

Abul Kalam Azad

POLITICAL ECONOMY OF INDIAN AID TO THE THIRD WORLD

Introduction

The pursuance of economic diplomacy by India, one of the low income countries of the Third World, is a subject of growing interest and significance. It is, indeed, interesting to note that India which is a recipient of foreign aid from the advanced countries has herself emerged as a donor of aid and assistance to many least developed countries across her borders. Despite the challenges of its own poverty and economic underdevelopment, India devotes a part of its available material and human resources in extending aid to some developing countries. As the most tangible manifestation of her economic diplomacy, India's aid programme has thus appeared to be a genuine operational side of her overall foreign policy today.

Through the instrument of aid, India has made long strides to help the developmental activities in many countries. Through sharing of experience and expertise it has also been able to earn goodwill and prestige among the recipient countries. India's aid diplomacy is also closely associated with its policies for exploring and promoting avenues for expanding its trade relations. Now, the questions that seem relevant in this context are, what are the factors that have induced India to adopt such a policy? What are the dimensions of her aid programme? How effective has the Indian aid diplomacy been over the years? What if any, are its political implications? These are some of the issues to be taken up in the paper.

Indian aid Diplomacy - Domestic and External Factors

India's economic or aid diplomacy has been a product of a complex set of psychological, political and economic factors both at domestic and external levels.

Domestic : The physical vastness of India in terms of size and population, its important geo-strategic location and political clout, huge economic and industrial potential, its pride of glorious past, and above all, Indian elite's perception of a capability and right to play major role in global affairs combine to project India as a powerful nation in the world. Politically, India's emergence as the largest independent state in Afro-Asia was itself a phenomenal development in the midst of decolonization movement following World War II. Moreover, India's independence took place at a time when the wind of cold war was blowing all over in a tight bi-polar globe. Thus, at the political front, India perceiving its immense strength as a possible leading country among the newly independent states of Asia and Africa with a large population whose destiny was countable in international politics, came out with a new political philosophy of non-alignment. Non-alignment, the basic precept of India's foreign policy later on became a political dogma for many Afro-Asia leaders to subscribe to. It not only emerged as an alternative political concept in a world of bipolar politics but also provided India a position of strength and leading role among the growing number of members of the movement.

In post-independence era the Asian connection figured prominently in Indian foreign policy. The pivotal position of India in Asia was certainly critical in an Indian perception of a bigger role to India. To quote J. Nehru, "India is very curiously placed, whichever problem in Asia you may take up, somehow or the other, India comes into the picture. Whether you think in terms of China or the Middle East or South East Asia, India immediately comes into the picture. She cannot be ignored also because of her actual or potential

power or resources"¹. Infact, what the Indian leaders aspired was to evolve a vigorous foreign policy which would enhance India's image and prestige not only in the subcontinental arena but also in other areas of Asia and Africa. The inner motive was, perhaps, to uphold India as a spokesman for the Third World—a status that could presumably meet her wide variety of interests—both political and economic.

The aim that India opted for was not easily attainable, specially due to a lack of sound economic base to support its foreign policy. This realism is expressed again in the words of J. Nehru, "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 incoherent and will be groping"². Thus at the domestic economic front, besides addressing some of the pressing problems like rehabilitation and reconstruction in immediate post-independence period, India's economic activities were mainly geared up towards increasing productivity in agriculture and industry. J. Nehru's socialist programme aimed at nationalization of the means of production and distribution ultimately succumbed to the pressure of the Indian capitalists, and as a result the New Industrial Policy Resolution added a new dimension to India's economic Policy at home. Under this New Industrial Policy Resolution, the government was to concentrate on expanding its existing enterprises and developing new ones rather than nationalizing private industry. It is pertinent here to mention that India sought to build her industrial base even with foreign aid and assistance under suitable conditions. With efforts to attract foreign capital and aid much of the impetus to economic policy was received with the launching of the First Five Year plan in 1951.³ Besides to hone the economic policy, it was

-
1. Cited in P.S. Jayaramu, *India's National Security and Foreign Policy*, ABC Publishing House, New Delhi, 1987, p. 117.
 2. Cited in Dewan C. Vohra, *India's Aid Diplomacy in the Third World*, Vikas Publishing House, New Delhi, 1980, p. 186.
 3. *Ibid.*, p. 192.

placed within the Indian constitution as a priority to back its foreign policy. Throughout the fifties India's economic efforts guided by a system of democratic planning were successful in producing many new industrial products and expanding their markets abroad.

By the mid sixties India was successful in building up an industrial and technological infrastructure. Consequently at the domestic level her economic diplomacy took a new shape after the Economic Division in the Ministry of External Affairs has been inspired to launch the economic activities of the Government of India in many Third World countries. The Annual Report of 1964-65 of the Ministry of External Affairs observed, "With the achievement of independence, the most important task before the Asian and African states has been the promotion of the social and economic development of their peoples which had been retarded during the years of the colonial rule. Unfortunately they all suffer in varying degrees from lack of skilled manpower and shortages of financial resources. It has come to be recognised that these handicaps cannot be overcome without the assistance of the developed countries on the one hand and a cooperative effort by the developing countries themselves on the other."⁴

The successful opening up of markets in a number of Afro-Asian countries kindled India's political desire to maintain a semblance of influence in these areas. India, perhaps, perceived it well that without political influence in these areas, the long term economic interests could not be promoted. Thus the theme of economic cooperation as outlined by India during this period ultimately added a new dimension to its economic diplomacy—the bilateral aid programme to assist a number of countries in Asia and Africa. In this connection the launching of Indian Techninal Economic Cooperation (ITEC) programme in 1964 had been a major breakthrough in her bilateral efforts to aid the poorer Afro-Asian countries with anticipated foreign policy implications. According to the government, "ITEC was designed to generate goodwill for India and procure

4. *Ibid.*, p. 212.

mutual economic benefit"⁵. The Indian government took it as a concept of collective self-reliance and preferred to view its activities as one of cooperation rather than aid. The Indian government had been hesitant in admitting any political consideration behind the ITEC. In reality, however, it was perhaps the most calculated, tangible and sedate effort on the part of India to achieve some long-term political gains among which countering of China's successful aid diplomacy in the Third World was prominent.

