CHAPTER II

INDIA AND THE THIRD WORLD:
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The nature and dynamics of relationships among the Third World countries have been determined by a variety of factors having both endogenous and exogenous dimensions. In the postcolonial conditions, the Third World countries were generally having non-integrated national economies, deformed economic structures and heterogeneous social formations. The specific multistructure economy in these counties reflected the complex class alignments and presupposed the state's leading position in their socio-economic structure. This is the case with almost all countries in the Third World, including India. In the post-independence period, however, India had to grapple with a complex politico-economic situation, both internally and externally. In dealing with a vast spectrum of countries in the world, India sought to develop a somewhat coherent theoretical framework by articulating and conceptualising foreign policy. Economic and geopolitical interests have, over the years, dictated much of the engagements of India on the external front. The doctrine of non-alignment was conceptualised in this background. The major questions to be addressed in this chapter are: how far has India been able to conceptualise its foreign policy goals and strategies in the backdrop of unfolding challenges in the post-war global conditions; what were the domestic and international compulsions in articulating and developing non-alignment; and how best could India use its...
foreign policy to develop political fraternity with the Third World. At the outset, this chapter examines, among other things, the specificities of the socio-political conditions in the Third World, which continued to dictate India's own status and its relations with the Third World.

**Defining characteristics of the Third World**

The concept of Third World is a reflection of the reality of countries which have been exploited and excluded in the major realms of international relations for long. The term has come to embody the idea that this very exploitation and exclusion generated a set of common characteristics in the historical experiences of the peoples of Africa, Asia, and Latin America. The countries of the Third World, no matter what type of political systems they have, share a set of historically determined socio-economic features. It is also necessary to recognise that there has been a real qualitative divide between the Third World and the Northern countries of the developed world and that the root of this qualitative divide is the difference in their national historical experiences of the capitalist development and industrialisation. The idea of the Third World rejects the notion that all countries are qualitatively equal and are ranged along a linear axis between 'underdeveloped' and 'developed' and so development is the same process for all. This was the original contention of thinking about

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development in both the capitalist and socialist circles. Subsequently, however, an increasing body of writings, particularly from the political economists of the dependency/world system schools, emerged to challenge this, saying that the underdevelopment of today is not an original state, but is something which has been created both as a by-product and a condition of development. 2

At the empirical level, it is possible to identify many manifestations of the continued importance of the qualitative, historical gulf between the developed and Third World countries: the structure of economies, the form and degree of participation in world markets, and in the global power structures. Thus, the social and economic landscape of the Third World, in all its aspects, is conditioned by the cumulative effect of colonialism, imperialism and Western domination. All the Third World countries are multi-structural and multi-stratified societies exhibiting considerable variations in the levels of economic development. The countries of the South vary greatly in size, in natural resources, endowments, in the structure of their economies and in the level of economic, and social and technological development. They also differ in their cultures, in their political

Most of the Third World countries have colonial histories which are in the process of developing, economically and socially, from a status characterised by low incomes, dependence on agriculture, weakness in trading relations, social deprivation for large segments of society, and restricted political and civil liberties. By this definition, the Third World comprises approximately more than hundred states in Asia, Africa and Latin America. Their combined population of some four billions account for 75 per cent of world’s total and their territories over nearly 70 per cent of the world’s land area.  

In the mid-1980s, more than 100 crores people in the Third World were living in poverty and more than a half of them were extremely poor with a very low annual consumption level. The poorest countries with 75 per cent of the world’s population had only 14 per cent of the world’s industrial capacity (the 44 least developed countries provided 0.21 per cent of it). Within this group of countries, 40 were poorer by late 1980s than they were in 1980. The terms of

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trade for their primary products had also declined. Nearly half of the developing world’s poor, some 520 million, lived in South Asia, 280 million in East Asia and 180 million in Africa. Poverty continues to be the condition of approximately half the population in South Asia and sub-Saharan Africa.

A Third World economy has been characterised by a high level of dependence on the export of a very small number of commodities. Compared with the diversified exports of most developed countries, the value of Third World trade has been concentrated on a few primary commodities whose prices have been liable to severe fluctuations. The inability to raise capital for investment still created dependence on loans and aid, and strengthened foreign intervention through the medium of multinationals. In the 1980s, poor countries were as locked into a vicious circle of mounting debt, falling export values, pressure to export to carry foreign exchange with which to service debts, net outflows of capital in interest and repayments and dependence on foreign aid and loans, as they were in the decades immediately following political independence. The problem of external

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6 B.C. Smith, n.1, p.31.


debt in the Third World, amounting to over $1.3 trillion, was a severe constraint on development. The intensity of the accompanying social and ecological problems, such as illiteracy, malnutrition, disease and environmental degradation, equally suggests the need for a categorisation which reflects the obstacles to development confronting the world's poorest countries and which contrasts them with the world's richest.

Perhaps a major sphere where the Third World countries continued to face crisis and challenges is agriculture. In all parts of the Third World, agriculture takes its present form because of the impact of centuries of contact with the capitalist world market and the colonial experience. Those experiences undermined, and ultimately destroyed, traditional, stable subsistence agriculture which was adapted to the needs of the local community. The common impact of these processes has been the growth of inequality and the almost universal failure of the agrarian sector to provide all the population with land, food and employment. Landlessness and extreme rural poverty have been endemic throughout Asia, Africa and Latin America. In India, Bangladesh and Pakistan, numerous studies have estimated that as many as one-third of the rural population typically have no land and


11 For details, see E. Boserup, The Conditions of Agricultural Growth: The Economics of Agrarian Change Under Population Pressure (London, 1965); and Bark O'Hare, n.1, pp.74-120.
so have desperately fragile hold on the means of livelihood. In Africa famine seems to be becoming more common with the spread of commercial agriculture and the worst-stricken countries have continued to export food to more profitable markets in times of famine. However, the process of integration into the world market did not lead to the progressive transformation of production relations. It merely led to the reorientation of production activity towards the world market. Productivity in food production failed to increase, and so agriculture failed in its primary task of feeding the population.12

Colonial Experience

The nature and intensity of the crises of the Third World countries could be explained further in the background of colonial and postcolonial experiences. Colonialism was not an accidental episode but the inevitable consequence of capitalist accumulation in nineteenth century Europe, the US and, later on, Japan. By the last quarter of the nineteenth century, capitalist competition had become international, eventually leading to struggle for the division of world markets. The drive to win colonial possessions was a direct consequence of this process which was fuelled by three important forces. First, there was increased competition for markets. The domestic market of the imperialist nations was saturated and the

12 See Anatoly Elyanov, Victor Sheinis, Developing Nations at the Turn of Millennium (Moscow, 1987), pp.89-100.
further expansion of industry required winning markets abroad. Second, there was intense competition for the control of sources of raw materials. Third, there was vigorous competition to win sphere of influence for capital investment.

Thus, the colonialism extended far and wide and during the period 1875-1914, the whole of the Third world became enslaved. Over the years, the colonies were integrated into the world economy and, eventually, the existing forms of economic organisation were destroyed. Thus, much of the problems of the Third World in the postcolonial conditions emanated from this historical experience.

Even as the national liberation movements in these colonies were well under way, the contradictions within these countries, particularly in the realm of classes and social forces, began to surface and eventually sharpened. This inevitably dictated the nature and dynamics of the Third World state. Since the classes and social forces which attained power after independence in these countries differed from one country to another, the Third world did not exhibit uniformity in their class character. The experience of the Third World since decolonisation has, however, provoked theoretical debates about whether or not there has

emerged a new form of state, i.e., the postcolonial state. The nature of the Third World state became more obvious whenever individual states attempted to adopt radical courses of action. They soon discovered that state autonomy was a myth and that the legacy of colonialism was very much alive.

