CHAPTER TWO

THE ECONOMIC ASPECT OF NON-ALIGNMENT - A GLANCE

Facts About Non-Alignment

Non-alignment, as an integral part of the foreign policy of many developing countries and as a collective world movement, started with a distinct political philosophy. At first the Movement had been working well to liberate peoples from colonial bondage and was a bearer of ideas in integrating diverse elements in the international field under one banner. Pandit Nehru said:

"When we say our policy is one of Non-alignment, obviously we mean non-alignment with military blocks. It is not a negative policy. It is a positive one, a definite one and, I hope, a dynamic one."

It is a positive concept, which entails a certain code of conduct which though not recognised by law is governed by the general principles of interstate behaviour developed over the years. Since its inception it has emerged as a bulwark of peace, an effective weapon against external pressures and an upholder of a

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new world order based on equality and justice.

For a world, divided into two rival blocks, non-alignment represented many things. The term 'non-alignment' can be used in various senses. It can be a movement, a strategy, a posture, and a framework and even a diplomatic move. Above all, it can be thought of as an international sub-system. "It can probably guide as in our dealings with the big powers and with friends and foes." Such different meanings and interpretations for a set of ideals lead to some inevitable confusion in its functioning and cause frequent shifts in its priorities. The first priority was then given strictly to political issues which required immediate solution.

As political issues claimed precedence owing to the urgent need of consolidation of various conflicting elements within and without the developing countries, the economic issues had to be shelved for a while. Where economic issues got precedence over political questions, the Movement underwent modifications to evolve a particular economic philosophy. It embodied economic interests of the developing Afro-Asian countries because these countries had rising expectations. For centuries they remained

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3 Hindustan Times, 4 Sept., 1989.
dependent on the Western system of capitalism. During the colonial period these peoples had been forcibly incorporated into an alien socio-political formation. The pressure produced from without considerably influenced the internal force and also the penumbra of choice towards economic development. This external pressure was derived from politics, policies and parameters of actions of developed capital countries. Their integration with the capitalist system was thorough and complete and even after independence many of them continued economically as dependent states.

For many developing countries, political independence is a relatively recent experience. Memories of colonial relationships and a desire for real independence have accentuated their emphasis upon the major inequalities in the world. At the same time poor countries of the Third World decided to continue their alliances with their rich brothers, on the assumption that they would become generous and effective in their help. But that help, as expected, was not forthcoming from the developed

countries. Alternate solutions were suggested to bind together the countries having heterogeneous character in regard to size, territory, population, availability of natural resources, economic and social development. Beneath those diverse conflicting features, the desire to develop independently and manage their affairs free from foreign control lay open before the expectant. Common feeling, no less than territorial hemogeneity and cultural affinities brought the Asiatic races together and they have determined to take their share in world politics.

As regards the African continent, it is full of diversity and deep rooted difference in history, cultural outlook and economic relations among the states. There are frequent territorial disputes among African states. Religious wars and cultural conflicts not rare, which slow down national development. In the economic sphere these countries follow different paths. Most of the countries have adopted, at the end of the colonial regime, democracy of some form or other. There are sometimes mixed economy and often socialistic mixed economy and very often just socialism. Some of these countries prefer to follow the principles of free market economy under guided capitalism, with a growing super structure and industrial
development under the auspices of the state, some times called the public sector while a number of others are under autocratic or military regimentation.

Of course, the appearance is deceptive but the differences are peripheral when viewed from a particular angle. These nations are united on some key issues. On the one hand, they wanted to be respected in the community of nations on the basis of sovereign equality, on the other, they are particularly determined to wipe out all forms of racial discrimination and the last remnant of colonialism from their soil. All developing countries agree enthusiastically to support liberation movements in the remaining colonies of Africa and condemn the practice of apartheid and racial discrimination in South Africa. They unanimously agree upon the need of a revision in the existing international economic order, as the present system is a hindrance to the economic development of the developing countries. But the real problem facing them is how could this hindrance be removed and how much they can contribute to the work of restructuring the existing system.

Of all the problems facing developing countries, the problem of poverty, both relative as compared with the advanced industrialised countries and absolute, with millions of people lacking the resources to provide even nutritionally adequate diet, is the most explosive. Their economic weakness is due to unhealthy economic factors such as a high proportion of population being employed in primary sector, low agricultural productivity, fragmentary industrialisation, limited application of technology, limited purchasing power, and overdependence on a small number of export cash crops. This places the economy at risk, cause fluctuations in world prices and terms of trade, leads to dependence on foreign investment and capital, and on imports of capital goods, such as machinery, and extraction of profits by foreign multinational corporations. Now the developing countries are waging a war which they should fight relentlessly with strong determination, using all modes of operations, collecting adequate materials both from internal and external sources. Unless the battle is won for economic independence their hard won political freedom will become useless. In concrete terms, this struggle on the economic front

is to avoid deterioration in terms of trade, to increase the volume of commerce, to achieve stable and remunerative prices for their basic products, to accelerate the process of industrialisation and to get adequate transfer of technology. The attainment of these objectives would result in a better world socially and economically.