External : The main motive force behind the ITEC despite its apparently domestic compulsions was perhaps an Indian urge to contain the growing economic influence of China. "The rationale behind the launching of the ITEC programme in the wider international setting than in the sub-continental or regional plane seems largely to be a diplomatic offensive to the Chinese aid diplomacy which was earlier restricted to socialist countries but was later extended to the Third World countries in Asia and Africa and Latin America"⁶. The Sino-Indian rift which surfaced out in the late fifties was not parochial to the extent of a mere border dispute between the two countries, rather the dimension of the rift went beyond it. China aspired to have the same goal as India had and thus both the Asian powers ultimately got embroiled in a contest for spheres of influence elsewhere. Infact, China claimed herself to be a member of the Third World experiencing the same political, economic and social experiences of other Third World nations. Since the late 1950s Afro-Asian countries have been the centre-piece of Chinese foreign policy toward the Third World, and both the continents provided unique opportunities for China to demonstrate many of its foreign policy precepts i.e. anti-colonialism, people's war, anti-neo-colonialism etc. Moreover, in many African countries, China was viewed a source of inspiration as a poor largely

5. Srikant Dutt, *India and the Third World : Altruism or Hegemony*, Zed Books Ltd., London, 1984, p. 63.

6. Cited in Dewan C, Vohra, *op. cit.*, p.

agrarian country which having cast off the yoke of foreign oppression, backwardness and traditionalism has succeeded in developing its economy and achieved genuine self-reliance.

China's direct military and political support to African liberation movements beginning with the Algerian revolution in the late 1950s and early 1960s placed her in great esteem among the African countries. To Africa, Chou En Lai announced in 1964 China's five principles to promote relations. They were (i) support to the African peoples in their struggle against imperialism and in defense of their national independence; (2) support for their policy of peace, neutrality and non-alignment; (3) support for their desire to achieve unity and solidarity; (4) support for the settlement of their disputes through peaceful consultation and (5) respect for their sovereignty and opposition to encroachment and interference.⁷ Moreover, South East Asia and South Asia being in Chinese perimeter drew Chinese attention in view of its geo-political considerations. The US involvement in South East Asia provoked China to engage more in the internal affairs of South East Asian countries, and it was thus naturally perceived that China embarked on a task of bringing Asian region, particularly South East Asia under its control and influence through its communist ideology.

Along with committed political support, China's aid package strictly on a bilateral basis seemed to be a boon for many of the least developed countries of Asia and Africa. It is relevant here to mention that in the 1950s her aid commitments were given to the communist states only, but beginning in the 1960s her aid network extended to non-communist countries also. The Africans were impressed by this approach. From 1960 to 1965 China gained fifteen nations' recognition. During this period China offered approximately US\$ 294 in economic aid. In addition Chou En Lai's Safari to eleven nations in

7. King C. Chen, *China and the Three Worlds : A Foreign Policy Reader*, M.E. Sharp Inc., New York, 1979, p. 23.

Africa between 1964 and 1965 promoted China's image and influence there.⁸

Infact, China in her attempt to win over the Third World countries did not find in India much a challenge as it found in the Soviet Union. The experience of a close relationship with Moscow being short-lived, China had to contain the Soviet influence in many parts of the Third World where Soviet ideological and political rhetorics were somewhat akin to her. On the other hand, it was India that found the formidable task of containing China in the Third World, which was particularly conspicuous after the 1962 Sino-Indian dispute. New Delhi's aid programme on bilateral basis, granting of loans, rendering assistance with experts and technology were most often imitated from China.

The political overtone reflecting the power struggle between the two countries found expression in the words of J. Nehru, "It is too naive to think that the trouble with China was essentially due to a dispute over some territory. It had deeper reasons. Two of the largest countries in Asia confronted each other over a vast border. And the test was whether one of them would have a more dominating position than the other on the border on in Asia."⁹

Besides the China factor, India's commitment to non-aligned movement had profoundly inspired her desire to participate in the economic development of a number of poorer nations through her aid and trade policy. India explicitly outlined her commitments to technical and economic assistance to Third World countries subsequent upon the Algiers Non-aligned Summit of 1970. At the Algiers non-aligned summit in 1973 India's overture got further prominence which coincided with the growing recognition on the part of the developing countries of the need for collective self-reliance through mutual cooperation.¹⁰

8. *Ibid.*

9. Cited in P.S. Jayaramu, *op. cit.*, p. 117.

10. See for details Dewan C. Vohra, *op. cit.*, p. 218.

The Geographical Coverage of Indian aid Programme

The Indian aid programme covers a vast area extending from South Asia to South East Asia and Far East in the east and West Asia and Africa in the west including few Latin American countries. The asymmetrical political, economic and social systems of the countries comprising the area of India's aid and their wide geographic dispersion apparently indicate a lack of any single ideological commitment or objective in New Delhi's aid programmes. Indeed, it is notable that Indian assistance flows into countries irrespective of whether they are democratic or non-democratic, monarchical or autocratic, socialist or non-socialist, Islamic or non-Islamic. However, almost all the recipients of Indian aid belong to the category of Third World and have the problems of poverty and underdevelopment in common. Before analysing the implications an attempt is made below to briefly survey Indian aid programmes on the basis of geographical location of the recipient countries.

South Asia : South Asia is the region where India occupies a pre-eminent position in terms of economic and industrial strength and potential with a number of smaller countries as her next door neighbours. India has obviously attached the highest priority to this region, and it is possible on the basis of a dispassionate analysis of its aid policy towards her neighbours, to bring out some tangible manifestation of how her twin interests of economics and politics are served.

