Ever since the attainment of independence Non-alignment has been the cornerstone of India's foreign policy. This policy has been derived, just like the foreign policy of any other country, from considerations of national interest. But India's first concern has been to prevent any erosion of her independence, and to maintain international peace as an essential condition of her economic, social and political development rather than join any power blocs. For India, Non-alignment, therefore, represented freedom of policy and action in conformity with international obligations. It has been proved increasingly beneficial for India to keep her options open in developing relations with various countries irrespective of ideological differences. It also enabled her to secure all types of aid from countries belong to opposite blocs.

Before independence Indian National Congress was in favour of nationalisation of foreign enterprises. That policy was reversed after independence on the ground that the technology, managerial enterprises and the capital these enterprises were bringing to India could not be replaced. The need for foreign
capital in the process of development was generally accepted by Indian economists. Cutting off economic ties with the erstwhile colonial powers was not a sure guarantee for economic progress in the developing countries. India had generally taken the initiative in the formulation of the aims and priorities with regard to external assistance and the context within which it was to function. This made possible by her disciplined system of planning, authoritative distribution of priorities and strong statement of principles, in conjunction with a flexible attitude on the part of the major donors. India pursued her national objectives of development, self-reliance, modernisation and social justice with maximum vigour.

"The Government of India have given careful thought to the economic problems facing the country. The nation has now set itself to establish a social order where justice and equality of opportunity shall be secured to all the people. The immediate objective is to provide educational facilities and health services on a much wider scale and to promote a rapid rise in the standard of living of the people by exploiting the latent resources of the country,

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increasing production and offering to all for employment in the service of the country."

The Indian leadership explicitly recognised the importance of foreign capital in the realm of economic development. It became apparent, however, early in the 1950s that India's holdings of foreign exchange which were being rapidly depleted through a liberal import policy, would be wholly insufficient to finance the Second Five-Year Plan. The first step India was compelled to take to meet the situation was to replenish India's diminished stock of foreign exchange. It was at this point that the possibility of large scale foreign aid in order to finance Indian economic development began seriously to be considered at the highest levels of government. The Indian Rupee had been closely tied to the Sterling and was devalued in 1949 following the devaluation of the Sterling. Again when three multinational companies agreed to building up refineries in India, the government of India not only exempted them from various controls and regulations, but also provided them with heavy tariff protection. Despite the Industrial Policy Resolution of 1948

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which earmarked some strategic industries for public ownership, the general philosophy of the government was very much in favour of private enterprise. Collaboration between the Indian capital and foreign investment was endorsed in the Industrial Policy Resolution. Indian industrialists kept in touch with the private capitalists and governments of the developed countries to explore the possibility of attracting foreign investments into India. In such deals the capital exporting countries provided political and economic facilities by collaborating with the indigenous enterprises to get more advantages.

Indian economy showed during the 1950's new tendencies for growth without confronting the areas of foreign capital. The general food situation, the refugee problem, war with Pakistan on Kashmir, intensified faction struggle within the Congress Party, particularly after the death of Gandhiji and the political questions created by the existence of a large number of

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3 The Government of India laid the Industrial Policy Resolution on the table of the Constituent Assembly on 6th April, 1948. The Resolution stated that the problem of state participation on industry and the condition in which private enterprise should be allowed to operate must be judged in this context that there can be no doubt that the state must play a progressively active role in the development of industries, but ability to achieve the main objectives should determine the immediate extent of state responsibility and the limits of private enterprise.
principalities, the British Indian Provinces and Native Indian States whose relationship with India was yet to be decided, all these contributed to creating a condition of uncertainly and political instability in India. This constrained India to largely depend on the Western powers for development assistance. The international situation, at that time, was highly fluid and not favourable for peaceful economic development due to the climate of cold war and commitments of the US and the USSR to support their respective camp followers.