The final communique of the Asian-African Conference, at Bandung in April, 1955, laid down the principles for mutually beneficial economic and cultural co-operation and set forth a common stand on self-determination, on the problems of dependent peoples and strengthening world peace. The Conference declared its conviction that friendly co-operation in accordance with these principles would effectively contribute to the maintenance and promotion of international peace and security, while co-operation in economic, social and cultural fields would help bring about the common prosperity and well being of all. If

8 In the economic sphere the communique emphasised the need for economic co-operation among the Afro-Asian countries and provide them with mutual technical assistance, and exchange of technological know-how. The Communique further stated the need for the establishment of regional training institutes and to take collective action to stabilize raw material prices and conduct international trade fairs. The Communique specifically demanded the creation of a Special United Nations Economic Fund (SUNEFD) and a special fund that may be allocated to the Asian-African countries through the World Bank.
development programmes of the developing countries are viewed in this light they can never be a partisan venture. The behaviour pattern of the developing countries will affect the growth prospect of the developed world and vice-versa. The prevailing thesis is that the Third World still exists as a loose co-operative frame work of politically diversified states, that are economically backward and underdeveloped, but all of which are vitally interested in bringing an end to their impoverishment and to their lingering vestiges of colonialism and imperialism. The NAM facilitated the developing countries to bring to the fore their legitimate grievances and invited the attention of international bodies to find solutions.

Despite bold statements and claims, the extent to which the developing nations can take their own decisions has become a matter of debate. Of course, most member nations of the Movement have accepted the welfare concept as the ultimate objective. The acceptance of the welfare concept is too closely related to the drive towards the process of development. Development, it is asserted, must be conceived of as an integrated and complex process, bringing together investment, infrastructure, social

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For details see Marison Makkat, Third World and Peace, Pp.88-89.
welfare, a more equitable income distribution, technological advance, agricultural reform, industrialisation as emphasised by contribution from all sides and the creation of an educational system designed for the needs of the future. Only in this way, it is suggested, can the aim of independent, or self-reliant development, be achieved. Development in its broadest meaning, is the liberation of human potential. To develop and use finite resources at the optimum level human beings need the maximum practical control that is socially feasible over all aspects of development, most particularly over those goods and processes necessary for making basic human needs and security. Infact, the developing countries lacked control over goods and processes and there was no effective decision concerning vital matters of their country. In a type of world system developed by Developed Countries (DCs), the Third World cannot remain independent and insulated in a meaningful way. It remains an appendix to the DCs.

Colonialism Through Back Doors

The economy of the erstwhile colonies was quite unnaturally spoiled by colonial powers. As a result it remained dependent heavily on the wealth and technology of industrialised countries. Obviously, there was only a formal disappearance of colonialism. In other words, colonialism and imperialism ended only in the technical and political sense. The colonial powers made their retreat quite unwillingly, a painful retreat, to which they could not reconcile easily because the colonies were counted as a wealthy reservoir of scarce resources by which they enriched their own people. As support from the former colonies became exhausted, the colonial countries felt uneasy and their lifestyle became paralysed. They sought to employ all possible means to retain their economic ties with the former colonies, because they had taken much pains to travel long distances and waged wars risking men, money and materials to get control over colonial possessions and were enjoying the fruits of their exploitation. It was not political power so much as natural wealth and other valuable resources that attracted colonial powers to the South. To abandon, a major source of their economic strength has become irreconciliable. The fall of the colonial system, in no way, means the elimination of colonialism as such. Being deprived of
political rule in the colonies, the imperialist powers were forced to make broad use of new methods and new policies.

The methods employed by the outgoing colonial powers were routed in their ulterior motives and economic backwardness of the new nations which put them within the bounds of master-dependent relationship. The rationale behind this sort of master-dependent relationship is that the former colonies prefer the old masters with the hope that the old relations would bring something good. However, in this new deal, the ex-master being stronger, dictates terms, exploits the former colonies and maintains supremacy. This established a kind of permanent relationship between the colonies and the coloniser that would continue even after the independance of the colonies.

The continuing economic dependence of the developing countries upon the rich countries is often described as neo-colonialism and, in this sense, a highly unequal distribution of wealth and power between countries, is a continuing fact of

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For details See B.N. Ghosh, Political Economy of Neo-Colonialism, p.6.
This new phenomenon in international relations signifies an arrangement and a set of policies generated by the advanced industrialised (erstwhile colonial) powers in the contemporary global setting in which direct political bureaucratic colonialism has become obsolete and redundant, but prospect for indirect techno-economic colonialism not only exists but expands, due to the compulsions of the economy of inter-dependence operating in a shrunken world, where the developed and the developing have to co-exist.