The region contains some of the poorest and low income countries of the world (Nepal, Bhutan, Bangladesh, Sri Lanka, Maldives and Pakistan) with political systems ranging from parliamentary democracy and modified democracy to monarchical rule and economic systems mostly mixed in nature. The foreign policy of each of these nations is oriented by non-alignment as a basic precept. Through ages, Indian culture had influenced to a great extent the life styles and traditions of the people inhabiting this area, and the countries in essence possess wide commonalities in socio-cultural values and share many problems transcending the national boundaries.

The Himalayan Kingdoms of Nepal and Bhutan occupy an extremely important place in India's foreign policy schemes. The Himalayan connection as envisaged in Indian foreign policy is visualized from two different angles (1) the strategic importance of the Himalayan Kingdoms for India's national security and (2) the place of the Himalaynn Kingdoms in India's own role perception.¹¹

Nepal, bounded by a Treaty of Friendship (1950) with India, was initially the first area of India's aid concentration. Even today India has the largest aid proramme in Nepal as it occupies a prime place in the Sino-Indian contest for power and influence in the region in view of its strategic location. In respect of aid India has an edge over the other donors (see table 1).

Nepal has received large Indian assistance under the multilateral Colombo Plan including technical assistance, deputation of experts, and training of personnels. During the period 1951-76 Nepal received a total Indian aid of Rs 1205 million under the Colombo Plan.¹² The major share of India's aid to Nepal has been utilized for communication and industrial development, power projects, irrigation and community development schemes which have been of immense economic value to the Himalayan Kingdoms in creating an economic base (see table 2). The construction of the basic infrastructures in Nepal was construed by India as the best way to establish political, economic and social stability in the country. As Nepal has been of direct strategic importance to India for her security, by constructing roads in Nepal she could conveniently link the Kingdom with her own territory to ensure security against potential Chinese threat against India across the Himalayan Kingdom.

In extending aid to Nepal, India was agile at minimizing the influence of other powers so that it could secure her preeminent position in the Kingdom. Infact, the generous flow of aid to Nepal ultimately created a dependency syndrome for her and generated fear

11. Raj Kumar Jha, *The Himalayan Kingdoms in Indian Foreign Policy*, Maitryee Publications, Ranchi, 1986, p.1.

12. Dewan C. Vohra. *op. cit.*, p. 123.

Table-1 Countrywise aid from 1962-75 (N. Rs. in million)

Countries	1969-70	1770-71	1971-72	1972-73	1973-74	1974-75
India	139.5	125.4	103.5	94.8	113.6	133.9
USA	47.9	59.7	48.3	38.6	43.6	64.6
China	48.4	47.2	53.1	34.1	43.9	44.0
USSR	4.5	2.7	5.0	2.5	—	—
UK	5.1	17.4	16.9	16.1	24.9	16.5
West Germany	—	—	—	—	—	11.3
Others	2.4	18.3	0.5	0.6	1.9	52.0
UNDP	—	—	14.2	12.4	17.7	14.8
Other International Agencies	—	—	0.5	5.02	3.7	—

Source : B. N. Banerjee, *India's Aid to its Neighbouring Countries*, Select Books, New Delhi, 1982, p-550.

Table-2 Sector-wise Allocation of Indian Aid to Nepal (1951 to 1980)

	Amount (Million (I.Rs.))	Percent
Roads and Air Ports	1005.0	61.8
Irrigation, Power and Water supply	442.7	27.2
Agriculture, Horticulture	12.6	0.8
Community and Panchayat Development	35.7	2.2
Industries	18.4	2.5
Postal and Telecommunications	16.0	—
Miscellaneous schemes and technical assistance	73.3	4.5
Total	1603.7	100.0

Source : M. D. Pharamdasani, *Political Economy of Foreign Aid in the Third World*, Shalimar Publishing House, Varanasi, 1984, p. 53.

in Nepal about India's political intention. It is perhaps pertinent here to mention that Nepal provides the best example where Indian aid diplomacy has to counter Chinese aid diplomacy. Nepal being sandwiched between the two giant and traditionally antagonistic neighbours have always tried to maintain a balanced relationship towards both not only as an instrument for political leverage vis-a-vis one another but also as the source of support towards its economic development programmes. Thus, Nepal received Chinese assistance in nearly every vital sector including transportation, industrial development, agriculture and irrigation projects. By the beginning of mid-sixties, China succeeded in establishing its image and influence in the Kingdom primarily through its aid diplomacy. Chinese aid to Nepal has always created scepticism in India about Chinese intention in the country. And New Delhi has always tried to have an edge over Chinese aid to the Kingdom. Recent crisis in Indo-Nepal relations is a creation largely of Indian aspersion to growing Chinese influence in Kathmandu.

The next beneficiary of India's aid programme has been the Kingdom of Bhutan with immense strategic importance for India. The strategic significance of Bhutan is that it is also situated in between the two most populous countries of the world in the southern slopes of the great Himalayas.

Despite Bhutan's Treaty of Friendship with India (1949) India was rather late in launching its aid programme in this country. To begin with, only an annual subsidy of Rs five lakhs was paid as per the treaty. Bhutan also considered Indian aid as an infringement on her national prestige. But Nehru's visit to Bhutan (1958) and his goodwill political message appeared to have been the watershed. Nehru declared, "we are members of the same Himalayan family and should live as friendly neighbours, helping each other. The freedom of both Bhutan and India should be safeguarded so that no one from outside can do any harm to them"¹³. Nehru's visit was probably the first effective diplomatic move to create a climate of good understanding between the two neighbours. Meanwhile, Chinese presence in Tibet (1958-59) also created a leeway in Bhutan to tilt towards India.

The major part of Indian aid to Bhutan also flew under the Colombo Plan under which it received grants and loans during 1961-75. It was India which sponsored Bhutan's membership to the Colombo Plan in 1967. India's initial aim was to create basic infrastructure to create an aid absorbing capacity. In this connection road construction programme linking Bhutan with India got the first priority. From 1958 to 1973 Bhutan was generously given Indian loans amounting to Rs. 22.47 million to carry on the basic infrastructure works¹⁴. Besides, Indian aid to Bhutan includes deputation of experts, provision of training places, grant of scholarships to Bhutanese students and the provision of equipment for

13. *Ibid*, p. 88.