**Third World Development**

Prior to the Second World War, the literature on the Third World had an ethnocentric assumption that the progressive evolution of society was not necessarily applicable to the non-Western world. The Western theories of Third World development were generally characterized by a strong belief in the power of interventionist economics and the superiority of the then current Western model of economic development, as a linear process directed towards the same kind of economic, social and political structures which characterised Western Europe and North America. The attainment of independence in the Third World put the question of development firmly on the agenda. Economic stagnation and poverty could no longer be accepted as a natural state of affairs. In almost all newly established states in the

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14 The 'postcolonial state' thesis is theoretically justified through the notion of the 'relatively autonomous' state. The most coherent advocate of this position was that of Hamza Alavi, who initiated the debate in 1972. Discussing it in the context of South Asia, Alavi points out that the bureaucratic-military oligarchy was relatively autonomous because once the controlling hand of the metropolitan bourgeoisie was lifted at the moment of independence, no single class had exclusive control over it. See Hamza Alavi, "The State in Postcolonial Societies," in Kathleen Gough and Hari P. Sharma (eds.), *Imperialism and Revolution in South Asia* (New York, 1973), pp.145-173.

Third World, there was a craving for economic growth. Development was generally equated with Western industrial capitalism, and was seen as a process of change, which would take a traditional Third World country to the doorsteps of Western society.\textsuperscript{16} The underlying assumption of this modernisation theory was that societies go through the same stages of development. In this framework, the Third World represented a stage that the West passed through long ago. The experience of European industrialisation was turned into a scheme, which would constitute a model for Third World development.\textsuperscript{17} However, the equation of development with Western industrial capitalism explained little about the problem. It simply projected the experience of the West and called for its repetition.

Many observers noted that modernisation did not benefit the masses in any significant manner. The new state apparatus tended to create an elaborate administrative hierarchy, a wage and salary-earning class and a market for Western-style consumer goods. The manipulation of Third World economies by individual, large scale and multinational companies with the encouragement of local elites was part of a wider malaise which some identified as the domination of the periphery of


\textsuperscript{17} A famous proponent of this approach was W.W Rostow, who used this scheme as the prescription for Third World development. W.W. Rostow, \textit{The Process of Economic Growth} (New York, 1952).
the global economy by those who lived in the metropolitan—core areas of Europe and America.\textsuperscript{18}

Towards the end of the 1960s, disillusionment with the ineffectively slow impact of interventionist and laissez-faire approaches led to the growth of alternative theories emphasizing the dependence of Third World economies on the structure of international capitalism. The basic starting point of the analysis of underdevelopment and dependency is the recognition that underdevelopment is not a condition that all countries experience or a stage that all countries pass through, before development. Rather development and underdevelopment are opposite sides of the same coin. It is held that underdevelopment is a normal part of the development of the world capitalist system. A. G. Frank argued that the connections between satellite (Third World) and metropolis (First World) were channels through which the centre appropriated part of the satellites’ economic surplus, which gravitated towards the economic core of the capitalist world.\textsuperscript{19}

Immanuel Wallerstein took this argument a stage further by saying that this process of exploitation was defined by the earliest appearance

\textsuperscript{18} For details, see A.M.M. Hoogvelt, \textit{The Third World in Global Development} (London, 1982).

of capitalism as a mode of economic organisation, and that, thereafter, all local and regional systems were subverted within its ever-growing hegemony. His world-systems theory took a global view of the ways in which all parts of the world had been integrated politically as well as economically into the world system dominated by the core North America and Western Europe; this system had been operated through the creation of a semi-periphery, those richer Third World states with universal exports and limited industrialisation for export, and the periphery, the poorest countries that had been in the past and were continuing to be exploited by their involvement in the global systems of exchange. For more than three decades dependency/underdevelopment/world-system theories were influential in creating the prevailing climate of opinion that emphasised international structural constraints on the development of individual Third World countries.

Political Economy of the Post-War International System

The post-war international system was characterised by increasing hostility between the two ideologically opposite blocs led by the United States and the Soviet Union, and each determined to see the world shaped according to its ideological convictions and convinced that the other embodied the antitheses of peace, justice, freedom and prosperity. In this situation, the countries which became independent

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from colonialism felt isolated both politically and economically. The very imbalance and structural inequality in the world economy made them so vulnerable to the pulls and pressures of the advanced capitalist countries.\textsuperscript{21} All members of the international community did not share the benefits of technological progress equitably. The Third World countries which constituted seventy per cent of the world’s population accounted for only thirty per cent of the world’s income. It was therefore found impossible to achieve an even and balanced development of the international community under the existing system. The gap between the developed and the developing countries continued to widen. Rules governing international trade and commerce reflected the interests of the dominant players. The best placed to profit from their disproportionate control of capital, resources and technology, they preferred open systems that could institutionalise the principle of comparative advantage. In the political economy perspective, the dominant position of the strongest economic power was reflected in and simultaneously underpinned by a parallel dominance in international political exchanges.\textsuperscript{22}


\textsuperscript{22} Ramesh Thakur, \textit{The Politics and Economics of India’s Foreign Policy} (Delhi, 1994), pp.6-7.
The post-war global economic structure had different features: the concentration of power in a small number of states, the existence of a cluster of important interests shared by those states, and the presence of a dominant power willing and able to assume a leadership role.\textsuperscript{23} The political and economic power was concentrated in the Western countries with the United States being the dominant power. The cluster of shared interests with the Europe included a preference for open economic systems with room for limited government intervention and a common ideological-cum-security enemy in the Soviet Union. The security commonality helped the United States to accept the burden of leadership and others to accept the need for burden sharing. The principal instrument and symbol of the US managerial role was the dollar. The policy of convertibility, by which the US government committed itself to exchange dollars for gold at any time at the fixed rate, elevated the dollar to the same exalted status as gold. In some respect, the dollar was preferable as liquid investment; it earned interest and did not impose insurance and storage cost. Thus the Bretton Woods system that came into existence in 1944 as an international monetary regime aimed at stability, predictability and growth was a dollar-based gold standard system. The use of the dollar as the international currency facilitated the disbursement of US economic and military aid to Europe and Japan. The linkage between economics and security also explained the US encouragement and

financing of post-war European and Japanese recovery and expansion. Economically stronger Europe and Japan would, it was believed, provide expanding markets for US goods and services and further US strategic interests against communism.24

Meanwhile, the Bretton Woods system was designed to work efficiently under US economic and political dominance. The strings of the world economy, however, were in the hands of a minority composed of the highly developed countries. By virtue of its dominant position, this minority proceeded at will in determining the allocation of the world resources and in accordance with an order of priorities of its own. As a result, some continually grew richer while others became poorer. The Third World countries were thus placed in a perennial situation of what N’Krumah called ‘neocolonialism’ by which the state had all the outward trapping of international sovereignty, but its economic system and internal policies were directed from outside.25 The Third World leaders began to argue that the Bretton Woods system was not responsive enough to the real requirements of developing economies. They demanded a new system for a new set of priorities ruled to govern international behaviour in the economic sphere. They also

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pointed out that the share of the Third World in the total volume of world trade has been declining, whereas the share of the developed world has been growing.