Soviet Union refused to recognise Indian independence and the Communist Party of India was preparing for an armed struggle to overthrow the new Indian government. However, India adopted a vigorous foreign policy based on the principles of non-alignment. Later, friendly relationship was established with the Soviet Union, which led to the visit of Soviet leaders to India in 1956. India participated in the International Economic Conference held in Moscow. In the Conference USSR expressed her willingness to increase trade relations with India; and other newly independent states on mutually advantageous terms and hoped

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4 The Soviet Union had already signed trade agreements with India in 1948, 1949 and 1951 and agreed to supply wheat in exchange of tea, tobacco, jute and other products from India.
that trade could be balanced in terms of import and export and could be paid for in the currency of the countries concerned.

Later, Pandit Nehru's peace initiative on Korea brought the Soviet Union and India closer. India proved in the UN and elsewhere its policy of Non-alignment was genuine and projected itself as a factor for peace in Korea and Indo-China. In 1953 the Soviet Union gave one million Roubles to the UN Expanded Programme of Technical Assistance (EPTA) for projects in underdeveloped countries. At a meeting of the Economic Commission for Asia and the Far East in 1954, the Soviet representative expressed willingness to provide aid to Asian nations with "no political strings attached". The prospect of such aid was particularly attractive to India as she wanted to receive aid from any country without strings attached. By 1955 Indo-Soviet trade had increased beyond the level set by the 1953 Agreement. The assistance of Soviet Union and Rumania was sought and received in building a strong public sector in steel, oil refinery, machine tools and other capital goods producing

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6. The EPTA was created in August 1949 which had a Technical Assistance Board (TAB) and a Technical Assistance Committee (TAC). The Association was meant for the technical co-operation of all the countries.
activities. All these actions were taken in the face of opposition from the World Bank and the Western countries. When Bhilai Steel plant was officially commissioned in Feb., 1959, Pravada published an article on Indo-Soviet friendship and Khrushchev hoped that "the future Soviet-Indian economic and technical co-operation, which was born at Bhilai would grow on all sides."

The relationship between India and the United States have come closer for strengthening the economic base of India. In fact, the US interest in India was the continuation of the US concern for India's independence. Of course, some of the aid that India received was determined under cold war conditions; it was also promoted or helped enlarge the share of US investments in India. The US aid programme to India was essentially a combination of philanthropy and export promotion. The American involvement in India's developmental efforts was also motivated by the US desire to rebuild Indian economy on a sound basis and at the same time keep India with the US to combat communism. It is true that the bond between India and the US was strengthened mainly because of economic assistance and the US has contributed

the largest share to the external economic assistance received by India.

The government of India however, was determined not to allow the commanding rights of the economy to go under the control of the foreign enterprises, nor was it prepared to rely on imports of manufactured goods, or even of machines which produced them. The Indian leadership could shift the foreign policy option in terms of conflict and dependence in the world context. Thus, in the economic sphere, India followed a policy of import substituting industrialisation rather than depend on imports of goods except in unavoidable circumstances. The Industrial Policy Resolution of 1956 imposed clear restrictions on the scope of the working of foreign capital in the Indian economy. In general, as the Indian economy is by and large open to international interaction and as such interaction takes place in an international economic system of which the North-North, North-South, East-South, East-West and South-South Sub-Systems are integral parts, India's policy makers were confronted with several challenges of varied nature in their pursuit of some general goals. The first and foremost task of Indian diplomacy had been to continuously strengthen its bilateral economic cooperation with other countries on the basis of mutual benefit
and whenever desirable to provide for appropriate instruments in this regard.

Indian statesmen and planners could realise the potential power of India as regards natural resources, population and other geographical factors. Taking into account the growing importance of heavy and basic industries, from the Second Plan onwards, special attention was given to the industrial sector. Heavy industries were started in the public sector with assistance from countries belonging to rival blocs so that India enjoyed maximum freedom of choice in policy and planning. Another aspect of Indian approach was the minimum dependence on the developed countries for imports of capital goods. This India successfully managed through systematic policy choices. Between 1960-61 and 1973-74 the share of imported equipment went down from 43 per cent to 9 per cent of total capital formation. It led to another aspect of industrialisation because by having a base of capital goods India could have sustained technological development.