14. Cited in Srikant Dutt, *op. cit.*, p 57.

projects undertaken. The fields covered by these experts are forestry, minerals, telecommunications, hydel survey, town planning and construction.

China, for its part, could not make a breakthrough in Bhutan's economy mainly due to the controversy over Tibet. Soon a dependency syndrome emerged in Bhutan as it was aided by India alone. Whatever, external trade she carried on was limited to India. Bhutan's dependency on Indian aid is probably testified by the fact that it is the Indian Planning Commission which formulates Bhutan's developmental plans and finances the plans accordingly. A grant of Rs. 17.47 crores was given to complete the first five year plan (1961-64), Rs. 22.15 crores for second five year plan (1966-71), Rs. 35.3 for third five year plan (1971-76), Rs. 110 crores for fourth five year plan (1976-81) and Rs. 274 crores for the fifth five year plan (1981-87)¹⁵.

The emergence of Bangladesh as a free and independent nation changed the power balance in the subcontinent in favour of India. Immediately after independence, Bangladesh became an important focus of India's relation vis-a-vis its neighbours. Thus Bangladesh emerged as an area of India's highest bilateral aid concentration in its subcontinental economic cooperation during the 1970s. Indian total aid commitments to Bangladesh during the period 1971-79 stood at Rs. 335.27 crores—an amount which surpassed the total aid commitment of Rs. 305.32 crores to the Himalayan Kingdoms of Nepal, Bhutan and Sikkim during the period 1950-75¹⁶. At the initial stage, two important considerations favourably acted in India's aid policy towards Bangladesh. Firstly unlike the two Himalayan Kingdoms, Bangladesh had the necessary infrastructures, and thus had a better aid absorbing capacity, secondly there was need for reconstruction programmes in Bangladesh following war ravages and destruction in 1971.

15. See for details B. N. Banerjee, *op. cit.*, pp 461-467.

16. Cited in Dewen C. Vohra, *op. cit.*, p 100.

In her efforts to participate in the reconstruction of the war-ravaged Bangladesh economy, India probably wanted to prove herself to be the strongest and most visible friend of Bangladesh in line with Sheikh Mujib's declaration that "the people of India are the best friends of my people"¹⁷. Thus as an initial assistance to the reconstruction programme, the Government of India made a grant of Rs 25 crores for the purchase of essential commodities like food, petroleum, fertilizers, cotton and yarn, sugar, salt, baby food, oil seeds, cement, steel products, chemicals, power generation and transmission equipment and vehicles¹⁸. A loan of Rs 10 crores was made available in March 1972 for rebuilding the railway network in Bangladesh. Moreover, the Government of India extended a loan of \$ 5 million in foreign exchange to meet the immediate foreign exchange needs of Bangladesh.¹⁹

The year 1972-73 witnessed the heaviest pouring of Indian aid amounting to Rs 230 crores out of which Rs 167.3 had been fully allocated, Rs 132.80 crores in the form of grants and Rs 34.83 crores in the form of loans on commercial terms²⁰. The rehabilitation of Bangladesh Railway system, the supply of telecommunication equipment, the supply of power equipment, schemes for training the Bangadeshi nationals in various fields and offering Indian scholarships were some of the immediate aid programmes undertaken by India. Apart from the Indo-Bangladesh joint river commission set up in 1972 for possibilities of cooperation in respect of river management, the civil aviation agreement, the cultural exchange programme and the trade agreement, were some of the areas of cooperation sought by both the countries. Bangladesh has also been a beneficiary of Indian aid under the auspices of the Colombo Plan under which training facilities and programmes and scholarships were offered to Bangladesh in 1975.

17. Cited in B. N. Banarjee, *op. cit.*, p 362.

18. Cited in Dewan C. Vohra, *op. cit.*, p. 103.

19. *Ibid.*, p. 101.

20. *Ibid.*, 102.

Things however changed rapidly with the political changes that occurred in Bangladesh since 1975. India apparently considered the changes as contrary to its interests and therefore, Indian aid programme plummeted down until 1977 when New Delhi itself witnessed a change in government (see table 3). The renewed thrust in economic cooperation, was however short-lived and with fall of the Janata Government and return of Congress I to power in New Delhi the level of Indian assistance has practically remained frozen. The swings in Indian aid programme indeed provide a clear testimony to the prominence of political motivations in Indian aid programme.

Table 3 : India's Aid Commitments to Bangladesh : 1971-72 to 1978-79

(Rs crores)

Year	Aid Committed		Total
	Grants	Loans	
1971-72	25.00	19.00	44.00
1972-73	165.17	34.83	200.00
1973-74	12.47	40.00	52.47
1974-75	3.41	--	3.41
1975-76	9.22	—	9.22
1976-77	2.88	3.94	6.82
1977-78	2.63	1.07	3.70
1978-79	3.65	12.00	15.65
Total 1971-79	224.43	110.84	335.27

Source : Dewan C. Vohra, *India's Aid Diplomacy in the Third World*, Vikas Publishing House, New Delhi, 1980, p. 138.

Sri Lanka : Lying off the southern coast of India and separated by a very narrow sea-strip, Sri Lanka has always been in close Indian interest. Relations between the two developed harmoniously and steadily until the early eighties when the Tamil problem intervened

to complicate the mutual ties. Sri Lanka has been one of the major beneficiaries of Colombo Plan, which included economic assistance, training facilities, experts and capital assistance credits. Between 1966-78 India provided loans and credits worth Rs 455 million²¹. Moreover, under the Indian ITEC programme Sri Lanka was provided with trainees, training facilities and Indian experts.