Industrially developed countries try to retain their political influence over developing countries by ensuring the possibility of exploiting their productive resources. It is a way of helping the survival of the colonial system after according formal political independence to nations which were the victims of indirect and subtle form of domination by political, economic, social, military and technological forces. The newly emerged nations, as a result of this new policy, continue to depend on the former colonial masters and integrate them into economic

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14 For details see B.N. Ghosh, Political Economy of Neo-Colonialism in Third World Countries, p.11.
blocs through investment, loans, aid, unequal exchange and finance, directly controlled by the colonial powers. The basic desideratum of neo-colonialism is to sustain a method of "dependence type of development which can influence the domestic policy of a country and also the formation of international relationship. Among other post-war problems the economic infiltration of industrialised countries into the inner layers of the infrastructure in the developing countries still happens in their development programmes. The Multinational Corporations act as the agents of developed countries in the process of dependent development. They provide manufactured goods to the developing countries at prices of their choice and in return procure their primary products at a comparatively low price.

Many developing countries have single commodity economy and the weak financial position and the need of continued dependence on the developed countries put them in a most disadvantageous situation so as not to challenge the dictates of the developed ones. In the process of decision making the ultimate say is with the developed countries and the developing countries have only a nominal share. Most of the contracts, lease and concessions that the multinational have negotiated in the past with developing countries have benefited the
Multinational Corporation. In essence, the developed industrial countries, through Multinational Corporations control the means of production of the developing countries and ultimately their general policies. They are in a position to plan and direct world economic development. They organise production and distribution all over the world for making maximum profit. The prospect of the greatest possible profits impels them and their interests clash with those of the developing countries. In practice, neo-colonialism works for maintaining a system of relations between the developed and the developing countries to the greatest possible extent. The process of system maintenance is successfully operated by Multinational Corporations. This highlights the fact that the non-aligned developing countries are politically free but reeling under severe economic hardships which could be removed partly by external assistance in the form of aid, grant or loans and by their own extensive use of internal resources.

Aid Oriented Economic Development

The collapse of the colonial system has failed to eliminate or even modify apparently the economic dependence and backwardness of the developing countries. The task of achieving economic independence in an atmosphere of increasing inequality
in income and in wealth while the aspirations of the poor nations were rising high, made international economic relations, complex and confusing. It is estimated that around 1950 the difference between the average incomes of people in industrialised Europe and those in non-industrial countries was 2:1. By 1950 the income gap between the rich and the poor countries was estimated to have grown to 10:1 and in 1960's it was 15:1. It is now projected that if present trends continue, the gap between the rich and the poor nations could reach 30:1 by the end of the century. This is a dangerous trend to which no developing nation can subscribe. The general feeling so created was that without the assistance of the developed countries the rate of growth in developing countries would be arrested, thereby further widening the gap between the rich and the poor. The problems in the developing countries are structural, requiring long-term resources, economic assistances, and in its widest sense, concessional and non-concessional official resources as well as private lending.

As the number of independent countries increased, the problem of unequal levels of development seriously impaired the interests of the developing countries. By 1955 new members were regularly admitted to the United Nations raising its membership to 122 of which 87 were developing countries. Their economic weakness was the most important threat to their own independence and integrity. Thus, from the mid-1950's the less developed countries were becoming more numerous, more out-spoken, and rather more united and specific in their demand for international economic reforms. But these changes alone did not lead the developed countries to turn to their aid. The real change came when the South required political and security importance for the North and not because the South made more noise or even more effective noise, but because the developed market economies began to perceive a threat to their traditional position of political dominance and security in the underdeveloped world.

As noted earlier, the main concern of the NAM was decolonisation, non-involvement in cold war and non-interference in the internal affairs of other countries and adherence to the Charter of the United Nations. Many of the political issues were

settled successfully, especially where the big power intervention was less frequent. The most pressing problem of economic emancipation of the developing nations always remained at the background. It became an active struggle of emerging countries to achieve full national liberty to develop socially and economically according to their own right. It became a struggle to protect themselves, from external dominance and exploitation. But the internal conditions of many developing countries largely remained out of control of the ruling elite and the poor living conditions of the people sowed the seeds of discord among them.

The industrial infrastructure in the new countries was weak as the imperialist powers never allowed the dependent territories to establish industries that may challenge their monopolistic position. As regards capital goods, there was deficit and the volume of capital was insufficient. Technological progress also kept at the lowest ebb to pull down productivity of capital and labour. To meet the most urgent developmental projects the non-aligned countries required external assistance. To revamp their shattered economy domestic resources were inadequate or underutilized due to the lack of scientific exploitation. As aid was fundamental to development the non-aligned countries, on the one hand, sought aid from all
parties, emphasising their openness and willingness to accept help from the donors by stressing the fact of their non-aligned position. On the other hand, the non-aligned countries sought to create conditions that would foster the granting of aid. This was an attempt to focus international attention on the legitimate interests of the developing countries. It means that the non-aligned foreign policy enables the country following non-alignment to get more foreign aid than an aligned country, for the non-aligned country can get aid from both the parties in the cold war. Here it should be pointed out that aid with strings attached has made the cost of development prohibitive while project aid carries with it undue rigidities and has forced Less Developed Countries (LDCs) to define their development plans in terms of the availability of credit and their restrictive uses specified by the donors rather than their own national interest.