Development Through Five Year Plans

The agricultural sector, particularly during the First

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Satish Kumar, *Year Book on India's Foreign Policy*, 1982-83, p.197.
Five Year Plan (1951-56), achieved self-sufficiency in food production and the Indian economy looked for new areas of operation. The Plan envisaged an outlay of Rs.2,069/-crores for the public sector and Rs.600/- crores for investment in private sector for industries. In the public sector the outlay was subsequently raised to Rs.2,378/- in view of inflation and increasing unemployment. This resulted in a sudden and spectacular increase in the share of public sector in the economy. Almost all the new heavy industries were started with maximum co-operation of indigenous industrialists and at the cost of foreign enterprises under government ownership. The strategy adopted by India in establishing industrial infrastructure in steel, oil refineries, heavy industries etc. was based on the principles of self-reliant industrialisation. Public ownership of the industrial activities was found complementary rather than competitive with the indigenous private sector and this was considered by Indian industrialists as the most attractive alternative.

The First Five Year Plan which was expected to last from 1951 to the end of March 1956, decided to spend Rs.2,069/- crores out of which 811 crores was to be financed from either external assistance to the extent available or by way of taxes loans or
deficit financings. The two oil price hikes coincided with periods of major domestic dislocations arising from drought conditions and disruptions in the basic infrastructure. Despite these developments India was able to contain the balance of payments effects of external and internal disturbances and even to achieve some small acceleration in real economic growth. It was accomplished then through a major and successful import substitution effort in foodgrains and petroleum, sustained export growth and an import liberalization that was initiated in the second half of 1970’s.

During the Second Five Year Plan period Indian planners adopted the policy of import substitution. The desire to remain independent from other powerful countries was one of the reasons for the adoption of an import substitution development strategy. Import substitution was successful in virtually eliminating India’s need for food grain imports which had reached a peak of almost a quarter of the import bill in mid 1970’s. The reliance on petroleum imports was also sharply reduced through a major acceleration in domestic oil exploration that resulted in an increase in oil production. The general economic strategy adopted by India also reflected the policy maker’s views on the impact of the international economy. Indian policy makers tended
to view the international economy more as a source of disturbance than a provider of opportunities which could be profitably exploited. In this context a policy of import substitution was a method of insulating the domestic economy from foreign disturbances.

The total foreign assistance upto March 1960 amounted to Rs.1,033/- crores. At the end of the Second Five Year Plan it could reasonably be expected that the foreign assistance would have exceeded Rs.2,000/- crores including the deficit on trade account. But foreign aid during the Second Plan amounted to Rs.1,430-20/- crores ie., 21 per cent of the total outlay. India decided to use foreign exchange resources only for making a self-reliant economy. The objective of self-reliance stems partly from the 'Swadeshi Movement' but largely from the need to build up an industrial base for self-sustaining growth. Dependence on imports for food, fertilizers, fuels, machinery, materials as also defence equipments could not be allowed to remain a paramount feature of the economy for strategic as also economic

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Manmohan Agarwal, "Indias' Economic Diplomacy", Satish Kumar, Year Book on India's Foreign Policy, 1983-84, p.184
reasons. Self-reliance, however, has to be achieved over time
and is not synonymous with autarchy.

The humiliating way in which devaluation of the rupee has been forced on India should convince even the most optimistic
that foreign aid is not a birthright. It is not a free gift. It has to pass through a series of restrictions and limitations or conditions that are imposed by the aid givers. The recipient countries should not utilise foreign aid without safeguarding domestic interests and also should take into account their repaying capacity. Referring to the implications, of the external assistance the Third Plan Document said:

"External assistance is essential for this period, but the aim must be to make the economy more self-reliant. Normal flow of foreign capital may continue but reliance on special form of external assistance has to be reduced progressively and has to be estimated."