The Joint commission (1969) seeks development of rural technical centres, deputation of experts, training facilities for Sri Lankan personnel, expansion of trade, telecommunications, the linking of Indo-Sri Lankan power grids, shipping and cooperation in the field of science and technology²². In the 1950s military aid was also provided to Sri Lanka²³. India undertook ADB financed Hydro-electric projects in Sri Lanka. A number of joint ventures in various fields of economic cooperation with Sri Lanka were undertaken by India which have been making active contributions to the Sri Lankan economy.

The Republic of Maldives, an archipelago of atolls in the Indian Ocean lies in the southern tip of India in close proximity to the subcontinent. India has remained watchful over the political and economic developments in the country since it became independent in 1965. Maldives has been aided by India under the Colombo Plan with technical and economic assistance. Under Indian ITEC programme, Maldives received Indian experts and training places. No substantial bilateral loans or grants were extended to Maldives by India. The economic and technical cooperation between these two countries reached its watershed in 1974 when Indian experts visited Maldives and prepared a detailed report for the setting up of a fish canning plant. A significant event in Indo-Maldives cooperation was the inauguration in March 1974 of the

21. Srikant Dutt., *op. cit.*, 58,

22. Dewan C. Vohra, *op. cit.*, p. 158.

23. Srikant Dutt, *op. cit.*, p. 72.

Indo-Maldives radio teleprinter at a cost of Rs 344 thousand installed by India²⁴.

West Asia

A set of variables has gained weight in India's endeavour to link itself with West Asia. These may be summarized as follows :

1. The geographical proximity of the area to the subcontinent and its close historical links with India;
2. India's emotional commitments to issues linked with anti-colonialism, anti-imperialism, Arab nationalism, Arab unity and last but the most important, anti-zionism;
3. The oil-based economic potential of the region with wider prospects as an Indian market for its industrial products and huge exportable manpower; and
4. Its traditional rivalry with Pakistan and the need to contain Islamabad's influence in the Islamic world.

Among the principal recipients of Indian aid in West Asia have been the countries like Afghanistan, Oman, PDR Yemen, Yemen AR, Saudi Arabia, Iran, Iraq, Syria, Turkey, UAE and Jordan. The countries represent divergent political and economic systems. However, the most striking fact about the region that appeared critical is that the region comprises of some of the oil-rich countries like Saudi Arabia, Iran, Iraq, Kuwait and the UAE. The economic vitality of this region did not fail to foster awareness in the mind of the Indian policy makers to reap the maximum economic benefits out of this region. As a result, economic cooperation with West Asian countries was given the top priority in India's economic diplomacy. It is significant to observe that India has been successful in establishing close economic links with many of these countries despite the latter's avowedly pro-Pakistani posture. Mention may be made of the Indo-Iranian economic cooperation which began in earnest with an

24. *Ibid.*, p. 160.

agreement in 1965 on the establishment of an oil refinery in this region. Note that the agreement came through in spite of pro-Pakistani stand taken by Iran during and after the Indo-Pak war of 1965.

Strictly speaking none of the countries received grants and loans under Indian aid programme except Afghanistan and Yemen. Yemen was allocated Rs 1 million worth of assistance during the fiscal year 1964-65 and Rs 6 million during the fiscal year 1965-66²⁵. The assistance included hospital equipment, medicine, water pumps, technicians and training to Yemeni students. Probably the political element in such assistance cannot be overruled. It was extended at a time when 500 Chinese technicians were working in Yemen. But this is an insignificant event to justify India's bid to contain Chinese influence specially in a region where communism as an ideology itself was an anathema to most of the conservative regimes of the area. China is peripheral to the dynamics of the region and is viewed as a marginal political actor. The socialist regimes of Iraq and Syria with an inclination towards Moscow were not a source of bitterness for India.

India's astuteness in refraining herself from the intra-Arab rivalry and her unequivocal support to the Palestinian liberation movement were enough to hold her in great esteem in the region foreshadowing whatever irritant or constraint she might have had in her relations with some of these countries. No less significant was the appreciation of the Arab world for India's fast growing technology and rapid industrial development.

The oil crisis of 1973 created a fresh dent in the political and economic thinking of the Indian leaders. It forced India to stand openly on the Arab-Israeli dispute in favour of the Arabs and evoked Indian policy makers to adjust to such threats as oil embargo and strengthened India's relations with oil rich countries through joint ventures, consultancy services and turnkey projects. A series of

25, Dewan C. Vohra, *op. cit.*, p. 215.

joint ventures were initiated in the early and mid-seventies including the Indo-Kuwait (1974), Indo-Saudi Arabia (1979), Indo-UAE (1974), Indo-Jordan (1976), Indo-Turkish (1973). These were in addition to some earlier joint ventures with Afghanistan, Iran and Iraq. These helped India contribute to these economies in terms of consultancy services, management expertise, and most importantly, to expand its own investment opportunities and explore markets for the wide range of its products.

On a strictly bilateral basis, India under her ITEC programme aided Afghanistan, Oman, PDRY, YAR, KSA, UAE, Iran, Iraq and Syria with technical assistance and experts to suit the needs of respective countries. For example, experts and technology were offered to Iraq in the fields of petroleum, petroleum-chemicals and other industries, whereas teams of experts were sent to PDR Yemen in the fields of agriculture and fertilizers, soda ash and caustic soda. Moreover, under the ITEC programme such items as agricultural equipments to Iraq, laboratory equipments to Oman and irrigation pumps to YAR were given as donations and gifts.

The petro-dollar revenue earned by the West Asian countries geared up the developmental activities in the region, especially the building up of multifarious infrastructures and basic industries. India was prompt to avail this opportunity by undertaking a series of projects in West Asia facilitating technology transfer, investment of Indian capital and employment of Indians. As a corollary to the new expanding economy of the region was the demand for manpower in various developmental activities in the area. Consequently there was a substantial increase in export of manpower from India under various schemes and programmes that were to be implemented. The growing demand for Indian manpower abroad is also an indicator of success of India's economic diplomacy since the early 1970s. The impact generated by various joint ventures and other projects opened up new vistas for Indian workers which in turn also provided a safety valve for the unemployment problem at home. Indian assistance to this region also touched military sphere. In the late 1960s

and early 1970s Iraq received military aid from India²⁶. In early 1980 India gave full diplomatic recognition to the PLO and there were reports of military and other assistance to the Palestinians, channelled through Iraq²⁷. Afghanistan also received Indian aircraft and military training.