NAM Works Through the United Nations

Obviously, the Non-aligned Movement successfully used the United Nations to achieve improvement in the economic demands for its member countries. In the United Nations the developing countries formed groups and made co-ordinated demands on the
developed countries for concessions. The UN supported the argument that the rich industrial nations must render assistance in the development efforts of the developing countries. The persistent demand from the developing countries led to the establishment of United Nations Special Fund (UNSF) to finance various pre-investment projects in 1959. The creation of several agencies under the UN amply demonstrated the need for foreign aid to boost the developmental programmes of the developing countries. Thus aid operations have become one of the important aspects of international relations. The growth of the less developed countries was constrained by insufficient savings and/or foreign exchange facilities. External financial assistance, it was argued, would fill this resource gap and then make growth possible. Capital and technical assistance to improve the use of both domestic and external capital would enable the creation of conditions, for self-sustaining economic growth. The developing countries seek foreign aid, to operate

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18 The Group of 77 and the NAM representing the Third World Countries worked through the UNCTAD in the UN to accelerate economic development of the developing countries.

19 The Expanded Programme of Technical Assistance launched under the UN in 1950 was supplemented by the Special Fund in 1958 which provided pre-investment assistance to large development projects in the poor countries upto $100 million per annum.
the engine of economic growth and to reduce the gap between themselves, and the industrially advanced countries.

Super Power Position on Aid

The U.S. position on economic aid to developing countries during the initial stages reflected in its world-wide responsibilities assumed after the World War II. It was more political than economic in the sense that the U.S. aid was motivated mainly by her own ideological consideration rather than by any intention to promote the economic development of the backward countries. This means that U.S. aid programme is not motivated purely or predominantly by a disinterested desire to promote the economic development of the poor countries but is to some degree promoted by ideological preconceptions. This American position underwent substantial changes after the communist takeover of China in 1949 and the Korean War of 1950. The greatest menace to the U.S. interests at that time was communist expansion. Under such circumstances the United States could not give assistance to the countries of the South bordering the
Soviet Union and China. United States had already started economic assistance to the war-torn West European countries for restructuring their shattered economy. The Truman Doctrine and Marshall Plan were initiated for European recovery but were mainly military-oriented. While this aid concentrated on military help to meet local armed resistance, funds were also given for economic development designed to support local military capability. But fear of Soviet threat and expansion of its influence in the Third World countries forced United States to

The United States attached more importance to her global concerns and not to bilateral relations with individual countries. Bilateral relations are relevant to the U.S. only as part of a multilateral scheme covering military-cum-security requirements.

The Post World War II period witnessed the liquidation of the British Empire. In March, 1947 the British Government informed the United States of its inability to support Greek and Turkish governments in resisting Communist attacks and infiltration. The U.S. President, Truman on 12 March 1947 announced the 'Truman Doctrine' which called for a programme of aid to Grace and Turkey and asked the Congress to grant four hundred million dollars in economic and military aid to them. The Truman Doctrine was followed by Marshall Plan. The U.S. Secretary of State, George Marshall, on 5 June, 1947 in his address at the Harvard University stated: The U.S. should do whatever it is able to do to assist in the return of normal economic health in the world, without which there can be no political stability and no assured peace." In fact Marshall Plan was the policy of containment of communism on the economic level.

make a compromise between military and developmental assistance.

Soviet Union, on the other hand, quite clearly recognised the increasing importance of the newly emerging countries in world politics. The liberation movement in Afro-Asian countries and Latin America was against colonial and imperial powers who were number one enemies of Soviet Union. For that reason alone Soviet Union offered complete support to such movements. She clearly understood the important role that may be played by the Non-Aligned Movement as a bridge between the East and West. At the 20th party congress in 1956 Krushchev said that, "those nations which opted for non-alignment constitute a peace zone and should be included in the Soviet foreign aid programmes." This strategy strengthened non-alignment as a principle of foreign policy of large number of developing countries and also provided sufficient bargaining power to the non-aligned countries vis-a-vis the United States. Soviet Union changed her earlier stand on the United Nations and expressed readiness to contribute to the United Nations Expanded Programme of Technical Assistance.
23 (EPTA). Not only that, she began to negotiate a series of trade agreements with many of the developing countries to develop commercial and political relations with the South. Soviet Union expressed her willingness to provide aid to Asian nations with "no strings attached". It shows that economic assistance has become a major determinant of the Soviet Foreign Policy and the aid so offered was meant for strengthening the independence of non-aligned countries.

