WAR AGAINST FOREIGN ECONOMIC IMPERIALISM

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WAR

AGAINST

FOREIGN ECONOMIC IMPERIALISM

Introduction :

Evil Forces of Economic Imperialism

'Imperialism' is the product of Materialistic West. Since the concept of happiness of materialists centres entirely round the desire of senses, more and more amassing of the objects of physical enjoyments becomes the major pre-occupation of the individual to the exclusion of all other thoughts and aspirations. In order to procure the objects of physical pleasures, accumulation of wealth precedes. To achieve more and more wealth, power becomes necessary. But the insatiable hunger for physical enjoyment does not allow one to stop within one's own national boundaries. On the strength of its state power, the stronger nation tries to subdue and exploit the other in order to swell its own coffers. This leads to conflicts, conflagrations and empire-building. And once this process starts there is no end to it. Moral bonds are all snapped. Normal human emotions are dried up. The values and virtues which ought to distinguish man from the rest of animal kingdom vanish.

The instance of how the American nation came into being is a lurid reminder of this inhuman state of affairs. Various peoples from Europe sailed forth to that continent in search of material wealth and happiness and began to establish their settlements. In the process, they annihilated the original inhabitants of that land. The barbaric atrocities and the savage genocide indulged in by the so-called civilized Whites makes hair-rising reading. The original Red Indians who have managed to exist till today in certain areas have remained there as but show-piece specimens. Nor is America a solitary instance. Wherever the Western Whites had gone, whether Australia, America or Southern America, they have left behind the same trail of death and destruction. Even recently, we have examples of similar horrors perpetrated against the natives by the Whites in South America.

The same is the case with the communist dictatorships-Russia and China. The same process of amassing of object of physical enjoyment; to achieve this, resorting to accumulation of more and more wealth; and to achieve that, greater aggrandizement of power followed by invasion and exploitation of weaker nations, conflicts, genocides and resultant de-humanising effects.

'Imperialism' in world history is a 'chronic' phenomenon. It has been changing its race and frills; its methods of operation and forms of exploitation. Its basic premise of domination and hegemony, expansion and exploitation remains its distinguishing hall-mark.

COLONISATION

Industrial Revolution gave birth to capitalism. The doctrine of laisse faire and free market system developed through continuous innovation in techniques of production and organisation of trade. Further, the growth of large-scale industry and concentrations of economic power in the hands of a relatively small number of major companies and banks led to the formation of monopolies, it changed the pattern of relations between the European powers and the counties of Asia, Africa and Latin America. With the application of science and technology, fast production in industries at home required additional raw material and the resultant manufactured goods needed new markets. This seemed possible only by acquisition of colonies. With the rapid growth of capitalism, shortage of material was felt, and the search for raw material led to a struggle for acquisition of more colonies. Hence the European Powers went about acquiring the colonies.

By the beginning of the twentieth century the European Powers had established their absolute hold over the colonies by political, economic, religious, military and ideological methods. The power was utilized to exploit the resources and masses of colonies and to keep them under political subjugation. After the establishment of direct colonial rule, the imperial powers could be sure of cheap land, labour and resources. They could be free to impose a system of low-priced payments to peasant producers of export crop. to establish monopoly controlled market for the import of the manufactured goods of the imperialist powers and secure a source of extra profits through investment.

FREEDOM STRUGGLES

The inner urge for freedom led to a chain of national liberation movements in colonies beginning early twentieth century. The aim of the freedom struggle was idependence, both political and economic. Jawaharlal Nehru. elaborating the aim of the freedom struggle in India categorically said : "Well, I do so realising that independence might be a mere word as we have seen in the case of Egypt and other places, but about one thing we are clear that we are going to rid India of this tremendous imperialist, economic and financial control. And we do not, therefore, want to think in terms of a political constitution giving us what might be considered political freedom with no real economic freedom. We feel we can solve the problem of Indian Poverty only by making great inroads in the economic system, and we cannot do this unless we are free from the control of the city of London and their financial interests."

