PREFACE

This thesis is essentially on international relations, trying to attempt a kind of fundamental understanding (if not necessarily a breakthrough) regarding the nature of inter-relationship between the developed and the developing countries, in particular drawing lessons from the bilateral and multilateral interaction between EEC and India. The key word in the research thesis is 'interdependence', trying to trace historically, the use of the word interdependence - its connotation as among issues, as among countries, trying to analyse the misgivings about this word, whether it is a real entity or a mere rhetoric, and ultimately coming up with a fresh definition of the word 'interdependence'; later on, relating it to the attempted fundamental relationship between the national and inter-national interests of a country whether developing or developed. A kind of general unification theory (GUT, in short) has been framed, with a view to encompass the esoteric forces working behind the scene, the immutable relationship of national interests, international necessities, the difference between the 'high politics' and the 'low politics', the question of 'interaction' itself, and what it implies and especially drawing lessons from the Depression years, the 'beggar my neighbour' policy era. And this has been analysed in the backdrop of the experience of commercial diplomacy and international negotiations, especially trade and money, and the experience of the bilateral joint commissions between India and EEC at Brussels, as well as at the bilateral level between the member states and India.
2. So this thesis would not necessarily be the place to look for the usual data on trade and balance of payments, the import-export statistics etc. because that is not the slant adopted, in trying to prove as to which is dependent on what, and what is the balance of trade, how much of trade has been diverted or generated by GSP etc. The whole thrust, in this thesis really, has been towards trying to understand questions as to why the confrontation in the North-South Dialogue, why the stalemate, why the Bretton Woods System does not seem to be working, why the multilateral institutions like the GATT, IMF and UNCTAD do not seem to be producing results! The deliberation at the latest UNCTAD VI at Belgrade also could not succeed, since nothing much can be expected unless one really goes behind the so-called esoteric forces working, and that is what has been modestly attempted in the entire thesis as a result of which an interconnectedness has been found between the national and international interests related in a special way, and it has been found that the so-called confrontation and the so-called 'shouts' and demands of one block doing something for the other, come into a kind of an understandable design. Once the static approach is abandoned and one sees the dynamic relationship of these forces, thence it gets clear that the 'dynamics of inter-dependence' is what has been the key contribution of this thesis. This incidentally has been now used by Gamani Corea, Secretary-General at the opening session of UNCTAD-VI. In his report to UNCTAD VI, Mr. Gamani Corea has called the conference to take decisions which could promote simultaneously the process of recovery and development in the world economy. This report of Gamani Corea contains a forward looking review of the
economic perspectives for 1980 and an elaboration of Mr. Corea's views on the need to adapt the international systems of money, finance and trade to what he has called the dynamics of new interdependence'.

3. In fact the full caption of this research dissertation (but for brevity) would read as follows:

"EEC-India Development Corporation - Dynamics of 'Interdependence' - the role of the GATT, IMF & UNCTAD".

In essence therefore, the research effort is focussed basically towards evaluation of the concept of interdependence, per se.

In the normal course, inter-dependence has been defined by several authors and it has generally been taken as mutual-dependence. Later on, people have been in a hurry to measure it and have measured it in terms of foreign trade, in terms of its intensity that is trade divided by GNP etc. Now we have already seen that there is a built-in contamination in this kind of measurement because of the following reasons:

1) The foreign trade statistics first of all is not pure because the actual transactions are not reflected fully, the revenue foregone etc.

11) Because of several existing tariff and non-tariff barriers, the true picture remaining obscure.

111) According to the thesis of Dr. Rita Cruise O'brien and Gerald Melleiner there is a definite disadvantage to the Third World even in the communication and information system.
iv) The negotiations do not always lead to depiction of actual situations because they are, ab initio, handicapped due to various reasons.

