production of these knowledges is the whole fictioning of a culture or cultural meanings which is regulated in such minute ways that it comes eventually to be regarded as natural”. The discourse on progress that informed the colonial project suggested that: some races were inferior to others; colonizing powers had a moral
obligation to assume control and help develop lesser peoples. The knowledge systems of such people were inferior; only the developed and educated people of colonizing world were capable of producing valid knowledge; these less developed people should not be allowed to speak to themselves, until judged progressed. Prasad (1997) explains an elaborate series of hierarchical binaries, which constructed the West as Superior and the non-West as inferior. This suggests that relations between global and local are always complicated and ambiguous and require detailed analysis. Kanneth (1997, p. 272) highlights that “gaining knowledge of other cultures is not a simple, uncomplicated matter of neutral translation from one social order to the direct relativity of another”. A prominent example is Richman and Copen’s *International management and economic development* (1972). Based on the experience of western managers in the local branches of multinationals in developing countries, the authors put forward a distinctly Orientalist description of the cultural differences between the West and other cultures. Indian society, the book’s main case study, is represented as exotic and irrational, something that is purportedly holding up its development.

Most of these attempts to incorporate postcolonial insights into the organizational literature revolve around the relationships between Orientalism and organizations (see Erney 2004), with a minority of studies introducing hybridity as a central concept (mainly Prasad 2003b). Furthermore, only a handful of studies have examined the effect of the colonial encounter in management and organization studies (mainly Cooke 1999, 2003 a,b,c; Kwek 2003; Prasad and Prasad 2003). We incorporate a post-colonial perspective into business history and argue that business history needs to acknowledge the hybrid nature of the colonial encounter, the fusion between
colonizers and the colonized, and the mutual effects between them which continues post-independence.

Our paper attempts to show the continuing existence of British imperialism post-independence within the oil industry. Our contribution lies in exploring the operations of British oil companies, BS and BOC and their inter-relationship with the GOI, using the post-colonial concept of hybridity. Our study embraces the post-colonial view of incorporating the voice of the other i.e. the non-British view and perspective and highlighting the continuing imperial influence post-independence. We recognise that the relationship between the GOI and BS was complex with differing levels of co-operation and tension existing between the two parties throughout the period culminating in changing hybridity and changes to both the environment faced by BS and its operations. We argue that the post-colonial notion of hybridity is helpful in charting the changing relationship between BS, BOC and the GOI and the impact of this on the operations of BOC and BS in our chosen time period.

This paper extends previous work that has been undertaken on BOC, BS and the Indian oil industry. Corley has presented a history of BOC until 1966 with part of a chapter on post independent India. This is very much based on the perspective of BS and BOC and does not address the issues of imperialism and post-independence change in any great depth. Patwardhan, the only Indian chief executive of BS, too describes the events in our period. However, the period before 1970 is covered briefly and the perspective is, again, very much from the point of view of BS and BOC. We extend both Corley’s and Patwardhan’s work by increasing the time period
covered, applying a post-colonial perspective and focusing on the changing socio-economic context and the interactions between the GOI and BS and BOC.

Economic analyses of the oil industry in India have been carried out by Vedavalli and Dasgupta which are more critical than Patwardhan and Corley, touching upon issues of imperialism and power relations. Both the authors cover the time period of our study and analyse foreign investment and oil pricing in the pre and post-independence oil industry in India. However, these studies take an economic perspective and cover BS and BOC only as part of the wider oil industry. We attempt to integrate two discrete sets of literature; one dealing with the history of India, and the other with the history of BOC. From this essentially empirical exercise we derive the general hypothesis that an understanding of the British presence abroad requires examination of the periphery and the changing political authority there. This analysis is presented next.