The thoughts of Dr. Keshav Baliram Hedgewar, the born patriot, great freedom fighter and the founder of R.S.S., expressed as early as in 1920, were more radical. He stated that the country should be freed, democracy should be established and the capitalistic imperialism should be brought to an end from the entire world. His faith in democracy, international outlook and his deep concern for the poor and exploited expressed itself in the Nagpur session of the Congress in 1920. Prompted by Doctorji, the Reception Committee submitted a draft resolution to the subjects committee of the Congress which declared :

" It is the aim of the Congress to establish democracv in India and to strive to liberate all nations of the world from the grip of capitalist countries ".

Other countries echoed similar views for achievement of freedom. After a long struggle many of the Third World Countries finally got independence, and thereby the right to exercise sovereign power over their territories. But the independence they got was political independence; only part-fulfilment of the national liberation movement. The aim of the revolution would be achieved only after the attainment of economic independence. This "independence will be unstable and will become fictitious unless the revolution brings about radical changes in the social and economic spheres and solves the pressing problems of national reconstruction." The task of national liberation movement in Third World Countries is still incomplete. Thus the end of colonical rule cannot be considered synonimous with independence.

Reflecting on the linkage of Independence and economic Development, the Colombo Declaration of the Fifth Conference of the Non-Aligned held in August, 1976 reaffirmed :

"That the struggle for political Independence and the exercise of their sovereignty cannot be dissassociated from the struggle for the attainment of economic emancipation. It is important that the developing countries should use their sovereignty and their independence at the political level as lever for the attainment of their sovereignty and independence at the economic level. It is the economic issue in international negotiations that will now be the major concern of international politics".

This is as clear an enunciation as any, made formally by the highest representatives of the ex-colonial countries, articulating one of the major tasks of socio-economic transformation without which formal political independence would remain a mere form without content.

The leaders who led liberation movements got engaged in the task of development after successfully leading independence struggle, to modernize their societies and to provide the basic necessities of life to their people. As Professor Rashid Khan, Jawaharlal Nehru University, New Delhi rightly puts it, "with freedom, suddenly the new states were confronted with responsibilities and challenges for which they were ill-equipped. Life-long agitators were called upon to become nation-builders, administrators, statesmen". In this uphill task of development, both indigenous and foreign sources were commissioned. The erstwhile colonial masters, while granting them political freedom, offered them assistance in the gigantic task of economic development.

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At this juncture, the important question of vital policy matter arose : whether the foreign assistance should be accepted by the leaders who always proclaimed self-reliance as the national goal ?

One thing is sure that the offer of foreign assistance is not without motives. After the end of direct colonial rule, the imperial powers were seeking new forms through which they could maintain their economic domination and still yield political influence over the liberated countries. Thus, the dying colonialism gave birth to economic imperialism. The imperialist powers at this stage decided to control and dominate the economy of the new states, while according formal recognition to their political independence. This was bitterly experienced by the ex-colonies of the world.

Characterizing the dangers posed by the imperialist forces to the Third World, the Conference of Non-Aligned Countries at Cairo in October 1964 said, "Imperialist used many devices to impose its will on independent nations. Racial discrimination, economic pressure, interference, subversion,intervention and the threat of force are imperialist devices against which the newly independent nations have to defend themselves."

The apprehension was repeated in a resolution adopted by the first Afro-Asian-Latin American Peoples' Solidarity Conference held at Havana in January, 1966. It emphasised :

"To guarantee its domination, imperialism tries to destory the national, cultural and spiritual values of each country. In the economic field, it resorts to deceptive formulas, such as the so-called Alliance for progress, Food for peace and other similar forms while using international institutions such as the International Monetary Fund and the International Bank for Reconstruction and Development to reinforce its economic domination."