4. In this background therefore, it was found essential to really start from the fundamentals namely, rather than the definition and its measurement through foreign trade statistics, one can take into account the entire range of factors which are not only economic, (economic in the sense of actual statistics of trade and finance) but the non-economic factors too, which are far more important, viz. the social, psychological, diplomatic and most important of all, the forces which have gone to blur the distinction between the 'high politics' and 'low politics'. It has been observed that there are at least five major characteristics of interdependence, likely to have consequences for foreign policy interactions and planning. Briefly these are, increased number and variety of issues, growing dominance of economic issues, politicization of foreign policy issues, new international actors and new domestic actors. Therefore our work analyses the reasons for reservations in adopting the erstwhile conventional approach, practised hitherto, of equating interdependence merely with foreign trade intensity.

5. The Treaty of Rome does not explicitly give the European Community any overall mandate in the field of development co-operation. This is because development co-operation had a much lower profile in the 1950s than it has had since, and until the late 1960s, the slow rate of progress in this area was due to the EC member states' reluctance to coordinate their foreign policies. This reluctance was overcome with the European Summit
in the Hague (1969) and the establishment of the European Political Cooperation Effort (1970), which was based on the Davignon Report. A growing sense of awareness within Community institutions, and most notably within the Commission, of the need for a renewed approach to development co-operation opened a new phase in Community relations with the Third World and in international relations in general. The reevaluation of the Community's development policy was not a consequence of, but rather preceded, the oil crisis, the rise of raw material prices and the threat of shortages in basic foodstuffs. It precedes the LDC's request for a "new deal" by supposedly offering one.

6. Chapter 1 delineates that the Bretton Woods agreements were the first successful attempt consciously undertaken by a large group of nations to shape and control their economic relations. The Bretton Woods Agreement asserted the primacy of domestic economic policy aimed at the maintenance of full employment and at the same time established the responsibility of each nation to the community of nations in the realm of international financial policy -- a reaction to the self-serving, defensive, and ultimately destructive free-for-all of the 1930s. However as these Bretton Woods institutions took shape, the developing world for many reasons, some grounded in empirical evidence, some perhaps in pure emotion, had severe doubts about the Bretton Woods system's impact on their growth potential. Their complaints ranged from the general - the workings of the international markets for goods, capital and technology - to the specific. They perceived the following kind of biases in the system:
(a) Efforts at international trade liberalisation through the instrumentality of the GATT have been singularly biased in favour of products or interests to developed country exporters, and the developing countries have therefore gained little from the various rounds of tariff-cutting negotiations that took place.

(b) The value and volume of foreign aid flowing from North to South were unjustifiably low whether measured by 'absorptive capacity' of aid funds in Southern development projects or by proclaimed Northern commitments to assist Southern Development efforts.

(c) The North has systematically rejected or stalled for lengthy periods before accepting Southern proposals to increase resource transfers to the developing countries. The South suggests international commodity agreements to raise and stabilise the prices for its major exports; the North responds by cataloguing the problems that commodity agreements raise and by effectively rejecting the approach except in a very few cases. The South suggests a 'supplementary financing' mechanism as part of the IBRD's efforts to increase North-South resources flows; the North quietly interets the proposals each time it is reintroduced.

(d) Northern multinational corporations have in general restricted their potential contribution to the development process in one or all of the following ways; by limiting tax contributions through certain patterns of transfer pricing, by limiting job creation through capital-intensive production methods and
artificial limitations on exports; by limiting capital inflows through borrowing in host country money markets; by exacting monopoly rents on their technology, and so forth. In addition, these companies have often interfered in the internal politics of host countries, with or without the encouragement of their home governments.

(e) The terms of trade have moved consistently against the typical developing country export basket, and they have done so for reasons integral to the operation of the Bretton Woods system.

7. Political scientists for the past three decades have generally emphasised the role of power particularly organised military power in international politics. Some have characterised the world economy as constituted into three imperfectly integrated parts: the countries of the North whose mutual relations are characterised by interdependence, relations between the North and South, which display the feature of dependence, and the relations between the market economy developed countries and the socialist countries which, broadly speaking, have been marked by an independence of policy making and a relative isolation. There is a view that meaningful negotiations are facilitated when they occur between countries with a marked interdependence of their economies and approximately similar bargaining power at least in specific sector. And hence the greater results up-to-date from North-North negotiations rather than West-East and North-South discussions.