Both Soviet Union and United States started aiding countries in the South with a competitive spirit. India kept a close watch on foreign aid to avoid its evil impact on her economy. Most developing countries during the initial stages wanted to develop a strong economic base within the framework of their own genius. Strings of any kind, economic or political, attached to the aid, were unacceptable to India or forcing a change in the policy directions could not be tolerated. A country like India, which had long been a victim of exploitation

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The United Nations from the beginning had a programme of assisting countries with experts, equipment, and training of nationals in the field of health and development. This was enlarged into the Expanded Programme of Technical Assistance [EPTA] launched in 1950, providing an annual programme of assisting the development plans of the poor countries with experts, equipment, and training to the tune of around $50 million per annum.
and political bondage, could not accept any kind of dictation from without. The principal aim of receiving foreign aid or any other assistance has been the economic development of the recipient countries. The courage of the developing countries to speak boldly for external assistance without strings was derived from the collective bargaining strength provided by the Non-Aligned Movement. The developing countries were sure that aid to a poor country was no charity. In the Cancun Summit India expressed the view that aid to the poor countries was no charity and reminded the rich countries that the Marshall aid, which was a productive investment, had benefited the donors.

The Soviet interest in the affairs of developing countries invited greater U.S. participation in the form of military and economic aid to the South. Both adopted aid tactics from the cold war perspective and less from considerations of developing the Third World economy. From 1954 to 1961 Soviet aid to the underdeveloped countries of Asia, Africa and South America amounted to $3,800 million. It has been estimated that the

bulk of the Soviet loan had been used for military purchases and less for agricultural and other purposes. The U.S. aid to underdeveloped countries had been estimated during the same period at approximately eight times the above figures. This illustrates the manner in which the super-powers came to the rescue of developing countries for their economic recovery. Therefore, it is fair to conclude that the super-power aid programmes were designed not by humanitarian considerations. Instead, they were conditioned by political motives. The recipient countries unsuccessfully resisted but ultimately admitted the presence of strings through Multinational Corporations in almost all developing countries.

The vastly unequal relationship between the developed and the developing countries is fast becoming the central issue of our time. The developing nations are beginning to question the basic premises of an international order that leads to ever widening disparities between the rich and the poor countries, and persistently demand for equality of opportunity to many poor nations. This demand must be met by the developed countries because the underdeveloped countries need capital. Poor

societies are hardly able to save out of their meagre income all the capital needed for development. Even if a poor country tries to save the maximum extent possible, it would still need foreign capital to rapidly modernize its economy, for which it needs improved machinery or equipment. Economic aid in our time covers cases where a relatively more developed country shares her experience and expertise with a less developed country for mutual benefit but traditionally aid diplomacy has inevitably been used by donor states for putting pressure on recipient states or for building strength vis-à-vis the opponents.

Dilemma of the Developing Countries

During the initial stages the developing countries regarded foreign aid as a relief and the only means to solve their economic problems as they were constrained by insufficient capital for investment. External financial assistance, it was argued, would fill their resource gap and thus make growth possible. Capital assistance plus technical assistance to improve the use of both domestic and external capital would enable the creation of conditions for self-sustaining economic

growth. Later, a humanitarian touch was made in the aid programmes of the developed countries in that, it was recognized as the responsibility of the rich countries to help their brothers in the South.

There are basically four sources of external financing available to credit-worthy Less Developed Countries: (1) direct investment through Multinational Corporations; (2) official government to government bilateral flows; (3) official multilateral flows, primarily from Multilateral Development Banks (MDBS), such as those of the World Bank group; and (4) in the end the crucial component of the present LDC debt quandary commercial loans. It is generally believed that multilateral aid is more development-oriented because the aid-receiving countries exercise some kind of freedom in the policy formulation of international agencies along with purchase of commodities under aid programme at the international prices, which are very often the cheapest. In the case of bilateral aid, the government or the multinational corporations of the donor countries are involved in the aid

28 Dr. Somesh Srivastava, Economic Development and the Third World Countries, p.107.
transactions where by their profit motive the donor countries do harm to the interest of aid receiving countries. In the case of multilateral aid any ill will resulting from the refusal of repayment is shared by many donors instead of one. Whatever the facilities available to get aid for the developing countries none has operated, in the final result, to the advantage of the recipient. In an atmosphere of developed technology and capitalist advancement the developing countries are more vulnerable to the pressures from the developed countries.

The flow of resources to the developing countries would have provided with a better standard of living and an increase in per capita income of their people. Their indebtedness would have been reduced considerably. But experience proved otherwise; the aid did not effect any substantial change in the South. North-South economic relations practically deteriorated. Aid operations created new avenues of dependance. These backward countries had to sacrifice many policy initiatives under foreign pressures. They have been witnessing growing concentration of economic power in fewer hands in both rural and urban sectors, increasing monopoly capitalism, perpetuation of the domination by the aid-givers over the economy and polity, and above all, the mounting poverty. The simple link between aid and economic
growth is found in theory and not in practice.