12 Third Five Year Plan, Planning Commission, Government of India, New Delhi, p.107.
During the Third Plan period foreign exchange requirements were estimated at 5,500 million dollars of which Aid India Club was to contribute 3,800 million dollars. There were no political conditions attached, nor any economic one beyond an undertaking to complete the plan as presented to the World Bank. This was the beginning of the aid which the United States gave to India and it continued almost till the end of the Third Five Year Plan. But there is no reason to suppose that humanitarian influence in the US aid programme has not been as important as in other countries. The US aid programme was a reflection of world wide responsibilities assumed by the US after World War II and both the size and geographical distribution of aid suggested its political character. This means that the US aid programme was not motivated purely or predominantly by a disinterested desire to promote the economic development of the poor countries but also to some degree prompted by ideological perceptions. The US aid to India was not sailing smoothly. There were occasional ups and downs in Indo-US relations which directly affected the aid flows to India. The set back in Indo-US relations saw reduction in the amount of US aid to India from about Rs.250/-

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crores a year during the Third Plan and Rs.300/- crores during the three years of the annual plans to about Rs.150/- crores during the Fourth Plan. The decline in dollar terms was even greater because of the devaluation of the Rupee in 1966. Furthermore, the US which had earlier provided about 50 per cent of the external assistance to India provided only 17 per cent during the Fourth Plan. Even then foreign aid had played an important role in the Indian economic development. But at the same time India itself supplied 80 per cent of its own development requirements.

The Fourth plan also aimed at reducing assistance to making half the level of the Third Plan. During 1972-73 the amount of aid came to the order of Rs.666/- crores. But the figure went up in 1973-74 to Rs.849/- crores. The declining trend was reversed by an increase of 50 per cent in 1973-74 and in 1974-75. The gross flow of external assistance further increased by nearly 34 per cent reflecting the impact of such factors as grants and the UN emergency operation schemes. As a result of the wheat loan of USSR, longer IDA assistance and oil credits in 1974-76, gross aid disbursement increased by a further 37 per cent and reached a figure of Rs.1,838/- crores. This

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Ibid, p.32.
increase was mainly due to the assistance from friendly oil producing countries and form IDA.

The Fifth Plan could not complete its full term and terminated prematurely at the end of 1977-78. The new government formulated a Draft Five Year Plan, 1978-83, and was supposed to be the 6th in the chain of the Five Year Plans. Even this could not be completed as the government which brought it fell in 1980. The new government again terminated the old one and gave shape to another Sixth Plan. As a result a good amount of uncertainty and adhocism prevailed in the field of planning. The plan envisaged a total investment of Rs.158,710/- over the period of 1980-85, for the Sixth Plan period the economy was estimated to require an aggregate outlay of Rs.172,210/- crores. Of this only Rs.9,929 (10.2%) was expected from inflow of foreign capital. Still economic self-reliance appeared to be a receding goal for the country. On the conclusion of the Sixth Five Year Plan in March, 1985, the Seventh Plan was formally launched to cover the five year period 1985-90. The aggregate resources for the Seventh Plan were placed at Rs.348,148/- crores. The total net inflow from abroad amounted to 18,000 crores.

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15 Manmohan Agarwal, "Indias Economic Diplomacy", Satish Kumar, Year Book of India's Foreign policy, 1983-84, p.186.
### Aggregate External Assistance

<table>
<thead>
<tr>
<th>Period</th>
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<th>Grants</th>
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### External Assistance Authorised and Utilised

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<td>1961-66</td>
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<td>Annual Plan</td>
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<td>1,852.8</td>
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<td>1966-69</td>
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<td>Fourth Plan</td>
<td>1,326.0</td>
<td>2,484.4</td>
<td>3,810.4</td>
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<td>1969-74</td>
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<td>Fifth Plan</td>
<td>3,763.4</td>
<td>2,812.7</td>
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<td>1974-80</td>
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<td>Sixth Plan</td>
<td>8,987.4</td>
<td>3,311.2</td>
<td>12,298.6</td>
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<td>1980-85</td>
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Source (1) Basic statistics relating to Indian Economy 1984.
Indo-Soviet Economic Ties