4. Analysis

4.1 The changing socio-economic and political context and impact on BS and BOC activities

At independence in 1947, the socio-economic and political context changed significantly for BS and BOC. Before independence, BS, owned and controlled by BOC, had been an important imperial company and, as such, was in a favoured
position in India. BOC had been established in Glasgow during 1886 and gained concessions to drill for oil in Burmah when the British annexed Upper Burma after the third Anglo-Burmese war. BOC successfully drilled for oil in its early years and became the only oil company in the British Empire. As such, BOC was of particular importance to the British Government, signing in 1905, an agreement with the British Government\textsuperscript{36} to supply fuel oil to the British Admiralty. This led to BOC being invited to take on the Anglo-Persian oil concession in 1910 and becoming a major shareholder of Anglo-Iranian Oil Company when it was established. BOC started to trade in India in 1902, with India rapidly becoming an important market for BOC for kerosene and other oil products. In 1905, it concluded a kerosene agreement with Asiatic Petroleum, agreeing to sell its excess production to other oil companies. By 1919, BOC had become an important company in the British economy as indicated by its market capitalisation of £62.8m ($278m) placing it first place on Chandler’s list of Britain’s leading industrial firms of 1919. BOC retained its importance to the British Government, both in its own right and as the leading shareholder in AIOC, in the period up to 1947 due to Britain’s increasing oil needs with two world wars and a movement away from coal to oil in the British economy\textsuperscript{37}.

BOC’s activities in India continued to prosper and in 1919, BOC entered a Kerosene pool agreement in India with other oil companies which was highly advantageous for BOC, but at the expense of other companies such as Shell. Diversifying further, in 1921, BOC acquired the Assam Oil Company, one of the two producers of any consequence in mainland India, but inefficient as a result of being under-financed and poorly managed. By 1926-27 BOC, together with some smaller indigenous producers, was providing 65 per cent of India’s Kerosene needs, making BOC the largest oil
company in India and indicating its importance to both the Indian oil market and the British Empire. At the beginning of 1928, BOC and Shell jointly established the Burmah-Shell Oil Storage and Distributing Company of India (BS) in the Indian sub-continent, initially to deal with oil distribution activities and later adding oil exploration and production to its role. BS was required to purchase all its oil supplies from its two parent companies, with BOC’s oil having the prior claim, after which Shell could import the balance. BOC undertook not to market directly in other parts of the world and to consign any surplus oil to Shell. Later the agreement was amended such that Shell shared the supply of oil to BS with the AIOC. BS also gained concessions to drill for oil from the British Government in India.

In the pre-independence period, oil was very much in the hands of foreign oil companies with BS being the largest. BS was allowed to trade without undue government involvement in trading activities, British staff dominated in key positions and the company was closely linked with the managing agency system that was associated with the British Empire. BS was therefore very much in a favoured position as a British company. Throughout the pre-independence period, British interests were paramount within the British Empire, with easy remittances of monies to the UK and protection against foreign competition for British companies. British capital dominated industry in India with British firms dominating, either directly or through managing agencies and some believed that British policy has been responsible for a decline in indigenous industry. Some Indian family based companies such as the Tata and Birla groups ran successful businesses, for example in iron and steel and textiles. However, in most cases, what little Indian industry there was, produced low technology, low productivity, low wage and labour intensive
goods and was concentrated in only a few selected areas. There was little production of capital goods, a lack of infrastructure industries, modern banking and insurance\(^{42}\).

This context changed after independence in 1947. Inheriting an economy which needed modernising, economic growth and indianisation was a priority for the GOI. To address these issues the GOI introduced a mixed economy with five year plans, a large public sector and government supported industrialisation to try and stimulate rapid economic growth\(^ {43}\). A first industrial policy resolution, issued on 6\(^{th}\) April 1948, stated that the aim of the GOI was to establish a social order where justice and equality of opportunity would be secured for all people\(^ {44}\). This would be achieved by careful planning over the whole of the economy. In total, seven five year plans were prepared from 1951 to 1990 covering economic growth rates, investment targets for both the public and private sectors and, in later years, foreign aid requirements\(^ {45}\) A second industrial policy resolution, issued on 30\(^{th}\) October 1956, divided industries into three groups: industries which would be in the public sector, industries which were to be in both the public and private sectors and industries which would remain in the private sector. Public sector industries were those identified to be of major importance to the economy and included the power industry.