1. 'High Politics' or 'High Policies' would mean those associated with security and the continued existence of the State; 'low politics' imply those pertaining to the wealth and welfare of citizens. Presently in the Atlantic area, 'low politics' of economic interdependence may appear more important than 'high policies' of mutual dependence.
8. It would thus appear that though the economic inter-dependence of the industrialised economies has come to be generally appreciated, the interdependence of developed and developing countries has not been firmly established, although it is asserted in many official statements. The political efforts of rising economic inter-dependence are not always benign. One of the effects is to blur\(^2\) the traditional distinction between domestic and international politics. This is a key manifestation, reflected upon throughout this study, attempting to evaluate the concept of interdependence. One tries to understand world politics and international relations by developing explanations at the level of the international system. This does not mean that one disregards the domestic politics of foreign policy as unimportant. Quite the contrary, foreign policy and domestic policy, it has been emphasized, are becoming increasingly difficult to disentangle.

9. The EEC considers itself to be in a unique position to bridge the differences between the North and the South. Its members do include former colonial powers, but, as Sir Christopher Soames once pointed out, the Community - as a new collective entity has no colonial past. On political and historical grounds, the Community claims to appreciate better than other developed countries the problems and aspirations of the developing countries. The Community also has acknowledged its dependence on the developing countries for its economic advancement. Deriving nearly 40 percent of its income from trade, the Community needs dependable sources of energy and raw material as also outlets for its manufactured products. Economic

complementarity is thus the corner stone (so claims the EEC) of the Community's Development Cooperation Policy.

10. The point emerges therefore, that without a deeper appreciation on the part of EEC (Western Europe) of the value of close co-operation with India for the attainment of its goals at the global level, the need for more purposeful initiatives is perhaps unlikely to be felt. Two propositions with political/economic slants could be considered in this connection. First, during the past more than three decades of India's independence, Western Europe has not given due consideration to the fact that India is not only the largest functioning political democracy in the world, but it is the only one in the Third World, which has survived despite tremendous jerks and jolts, both in the internal and external domains. Should India fail to succeed in its prime task of national economic and social development through its democratic framework, any systemic change that may ensue in consequence could run counter to Western interests in this strategically important part of the world. Secondly, it is understood adequately in Western Europe that India is not only the ninth largest industrial power but that it is also a big reservoir of trained personnel and technological skills. But what has not engaged its attention is that these skills could be put to greater use jointly in the cause of development in the third countries. Undoubtedly, therefore, closer co-operation between India and the Community in the execution of development programmes and projects could add to the effectiveness of the Community's development cooperation policies.
11. Chapter 2 and chapter 3 trace the background of the use of the term 'interdependence' and the various approaches adopted thereto; in order to build up the analysis for studying the developing co-operation and evolving community policies in the EEC/India context. The EEC's development policy has two foundations: the common external tariff which requires that trade policy is determined at community level; and development assistance also which is formulated and implemented partly at community and partly at member state level. The EEC's development policies are implemented through a network of over 20 agreements with individual states and groups of countries. Some cover trade alone, some have financial provisions and some also have arrangements for institutional co-operation. The liberality of the trade regime and generosity of aid provisions vary widely, and some countries receive trade preference over third world states. The most privileged states are the 64 African, Caribbean and Pacific (ACP) countries that have signed the Second Lome Convention, which runs from 1980-85.

12. The details of the EEC's genesis and its external relations right up to the framework of the latest development policy (1982) have been analysed in the third chapter with EEC/India interface getting a focus in the form of the Commercial Co-operation Agreement (CCA), which provides the background for model building and perceiving in the subsequent chapter 4 - the 'symmetric' and the 'asymmetric' interdependence in the EEC's scheme of trade and economic relations being perceived in the shape of 'concentric' pattern - or on 'orbital' manner! Interdependence is apparently
a commonsense word, but its interpretation universally, is not necessarily 'common'. Due attention therefore has been given, in these chapters in understanding/interpreting, its connotation in the international system of political economy vis-a-vis other terms like economic integration, co-operation, international division of labour etc. - which are of popular usage in International economics.