South East Asia and Far East

The interests of India in this region date back to pre-independence time when Nehru wrote, "The Pacific is likely to take the place of the Atlantic in the future as a nerve centre of the world. Though not directly as a Pacific state, India will inevitably exercise an important influence there. India will develop as the centre of economic and political activity in the Indian Ocean in South East Asia and right up to the Middle East"²⁸. Some of the factors that motivated close Indian ties with this region are :

1. The geographical proximity of the area to India;
2. An emotional linkage with a number of countries where Indians are a part of the local population;
3. The traditional cultural links with a number of countries where Indian influence under Hinduism and Buddhism penetrated and got enmeshed with the local culture and tradition.

Besides these, what actually had caused India's interest about the region seem to be political as well as economic. This is true particularly in the context of her rivalry with China—the power in whose periphery the whole region lies. India has, of course, avoided to come into direct collision with China in this region, but through her economic policy she has sought to expand her own influence and leverage.

26. Srikant Dutt, *op. cit.*, p. 73.

27. *Ibid.*, p. 71.

28. Vishal Singh, "India and South East Asia", in Bimal Prasad (ed) *India's Foreign Policy: Studies in Continuity and Change*, Vikas Publishing House New Delhi, 1979, p. 216.

Politically most of the regional countries are non-aligned while the economic systems of the majority are free market oriented with the exception of few socialist countries like Laos, Vietnam, North Korea, Burma and Kampuchea. The region includes besides Japan, the industrial giant and economic superpower, the four tigers, Hongkong, Taiwan, Singapore and South Korea whose flourishing economies as NICs have drawn world attention recently. Moreover, most of the ASEAN countries seem to have impressive and resilient economies. Infact, the economic dynamism of this region has been no less a source of great attraction for India.

Through Colombo Plan, India has provided technical assistance, experts, training places to Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam, Laos, Japan, Burma, and Fiji in connection with agriculture, forestry, fisheries, health, development planning, works and communication, industry and commerce and social services. Besides these, the South East Asian and Far Eastern countries also received Indian aid under ITEC programme. The programme under ITEC included deputation of Indian experts in various technical and social fields.

Indian grants flew to Laos, Kampuchea, Vietnam and loans to Indonesia and Burma. Depsite severe competition faced by India from a number of Japanese and Western investors in the region, India has nonetheless, been successful in establishing joint ventures with a number of countries. This has largely been possible due to sound and consistent economic relations that India has been able to maintain with these countries. During the seventies joint ventures were undertaken with Fiji, Honkong, Indonesia, Malaysia, Singapore, Thailand and Tonga. Besides various other projects were undertaken in Malaysia and Philippines. Indonesia, Malaysia and Singapore also received Indian military aid in the from of training.

Africa

A host of countries in the continent of Africa has been aided by India both under her multilateral and bilateral programmes with

the latter being predominant. The stakes involved in aiding such countries vary depending on the nature and pattern of relations India has with each of the regions of this vast continent.

Because of the geographical proximity of East Africa to India, India has always considered the countries of this region as her next shore neighbours. The long historical connection between India and the east coast of Africa which gained momentum under the British colonial rule led to an establishment of a long Indian community in countries like Kenya, Uganda and Tanzania by the beginning of the 29th century. The Kenya-Ugandan Railway built by Indian technicians and labourers helped Asian settlements in the hinterland of East Africa. Politically, the acceptability of non-alignment by the East African countries was in consonance with India's own international political posture although the internal political systems of the region range from parliamentary democracy (Mauritius) and one party modified democracy (Tanzania and Kenya) to military dictatorships (Ethiopia, Somalia and Uganda). On the economic front, most of these countries remain backward, and lack of capital, technology, skills and expertise remains critical. India, thus, found an opportunity to aid these countries with interests to be served on mutual basis. All these countries have been the beneficiaries of SCAAP (Special Commonwealth African Assistance Plan) where India played an important role since its inception. Technical assistance was rendered to these countries through the supply of experts, and offering a variety of training courses in India. Most of the trainees were imparted with courses in cooperatives, water resources development, cotton gin fitting and leather research. Capital aid was also rendered to these countries through SCAAP. Perhaps, what is important to notice is the extent of aid extended to these countries under the umbrella of ITEC programme. In many of these countries experts were deputed in the field of agriculture, engineering, education and fishery. Indian teachers and instructors, doctors and nurses were stationed in these countries.

An important aspect of India's aid diplomacy towards these countries that must be reckoned here is the granting of loans and joint venture projects. Loans were provided to Kenya, Uganda, Tanzania and Mauritius to make it possible for them to begin industrial ventures with Indian capital and purchase Indian goods. Till today, India has active joint venture programme with Tanzania and Mauritius. The joint venture projects provided India an economic opportunity to enhance her market for capital goods, raw materials, semi-processed manufactured commodities, spare parts, components etc. But the most benefitting aspect of joint venture was the prospect for Indian direct investment abroad.

While economic interests were the prime determinants of her aid in this region, political considerations cannot be overlooked. Some of these countries received Chinese aid in the sixties, the quantum of aid being increased after Chou-en-Lai's famous 1960 African tour. India's overt move to contain Chinese influence through aid is quite palpable in this region. Interestingly India during the fiscal year 1964-65 assisted Somalia with Rs 250,000 and doubled this figure during 1965-66. The explicit reason behind this aid was that Somalia was being assisted by China in 1963 as it had border disputes with Kenya and Ethiopia²⁹.