It was argued that a system that was established in 1944 by leading industrialised powers without the participation of the Third World hardly dealt with the special economic problems that developing countries were facing. A comprehensive reform of the international monetary system was, therefore, the logical demand of the Third world countries.\textsuperscript{26} It was against this background of underdevelopment and structural inequality in the world economy that Third World countries began to articulate their interests in the sixties and seventies. Even earlier, the Third World countries made their initial moves to work out a common platform and joint efforts in defending their interests. This culminated in the launching of the Non-aligned Movement (NAM), which marked the beginning of a new phase in relations between the Third World countries. Various regional and sectoral forums as well as the activities of the United Nations regional committees helped promote the understanding of common tasks and a joint position on the part of the Third Word countries on a number of fundamental issues of their developments. There was a common unity among the Third World in those periods to fight against the unequal international

economic order. In subsequent years, the Third World position began to worsen particularly after the oil price hike in the seventies.

It was in this background that the Third World countries began to press for a fundamental restructuring of the international economic order through the United Nations Conference on Trade and Development (UNCTAD), the Group of 77, the United Nations and the NAM. Concerted efforts along these lines were stimulated by the growing dissatisfaction of the Third World countries with their position in the world economy – the common difficulties with export and adverse conditions for trade, which continued to reduce the purchasing power, the ever-increasing outflow of profits made by foreign capital from the exploitation of their natural resources coupled with a limited influx of capital for developmental programmes, the continued attempts by the West to attach various economic and political streams to credits and loans, etc.

It is within this larger scenario of the socio-economic conditions of the postcolonial world that the study attempts to deal with the nature and extent of India's involvement in articulating and mobilising the Third World interests. It

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27 The articulation of the Third World perspective found its most powerful expression in the 'Bandung Project' which gave shape to the goal of modernisation and industrialisation under the umbrella of Non-Aligned Movement (NAM). According to Samir Amin, "from 1955 to 1975, the UN institutions carried out essential political and ideological functions for the Bandung Project of Third World countries." The term 'Bandung Project' was coined by Samir Amin to refer to what he calls "national bourgeois construction at the periphery of the system as the ideology of development." See Samir Amin, *Capitalism in the Age of Globalization: The Management of Contemporary Society* (Delhi, 1997), p.17.

28 See *The Report of the South Commission*, n.3.
is carried out within the perspective of India's foreign policy as well as the structural constraints of the Indian State.

**Contextualising India’s Third World Policy**

The partition of India into two dominions generated several contradictions in the Indian society as well as in the realm of political economy - contradictions arising from the colonial structure of the economy. In the early years after independence, India’s efforts in the economic and foreign spheres were concentrated, in the main, on overcoming the difficulties arising from partition and the division of the international system into two irreconcilable opposite camps. Principles of national sovereignty were asserted in the foreign policy of the dominion government. As early as 7 September 1946, the interim government of colonial India had clearly expressed India’s opposition to the cold war and its refusal to join any military blocs.²⁹ The principles of peace and non-alignment were amplified and given full scope for development after independence. India was in an advantageous position to engage in active foreign policy because it did not experience a stage of diplomatic isolation. At the Jaipur session of the Indian National Congress in 1948, the aims and principles of India’s foreign policy were conceptualised and defined in a special resolution. In subsequent years, India’s Prime Minister Jawaharlal Nehru elaborated these aims and principles which remained

essentially the same over the years: promotion of world peace and economic development, protection of territorial integrity and political sovereignty, emancipation of colonial and dependent countries and peoples, non-alignment, peaceful coexistence, anti-racialism, solidarity with the Third World etc.\(^{30}\) In fact, the very foundation of India’s Third World policy could be discernable in these broad principles and features of foreign policy.

India’s foreign policy agenda was shaped by the historic specificity of the country and the objective realities in the post-war international system. The goals and strategies of foreign policy framed by the Nehru government were determined by, among other factors, the political economy of the Indian State. It was quite difficult for India to pursue an independent capitalist path in the early years of independence because of its structural links with world capitalism and its dependence on the imperialist economic structure. The capitalist class in India also realised that it was too weak to undertake the development of capitalism in the country without the aid and intervention of the state. The project of the mixed economy was advanced in this context to sustain a large public sector, which the Indian capitalists were unable to manage. Yet, the mixed economy did

\(^{30}\) For details, see Nehru’s speech in the Constituent Assembly (Legislative), 4 December 1947. Constituent Assembly of India (Legislative), Debates, Vol. II, No.5, Con.14, II, 5.47/904, p.1260.
not mean any break with capitalist path, but augmented and assisted the private sector in a significant way.\textsuperscript{31}

However, among the postcolonial societies, India had a relatively strong and independent capitalist class.\textsuperscript{32} Yet, given the domestic and international constraints, Nehru government initiated a new path of foreign policy, which was different from the lines of the two dominant blocs, led by the United States and the Soviet Union, and proclaimed for the unity of the Third World. This was an influential instrument in the hands of the Indian State to bargain with the two blocs.\textsuperscript{33} India also understood that an independent position would sustain not only its interests but the interests of all the Third World states. Hence, the relevance of non-aligned strategy both as a foreign policy instrument as well as framework of interaction with the capitalist and the socialist states. Way back in the 1950s, India, along with the other Third World states, made its first moves to work out a common platform and joint efforts in defending their interests. This resulted in the development of the Non-Aligned Movement, which marked the beginning of a new era in relations between the Third World states, relations highlighted for a search for mutually acceptable solutions of international problems.

\textsuperscript{31} For a discussion on this, see Chapter 1.

\textsuperscript{32} See Hamza Alavi, "India and the Colonial Mode of Production," \textit{EPW}, Special Number, August 1975.

The linkage between foreign policy and economic policy should be put in perspective here to study the dynamics of India’s relations with the Third World. Jawaharlal Nehru himself aptly summed up this way back in December 1947, which has great relevance even today. He said: “Ultimately, foreign policy is the outcome of economic policy, and until India has properly evolved her economic policy, her foreign policy will be rather vague, rather inchoate, and will be groping.” Yet, Nehru regretted that India had “not produced any constructive economic scheme or economic policies so far.”

The excuse he gave was apparently genuine in so far as India was going through a very difficult time, which had taken up all its energy and attention.

In a speech in Lok Sabha in 1952, Nehru said that India should inevitably depend on other countries for certain essential things. He continued:

We are not industrialized enough to produce all that we need. We have to depend on other countries for most of the things our (defence) requires and are, therefore, dependent. However big our army, it is of little use unless we have the necessary equipment. Of course, we must try to build up basic industries so that we can produce things for our essential needs, but what are we to do in the meanwhile? We have got to get them from somewhere and we have tried to get them from those countries where our existing

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34 Speech in the Constituent Assembly (Legislative), 4 December 1947. See Jawaharlal Nehru, India’s Foreign Policy: Selected Speeches, September 1946-April 1961 (New Delhi, 1983), new edition, pp. 24-25; also see Constituent Assembly of India (Legislative), Debates, n.30.
economic contacts made it easier for us to do so. It is very
difficult for us to build new channels of trade and commerce
overnight. We are perfectly prepared to explore these possibilities;
for instance we are perfectly prepared to deal with the Soviet
Union or any other country that can supply us with the particular
goods we need. But the fact remains that at the moment it is
simpler and easier for us to import things from America, England,
France and other countries.35

This perception and understanding helped India greatly in articulating
a non-aligned policy and developing friendship and cooperation with
the United States and Soviet Union. Non-alignment further
strengthened solidarity with the Third World countries which had the
same socio-economic and historical experiences as that of India. The
policy of non-alignment was thus projected in the context of the
difficulties faced by the Indian State internally and on the external
front. It provided an international political condition for India to
sustain its position in the world economy in the postcolonial
conditions. From an economic point of view, being aligned neither
with the United States, nor with the Soviet Union allowed India the
possibility of diversified trade, investment and credit relationships
with both powers and their allies. This could be discernible from the
amount of external assistance India received during 1947-1980(Table I).