The oil industry, however, was granted an exemption from the industrial policy resolutions and allowed to remain in private sector hands\(^ {46}\) leading to continued dominance of BS within the oil. BS, controlled by BOC in London, negotiated with the new state governments in India to retain the oil concessions that they had previously held with the British Government in India before independence\(^ {47}\). In addition, they continued to successfully market petroleum products throughout the
country\textsuperscript{48} as early on in the post-independence period, the GOI made it clear that they would not be entering into activities relating to oil\textsuperscript{49}. However, although the industrial policy resolutions gave exemptions to the oil industry\textsuperscript{50}, there was always the possibility that in the future, oil projects would be placed in the public sector, which would reduce the business activities of BS and this possibility was a concern for BS throughout the post-independence period\textsuperscript{51}. Instead of nationalising foreign oil companies, the GOI entered into negotiations in 1949 with BS and other foreign oil companies for the building of oil refineries in India. These negotiations were not successful at this time with BS and the other foreign oil companies refusing to accept the proposals put forward by the GOI, deeming them not favourable enough.

Negotiations continued and, in 1951, BS entered into an agreement to build a refinery near Bombay, setting up a wholly owned subsidiary Burmah shell refinery (BSR) for its refinery work. This contract included provisions in relation to the supply and pricing of oil and petroleum products which were more acceptable to BS than in the earlier negotiations\textsuperscript{52}. In the period 1949-1951, BS also entered into a pricing agreement relating to its oil products, known as the valued stock account which was also favourable for BS. In addition to the more favourable pricing provisions in the refinery contract, other factors that influenced decision to enter into the refinery contracts included the impact of the Iranian oil crisis on BS\textsuperscript{53} and the possibility of the GOI building its own refineries with help from other countries using Indian capital\textsuperscript{54}. The GOI also entered into refinery building agreements with two other foreign oil companies, Standard Vacuum in 1951 and Caltex in 1953. The BS refinery came into operation in 1955 and operated under the terms of the refinery agreement, increasing
its refining capacity periodically, until 1959\(^{55}\) after which the refinery agreements were reviewed.

As well as the building of oil refineries post-independence, BS also faced a much more competitive environment than before independence. BS faced both more direct competition from other foreign companies looking to enter the Indian market and controls and competition introduced by the GOI. Direct competition came from oil companies from countries other than the UK, initiating exploratory activities in India with the aim of entering what was perceived to be a lucrative market\(^{56}\). GOI controls came through licensing and price controls. Private sector companies were regulated by the Industries Development and Regulation (IDR) Act of 1951 which gave the Government powers to regulate and control specified industries through a licensing system\(^{57}\). Although the licensing system was initially implemented to control only some private sector companies\(^{58}\), in practice it was used to control almost all industries and companies including BS, enabling direct GOI influence over BS\(^{59}\). The GOI also introduced price controls for a range of commodities including oil and petroleum products. The objectives of these policies was to control key resources, provide poorer groups with certain basic necessities at low prices, to provide key inputs for the development process at low prices, and to control inflation. However, in practice, the policies led to protection of Indian industry, shortage of commodities, low profitability, high costs, increasing government subsidies and poor economic growth\(^{60}\). In relation to oil, the GOI influenced prices in the oil industry as the period progressed through commissioning three oil enquiry reports\(^{61}\) from 1959 to 1967 all criticising and amending the pricing provisions of the original refinery agreement and the valued stock account agreement\(^{62}\).
The GOI also attempted to create more competition within the oil industry to try and reduce the influence of BS and BOC and their interests. The GOI, in 1955 and 1956, entered a world tour to try and attract investment into India from other countries and were successful in negotiating the import of cheap oil and foreign expertise with the Soviet Union and Rumania\textsuperscript{63}. The GOI also established Indian oil refineries, Indian oil companies such as the IOC for marketing foreign petroleum products in 1956\textsuperscript{64} and the Oil and Natural Gas Commission (ONGC) for Indian oil exploration in 1955\textsuperscript{65}. Initially the GOI requested the foreign oil companies to process the cheaper crude oil from the Soviet Union and Rumania and to market their oil products but BS and the other foreign oil companies refused to do so. Instead, the Russian and Rumanian oil was processed in Indian state oil refineries and the petroleum products were distributed by the Indian Oil Corporation (IOC)\textsuperscript{66}. This helped the GOI in several ways. Firstly, the GOI was able to access cheap oil payable in rupees helping to lower the cost of raw materials, conserve foreign exchange and improve its balance of payments\textsuperscript{67}. Secondly, the GOI was able to set up Indian refineries in the 1960’s in the public sector\textsuperscript{68}. Thirdly, the increased competition in the oil industry in India helped the negotiating position of the GOI with BS and BOC with BS agreeing to voluntarily give up duty and tax benefits negotiated under the refinery agreements of 1951 in 1959\textsuperscript{69} and BOC agreeing to enter into oil exploration activities in the mid 1950’s. They did this through setting up an Indian rupee company, Oil India in 1957 in partnership with the GOI\textsuperscript{70}.