Coming to the domestic side of the developing countries, structural problems like dual economy, i.e. a modern dynamic sector and a traditional private underdeveloped sector, worked together in most of them. Often development programmes affected only one part of the economy. The ever-increasing phenomena of unemployment due to population growth found no solution through aid programmes. The underdeveloped countries as a group achieved an increase of 5.1 per cent GNP in the period 1960 to 1970. However because of a rapidly rising population, the actual increase in per capita GNP for these years was only 2.5 per cent. Over half of the total population of the Third World countries where per capita rate of growth of GNP has less than 1.5 per cent of the total population of the South experienced a decline in per capita income. The vision of a self-sustained economy through foreign economic aid found no place in the Third World countries. The history of foreign aid to the developing countries during the last 20 years has shown that their economic

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30 Dr. Somesh Srivastava, Economic Development and the Third World Countries, p.110.
31 For details See. UNCTAD: The Second Development Decade, 1974, p.70.
growth has to be planned, the continuity of aid and an assurance of the amount which will be available over a period of time are essential for the efficient utilization of the capital made available.

Another unhealthy development created by the aid programme was that the aid giving countries exercised considerable constraint on the policy making process by the recipient countries. Very severe terms and conditions have been placed on the developing countries to make sure that the amount paid or loans advanced are repaid with interest within the period stipulated. Very often conditions are laid to serve the military or ideological purpose of developed countries. As a result independent action relating to national and international matters on the part of the recipient countries is limited. Even on development issues and fixing priorities the intervention from the donors is inevitably resulting in heavy loss for the recipient. Above all aid encourages misallocation of resources, weak domestic savings efforts and allows recipient's governments

32  I· M·Little and J·M·Cif ford, International Aid (London: George Allen and Unwin, 1974), p.96.
to indulge in their fetish for ostentatious projects. Many developing countries consider economic aid with strings attached as an indirect intervention in the internal affairs of the recipients. At any rate, aid did not relieve the developing countries from their economic difficulties; in several cases it has worsened the difficulties. Obviously, the pattern of foreign aid served only the interests of those who had created it and not those who received it.

The gap between the North and the South increased from almost 500 per capita in 1960 to nearly 2000 in 1963. During the First Development Decade of the United Nations the economic growth of different developing countries varied widely from an average of 25 per cent annually for Libya to less than one per cent for Afghanistan. This difference in growth rates is, for various reasons, climatic, human, institutional, economic and political, because included in the Third World are dozens of nations of every description in different regions with different claims, large and small, populous and sparsely populated, richly endowed with or devoid of resources, united by nationalism or divided by tribalism, democratic or absolutist, brown, black

yellow or white. Therefore, aid is not a sufficient condition for development because many developing countries which have received substantial aid have made little progress. In the absence of other essential ingredients for development, such as human skills, institutions and attitudes, conducive to progress, aid is likely to be wasted. Further, it is easy to dismiss aid as of little importance to a country like India as it has amounted to no more than a few dollars per head. Aid, however, was never intended to be the sole solution to the poverty problem. No developing country, especially a large country like India, could expect aid to be the major source of finance for its development programmes. The role of aid should be construed as a supplement to the countries domestic savings efforts and foreign exchange earnings. Hence, the practice of foreign aid programme of the super-powers reveals that foreign aid was aimed at penetration into the recipient's politico-economic system.

NAM Proposals in the UN Framework

The Non-Aligned Movement expressed total adherence to the charter of the United Nations and expected that the U.N. would

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provide sufficient guarantee to the aspirations of the newly emerging nations. The Economic and Social Council, one of the principal organs of the U.N., was entrusted, when the Charter was framed, to deal with the economic and social activities of the Organisation. Later the International Bank for Reconstruction and Development (IRBD) or World Bank was established to look after the development process of the developing countries by stimulating the flow of private capital investment so that the real national income of the developing countries may be increased. Another public international organisation, the International Monetary Fund (IMF) was created to perform central bank functions for the international system. The IMF was intended to promote international monetary co-operation and expansion of international trade. The second paragraph of the Article of Agreement of the IMF states the purpose of the IMF to be:

"To facilitate the expansion and balanced growth of international trade and to contribute thereby to the promotion and maintenance of high levels of employment and

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The Preamble of the U.N. Charter states economic responsibilities that it stands for the promotion of social progress and better standards of life in larger freedom and for these ends... to employ international machinery for the promotion of the economic and social advancement of all people.
real income and to the development of the productive resources of all members as primary objectives of economic policy”.

To take advantage of the facilities available in the U.N. agencies, particularly IMF and IBRD, the new states have been taking membership in the United Nations since 1955. But when the working of the articles of the IMF was put to test, two interesting issues arose for the developing states. First, the national objective of high employment was seen to be in part the result of the implementation of international objective, but it was the latter that was given primary importance. System maintenance was the main focus for concern. The second issue arising from the paragraph concerns the special position of the developing states which neither this paragraph, nor indeed the whole agreement acknowledged.