The countries like Libya, Egypt, Sudan, Algeria, Malta and Cyprus with divergent political and ideological systems have received some Indian aid mainly under the ITEC programme. Libya with an oil based economy and one of the 37 high income countries has drawn India's special attention in this area. "India as far as possible met all Libyan requests for experts who are now working in various Libyan ministries, government departments and corporations including petroleum, telecommunications, agriculture, industrial research centers, housing corporation, cement plant, water research departments and universities of Tripoli and Benghazi"³⁰

29. Dewan C. Vohra, *op. cit.* p. 215.

30. Dewan C. Vohra, *op. cit.*, 164.

Under ITEC programme, Sudan, Algeria, Malta, Cyprus and Egypt received Indian assistance by way of scholarships in various professional and technical fields. In addition, Sudan and Egypt received military aid from India, limited to training only. The Indo-Algeria, Indo-Libya and Indo-Sudan joint commissions are almost moribund now.

There are little commonalities among these countries in terms of respective political and economic systems. The region includes Nigeria, the most populous and the richest nation in black Africa with an oil based economy, while the other nations like Ghana, Guinea, Sierra Leone and Senegal are poor and less developed. Under the SCAAP technical assistance programme, Ghana, Nigeria and Sierra Leone have received Indian scholarships and other awards in the mid-sixties. Under the ITEC programme, India provided Nigeria with experts in the field of water resources, palm oil research and Nigerian Railways. The Indo-Nigerian joint commission established in 1978 is still active. The remaining countries were helped by Indian technical and economic assistance mainly in setting up small scale industries.

Zaire and Rwanda are the two main recipients of Indian aid in the region of sub-Saharan Africa. Zaire is one of the most economically advanced countries in the sub-Saharan Africa and follows a pro-West foreign policy. The quantum of technical and economic assistance by India to Zaire have been confined to the communication and transport sectors primarily. Rwanda being one of the poorest countries of the world with an anti-communist foreign policy attracted Indian cooperation in exploration of its minerals in 1975.

Mozambique, Namibia, Lesotho, Malawi and Zambia have been the main recipients of Indian aid in Southern Africa. While economic underdevelopment in common is a feature of this region, the political conglomerate of this zone is very complex. India's political posture to this conflict-ridden region has been generally in keeping with its commitment on the non-aligned movement. Aid to the countries in this region flew in different directions. Lesotho was provided

the services of Indian experts in the field of accountancy, engineering science and technology. Malawi received Indian experts in the field of life insurance and general insurance. Ever since its independence in 1975, Mozambique has received prompt Indian assistance, largely in the form of technical and economic cooperation under ITEC. India's foreign policy had always been in support of the Namibian people's struggle for independence, and as an active manifestation of such support India helped setting up an institute to provide training facilities to 150 persons from Namibia. New Delhi also sent experts as well as equipments for the institute. Zambia has been benefitted by Indian experts under ITEC in such fields such as medicine, nursing, railways, accounting, radio engineering, fire brigade and tax system.

Assessing the Gains of Indian Diplomacy

Under various bilateral and multilateral programmes, India has given over Rs 2500 crores as official aid to more than 60 countries in the Third World in less than two decades. Of the total aid programme, capital investments in the developing countries have accounted for Rs 1659 crores, technical assistance accounted for Rs 869 crores. Of the total capital investment in the Third World countries Rs 426.9 crores were by way of loans, Rs 241 crores as grants, Rs 69.7 as joint ventures and equity participation and the remaining Rs 920 crores were invested in projects abroad³¹. India's total aid has worked out to be 3% of the GNP during 1977-78 at current prices³².

The basic argument put forward by India to support her aid programme is her concern and awareness of the need for helping those countries striving for economic self-reliance—a gesture that springs from its advocated policy of non-alignment. India feels that the attainment of economic, technological and scientific development by a vast majority of the poorer nations would be beneficial towards

31. B. N. Banerjee, *op. cit.* p. 118.

32. *Ibid.*, p. 119.

the promotion of world peace and stability, thereby widening the scope for each nation to shape its destiny without interference from the other. But this is too idealistic an objective to be the only rationale behind India's total aid programme. In fact, India has extended aid to a number of countries to meet her political, economic and commercial and strategic interests. 'India's aid activities are those of an aspiring middle power whose leaders have ambitions to play an influential role in the world. Despite constraints on its bilateral aid programmes India's underlying motives are the same as those suggested for aid programmes of the big powers, whose primary objectives are to gain economic and political advantages and perpetual pattern of dependence'³³. Thus the objectives behind Indian aid programme are of a more wider perspective than what is generally claimed. Consequently, an assessment of the gains made by India through aid is to be taken up in this light.

Political : The foremost political objective that India apparently seeks to achieve through aid is a recognition of her emerging power in the Third World. As indicated earlier, the formidable challenge to such aspiration came from China and thus India had to contain Chinese influence and make her presence felt in many regions outside India indirectly.

While India's aid package succeeded in fostering friendly political relations with a number of countries, in terms of containment of Chinese influence in the Third World the extent of success may be debatable. In the continent of Africa China moved ahead of India in respect of aid commitments. Chinese aid commitments to Africa since 1960 totalled more than \$1 billion³⁴. Even President Nyerere of Tanzania was moved by this helpful gesture of China towards the continent as a whole. By the mid 70s China could claim two major

33. Srikant Dutt, *op. cit.* p. 53.

34. "The Third World Looks at China," Robert A Manning in Harris-Woridan (ed.) *China and the Third World : Champion or Challenger* Auburn, House 1986. p. 143.

political successes from its active diplomacy in Africa. First in 1971 the PRC secured China's UN seat with the support of a large number of African countries. Second, China began to secure an edge over Taiwan in its diplomatic race in Africa. Indeed, the gradual easing of anti-Sovietism in Chinese posture in the late seventies and early eighties enabled China strengthen its political and economic ties with almost all the African states. Like Chou-en-Lai's safari to eleven African nations in 1964-65, Zhao Ziang's visit to Africa in 1982-83 had been instrumental in further enhancing Chinese image and influence in this continent and vice versa.