In 1953, the first discovery of oil was made in India and in 1955, BOC agreed to undertake oil exploration activities including the laying of pipelines in India in
conjunction with GOI. This agreement led, in 1957, to BOC setting up a rupee oil
exploration company, Oil India, with 2/3 ownership by BOC and 1/3 ownership by
the GOI. Money for their share was loaned to the GOI by BOC. In 1961, Oil India
changed ownership again with the GOI increasing their percentage ownership to 50%
thus changing Oil India into a joint venture\textsuperscript{71}. During the 1960’s, BS negotiated
further increased its refinery capacity and entered into contracts for building an oil
pipeline for transferring oil from Assam to Calcutta\textsuperscript{72} with the GOI. From the mid-
1960’s, the GOI prohibited import of petroleum products by BS and other foreign oil
companies and the import and marketing of foreign petroleum products was
concentrated in the state owned IOC\textsuperscript{73}. This left BS with its refinery operations and
the marketing of the petroleum products generated from its refinery.

Thus although BS and BOC still retained their dominant position in this time period,
they had to operate in a very different environment to that pre-independence and had
to interact with the GOI in many different ways. The changed environment led to
changes in BS activities during the period. BS was able to enter into more favourable
contracts at the beginning of the period but as the period progressed, agreements
became less favourable with BS facing more competition due to increasing GOI
involvement in oil activities. In addition, as the period progressed, BOC entered into
partnership with the GOI in oil exploration activities with the joint setting up of Oil
India. Imperialism continued to influence the relationship between BS and the GOI
post-independence where, throughout the period, the relationship reflected changing
hybridity. The focus of our analysis now turns to this.
4.2 Imperialism and hybridity in relation to BS and BOC in post-independence India

4.2.1 Imperialism

Imperialism was an important influence on the relationship of BS and the GOI throughout the period. Firstly in 1947, despite independence and the nationalistic feeling in India, oil concessions were unproblematically handed over to BS by the state governments in India. Thus, the interests of the British BS were protected and oil activities were not taken under direct Indian Government ownership. In 1948, recognising the need for Indian oil refiners, the GOI turned to BS, a former imperial company, and requested that its two parent companies BOC and Shell visit India to discuss the possibility of building these refineries. Thus, despite independence, the imperial connection remained between the GOI and British companies.