Speaking before the Sixth Special Session of the United Nations General Assembly on 16th April, 1974, the Albanian representative said :

"The Soviet Social-imperialists likewise pursue, vis - a - vis the developing countries, a fundamentally imperialist policy. The credit they extend to those countries have the same aims as those of the United States imperialists. The developing countries know the true nature of the Soviet credits. By now every one knows that the economic and technical assistance, the loans or the experts that the Soviet Union offers to certain countries of Asia, Africa and Latin America are extended on terms which enable that country to interfere in the economies of the recipients, to secure political privileges and to get advantages and military bases."

The Fourth Conference of the Heads of States of Non-Aligned Countries at Algiers in September 1973 resolved that, "Imperialism not only hampers the economic and social progress of developing countries, but also adopts an aggressive attitude towards those who oppose its plans, trying to impose upon them political, social and economic structures which encourage alien domination and dependence."

IN 1974, Barrat Brown Michael writes in his book, "The Economics of Imperialism", that 'the continuing interest of imperialist powers in the underdeveloped countries, where today this involves investment in manufacturing more than in primary production, implies some economic development, but dependent development.'

Further, we must not forget the instructive message of George washington who unequivocally said, "It is folly in one nation to look for disinterested favours from another that it must pay with a portion of its independence for whatever it may accept under that character, that by such acceptance, it may place itself in the conditions of having given equivalent for nominal favours and yet of being reproached with ingratitude for not giving more. There can be no greater error than to expect or calculate upon real favours from nation to nation. It is illusion which experience must cure, which a just pride ought to discard."

Despite this, the foreign assistance cannot be totally ruled out. In the world today. production, commodity circulation and science and technology are so highly developed that no single country has all the resource and know-how needed for expanding its economy. All countries, including the socialist ones, seek to take advantage of the growth and progress in other countries and promote their own economic growth by exchanging what they have for what they lack and soaking up the best they can find in others.

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Investment of foreign capital and import of foreign technical know-how cannot be termed objectionable because it is very necessary to-day in case of all nations rich or poor, developed, developing or underdeveloped. There is foreign investment even in America from Japan, Germany. Similar is the position in European countries like Great Britain, France or Germany. Even in a communist country like U. S. S. R., there is capital investment from Italy or America. However, effect of such foreign investments depends greatly on the effective role played by the recipient countries and their outlook.

The country cannot divorce itself from the rest of the world and make progress. True, it must have its feet planted in self-reliance. Self-reliance means that a country relies on its own strength, uses its own resources, materials, manpower and technology, and draw up on its own a strategy for economic development in the light of country's conditions and needs. Abiding by the principle of equality and mutual benefit, it must strive to obtain foreign aid, learn all that is beneficial from other countries, use both domestic and foreign resources, expanded domestic and foreign markets, establish economic relations with other countries-all for the poor or spurring construction at home. The country must rely mainly on raising itself by its own bootsraps efforts and make external aid supplementary. The world experience has proved the importance of recognising the proper priority between the two. The country which makes dependence on foreign capital its starting point for developing its economy and fails to limit the magnitude of its loans and borrows more than it is able to repay shall become the victim of evil forces of economic imperialism.

I

' HEAVY INDUSTRIES FIRST ' APPROACH.

Our independence is incomplete without economic independence. The objective imperatives of economic independence are two : First, to develop and establish self-reliant economy and two, to fulfil basic material needs of every citizen of this country, In India, progress has to be measured not in the quantity of steel or number of automobiles and television sets that we are able to manufacture, but in the quantity and quality of basic necessities of life like food, clothes, houses, health, education, etc., that become available to "the last man" as Gandhiji used to say,

Despite his firm belief in the goal of selfreliance and his genuine concern for the plight of the starving and exploited millions, westernised Jawaharlal Nehru, the first Prime Minister of Free India, accepted the western model of economic growth to carry out the aforesaid basic tasks. It was based on 'Heavy Industries First' approach.

The picture in the mind of the Prime Minister is best reflected in the speech he made before the National Development Council in January 1956.