13. EEC-India relationship, whether as a Centre-Periphery mechanism or fitting into any generalised model of Interdependence as such, has been examined in the light of EEC's special trade relationships with most of the Third World countries. India, as of now, may not be figuring high in EEC's external, economic priorities as seen by tabulating commercial relationship in a hierarchical form; but if properly perceived, there is perhaps more to it than a mere superficial notion of inter-se dependence or supposed inter-dependence. Therefore some theoretical insights on the evaluation of the concept of Interdependence in the Indo-EEC context have been attempted. The analysis (resultant $\Delta \equiv$ Interdependence) on the Indo-EEC scenario, historically, brings out that, semantics apart, the imperatives of India-EEC Co-operation (both being significant members of the North-South configuration) can hardly be over-emphasised. Further, it turns out that static bilateral complementarities between India and EEC would potentially remain academic, unless consciously triggered, as a 'common-enterprise', in the light of conceptually dynamic framework, which the facts of global interdependence rationally dictate.
14. Moreover in this Chapter it has been stated that 'Logical Constructs' engender theories; further, theories understandably are often judged in terms of the notion of 'heuristic fruitfulness'.

It has been known that there is no rigorous theory in the field of international relations. The few logical models that do exist may not perhaps be faring very well in terms of the criterion of predictive accuracy. Thus, a theory that does not itself yield accurate predictions may nevertheless play a key role in facilitating intellectual progress by suggesting or precipitating the development of additional theories that do produce good predictions. Sometimes logical constructs are praised as sources of insight concerning complex problems even when they do not yield accurate predictions. But the employment of logical constructs, per se, in search for insights is of certain importance in generating interest in the theoretical enterprise in the fields that have not yet produced a corpus of viable theories.

15. Without any tall claims of any theory on International Relations, as such, our discussion here need be limited only to certain conceptualisations viz. 'interaction' as a key variable for the international system and later, treating economic progress as purely 'entropic', it is not surprising thus that Han's economic struggle is about low 'ENTROPY' - from a state of 'disorder' to 'order'.

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and also, S.S. Saxena, 'The GATT: It is a good 'Sample' in International Trade Relations - a viewpoint', India Quarterly, Vol. XXVIII, No.2 (ICA, New Delhi), April-June 1982 pp. 196-206
With the above inputs, Chapter 5 develops under the caption 'Man, Nation-State and Interdependence-behaviour: Attempting a General Unification Theory (GUT) - a perception'. Wolfgang Bartschi, of the International Institute for Comparative Social Research, Wissenschafts Zentrum - West Berlin, observed in a meaningful paper: "It is surprising that such international interdependence, are seldom central topics of economic and political research. And this deficiency can be can be traced back to a lack of conceptualization." It is further maintained:

"For the study of international relations these considerations suggest that, in the area of foreign trade theory, the theorem of unequal exchange, in the area of social sciences in general and in the sphere of development policy in particular, the dependencia approach, and in the political-economic field, the inter-dependence approach, have certainly yielded important results and - more important - may yield more results. It might be helpful, though, if those working on world models try to integrate these results into their future research more effectively, otherwise the global constraints and the impact of nationally dependent and internationally asymetrically inter-dependent economies and nation states will be unduly neglected. Regarding the theory of international relations this has been the case for too long".

16. Thus certain conceptual inputs have been conceived, drawing from the actual practical experience of commercial diplomacy as well as academic analysis, and a modest hypothesis in the shape of GUT (General Unification Theory) has been attempted, which goes to explain the global inter- actions inter se North, South, East, West in general and EEC-India in particular. The cardinal principle of the GUT (General Unification Theory) is really based on the principles of rejection of physical determinism, (akin to Hiesenberg's principle of uncertainty) which means that GUT

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4 W. Bartschi - 'Dependencies and inter-dependence: A Theoretical Comment' Inter Economics (Hamburg) No. 9-10, (1978) - pp 246-250
nowhere denies the separate existence of national interests and international interests as precise physical quantities. It merely asserts that they cannot exist simultaneously as precise quantities. Each of them separately may be measured or given as much precision as desired. But if one tries to do them together then one is forgetting the basic law of interdependence (that is what M.N. is about), as a result of which it is impossible to measure precisely these quantities at the same time. In actual situations, one sees that whatever India might choose to have for alphas, (A) i.e. aggregated self interests and whatever BBC might choose to have for betas (B), their own aggregated self interests, but in actual living—interaction, which is tested in international negotiations, one finds that the two, national and international interests, on either side, cannot be measured precisely.