The imperial influence continued to be important when BS, acting together with the other foreign oil companies, was able to create a deadlock in the negotiations with the GOI over building refineries and oil exploration activities in India in 1949. The proposals put forward by the GOI in relation to the building of refineries, increasing oil exploration and the pricing provisions in relation to these activities proposed by the GOI, were not acceptable to BS and other foreign oil companies and no agreement was reached. One company was instrumental in creating the deadlock. This company is not identified in the archival sources but we speculate that this was BS as
it was the largest of the foreign oil companies in India\textsuperscript{77} and had the greatest links with the GOI due to their dominant position in the Indian market. Negotiations continued between BS and the GOI which led to the signing of a refinery agreement in 1951 between BS and the GOI\textsuperscript{78}. The 1951 agreement between GOI that was eventually entered into was on very favourable terms to BS in relation to the supply and pricing of crude oil and the pricing of petroleum products\textsuperscript{79}. Thus the interests of the British company continued to dictate negotiations even after formal empire had ended. The British company was able to gain favourable pricing provisions, despite the ending of formal empire and only entered into agreements with the GOI when the terms and conditions of the agreements were acceptable to them, indicating the continuing influence of imperialism.

Imperialism and the interests of British companies were seen to continue to be important post-independence in India. Despite the aims of economic independence and control of key resources and industries being in the hands of the GOI, as espoused by the industrial policy resolutions, oil activities were not placed in the Indian public sector. Instead, oil activities were left in the hands of the private sector and in the hands of mainly foreign companies, the most important being BS and BOC. The imperial and British influence was also maintained by the financing of Oil India Ltd. BOC provided finance to the GOI to fund their 1/3 ownership of the company and this finance helped to maintain the British interest and helped gain some tax advantages and easier dividend remittances for BS\textsuperscript{80}. In 1961, the ownership of Oil India was changed to a 50% joint venture between BOC and the GOI\textsuperscript{81}. Thus, despite greater GOI involvement in oil affairs, imperialism still influenced the activities of BS and its relationship with the GOI. Indeed, despite oil being identified as an important
resource for the GOI, the private sector British BS and BOC continued to be heavily involved in oil activities in the 1960’s increasing refining capacity and with continuing involvement in Oil India. Furthermore, the building of a major oil pipeline and other infrastructure projects were given to BS in the late 1960’s, thus showing the continuing importance of the British company to Indian oil interests throughout the period. The foreign aid requirements introduced in the 1950’s also helped to maintain BS interests and these are discussed later in the paper.

4.2.2 Hybridity

The post-colonial concept of hybridity has been identified as a characteristic of the Indian political and governance structures before independence. This hybridity continues to be seen post-independence and can be applied to the economic system and the interactions between the GOI and BS. At independence, economic development was a key priority for the GOI and, as in other newly independent states, a socialist influenced approach was adopted. In India, this took the form of a mixed system with a role for both the public and private sector. Thus hybridity between different economic systems was seen in the economic system of India at the start of independence.

Hybridity was also seen in relation to the treatment of foreign companies in India. Despite the nationalism that had led to the independence of India, the GOI stated that nationalisation of foreign companies was not the aim of the GOI. Instead, foreign companies acting in ways that would be beneficial for India were to be welcomed, indicating hybridity between economic policies and economic practice. Once independence had been achieved, there seemed to be a sense of optimism, perhaps a
more pragmatic approach, recognising that British companies were necessary and important in developing the economy and a hope that a mutually beneficial partnership between these now foreign companies and the GOI could be forged. At this point, a mood of co-operation was felt, which was a relief to BS as British business had feared a much more antagonistic approach by the GOI and feared that nationalisation of their businesses might be decided upon by the GOI. In relation to BS and the oil industry, oil activities were very much left in the hands of foreign oil companies. Thus despite the intention of key industries and resources being placed in the public sector\textsuperscript{86}, oil was left in the hands of the private, foreign companies, the largest and most important being BS. Thus hybridity between the intention for economic control of oil as a key industry by the GOI and the reality of oil being left in private sectors hands was seen throughout the period with co-operation being predominant just after independence.