"In the meeting of the Standing Committee......greater stress was laid on the heavy machine-making industry being encouraged, as it was said to be the basis of industrial growth. If you do not do that, then naturally industrial growth is delayed. There is one approach which has sometimes been put forward that you should build up your 'consumer goods industries' and gradually save money thereby, and build up something else, thereby getting some more employment. That, I believe, from the point of view of planning is a discarded theory completely. Of course, it does some good here and there. I would not enter into the details but this approach is not a planned approach at all. If you want India to industrialize and to go ahead, as we must, as is essential, then you must industrialize and not potter about with old little factories producing hair oil and the like-it is totally immaterial what the things are, whether they are small or big consumer articles. You must go to the root and the base and build up the structure of industrial growth. Therefore, it is the heavy industries that count; nothing else counts, excepting as a balancing factor, which is, of course, important. We want planning for heavy machine-making industries and will make heavy machines and we should set about them as rapidly as possible because it takes time."

In April, 1956 the government laid down by way of a formal resolution, known as the Industrial Policy Resolution, that in order to realize the objective of "a Socialistic pattern of society" it is essential to acclerate the rate of economic growth, speed up industrialization, particularly develop heavy and machine-making industries and expand the 'public sector'. The resolution was emboided in the second five year plan.

Prime Minister made his position very clear in his speech delivered at the meeting of the All-India Congress Committee held in Chandigarh on 28th September, 1959. He said : "The primary thing about an integrated plan was production and not employment. Employment was important, but it was utterly unimportant in the context of production. It followed production and not preceded production. And production would only go up by better techniques which meant modern methods."

In the long run, it was assumed by Nehru and his advisors, the rate of industrialization and growth of national economy would depend on the increasing production of coal, electricity, iron and steel, heavy machinary, chemicals and heavy industies generally, which would increase the capacity for capital formation. It was conceded that heavy industries required large amounts of capital and a long gestation period but, the argument ran, without them India would continue importing not only producer goods, but even essential consumer goods which will hamper accumulation of capital within the country. The heavy industries must, therefore, be expanded speedily. That is why all the five year plans except the first were based on the premise that heavy industry was fundamental to rapid growth, that its expansion largely determined the pace at which the economy could become self-reliant and self-generating, and that it would in turn stimulate the growth of medium and small-scale industry, producing its components and utilizing its products, and thus ultimately provide a larger employment potential. The strategy governing planning was to industrialize the country at the earliest and that meant the basic heavy industries being given the first place.

The Prime Minister insisted that self-reliance can be achieved through the strategy of according priority to basic and heavy industries. Among Marxists, self-reliance through the promotion of heavy industry has become a sine que non development. Moreover a theoretical justification was provided, first, by the Soviet economist Feldman (the intellectual father of the Soviet form of industrialization who was, however, shot by Stalin for his pains) and later- and independently - by Prof. Mahalanobis in India. Feldman and Mahalanobis showed that the only way for a country to raise and sustain consumption levels in the long run was, to produce all the goods it physically could which would otherwise have been imported. This was the case of the Soviet Union, which was forced into economic self-sufficiency by trade sanctions and which had a large domestic market as well as a diversified natural base.

To implement the Nehrurian approach, the frame of Second Five Year Plan was prepared by Prof. Mahalanobis. It was ultimately approved by National Development Council on May 2, 1956. This marked the turning point in the history of economic development in India. The experts with whose assistance Prof. Mahalanobis was said to have prepared the plan, mostly belonged to Soviet Russia or her Satellite countries It was perhaps for this reason that Shri Jay Prakash Narain was reported to have remarked, "The Seven Authors of Pandit Nehru's Second Five Year Plan are all men from behind the Iron Curtain."

The first and the most important distinguishing feature of Pandit Nehru's Second Plan is its goal of a socialist society. That, in doing so, the Planning Commission followed the Congress resolution of the Avadi Session, and not the directive principles of State policy emboided in the Constitution is repeating a truism. What impelled the Congress and Pandit Nehru to profess by 'socialism' is difficult to say. It may be outcome of Pandit Nehru's association with the Chinese and Russian leaders or reaction to Pak-American military alliance. There are people who feel that co-operation of the people to any plan is not possible unless they are imbued with an ideal; and the ideal must not be simply economical but political also. Socialism can be such an ideal. There is a lot of confusion these days about the exact meaning and content of the word "socialism" and this "confusion" is the creation not of the anti-socialists or non-socialists but of those who claim to be followers of socialism.