17. Therefore, this demolishes the erstwhile attempts of trying to simply measure interdependence in terms of foreign trade intensity, that is the foreign trade divided by the G.D.P etc. At the least one might try to take this M.N. as the overall logical construct, and as a first approximation, one can very broadly interpret the export—import data, between BBC and India, in terms of delta-A and delta-B

\[ \Delta A, \Delta B \]. One will have sets of figures:

1. India's exports to BBC,
2. India's imports from BBC,
3. BBC's exports to India and
4. BBC's imports from India, which (1 and 4; 2 and 3) are one and the same thing. But comparing these with India's total world exports and total world imports, one can arrive at these ratios which are really the first approximation to the various deltas. How it is important to realise that because
of the built-in mechanism of Bretton woods System in the form of IMF and GATT, where the balance of payments' requirement dictates certain behaviour, no one really tries to mathematically match that the exports and imports should be equal. And since this is the practical situation and rightly so, one sees the fallacy of trying to straightaway measure interdependence through foreign trade intake. In other words, one sees that these attempts of measuring, interdependence through foreign trade divided by GNP at best, turns out to be a particular case of the general theory which really gives, in essence, the overall definition of interdependence as attempted in this chapter. Robert Cutler's Paper for instance on East-South relations at UNTAD, concludes by saying that it is instructive to consider patterns of group D behaviour at UNTAD in the light of recent re-discovery of the analytic utility of the concept of 'regime'. Similarly, one finds that the new analytical concept of interdependence as defined through GATT, can perhaps be made use of qualitatively to come up with incisive conclusions on the North-South, South-South and East-South interactions, which are of immediate concern for a country like India (Third World).

16. Consequentially therefore Chapter 6 analyses the growing complexion of ESC's protectionism with the case study of decision-making in the political economy of protection. Chapter 7 looks at the role of the international institutions the GATT, IMF and UNTAD and the community's participation at these organisations.


It is observed that this perspective on changing the world also recognizes that the institutionalization of a regime is an opportunity for transforming the world.
The thrust of the charge made by developing countries (like India) and the Group of 77 has been that the trade and money institutions namely GATT/IMF, have functioned more as a richman's club, and this feeling and the criticism cannot really be dismissed as poor's paronia! Case studies on G3P and the industrial structural adjustment have been analysed, especially in the context of India-EEC development co-operation.

19. This takes the dissertation to the final chapter on concluding thoughts. This final chapter 3, includes observations and suggestions: international scenario and inter-dependence laws? The complimentarity of INDIA-EEC has been brought out and it has been concluded that the definition of interdependence and its mathematical formulation on the dynamic nature of interdependence turns out to be the basic tenet of international relations. On the practical plane, however, the following observation provides food for further thought on Indo-EEC Development Co-operation utilizing the conceptual apparatus modestly provided in this thesis.

20. The overall shape of the Community's aid programme could substantially be modified, its selective nature, moulded by past historical circumstances, calls for conversion into a world-wide programme responding to the development needs of the Third World in the mid-1980's, matching the EEC's status in the world - such is the strain of a recent discussion in the forum on EEC's Development

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policy. Commenting on EEC's latest Development policy, enunciated by its Commissioner, Edgard Pisani, one has an interesting critique by Christopher Stevens7 to the effect:

'...A man of ideas and broad vision, he appears less interested in details and logistics. If his strategy succeeds it will radically transform EEC-Third World relations. If it fails, it will leave the Commission as a rather ineffectual aid agency'.

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Christopher Stevens, 'New Directions under Commissioner Pisani' in the same book n.6, op. cit. pp 133-204.