The relationship between the GOI and BS became less co-operative during the negotiations for the building of oil refineries with tension between the wish of the GOI for Indian based refineries to be built by foreign oil companies and the refusal to do so by the foreign oil companies, mainly due to the pricing provisions offered by the GOI. However, once the refinery building agreements had been agreed, with terms favourable to BS, greater co-operation was seen between BS and GOI. Indeed, the GOI commented on the contribution made by BS to the country in the building of the refinery giving the country valuable refining capacity, new technology and foreign exchange\textsuperscript{87}.
This combination of tension and co-operation and hybridity continued to be seen in the mid 1950’s onwards with increasing tension between GOI and BS, leading to more direct activities by the GOI which were intended to curb the dominance and strength of BS as the period progressed. The GOI acted to curtail the dominance of BS in various ways. These included the establishment of Indian oil companies, the establishment of an indigenous oil regulator, ONGC, entering into oil import agreements with Russia and Rumania and the review of the 1951 oil refinery agreements. At the same time, these activities were combined with co-operative interactions between BS and GOI resulting in the continuing importance of BS in oil activities with the GOI setting up of Oil India in partnership with BOC and requesting BS to undertake the construction of pipelines in the late 1960’s in which the GOI took no formal role. These projects were undertaken in the private sector and by a British company rather than by Indian companies in the public sector, contrary to the Indian industrial policy of 1956 and despite the development of Indian oil companies and Indian refineries.

Hybridity was also seen in a wider sense, with the industrial policy of 1956 stating that future projects in oil were to be in the public sector but in fact this did not transpire. Instead the GOI set up a private sector Indian rupee company Oil India Ltd in partnership with BOC and with BOC having the larger ownership initially. The level of GOI involvement in oil activities, increased throughout the period. A change from no formal control over oil activities to some formal equity ownership in oil exploration companies in conjunction with BS and BOC shows changing hybridity and inbetweeness over time, moving towards greater GOI involvement in BS and BOC but with oil still remaining in the hands of the foreign private sector companies.
rather than being developed in the public sector or being fully nationalised. The imperial influence combined with socio-economic imperatives and constraints faced by the GOI resulted in hybridity in the system and the continuing importance of British companies post-independence in India. The aim of creating a modern, prosperous nation with the development of key industries in the Indian public sector and with increasing Indianisation throughout the economy had to be balanced against the need for foreign capital and technical expertise which could only be provided by foreign companies and states. In addition, throughout the period, foreign exchange was also an issue for the GOI, leading to agreements with foreign companies which preserved India’s foreign exchange reserves. Finally, as the period progressed, India started to need foreign aid and conditions were placed on this foreign aid that supported certain activities to be left in the private sector.

These general issues were relevant to the oil industry and the activities and interactions of BS and BOC with the GOI. Oil was left in foreign private sector hands due to the high capital needs of the industry combined with technical expertise being in the hands of the foreign companies. Contracts were entered into by the GOI and BS and BOC and key parts of the negotiations in the contracts related to the implication of the contracts for foreign exchange requirements by the GOI. For example, wherever possible, contracts were specified in rupees rather than sterling and provisions relating to BS providing capital in sterling or dollars rather than in rupees were included. Finally the foreign aid provided by the US, the World Bank and other countries also influenced the oil industry. The providers of the loan were of the view that oil was much better off in the private sector rather than in the public sector and this may have influenced the GOI to continue to develop oil activities in
the private sector in the late 1950’s and 1960’s, benefiting BS as the largest oil company for example in being awarded the pipeline and refinery contract in the late 1960’s and in the GOI setting up Oil India in conjunction with BOC.