This political victory of China appeared to have overshadowed whatever political gains India made during this period of time. However in many regions like SEA and West Asia India earned political goodwill and image in many countries. On the other hand, India's programmes in the subcontinent appears to have served to a great extent her direct politico-strategic interests. It should be borne in mind that aid cannot serve as the only instrument to create direct political influence in any country. There are enough empirical evidences to support that aid in order to be effective in influencing the foreign policy decisions of the recipient countries must be backed by enough political and diplomatic power, and if - needs arise, military power of the donors. In South Asia India seems to have used aid and other means to serve her political interests. While aid to other regions of the Third World has mostly been trade oriented, India's aid concentration in this area has been security cum defense oriented. In extending aid to the Himalayan Kingdoms, India's strategic and political objectives guided by self-interest have been achieved. While it is no denying the fact that the Himalayan Kingdoms have been benefitted by massive influx of Indian aid but mostly they have served vital strategic interests of India. The options of these Kingdoms being limited due to their geographical reality they had just to acquiesce to whatever kind and nature of aid India offered them.

Dependent linkage : Another motive behind Indian aid to some of the subcontinental countries was to create a dependency syndrome

in countries like Bhutan and Nepal. The massive pouring of aid into Nepal and Bhutan seems to have made these countries overwhelmingly dependent on India. Moreover, India has been quite successful in neutralizing Chinese influence in these two Himalyan Kingdoms. While Bhutan's trade is limited almost exclusively to India, Nepal's bilateral trade with India is largely Indo-centric although there have been attempts in recent years on the part of Nepal to diversify its trade relations. This has of course, as evidenced by recent developments in Indo-Nepal crisis over trade and transit, caused aspersion to New Delhi. India's aid to Bangladesh at the initial post-independence period also appear in retrospect to have had political motivations. The way Indian aid programme in Bangladesh was exposed to Indian calculation of political developments in this country speaks of such motivations. It was also indicative of the fact that India prefers to aid those countries who are friendly to her. Ever since the change in government in 1975, it seems that India did not find Bangladesh readily responsive to India's political objectives in the region. India's disillusionment was further prompted by Bangladesh's comparatively wider options in terms of sources of its foreign resource inflow. No less significance was Dhaka's growing relation with Beijing, New Delhi's arch rival.

In Sri Lanka also Indian aid could not penetrate too deeply into her economy as Colombo has also been the recipient of aid from varied sources. However, the scenario seems to have changed since the Indian military presence in the island as per the Indo-Sri Lanka accord of 1987. It is reported that Sri Lankan economy is now being dominated by India.

In terms of returns to India from its aid programme, evidences are ample to suggest that India has benefitted substantially. While aid has been extended avowedly to assist in the process of development of the recipient countries, and to expand and consolidate economic, technological and scientific cooperation, in return India has made huge commercial gains. In the continent of Africa, India

could reap the economic benefits by opening markets for its finished products and raw materials and transfer of technology and expertise. Her present economic success in such countries like Mauritius, Tanzania, Kenya, Zambia and Libya is indicative of the returns from its aid diplomacy. The same is more or less true for other regions like South-east and West Asia where political success was indeed overshadowed by benefits from economic and trade linkages.

Concluding Remarks

The conduct of aid diplomacy by India in the fifties, sixties and seventies has resulted in substantial economic benefits for India, while specific political benefits in most cases remained close to marginal. The overall outcome of Indian aid programme should, however, be viewed in terms of moral, psychological and above all political image that India has slowly and steadily been able to develop for itself. From such a perspective India has certainly been able to build an image of greatness and to that extent its huge aid programme in the face of its own chronic problem of poverty and underdevelopment may be viewed as cost-effective. India can hardly claim to be a leader of the Third World, but in addition to its frontline role in the non-aligned movement, an ostensive Indian concern for economic and technical development of a vast number of Third World countries has provided it a sort of psychological, perhaps intangible political advantage over most others.

More recent trends in Indian diplomacy suggest a closer focus of priority towards its own region. This in a way reflects an objective appreciation of the realities of the contemporary international relations. As the global power politics moves more distinctively towards multipolarism as distinct from bi-polarism, India finds it more rational to build its power network around its own periphery. Moreover with the increasing lessening of tensions between the superpowers and gradual withdrawal of their direct interest and involvement in various regions of the world the emphasis of the new world politics is more on regional aspirants to power. In this context

the focus of Indian diplomacy is likely to be more keenly directed towards increasing its influence in the South Asian region. Recent trends in inter-state relations in South Asia testifies to such conclusion. It needs to be stressed however, that the approach that India is recently adopting seems to be more coercive than cooperative.

One reason for such an Indian approach to win command by force, beside politico-strategic calculations might be its severe domestic compulsions. India, like most other underdeveloped countries is also in the vortex of a vicious circle of poverty. Despite its commendable strides since independence to make her economy self-reliant by developing scientific and technological infrastructures, and despite its success in combining economic development with political democracy, India has also remained considerably dependent on inflow of foreign resources. It has also been vulnerable to such global economic distortions as debt trap, fluctuation in market, continued recession and global inflation. Moreover, severe competition in world market demands her economy to be more resilient than it is now. In her hunt for foreign aid India also faces competition from other developing countries including some of the recipients of Indian assistance. On the other hand, increasing expenses on defense, shrinking of foreign exchange reserves compared to growing needs have been the recent predicaments in the way of technological upgrading of Indian industries. Other pressing problems at home like unemployment, mass illiteracy, malnutrition and abject poverty have been competing with Indian capability as a donor of external aid. In the face of long-term political and strategic objectives of expanding its influence beyond its frontiers, these limitations *inter alia* may have prompted India to adopt what may be viewed as a "short-cut" approach to gain influence by coercive methods as in case of Nepal and Sri Lanka. Whether and how far this would yield desirable outcome particularly in the long term context remain to be seen. In any case, this seems to be detrimental to the promotion of good-neighbourly relations at bilateral levels on the one hand and regional peace, stability and harmony the other which for India itself may not be any less counter-productive.