The plan and the Government declare that they will achieve socialism through democratic means but again we quote Pandit Nehru for he does not seem to be so sure about it. He says, " Some people mix up democracy with capitalism. Simply because democracy has grown up in some capitalistic countries, it does not mean that it is an essential part of capitalism or vice versa. Similarly socialism does not necessarily mean authoritarianism. At least in theory it does not; in practice, I do not know how the country will develop". We can only add that so far as socialism is concerned. in theory it implies authoritarianism and in practise it has everywhere resulted in totalitarian governments. How can India be an exception to it ? Unless, of course, we pass on some faked goods marked as ' Socialism '.

Second distingnishing feature is the magnitude of the plan. One member of the Panel Prof. B. R. Shenoy, of the University of Gujarat, appending a note of dissent, clearly stated that the size of the plan was clearly beyond the capacity of the nation to implement.

Unmindful of the critics, the Planning Commissioner not only accepted the plan-frame, but raised the target of expenditure to Rs. 4,800 crores. This time it was Shri K. C. Neogy who stressed, "in view of the magnitude of the Plan it will be difficult to implement it in a period of five years."

To build castles on such shifting foundations is not planning but wishful thinking. Ambitious plan means beyond the country's means.

When the Second Plan was even in its embryonic state, most people, including Prof. Shenoy of the panel of economists considered it ambitious. But the Planning Commission and the Government were out for a bold step. Those who advised them to be realist in planning were dubbed as defeatists. The Finance Minister referred to them in the following words in the Lok Sabha on May 15, 1957 :

"To pronounce that our present plan is too ambitious would be a declaration of defeat in advance. The tasks we have in hand are worthwhile. Their successful completion will make a significant contriburion to further development. There should be no stinting of effort or sacrifice in the furtherance of these tasks". Earlier the Prime Minister had spoken in the same vein at the meeting of the Federation of Indian Chambers of Commerce and Industry. He had said : " We are not going to say that the burden is too heavy for us, that our arms or limbs are too weak to carry us forward. Is that the kind of thing any man or nation with spirit is going to say ? We have assumed a burden and we shall carry it, whatever happens."

The third distinguishing feature was that it was a large import-oriented plan. As the plan had proposed huge outlays on heavy and basic industries, railways and other capital-intensive schemes, plants and machinery had to be imported.

The Government can be said to be conscious of the heavy burden that has been thrown on the country on account of second plan. For the Economic Survey of 1957-58 says :

"Mention must be made in this connection of the fact that the substantial increase in the import requirements of the Plan and, therefore, of the external assistance needed to meet the balance of payments gap has resulted in sizeable commitments by way of interest charges and of repayment of capital in coming years. These, together with the further additions that may be made in the remaining period of the plan, will throw a heavy burded on the country's balance of payments in the period of the third plan. The task of increasing exports has, therefore, to be viewed not only against the background of the immediate requirements, but in the light of the continuing need to earn more foreign exchange to cover these liabilities not to mention the further requirements for the investment programme of the future."

The forth distinguishing feature is shifting emphasis from agriculture to heavy and basic industries.

Prosperous agriculture being the sine qua non of a developed economy, the Second Five Year Plan should have formulated all programmes with this end in view.

The Second Five Year Plan not only upset the priorities between agriculture and industry, but also between the different sectors of industry. "Rapid industrialisation with particular emphasis on the development of basic and heavy industries" being one of the principal objectives of the Second Plan, it fixed the following priorities :

(1) Increased production of iron and steel and of heavy chemicals, including mitrogenous fertilizers, and development of the heavy engineering and machine building industries;

(2) Expansion of capacity in respect of developmental commodities and producer goods, such as aluminium, cement, chemical pulps, dyestuffs and phosphatic fertilizers; and of essential drugs;

(3) Modernisation and re-equipment of important national industries which have already come into existence, such as jute and cotton textiles and sugar;

(4) Fuller utilisation of existing installed capacity in industries where there are wide gaps between capacity and production and

(5) Expansion of capacity for consumer goods keeping in view the requirements of common production programmes and production targets for the decentralised sector of industry."