35 India, Ministry of Information and Broadcasting, Jawaharlal Nehru’s Speeches
Table I

External Assistance: Aggregate Figures From 1947 to 1980 (In Rs. Crores)

<table>
<thead>
<tr>
<th>Institutions/Country</th>
<th>Loans</th>
<th>Grants</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. International Institutions</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>(1) IBRD/IDA</td>
<td>7171</td>
<td>-</td>
<td>-</td>
<td>7171</td>
</tr>
<tr>
<td>(2) United Nations</td>
<td>-</td>
<td>44</td>
<td>-</td>
<td>44</td>
</tr>
<tr>
<td>(3) EEC</td>
<td>37</td>
<td>223</td>
<td>-</td>
<td>260</td>
</tr>
<tr>
<td>(4) International Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>For Agricultural Development</td>
<td>79</td>
<td>-</td>
<td>-</td>
<td>79</td>
</tr>
<tr>
<td>B. Foreign Countries</td>
<td></td>
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<td></td>
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<tr>
<td>(5) USA</td>
<td>3808</td>
<td>287</td>
<td>2165</td>
<td>6260</td>
</tr>
<tr>
<td>(6) USSR</td>
<td>1431</td>
<td>12</td>
<td>-</td>
<td>1443</td>
</tr>
<tr>
<td>(7) UK</td>
<td>1419</td>
<td>1303</td>
<td>-</td>
<td>2722</td>
</tr>
<tr>
<td>(8) West Germany</td>
<td>1548</td>
<td>43</td>
<td>-</td>
<td>1591</td>
</tr>
<tr>
<td>(9) Japan</td>
<td>722</td>
<td>22</td>
<td>-</td>
<td>744</td>
</tr>
<tr>
<td>(10) OPEC</td>
<td>1287</td>
<td>-</td>
<td>-</td>
<td>287</td>
</tr>
<tr>
<td>(11) Others</td>
<td>2062</td>
<td>1105</td>
<td>-</td>
<td>3167</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>19564</td>
<td>3039</td>
<td>2165</td>
<td>24,768</td>
</tr>
</tbody>
</table>

Pursuing both tracks from the mid-fifties facilitated the peculiar characteristics of Indian industrial development—a dominant public sector commanding key defence, infrastructural and raw materials areas within an otherwise private economy. From a comparative—historical point of view, the growth of a mixed economy in the Indian case had both an internal dimension relating to state-society relations within the country and an external aspect of such growth occurring in a world of divergent and rival political enemies. Nehru himself had justified non-alignment in terms of the advantages emanating from the positive and cooperative relations with the two superpowers:

We want the help of other countries; we are going to have it and we are going to get it too in a large measure.... Even in accepting economic help or in getting political help, it is not a wise policy to put all our eggs in one basket. Nor should we get help at the cost of our self-respect.... Therefore, purely from the point of view of opportunism, if you like, a straightforward, honest policy, an independent policy is the best.36

As stated before, during the early years India pursued a particular course of economic policy, the hallmark of which consisted of a containment of penetration by foreign capital whilst sustaining the mixed economy. A non-aligned foreign policy was advanced not only with the aim of increasing India's political autonomy in the sphere of international relations but also as a means of safeguarding its

36 Speech in the Constituent Assembly (Legislative), 8 March 1948. Nehru, n.34, p.35
strategic independence and facilitating the conditions necessary for autonomous capitalist economic development.\textsuperscript{37} India led the way in rejecting the ideological distinctions of the cold war, as involvement with either bloc would have meant participation in a conflict at a time when India badly needed peace to further its development programmes. India's decision to abstain from membership in either power blocs was, in short, made on the basis of its national interests.\textsuperscript{38} This policy of non-alignment proved to be extremely attractive to other newly independent countries, which, following India's lead, began using non-alignment as the philosophical basis for their own external relations and policies.\textsuperscript{39} Thus, the Indian position served as the catalyst for the genesis of the Non-Aligned Movement (NAM). Non-alignment quickly became a potent force helping unite the Third World in a common perspective on world affairs.

While enunciating non-alignment, India sought to carve out a specific role for itself in the global arena. Notwithstanding its economic and military weaknesses, India went on justifying its inherent potential in


\textsuperscript{38} Jawaharlal Nehru, \textit{India's Independence and Social Revolution} (New Delhi, 1984), pp. 106-107 also see Nehru, n.34, pp. 79-86; also see M.S. Rajan, \textit{Non-Aligned Movement} (New Delhi, 1990).

the background of its geopolitical and moralist positions. Nehru himself repeated in his speeches that because of the force of circumstances, because of geography, because of history and because of many other things India had to play a very important role in Asia:

If you have to consider any question affecting the Middle East, India inevitable comes into the picture. If you have to consider any question concerning South-East Asia, you cannot do so without India. So also with the Far East. While the Middle East may not be directly connected with South-East Asia, both are connected with India.... And whatever regions you may have in mind, the importance of India cannot be ignored.\textsuperscript{40}

In another speech Nehru said:

The fact of the matter is that in spite of our weakness in a military sense... India even today counts in world affairs, and the trouble that you see in the United Nations or the Security Council... because she does count, not because she does not count.... It is not a question of our viewpoint or of attaching ourselves to this or that bloc; it is merely the fact that we are potentially a great nation and a big power... \textsuperscript{41}

While addressing the Indian Council of World Affairs in New Delhi in 1949, Nehru commented: "...by virtue of her practical position and

\textsuperscript{40} Speech in the Constituent Assembly (Legislative), 8 March 1949. See Nehru, n.34, p.22.

\textsuperscript{41} Ibid., p.36.
other reasons India is bound to play an important part in Asia”. He said:

It is so situated that because of past history, traditions etc., in regard to any problem of a country or a group of countries of Asia, India has to be considered. Whether it is a problem of defence or trade or industry or economic policy, India cannot be ignored. She cannot be ignored because ... her geographical position is a compelling reason. She cannot be ignored also, because of her actual or potential power and resources.... India is potentially a very powerful country and possesses the qualities and factors that go a long way to make a country grow strong, healthy and prosperous.42

It is fairly clear from the above statements that India sought to develop a specific role for itself without joining one or the other bloc. Nehru continued to stress “the inevitability of India playing an important part by virtue of her tremendous potential” in world affairs and called upon to consider this question “from the bigger points of view.” However, he made it clear that in India’s “external, internal or domestic policy, in our political policy, or in our economic policy, we do not propose to accept anything that involves in the slightest degree dependence on any other authority.”43 Though non-alignment served the purpose of legitimising India’s relations with both the capitalist

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43 Speech in the Constituent Assembly (Legislative), 8 March 1949. Nehru, n.34, pp. 38-41.
and socialist countries, the fact of India maintaining closer relations with the former cannot be denied in the background of the development of capitalism within the country. Nehru says:

When I say that we should not align ourselves with any power blocs, obviously it does not mean that we should not be closer in our relations with some countries than with others. That depends on entirely different factors, chiefly economic, political, agricultural and many other factors. At the present moment you will see that as a matter of fact we have far closer relations with some countries of the western world than with others. It is partly due to history and partly due to other factors, present-day factors of various kinds. These close relations will, no doubt, develop and we will encourage them to develop...44

However, this did not detract India from expressing its severe opposition to the cold war military alliances. Nehru said that the Western sponsored military alliances such as the South-East Asia Treaty Organisation (SEATO) and the Baghdad Pact (CENTO) were harmful to India, as they would ultimately encircle India. A major reason for India’s opposition to these pacts was Pakistan’s membership in them and its own efforts to strengthen itself against India. 45 Nehru, nonetheless, had also reservations about the North

44 Speech at the Indian Council of World Affairs, New Delhi, 22 March 1949. Ibid., p.47.

Atlantic Treaty Organisation (NATO) as it sought to give “a protecting cover to the colonial domains of the powers concerned.”