The GOI retained their interest in oil but rather than developing oil in the public sector, they used other control mechanisms to influence the private sector oil activities, both formal and informal. Formal control mechanisms included licensing oil activities and price controls and informal mechanisms included informal interactions between the GOI and the management of BS and other oil companies in private meetings and other informal interactions such as at conferences and social events. Throughout the period, a complex relationship between the GOI and BS and BOC existed which was both co-operative and showed tension at different points and in different ways. At certain times, the GOI welcomed the activities of BS and BOC and highlighted the partnership of British and Indian interests generating benefits in terms of foreign exchange, balance of payments, capital, employment creation, training of Indian staff and technical expertise. This was particularly the case in the decade immediately post-independence. They also welcomed the support of BS at times of crisis for example during the Chinese invasion crisis. However tension between the GOI and BS and BOC was also seen from the late 1950’s onwards with criticism of oil refinery agreements, the establishing of oil price review commissions leading to increasing price controls, the GOI entering into activities to limit the activities of BS such as establishing Indian oil refineries and oil marketing companies and importing oil from Russia and Rumania. However even with increasing tension, the GOI still welcomed the involvement in BS and BOC in refining and oil
exploration activities for example with the setting up of Oil India in 1957 and the awarding of infra-structure projects in the 1960’s to BS.
5. Conclusions

The above discussion has examined the changes in the operations of BS and BOC in the period from independence in India in 1947 to 1970 from British imperial companies to ones operating in a postcolonial independent state. Before independence, BS and BOC had been important imperial companies with favoured positions in India. After independence, BS and BOC faced a more competitive environment, both from oil companies from countries other than the UK and the Government of India, with increasing controls over BS and BOC as the period progressed. However, despite this, BS and BOC retained their positions as the most important oil companies in India post-independence for example with refinery agreements and exploration activities set up jointly with the GOI.

PCT is a diverse body of knowledge which refers to the colonial condition and its formal and informal structures of domination which did not suddenly disappear after the end of formal direct rule. Using PCT, this paper explores the challenges faced by BS and BOC immediately post-independence, during a time of significant change in the socio-economic and political environment in which they operated. This study applies the post-colonial concepts of imperialism and hybridity to the operations of BS and BOC in post-independence India and our particular contribution lies in analysing both the imperial influence which remained post-independence and how this changed over the time period. PCT is shown to be useful in exploring the changing relationship between BS, BOC and the GOI and the impact of this on the operations of BOC and BS in our chosen time period.
The study employs the post-colonial view of incorporating the other i.e. the non-British perspective by exploring both the British and Indian perspectives and concerns within the interactions and negotiations between the GOI and BS and BOC and indicates the continuing imperial influence post-independence. The relationship between the GOI, BOC and BS is shown to be complex with changing hybridity throughout the time period leading to differing levels of co-operation and tension existing between the parties at different points in time, resulting in changes to both the environment faced by BOC and BS and their operations.

This research contributes to business history by considering post-colonial theory and by highlighting the hybrid nature of the colonial encounter and the mutual effects between colonizers and the colonized which continues post-independence. The study attempts to show the continuing existence of British imperialism post-independence within the oil industry despite the aims of economic independence within the GOI. A complex relation between the British companies and the GOI was seen with co-operation at certain times during the period and tension between the companies at other times, perhaps due to the tension between aims of economic independence and the socio-economic constraints faced by the GOI. The analysis developed in this paper might also assist research by providing a mechanism for scholars to assess the change in the socio-economic and political context for different oil companies. Such analysis is enhanced by the examination of major archival documents careful to place them in the political and economic context within which they were produced and published. Further research on the changing operations of other oil companies in different newly independent states too would be helpful for understanding how companies change and adapt to different socio-economic and political contexts.
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Table 1

Table of turnover, capital and profit before tax for major oil companies operating in India for 1956

(All figures expressed in lakhs, 1 lakh = 100,000 rupees)

<table>
<thead>
<tr>
<th>Company Name</th>
<th>BS</th>
<th>Standard Vacuum</th>
<th>Caltex</th>
<th>BOC</th>
<th>Indo Burmah Petroleum</th>
<th>Western India Oil Distributing Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>11,358</td>
<td>4,913</td>
<td>3,119</td>
<td>1,373</td>
<td>481</td>
<td>43</td>
</tr>
<tr>
<td>Capital</td>
<td>4,511</td>
<td>1,543</td>
<td>804</td>
<td>158</td>
<td>40</td>
<td>6</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>858</td>
<td>310</td>
<td>114</td>
<td>79</td>
<td>28</td>
<td>3</td>
</tr>
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