International Monetary Institutions

When a conference was held in Bretton Woods, New Hampshire, U.S.A., from 1 to 28 July, 1944, to create the

International Monetary Fund (IMF) India proposed an amendment to the second paragraph of article 1 inviting the attention of the IMF "to assist in the fuller utilization of the resources of the economically underdeveloped countries. The Indian proposal was opposed by Britain and South Africa on the contention that development was a matter of the World Bank. Then India took an alternative stand by calling on the participants for the development of resources and production power of all member countries, with due regard to the needs of economically backward countries. Even this revised formulation was not acceptable to the rich who wielded power at Bretton Woods. The final version came out in "the development of the productive resources of all members as primary objective of economic policy. This illustrates both the desire of the Fund formulations to keep strictly separate the issue of short term finance to correct payment imbalances and that of development and also their desire to follow a discriminatory course of equal treatment for all members without exception. The problem of the Third World

38 Ibid. p.94-
39 Reiner Boulder, In search of security - The Third World in International Relations, p.43.
States, of course, was that their payments imbalances were not short term but long term structural problems. Equal treatment of unequal members was bound to have unequal and inappropriate results. In reality, the Fund gave a monetarist solution for each country's problems, no matter whether the government of a particular country is under capitalist, socialist or mixed economy, thereby fulfilling its primary aim to facilitate the smooth functioning of the international monetary and free market systems.

The IMF was established by the Western industrialized countries, especially Britain and the United States. It would have expected to suit the purposes of its authors and hence its main function was to provide short term finance to meet balance of payment difficulties. This minimum requirement was not adequately fulfilled by the Fund especially in connection with the needs of developing countries. It is certain that, from whatever sources aid is forthcoming, terms and conditions also will be followed. IMF set a number of conditions, which the recipients are obliged to follow. Typically, conditions relate to a set of policies a member should follow in order to bring its

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40 Ibid, p.43.
balance of payment into a viable situation regarding current payments. A set of conditionalities invariably applicable to all applicants for loan with no regard for varying degrees of socio-politico-economic background are deemed to produce greater imbalances in the recipient countries.

IMF Conditionalities

A member country can borrow up to 25 per cent of its quota without any conditions. The next 25 per cent can also be taken with an assurance to the IMF that it will make "reasonable effort" to meet its balance of payment problems. However, beyond this lie the hurdles, which are difficult to overcome by the borrowing member countries. In order to get the higher levels of borrowing, the concerned states must present the IMF with a stabilization programme, meant for rectifying the imbalances usually within a year. Under the stabilization programme the IMF advisers visit the country requesting the loan. After making necessary enquiry the IMF advisers offer guidelines of solutions to the payment imbalances and refer the matter to the IMF. The state then presents the fund with a letter of intent, outlining the policies to be followed and performance targets to be met. Practically these policies and targets are those that the IMF team has suggested. Failure to comply with the suggestions of
the IMF team may cause refusal of loan which the applicant cannot afford. In case the performance targets are not met the release of loan may be interrupted and there are no further drawing without a negotiated settlement of the issue. Such cumbersome procedures can be overcome by Western industrialised countries without risking domestic political order. Whereas, in the developing countries it may cause serious politico-economic consequences. A developing country without a well organized administrative and welfare system may fail to meet even the minimum conditions laid down by the IMF such as check on import, expansion of export, lower domestic consumption, devaluation of currency, etc. As a rule, developing countries do not have sound welfare systems to cushion their population against the harsh consequences of these policies. Consequently, many developing countries face pressure on their balance of payment whose remedy lies far beyond their control. The unprecedented rise in the price of oil, grains, capital goods, the slackening of business activities, import, and protectionism in industrial countries, have all affected their balance of payment. However, in the present set-up the developing countries have little choice except to go with the IMF. Unfortunately the new nations have emerged

41 Ibid, p.49.
from the colonial positions into a system which had its bearing on the free market as its primary objective. The system is controlled by the industrially developed countries. For the developing countries there is no other means of getting finance. They join the IMF not because membership seems to be a necessity of life.

The strategy of the developing countries vis-a-vis the developed rich countries during the 1960's was characterised by a kind of unity and if necessary confrontation. A facade of unity among the developing countries was presented to press the industrial North for a change in trade management and in the operation of the international trading system. The developing countries used the U.N. forums to make their voice heard particularly when they commanded a majority in the organisation. The U.N. is, in practical terms, the measure of non-aligned influence. No-aligned exhortations have not affected East-West relations, which have continued to fluctuate according to their own rhythm between cold war and detente.