India’s positive gestures to China during this period, notwithstanding internal differences over the political and legal status of Tibet, led to a consolidation of India’s foreign policy objectives vis-a-vis Third World countries in the form of Panchsheel agreement that rapidly gained the status of a common agenda as well as the basis of relations with other nations. Panchsheel was projected to be resting on equality and mutual respect and peaceful co-existence, and ruling out aggression and internal interference. Non-alignment was a natural corollary of this, whereby India sought to keep itself free from military or like alliances and from the great power games that dominated the world at that time. It may be noted that the five principles of Panchsheel found a concrete expression in the Declaration of World Peace and Co-operation adopted by the Asian-African Conference held at Bandung in 1955. Nehru felt happy that Bandung Conference, representing more than half of the population of

46 Ibid., p.90.

47 For details see India, Ministry of External Affairs, White Paper- I, Notes, Memoranda and Letters exchanged and Agreements signed between the Governments of India and China 1954-1959 (New Delhi, 1959).


49 For details see India, Lok Sabha Secretariat, Panchsheel: Its Meaning and History (New Delhi, 1958).

50 Nehru, n.34, pp.99-102.
the world, declared its adherence to the tenets of Panchsheel that should guide their conduct and govern the relations of the nations of the world. He said: “Bandung proclaimed to the world the capacity of the new nations of Asia and Africa for practical idealism, for we conducted our business in a short time and reach agreements of practical value, not quite usual with international conferences.”\(^{51}\)

India saw the Bandung conference as a new beginning in the emergence of the countries of the Third World who were on the march towards the fulfilment of their independence and of their sense of their role in the world.\(^{52}\) In subsequent years, India and other Third World countries were developing a common agenda and strategies for their existence and survival, which found a unique expression in the launching of NAM in 1961. It may be noted that the major concerns of India’s foreign policy during this period such as anti-colonialism and anti-racialism, disarmament and world peace, self-reliance and economic development etc. became the focus of attention in the NAM deliberations and declarations.

\(^{51}\) Statement in the Lok Sabha, 30 April 1955. Nehru’s Speeches, n.34, pp.292-301; also see Speech at the Concluding Session of the Bandung Conference, April 24, 1955 Ibid., pp.288-291.

\(^{52}\) For details, see India, Ministry of Information and Broadcasting, Asian-African Conference, Bandung, Jawa, 1955- Prime Minister Jawaharlal Nehru’s Speeches: The Final Communiqué (New Delhi, 1955).
India's first major task was obviously to lead the fight against colonialism, in whatever form, attempting to arouse the conscience of humanity against it. India argued that colonialism contradicted the concept of equality among nations and, in a sense, Indian independence itself strengthened the movement for decolonisation. This was first taken up in right earnest by India in the United Nations in 1946. It has since fought many battles on the issue and the results of its intervention can be seen in many cases. 53

As Chester Bowles observed, in the United Nations India stood “as a militant and uncompromising foe of colonialism and a champion of the rights of subject people to independence.”54 Likewise, India had long been a frontline state in the fight against racism, beginning with Mahatma Gandhi's *Satyagraha* in South Africa by early twentieth century. India's opposition to apartheid, as practised in South Africa and elsewhere, had developed from the belief that discrimination on the basis of race was not only a violation of the United Nations Charter but also an insult to human dignity, and that it was “the greatest international immorality for a nation to carry on.”55 India was the first country in the world to take up the issue of racial discrimination in

53 Nehru saw colonialism as a constant danger to world peace, which would also encourage a tendency to racial conflict. Jawaharlal Nehru, n. 38, p.115.


55 Nehru's Speech in the Lok Sabha, 9 April 1958. See Nehru, n.34, pp. 543-44.
South Africa before the U.N. in 1946. Since then India had been taking innumerable initiatives to support Africa’s liberation. India was also the first country to break-off diplomatic relations with South Africa and introduced a general ban on trade and other contacts like sea and air travel with South Africa.  

On the question of Palestine, India’s position has consistently been one of maintaining solidarity with the displaced people in the region. While expressing sympathy with the plight of the Jews in Europe, India made it clear that the British solution to the crisis – a separate Jewish state in Palestine - would result in tensions and conflicts in the region. Rejecting the Zionist project for a national home for the Jews in Palestine, Mahatma Gandhi pointed out: “Palestine belongs to the Arabs in the sense that England belongs to the English and France to the French.” When the question of partition of Palestine came before the UN during 1947-48, India, as a member of the U.N. Special Committee on Palestine, presented a plan (subsequently known as Minority plan) seeking to provide for a federal state with an Arab majority in charge of the federal state but with autonomy for the other regions. But this did not find favour with most people in the UN and

56 B.Vats, “United Nations Vital Role in Ending Apartheid,” World Affairs 2, June 1991, p.75; also see India Ministry of External Affairs, Question of the Treatment of Indian’s in the Union of South Africa Before the UN (New Delhi, 1947).

57 Harijan, November 26, 1938.
partition suddenly became inevitable owing to the pressure of some of the great powers.58

With the outbreak of the first Arab-Israeli war and the Israeli occupation of the Arab territories, nearly 80,000 Palestinians became refugees in the neighbouring countries such as Jordan, Lebanon, Egypt and Syria. India’s response to these developments was prompt and consistent all throughout, maintaining that the only solution was the return of the refugees to their homes. When the UN Relief and Works Agency (UNRWA) undertook to provide relief measures to the displaced Palestinians, India extended its support including financial assistance. Subsequently, in all deliberations and debates in the UN and other international fora, including NAM, India’s stand was one of firm support to the cause of the displaced people.

Nehru himself outlined the general premise of this policy when he said:

...our sympathies are with the Arab countries and with Arab nationalism which represents today the urge of the people... we do not accept that foreign troops should be used in any territory in the area ... (and) that there can be no settlement and no return to normality till foreign troops are removed from the area.59

58 Nehru’s Speech in the Constituent Assembly (Legislative), 4 December 1947. Nehru, n.34, p.26.

Though India extended its diplomatic recognition to Israel in 1950, it refused to exchange diplomatic representatives with it on practical grounds.\textsuperscript{60} During the Suez crisis in 1956 and the Arab-Israeli war in 1967 India vehemently criticised Israel for its territorial occupation and aggression.\textsuperscript{61} India's championing of the cause of the Palestinian people enhanced the credibility of the country in the West Asian region particularly when India sought the active involvement of the UN in the crisis and the full participation of the Palestine Liberation Organisation (PLO) to find a solution to the problem. Later, India supported a resolution passed by the UN declaring Zionism as a form of racial discrimination.\textsuperscript{62}

India's policy postures on disarmament also had a specific Third World orientation, which found its concrete manifestation in its initiatives in the UN, NAM and elsewhere. The formation of the Disarmament Subcommittee of the U.N. was the result of India's initiative in the General Assembly in 1953. Thereafter, India suggested some initial steps for disarmament including the suspension of nuclear and thermonuclear

\textsuperscript{60} In reply to a question Nehru said that "it is not a matter of high principle, but it is based on how we could best serve and be helpful in that area". See Nehru, n.34, pp.414-415.