By the middle of the 1950's Soviet Union revised her position for the newly independent states. The main concern of Soviet Union at that time was to contain the containment policy of the United States through trade and diplomacy. Soviet Union wanted to make these countries less dependent on Western support and thereby less keen to join Western military alliances. At the 20th Party Congress in 1956 Khrushchev said that "those nations which opted for non-alignment constitute a peace "zone" and should be included in the Soviet Bloc foreign aid programmes". This strategy of Soviet Union strengthened non-alignment as a principle of the foreign policy of a large number of developing countries and also provided sufficient bargaining power to the non-aligned countries vis-a-vis United States. India took full advantage of this opportunity to secure as much foreign assistance as possible from both blocs. As far as India was concerned with the Kashmir issue and the Western pro-Pakistan attitude further cleared the ground for Indo-Soviet economic relations. The Indo-Soviet relations are clearly manifested in the technological and financial assistance to the programme of

industrialisation and strengthening Indian developmental programmes. New India faced huge balance of trade with favourable credit terms and this proved to be great help in diversifying Indian exports in terms of non-traditional exports. The strong economic ties with the Soviet Union vastly improved the bargaining power of India with the Western countries and at the same time the Western countries never wanted to alienate India. The West was ready to help India by giving large amounts of money as foreign aid and other financial and technical assistance. During the Third Five Year Plan period when India faced foreign exchange difficulties Soviet Union offered a new credit of 1500 million rubles in January, 1965. Soviet Union signed an agreement extending a credit of Rs. 166.7 crores for the construction of Rukaro Steel Plant. The US wanted the plant to be built under American supervision and to be managed exclusively by it for a period of ten years after which it was to be handed over to India. The terms and conditions placed by US were unacceptable to India. The Soviet financial and technical assistance had been instrumental in the development of other industrial and power projects. During the period 1955 to 65 Soviet-Indian trade rapidly increased to reach 362.9 million rubles in 1965 from 10.6 million rubles in 1955.
The border war between India and China turned the Indo-Soviet relations to a new stage. The war and the subsequent decision to import US arms and seek support from the US Seventh Fleet annoyed Soviet Union. The US arms exercises in the border area seriously impaired India's non-aligned image. The Soviet stand on Indo-Chinese war surfaced through "Pravada" that bloodshed could not be allowed to continue and negotiation was the road for settling the conflict. Again in 1965 after Indo-Pakistan war the USSR took the initiative to mediate between the two countries. Here the US was not much concerned with the Indo-Soviet ties and this shift in India's foreign policy reflected the changed attitude towards the foreign capital. Trade was liberalised, restrictions on imports were reduced and a public appeal went out inviting the multinational corporations to invest in India. Restrictions on the majority share in equity by the foreign companies were withdrawn and negotiations began with US fertilizer corporation for the setting up of a plant on generous terms. It seemed to several men a shift from the genuine non-aligned foreign policy. Looking from a partisan point of view one would visualise some times pro-Soviet shifts and at other

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times pro-US in Indian foreign policy directions. When viewed in the context of the whole gamut of non-aligned foreign policy objectives that India followed we come to the cardinal issue that the preservation of vital national interests was India's main concern. From that point of view Indian shift from one position to another could be justified by the fact that following a series of harvest failures, the food situation in India in the first half of the 1960's was at its worst. India remained heavily dependent on food imports and the only available source with a food surplus, large enough to meet India's needs, was the United States. Moreover, from the military point of view after the Sino-Indian dispute India wanted to be in good terms with the United State. This shift in the Indian attitude was visibly seen in the foreign policy decision making in the case of import and foreign investment as well as in the priorities of the national economic planning. This shows the prudence of the Indian policy makers to deal with emerging international situations to produce favourable results. Compulsions of necessities create flexibility in decision making and reduce adverse impact on the system by which it can overcome difficulties with ease and cause less structural changes.
US Aid and India

The United States viewed economic assistance to the developing countries as an instrument of diplomacy. The US economic relations with India expressed a particular political colour. It was deeply rooted in Indian ideological and diplomatic strategy. It had been governed by the desire to ensure Indian development in accordance with the requirements of US policy. In other words, the US aim had been to assist develop those elements of India’s society which may become the natural allies in promoting the US interests in India. The US involvement in India originated from some significant economic imperatives like the access to import raw materials, finding out an outlet for surplus US products such as foodgrains and getting opportunities for US private investment. However, the largest US assistance to India had consisted of agricultural commodities, general imports, power development, transportations, public health, education and multi-purpose projects.