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42 Richard J. Jackson, The Non-Aligned, the UN and the Super Powers, p.97.
The UN in Concert

The first concrete attempt at uniting the developing countries for trade and development was made in 1961 at the Belgrade Conference of the Non-aligned nations. At the Belgrade, Marshal Tito, the President of Yugoslavia, made an appeal to hold a world conference within the framework of the United Nations to consider important economic problems facing the developing countries. The Afro-Asian unity forged at Belgrade to influence the developed countries' trade policy was invigorated by the many Latin American countries joining the rank. This joint venture produced a policy for the South to put forward a strong demand for fair treatment in trade relations. The persistent demand of the developing countries got added strength when their numerical strength increased considerably in the U.N. General Assembly. The Cairo conference of July, 1962, issued a "Declaration" calling for a conference to deal with the problems of international trade, primary commodities and economic relations between developing and developed countries. The united stand of the South and the pressure they exercised opened the eyes of the North not to continue their resistance to the legitimate demands of the South and consequently the United Nations Economic and Social Council decided to convene the U.N. Conference on Trade
and Development (UNCTAD). By this decision the United Nations' doors were left open for the numerically strong South to discuss freely and take appropriate decisions on trade and allied matters.

Established in 1964, the U.N. Conference on Trade and Development (UNCTAD) has played a crucial role as a permanent organ of the General Assembly for deliberation, negotiation, review and implementation of agreements in the field of international trade and co-operation for development. The UNCTAD was authorised by the U.N. to promote international trade, particularly between countries at different stages of development. It was directed to formulate principles and policies on international trade and related problems of economic development. It was also authorised to review and co-ordinate the activities of other institutions within the U.N. system.

On December, 1962 The U N General Assembly decided to convene the United Nations Conference on Trade and Development (UNCTAD) being convinced of the fact that the acceleration of economic development of developing countries required substantial increase in their share in international trade and that the evolution of a new and more appropriate pattern of international trade necessitated the adoption of the institutional framework for the international co-operation in the field of trade.

B. P. Menon, "Are We Nearer a New Economic Order", Indian Express World Community Supplement, 26 June, 1979, p.2.
relating to the problems of trade and development. It was hoped
to be a centre for harmonising trade and related policies of
governments and regional economic groupings in pursuance of the
U.N. Charter, and to deal with any other matter in the scope of
its competence. While its main substantive responsibility has
been in the field of trade and development, its mandate has
encompassed also the interpretation between trade, money, finance
and development.

Since 1974 several negotiations relevant to the New
International Economic Order (NIEO) have been initiated in the
UNCTAD, including those on the integrated programme for
commodities (including the common fund), the debt problem, the
technology code and on restrictive business practices. UNCTAD
has further more become the lead institution for formulating
international policies and measures to deal with the special
problems of the least developed, such as land-locked and island
countries and has also assumed the principal role at the global
level in promoting economic co-operation among the developing
countries, where it was urged that they should receive assistance
in their effort to enlarge their mutual co-operation at sub-
regional, and regional levels. The resolution was the result of a call for the establishment of a New International Economic Order which took its initiatives within the framework of the first UNCTAD. In its programme of action for the establishment of a New International Economic Order of May 16, 1974 the United Nations General Assembly devoted a large section to the principal problems facing the international community. The first of these problems was the problem of raw-materials. The Assembly passed resolutions regarding sovereignty over natural resources, trade, prices and the processing of these resources by the producer countries. The number and variety of these resolutions shown, on the one hand, the sustained significance of natural resources and raw-materials to these developing nations and the seriousness the U.N. has taken to help alleviate the economic hardships of the developing countries, on the other. The United Nations, then became simultaneously a fulcrum for non-aligned demand and a gauge of its strength. In fact, the influence of the Non-Aligned Movement in the United Nations is very strong and decisive. The two institutions with considerable frequency

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45 For details see UN General Assembly Resolution 3362 (SVII) Sept., 1975.

46 Richard J. Jackson, The Non-Aligned, the UN and the Super Powers, p.9.
interacted with lasting effect on both. The more significant influence has been that of the non-aligned on the agenda, institutions and overall effectiveness of the world body. Yet the Movement too, has been channelled and shaped by its evolving role in New York. In the absence of a UN organization the Non-Aligned Movement would probably exist, but in a much different form.

Working within the system the NAM has been generally pragmatic in advancing positions on issues like disarmament or North-South negotiations. The overall impact of the United Nations is, thus, to reinforce the Movement's influence, strength and moderate tendencies. However, this does not mean that both the organizations profess a global identity except in the perception of a future peaceful world order. The overwhelming majority of the non-aligned countries in the General Assembly considerably reduced the dominance of the Big Five in the world organisation. The Movement works as a corrective to the functional flaws of the UN regarding the maintenance and strengthening of its role, to restructure and 'democratisate' its institutions, and to maximise non-aligned leverage and voting

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Ibid, p.97.
power with in it. Even under agreement on major international issues between the two organizations the vulnerability of the non-aligned countries lay open before casual observers. More than 70 per cent of the people who live in the Third World countries share a mere 15 per cent of the world production, a fact which neither the developed countries nor the developing ones can ignore.