\textsuperscript{61} See Nehru's Speech in Lok Sabha, November 19,1956. Nehru's Speeches, n.38, pp.321-334; also see India, Ministry External Affairs, Foreign Affairs Record (New Delhi (hereafter FAR), No.6, June 1967, pp.81-83; and FAR, Vol.15, No.8, August 1969, p.15.

tests pending their abandonment. Nehru outlined the basic position of India in 1957:

... any real settlement regarding disarmament will have to be a comprehensive one. We cannot have it in one corner and leave the other free. But the fact that we have a partial agreement does not rule out a comprehensive agreement... a partial agreement is better than no agreement, provided that it is a step towards the larger agreement.

In the deliberations on disarmament held under the auspices of the U.N. India took part actively and made proposals for general and complete disarmament. India had taken keen interest in the Eighteen Nation Committee on Disarmament formed by the General Assembly in 1961 and worked effectively for the furtherance of the cause. Meanwhile, India signed the Partial Test Ban Treaty in 1963 considering it as an important step in the direction of achieving disarmament. However, India's perceptions of threat and the emerging security environment in the region, particularly after the India–China war in 1962 and the Chinese nuclear explosion in 1964, appeared to

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63 The proposals also sought dismantling of bombs and a reversal of the process of piling them up, besides asking the parties concerned to publicly declare their willingness not to manufacture anymore of these weapons. For details of India's disarmament initiatives see India, Ministry of External Affairs, Disarmament: India's Initiatives (New Delhi, 1988)

64 Speech in Lok Sabha 2 September 1957. Nehru, n.34, p.199; also see Nehru's Appeal to the U.S. and the USSR see Nehru's Speeches, n.59, pp.308-9.

65 The membership of the Committee was expanded to 26 in 1969-70 and re-named as "The Conference of the Committee on Disarmament." India, Ministry of External Affairs, Report 1969-70 (New Delhi, 1970), p.74.
have an impact on its defence policy and postures. Prime Minister Lal Bahadur Shastri who succeeded Nehru was reported to have sought security guarantees from the major nuclear weapon powers in 1964. In a press conference in London, he said that it was for the nuclear powers to consider some kind of guarantee it was needed not only by India but by all the non-nuclear countries. Subsequently, Shastri sanctioned a “Subterranean Nuclear Explosion Project (SNEP)” proposed by Homi Bhabha.

India’s nuclear policy was thus poised for a major change in the background of the Chinese nuclear explosion and the internal pressures. When the Nuclear Non-Proliferation Treaty (NPT) was under consideration, India put forward many conditions, one of which was that the UN must safeguard the security of countries, which might be threatened by nuclear weapon states. Later on, India vehemently opposed the NPT saying that it would not “stop the production of the nuclear weapons or remove stockpiles, but perpetuates the division


67 George Perkovich quoted Glenn Seaborg, US Atomic Energy Commission Chairman, who said that Vikram Sarabhai, the then Chairman of Indian Atomic Energy Commission and B.K. Nehru the then Indian Ambassador to the US, proposed that a “US-USSR guarantee against nuclear attack on non-nuclear countries was all that was needed – it could be a substituted for a non-proliferation treaty”. See George Perkovich, India’s Nuclear Bomb: The Impact on Global Proliferation (Berkeley, 1999), p.136; also see US Arms Control and Disarmament Agency, Documents on Disarmament (Washington, 1965).
between nuclear powers and others, thus creating yet another vested interests. The 1971 India-Pakistan war and the US tilt towards Pakistan were 'milestones' in the Indian nuclear decision-making "that led to the peaceful nuclear explosion of 1974." Notwithstanding India's public commitment to disarmament and arms control and its own declaration that it would not produce nuclear weapons, attempts have been under way to reorient India's defence policy including its intention to develop nuclear weapons for security. This obviously had an impact on India's disarmament posture in the global negotiations involving the nuclear weapon powers and the Third World, particularly in the context of the NPT and Comprehensive Test Ban Treaty (CTBT) debate.

**Political Economy of the Third World Unity: Indian Initiatives**

The realisation that the development strategies employed since independence had failed gradually led the Third World countries to call into question the traditional analysis of the causes of underdevelopment and to place it within the structure of the international system rather than within the characteristics of the underdeveloped countries. The world, therefore, saw a gradual

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awakening of the Third World to the exogenous nature of underdevelopment or, in other words, to the links, which existed between underdevelopment and the operation of the international economic system, in particular the conditions imposed as Third World countries in the course of international trade. Thus, the world economic system conceived and created by the industrialised nations, functioned primarily for the benefit of those nations, by essentially meeting their requirements. So the existing international order, far from constituting a favourable environment for the Third World countries, represented the principal obstacle to the development by keeping the poor countries in a position of dependence and inequality, which was a source of stagnation. When viewed in this way, the theory of underdevelopment tended to become a theory of dependence, as demonstrated by several lines of researches in the Third World, particularly relating to Latin America.\textsuperscript{70}

In a world economic system over which the Third World countries had no control, they could not exercise true economic sovereignty and without this, the political sovereignty they had gained would have many limitations. The awareness that the obstacles to development were inherent in the very structure of the international system thus

\textsuperscript{70} For a discussion on this see Chapter 1.
gradually added impetus to the challenge to the international order and the demand for structural changes.71

India felt particularly unhappy about the position of the Third World in the international division of labour. In fact, the terms of trade were considered unfavourable to basic commodities and there was a feeling that these terms were becoming even worse in the course of time.72

The challenge by the Third World to the structures of the world economic system tended to become part of a fight for decolonisation. More precisely, the economic demands were conceived as indispensable conditions for complete decolonisation and thus true development of the Third World.

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71 The international division of labour constituted one of the central points of this challenge to the international order by the Third World countries. In view of their low level of industrialisation, they played only a limited part in world trade and they were primarily oriented towards the basic commodities sector with, in some cases, a strong tendency towards a one-crop economy. This situation was perpetuated and even strengthened by the existence of tariff and non-tariff customs barriers which hit hard against products imported by the industrialised countries as soon as they involved a certain element of manufacturing, thus competing with the industries of those countries. The transfer of technology and the provision of financial resources operated in a manner which was far from favourable to the industrialisation of the Third World, something which was indispensable for the changing of this vertical international division of labour. See Report of the South Commission, n.3; Philippe Braillar and Mohammad-Reza Djalili, *The Third World and International Relations* (London, 1984) p.162.

72 The income which the Third World countries were also to obtain from their production was extremely insecure. There was a great deal of fluctuation in the prices of raw materials, and consequently great instability of income for many of the countries who produced them, so that they found themselves incapable of guaranteeing finance for an economic policy involving major development projects.
India was perhaps the first country to articulate the Third World interests along these lines. A major initiative was the first Asian Relations Conference convened in New Delhi just before independence. Addressing the Conference, Nehru said:

Peace and freedom have to be considered both in their political and economic aspects. The countries of Asia are very backward and the standards of life are appalling low. These economic problems demand urgent solution or else crisis and disaster may overwhelm us.73

He elaborated this further in a meeting of the UN in 1948:

If it is considered right in the larger interests of the world that a country like India and other countries in the East should be industrialised, should increase and modernise agricultural production, it is in the interests of those countries that can help in the process to help the Asian countries with capital equipment and their special experience. But in doing so, it is to be borne in mind that no Asian countries will welcome any such assistance if there are conditions attached to it, which lead to any kind of economic domination. We would rather delay our development, industrial or other, than submit to any kind of economic domination by any country.74

It was at the Bandung Conference that India played an effective role in developing an economic agenda for the Third World. Accordingly, the

74 Inaugural address at the Third Session of the United Nations Economic Commission for Asia and the Far East at Ootacamund, 1 June 1948. Ibid., pp.310-311.
Conference dealt with subjects like technical assistance, establishment of a Special United Nations Fund for Economic Development, stabilisation of commodity trade and prices through bilateral and multilateral arrangements, increased processing of raw materials, establishment of national and regional banks and insurance companies etc. 