Apart from political considerations the American assistance to the developing countries was motivated by continuing dynamism and growth of the American economy which

necessitated the expansion of foreign trade, technological advancement and economic interdependence of all nations. For India and other developing countries increasing trade with the more highly developed nations was equally essential to achieve an adequate rate of growth.

The US influence on Indian economy was visible in 1966 when after five years of stiff resistance the government of India yielded to the US pressure to devalue Indian Rupee. The scheme for vigorous industrialisation that started during the Second Five Year Plan was kept in abeyance in favour of agro-based industries and planning itself was discontinued for three years after the completion of the Third Plan in 1966. These illustrate the change in policy directions and shifts in positions to changing internal and external environments.

Another shift in India's foreign policy directions occurred during 1970, particularly after the Bangladesh crisis. The crisis reversed Indian attitude towards foreign private capital. Trade restrictions were imposed and controls were laid on imports. This change may be attributed to the improved food situation following good harvests and successful implementation of high yielding varieties seeds programme in some parts of the country. Subsequently India felt less need for US food imports
under PL 480. By 1971 the year of bumper crops for the first time, since independence, India hoped for attaining self-sufficiency in food production. In general, India was totally committed to the eradication of poverty through planned and self-reliant development. Investment in the economy had been substantially raised. Over the Six Five Year Plan period ninety three per cent of Indias' investment had come from India's own resources.

<table>
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<td>II Plan</td>
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<tr>
<td>51-56</td>
<td>56-61</td>
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<tr>
<td>126.4</td>
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<tr>
<td>Canada</td>
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<tr>
<td>Japan</td>
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<tr>
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<tr>
<td>Grants</td>
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<td>Community Aid</td>
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<td>Total</td>
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</table>
Up to March 1973, India received loans and credits from twenty-two sources including World Bank and the IDA and grants from fifteen sources.

Country wise and Institution wise External Assistance
April 1, 1973 to March 31, 1980.

India’s Gain in the UN

India’s attitude towards the UN was that of whole-hearted co-operation and complete adherence in both spirit and letter, to the Character governing it. To that end, India would participate fully in its various activities and actively play that role in its councils to which her geographical position, population and contribution towards peaceful progress entitled her. India was insistent in every United Nations forum that the need, interests and special circumstances of the poor countries, who are the majority in the world, should be taken into account in every decision and every programme that was formulated. India has kept alive discussions on the world economic environment and has sought to press discussions on the world economic environment. India wanted to stimulate the North-South dialogue especially an integrated approach to the issue of monetary, finance, debt, trade and development. In this way India championed the cause of the developing countries in the international forums. At the same time, India never lagged behind in securing her legitimate share from the World Bank and the IMF for her developmental purposes.

\[\text{Ibid, p.28.}\]
India's position as a borrower from the World Bank is at the top. World Bank provided India with developmental assistance, around 15 per cent of her total requirements. The percentage is very small when the huge demand for Indian external assistance is considered. Yet India is considered as the largest client of the World Bank. She takes about one fifth of the Bank's total commitments throughout the world. The important factor of the Indian side appreciated in the World Bank assistance is that India has given priority to rural development, drinking water, education and human resources, agriculture, power and energy, urban development, pollution, control of population to which the World Bank also give paramount importance. India's top position as an aid receiving country can be explained away by the fact that the priority pattern of the lender and the borrower converged and both followed a similar strategy. There exists a two-way relationship between India and the World Bank based in mutual interest and influence. The World Bank placed emphasis on adequate project preparation, and India had acquired valuable expertise in this field and is able to transfer to other developing countries technological know-how, if necessary. India like other LDCs would like the World Bank to be capable of meeting all its needs for external development capital. She had accommodated the advice, suggestions and
requests of the Bank on various matters concerning to countries development strategy, and had to make compromise on many matters of strategic importance.