The role of India in subsequent years was very significant in articulating the Third World interests, particularly its efforts in the democratisation of the international political order. Its contribution during the fifties and the sixties to the movement for change in international economic relationship had been very critical. Planned development at home and diversified economic relations abroad had set in a practical model for newly independent nations to give economic content to their national freedom. India’s experience and skills have been deployed as and when necessary to join with others in analysing problems, evolving new concepts, putting forward practical proposals, negotiating compromises and pressing for concrete action.

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75 Nehru told Lok Sabha that the Bandung decisions represented a break away from the generally accepted belief and practice that Asia, in matters of technical aid, financial or cultural cooperation must rely exclusively on the non-Asian world. The conference proclaimed the reaching out of Asian countries to one another and their determination to profit by one another’s experience. See Nehru, n.34, pp.274-75.

There were natural linkages between the expansion of the Indian economy and the evolution of India’s external economic policy and the unfolding of the developmental process across the underdeveloped regions of the world. The Second Five Year Plan documents revealed that Indian planners were aware of similarities in developmental problems and processes and were conscious of the fact that the scope for complementary effort and mutual assistance between the developing countries had remained largely unexplored. Accordingly, they recognised poverty, low standards of living and economic backwardness to be ‘problems of common interest’ and accepted the view that interchange of ideas, experiences and technical personnel would be of mutual value. At the global level, however, it was clear that political freedom and economic servitude could not co-exist for long. Newly independent nations inevitably strained at the limits set to their social and economic activities by the continued domination of the economic scene by the erstwhile metropolitan powers, but they did little to change the order beyond raising their voice in protest.77

In actual practice, the post-war international economic order proved to be a great blessing only for its real founding fathers. Not only were the economies devastated by the Great War rebuilt, but the entire geographic area covered by the members of the OECD had the benefit of uninterrupted growth, expanding prosperity and rising living

77 Ibid., pp. 211-12.
standards, almost continuously for over twenty-five years. While under its aegis, development was found to be self-generating, underdevelopment was condemned to be self-perpetuating. Despite revolutionary advances in technology, travel and communications, the distance between the centre and periphery continued to widen progressively.

Over the years, it became clear that without drastic change in the rules of the game, the relative and absolute positions of the developing economies could only worsen. Indian representatives took a hand in initiating debate and discussion at least on marginal changes. After some effort, the GATT was amended to permit the developing countries to impose import restrictions with the aim of implementing their programmes and policies of economic development. The need for more positive efforts on the part of the 'Contracting Parties' to secure for the developing countries a fair share in international trade was also recognised. A blanket ban on increase of customs charges was accepted in principle; it was agreed to devise appropriate measures to attain equitable pricing for primary products; consideration was also to be given to provide greater scope for imports of new manufactures from the developing countries into the markets of the industrial nations. It took almost a decade to achieve these nominal gains. The

movement for affecting marginal changes in financial and monetary relationship was even slower, but a number of consortia came into existence to organise and stimulate financial flows to meet at least some of the more urgent development needs. Article 54 and 55 of the UN Charter provided a convenient base for the erection of a superstructure for economic co-operation within the UN system itself. Indian representatives played a leading role in persuading the United Nations to designate the sixties as the First Development Decade and to undertake preparatory measures for setting-up the United Nations Conference on Trade and Development (UNCTAD).\textsuperscript{79}

In the first UNCTAD meeting held in 1964, India’s Commerce Minister said that in order to promote industrialisation and the rapid expansion of export trade of the less developed countries, it was necessary that preferential treatment should be accorded to the exports of the less developed countries; such a system must be non-discriminatory and be applicable as a whole to all the less developed countries of the world, so that the complex system of discrimination between one group of countries and another or between one region of the less developed countries and another was avoided. He said that in addition to the removal of non-tariff barriers and reduction and removal of tariff barriers, India attached the greatest importance to the

industrialisation of the economies of the less developed countries.\textsuperscript{80} The Minister also stressed the need for UNCTAD become a permanent feature and, it may be noted, this suggestion was accepted by the Congress. In the Second UNCTAD Meeting held at New Delhi in February 1968, India proposed that the scheme of general and non-discriminatory preferences in favour of all the developing countries for their manufactures and semi-manufactures must also be non-reciprocal.\textsuperscript{81} In subsequent years, India made use of the Economic and Social Council, the General Assembly and its committees and the UNCTAD for mobilising support for the cause of the Third World by sponsoring and co-sponsoring resolutions and moving amendments to resolutions sponsored by other countries.

The desire of the Third World countries to close ranks in defence of their economic interests had already materialised in the form of the Group of 77 which, over the years, constituted practically all the Third World states. India was one of the dominant powers in the Group which had been initiating all basic documents concerning restructuring of international economic relations which outlined the fundamental principles of the struggle of the Third World for decolonisation of this sphere of social life. India had come out with a


\textsuperscript{81} FAR, Vol.14, No.2, February 1968, pp.55-62
united front on major issues of restructuring world economic relations in spite of substantial difficulties and contradictions.

In the Charter of Algiers in 1967, the Third World’s formal demand for a transformation of the international structure that maintained an unequal distribution of benefits was first formulated. It was drawn up at a Ministerial level meeting of the Third World countries (Group of 77) in the background of the limited success achieved in the implementation of the decisions of UNCTAD-I pertaining to the developing countries. However, UNCTAD-II also failed to make any contribution to the evolution of a global strategy of development based on convergent measures for developed and developing countries.82 In the Lusaka Summit (1970) the NAM countries acknowledged that structural weakness in the existing world economic order was responsible for continued economic dependence and poverty. In a declaration on economic progress, the NAM pledged itself to a spirit of self-reliance and called for the UN to employ international machinery to bring about a rapid transformation of world economic systems particularly in the field of trade, finance and technology so that economic strength could be used for the benefit of the world community. 83

82 For details, see H.D. Shourie, *UNCTAD-II, A Step Forward* (New Delhi, 1968).

83 For details, see Indira Gandhi’s speech at the Third NAM Summit, Lusaka September 9, 1970. *Indira Gandhi’s Speeches*, n.68, pp.692-697.
In the 1970s India along with other non-aligned countries understood the imperative to put development issues ahead of political issues and to take advantage of the UN system. As Timothy M. Shaw pointed out, this change of emphasis from cold war issues along an East West axis towards rich-poor issues along a North-South axis was symbolic both of changes in the world system including the increase in the Third World influence. In the UNCTAD-III held in Santiago in 1972 an attempt was made to further advance the cause of the Third World, but the hopes to induce sovereign nations to cooperate in modifying mutual economic relationship once again failed to materialise. The Algiers summit of NAM (1973) was an important milestone in the history of the movement in that it provided a new beginning for consolidation and activism besides highlighting in categorical terms the need for restructuring the international economic order. During this period, the Third World, with the leadership of India, demonstrated tremendous solidarity in international bargaining with the developed countries. Although the attempts to bring about a New International Economic Order (NIEO) did not progress in the desired


85 For details see India, Ministry of External Affairs, Two Decades of Non-Alignment: Documents of the Gatherings of the Non-Aligned Countries 1961-1982 (New Delhi, 1983).

86 For details, see India, Ministry of External Affairs, Indira Gandhi's address at IVth Non-Aligned Conference held at Algiers in 1973 (New Delhi, 1973).
in the direction, countries like India went on mobilising the international community into action and negotiation.87

In the UN General Assembly India was in the forefront while advancing the cause of the New International Economic Order. At the Sixth Special Session of the UN General Assembly, India made proposals for a comprehensive policy for the revalorisation of prices of raw materials; provision of additional liquidity for concerned countries; equitable pattern of voting rights in IMF and other international financial institutions; provision of external capital for the development of developing countries; and financial and technical assistance to developing countries. Most of these proposals were incorporated into the "Declaration on the Establishment of the New International Economic Order" adopted by the UN General Assembly on 1 May 1974.88 The programme of the NIEO contained a number of fundamental concepts spearheaded against oppression and exploitation. This applied, first and foremost, to the principles of self-determination of the peoples and the sovereign equality of status, full sovereignty of states over their natural resources and all forms of economic activity, equal participation of all countries in the solution of

88 For details, see UN General Assembly, Declaration of the Establishment of a New International Economic Order, 2229th Plenary Meeting, 1 May 1974; also see UN General Assembly, Programme of Action on the Establishment of a NIEO, 2229th Plenary Meeting, 1 May 1974.
global economic problems etc. The programme of NIEO was directed at the restructuring commodity flows and reorganising the mechanism, which governed international economic relations in the light of the interests of the Third World countries. The main efforts of India had been directed at the solution of this three-fold task.

The objectives of the NIEO constituted a coherent programme representing the aspirations of the states of the Third World. The internal logic of the programme - raising the prices of raw materials exported by the Third World; a new push in export-oriented industrialisation geared to the developed country markets and based on cheap manpower and the abundance of natural resources; and the acceleration, at reduced cost to developing countries, of technological transfer - reflected the contradictory nature of the accumulation of capital on a world-scale.\textsuperscript{89} The essence of this official demand for a new order was a call for the redistribution of the world’s wealth and economic opportunities, and restructuring of the international economic system and its institutions to guarantee that the interests of developing states were directly taken into account. The new order was to be based on the principles of equity, sovereign equality, interdependence, common interests and co-operation among all states. An integral aspect of the NIEO was the development of collective self-

reliance. It envisaged measures to be taken by developing countries to promote collective self-reliance among them and to strengthen mutually beneficial international economic co-operation with a view to bringing about accelerated development of developing countries.\textsuperscript{90} One of the basic underlying assumptions of the concept of collective self-reliance and the general faith in the positive results of economic co-operation among developing countries was that the South had a common interest based on the fact that their enemies shared some basic structural features.

At the Seventh Special Session of the UN General Assembly India made several proposals for the establishment of the NIEO, which included among other things, a greater say for the developing countries in the management of international monetary system and greater regulation on the activities of transnational corporations.\textsuperscript{91} India continued its efforts at UNCTAD-IV held at Nairobi in May 1976. During 1977-79 when the Janata Government was in power, India did not seek any change in its policy orientation towards NIEO. In June 1978 Prime Minister Morarji Desai pointed out that the road to NIEO might be "rough, tortuous and long, but it must not be allowed to become a mirage. It was here that countries like the United States have a crucial role to play by giving the lead and the implementation of

\textsuperscript{90} UN General Assembly Resolution, No. 3302 (S-VI), Section 1, 16.

\textsuperscript{91} For details, see UN Monthly Chronicle, Vol.XII, No.9, October 1975.
various decisions aimed at eradicating the sin of poverty." Later in the year, India's Foreign Minister A.B. Vajpayee said that "mere tinkering with the present world economic order and hesitant adhoc concessions" would no longer be enough. He called for time-bound means to attain the goals of NIEO, which included a common fund for commodities, adequate flow of financial resources on a dependable basis and softest terms and conditions, reforming the international monetary system and code of conduct for transnational corporations.

The changes demanded by the Third World countries in the realm of global system went beyond strictly economic considerations and demonstrated a cultural dimension, as witnessed by the call for a world information order, which gave rise to great debates, particularly within UNESCO aimed at safeguarding the identity and the cultural self-reliance of the Third World. During the 1970s, India, in association with other Third World countries, had made some genuine attempts to terminate their submission to an inequitable communication order. The NAM Algiers Summit (1973) declared that the activities of imperialism were not confined solely to the political and economic field but also covered the cultural and social fields, thus imposing an alien ideological domination over the people of the Third World. The Colombo Declaration of the NAM (1976) asserted that a


new international order in the matter of information and mass media was as important as a new international economic order. Since then India and other Third World countries had been making efforts at different levels to eliminate the many obstacles impeding the free flow of information, to reduce the existing imbalance as well as current disparities in the facilities available for communication, both within and between countries.

Indian Joint Ventures in the Third World

One of the significant developments in the last quarter of the twentieth century was the emergence of newly industrialised countries and the forging of cooperation among them in the industrial field, particularly through the promotion of joint ventures. A number of Third World countries have expanded their operations across the world by exporting technology with or without financial participation. Joint ventures are defined as those in which two or more parties from two or more Third World countries share the responsibilities for cooperation by providing risk, capital goodwill, know-how and management, natural resources and access to national markets in an agreed manner. As the structure of the Third World economies underwent

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changes, forms of cooperation also assumed new significance. Joint production enterprises gained importance as they strengthened the economic links particularly at regional and sub-regional levels. In India the policy framework for starting joint ventures abroad was evolved during the Second Five Year Plan when Indian entrepreneurs began to look for opportunities abroad not only to export capital equipment but also for financial and technological participation. During the Second Plan it was realised that India could no longer depend wholly on conventional methods of trading. In 1964 India began exploring the possibilities of encouraging joint ventures in other Third World countries. Thus guidelines were evolved for setting up joint industrial ventures abroad.

A significant aspect of Indian joint ventures was that Indian State capitalist system sought "to avoid being seen as exploitative" and adopted the formula legitimised by UNCTAD of "Co-operation amongst the developing counties." According to Srikant Dutt, the motives of Indian foreign investments were many. The most important being that the Indian State capitalist system having reached a crisis sought a partial solution to this. Here joint ventures helped the expansion of

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Indian capital into foreign Third World markets, utilised idol capital and skills and finally made gains for the Indian State.  

In the 1960s, many joint enterprises were set up in countries which were in close geographical proximity, and the fields of collaboration were primarily those in which India had acquired experience and strength. These included textiles and allied products, chemicals and pharmaceuticals etc. Most of these joint ventures were from the big monopoly houses in India, some were from the public sector, while a few others were small firms utilising overseas Indian links to facilitate their investments abroad. Most of the Indian ventures were located in the Third World particularly in South Asia and Southeast Asia, West Asia and Africa. By March 1982 there were 134 joint ventures in operation and 86 under implementation, a total of 220.

In analysing India’s Third World policy in a historical setting, one comes across various exogenous and endogenous factors. While the historic specificity of the Indian State played a critical role in the making of India’s foreign policy, the structural compulsions arising...
out of the linkage between the Indian economy and the global capitalist economy acted as a powerful determining factor in shaping its Third World position and policies in the postcolonial period. In fact, non-alignment provided a conceptual basis in articulating India's Third World policy. Significantly, India had been able to sustain a credible and consistent stand on the crucial issues affecting the Third World, from development trade to racialism and nuclear disarmament. The autonomy and sovereignty the Indian State sought to preserve during the first four decades of independence obviously provided strength and vitality to India's foreign policy. This scenario appeared to be poised for a decisive change in the 1980s and 1990s.