The resources given by the Bank to the developing Countries, in general, were quite inadequate to meet their ever increasing demands. The proportion of these resources, especially low-cost funds, is dwindling, partly because of the rapid increase in needs, partly through inflation and partly through the weakening of the political will of the developed countries to contribute a fair volume. However, India had maintained a good record with the World Bank though she is the biggest recipient of IDA funds. Under the original allocation criteria of population, size, poverty, credit-worthiness and performance of development, India would have been entitled to a larger share. Yet a ceiling was placed at 40 per cent on Indian entitlements as a necessary consequence of complaints from other recipients regarding the large share of India at the expense of other countries. India enjoys comparative advantage in the management of external debt by which Indian credit-worthiness reached a high level. But this has operated adversely or to the disadvantage of India, because complaints from other developing countries compelled the Bank to adopt hard lines. Infact, most
other countries could not cope with the pace of development, India achieved with external assistance. Other developing countries have no alternative but to depend on assistance from the World Bank group. India, on the other hand, has to borrow from commercial banks whose loans are availed of at a higher rate of interest. Other developing nations believe that India can afford higher interest rates and funds are easily available in the international money market. Industrial infrastructure of India has done well for the last several years and recorded success. Even during the drought afflicted year, industrial growth averaged nearly 9 per cent per annum. India demonstrated the possibilities of absorbing and adapting the best technologies the world has to offer. Through consistent efforts, India has contributed, considerably to the indigenous stock of technology. There is appreciation among the delegates who gathered in the Belgrade to participate in the Ninth Non-aligned Summit, about the manner in which India progressed economically without getting entangled in the debt trap and by keeping inflation under control. A feeling is growing that the Indian model of not relying excessively on any single ideological growth prescription is best suited to the developing countries.

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Hindustan Times, 1 Sept., 1989.
Future Trends

India's growth prospects over the next two years appear reasonably promising with industry taking the lead. Inflation rate will decline in the next two years by a point annually to 8 per cent in the current year and 7 per cent in 1990. The study has specially praised the four pronged policy initiatives taken by the government of India in recent years, that have imparted a new vigour and resilience to the industrial sector. It has made a pointed reference to the four basic components of the policy, deregulation of domestic industry, increased liberalisation of foreign trade, rationalisation of tax system and emphasis on the continuation of pre-stated economic policies. However, the debt trap is looking at India menacingly. External debt, which amounted to 21,106 million US dollars in 1981 has grown to 31,000 million and to 55,000 million US dollars in the year 1989 and the figure will grow to 60,000 million US dollars next year (1990). However, the fact remains that India is a country with a low per capita income. But it is also one of the few major industrial powers and is rich in managerial skills and

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technology. It has also huge financial assets; India certainly has the capacity to sponsor the formation of joint ventures in the developing countries who are prepared to join for investment on a commercial basis. While it would be naive to state that India's growth has been without wastes or inefficiencies, it is now becoming increasinly clear that, with in the developing world India is quickly moving ahead. Compared to the economies of Africa and Latin America which have regressed since the early 1970's. India has been able to grow notwithstanding the oil crisis of 1973, population pressure and increasing social demands on India's exchequer...while no one denies that a high percentage of Indians still live below the poverty line. India is progressively building up a segment of population which is starting to proposer. It has a middle class well in excess of 100 million and some 70 million earning more than the Australian average weekly wage. India pursues her national objectives of development, self-reliance, modernisation and social justice with maximum vigour. India's all round record has been remarkable when consider the magnitude of the forces play against her. The people of India are working together to overcome the country's problems; it is all being done in a democratic way. If India

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achieved importance it is not because of the fact that the country has the fourth largest standing army. Her claims to significance revolves around the rise of the economy. It is more important to note that India developed a capacity to indigenously sustain herself in terms of food and industry and absorbing advanced technology according to requirements.