The Second five year plan kept the fourfold objectives :

(1) of raising the living standard of the people.

(2) of rapid development of heavy and basic industries.

(3) of expanding employment opportunities, and

(4) of reducing inequalities of income and wealth.

All these are highly commendable and desirable objectives, but they are conflicting with each other. Heavy industries being capital intensive need larger investment. If the community is to save, by whatever methods it be, it cannot raise its level of consumption especially in a society where existing standards are extremely low and there is a great consumption propensity. We cannot expand employment by establishing capital intensive industries. Technologically developed and deficient industries cannot co-exist especially if they are not complementary and if the disadvantages in some other fields. Inequalities of income cannot be reduced if we want capital formation especially for programmes of industrialisation which are not capital-light. The working of the plans have only shown that the poor are getting poorer and the rich richer. Both are dissatisfied.

By taking up programmes of heavy industries the Commission intended to bring about a structural change in an agricultural society. But we cannot build a pyramid from the top downwards. The base, i. e. the decentralized consumer goods industries, should have been laid first. Broader the base, bigger and higher the pyramid can be.

The programme in the Second Five Year Plan being capital intensive, it had involved heavier burdens than the country could possibly bear. It has also ignored the employment needs of the vast labour population in the country. Thus on one hand we are short of capital and on the other we are failing to provide work to the people inspite of industrialisation. So far as capital is concerned we have to import machinary needed for industrial development.We have also to import technical and other personnel. The import content of the Plan created a crisis at the foreign exchange front.

To finance the large import oriented second five year plan, the assistance was sought from the international market. The justification for this course has been spelt out by western economists, Ranger Nurske and Arther Lewis among them. poor countries are caught in a vicious circle : because their incomes were low, savings were low. because savings were low, investment was low, productivity was low, because productivity was low incomes were low. So, India could not and, for that matter, no poor country could raise itself in a reasonable period by its own foot-steps. The vicious circle, it was argued, in which the country finds itself caught, could not be broken-India's substantial development could not proceed without massive foreign aid.

Nehru fell in for these arguments despite the aavice of many an economist and well-wisher of the country to the contrary. There was another course open, viz. as advised by the Mahatma, to build up the country slowly and patiently from below on the strength of its own resources. But Nehru's heart was bent upon establishment of an industrial structure on the lines of the USA and the USSR and, to that end, he decided to go hammer and tongs, both for foreign capital and foreign technology as also to divert all possible domestic resources to heavy industry even at the cost of food, water. clothing, housing, education and health Rejection of the Gandhian approach was nowhere so total as in the field of restructuring of our economy.

Establishment of capital-intensive and import-based heavy industry with external assistance has led to an unconscionable burden of foreign debt. At the time of India's independence Britain had left behind gold, coin, and bullion worth Rs. 1,810 crores in the Reserve Bank plus R. 1,733 crores of sterling balances, Rs. 425 crores of repatriation Pre-war debt, and Rs. 115 crores in the Empire Dollar Pool-a sum of Rs. 3,452 crores in all. By 1950-51 all the money left to our credit by British had been squandered. and we came to owe a debt of Rs. 32 crores to foreign countries. But today, although the volume of exports has gone up considerably, total external debt at end of March, 1989 stood at whooping Rs. 96,320 crores.

Besides incurring loans, it was argued by some economists, there was another way of utilizing foreign capital, viz., of attracting private investors, who may themselves prefer to participate in the establishment of plants and factories in India. In addition to providing employment, such factories will make available the technical know-how and managerial skills that we do not possess. At the same time, no question of repayment of capital and its interest will arise, nor any question of political strings being attached. Hence, the Prime Minister did not follow the recommendations of National Planning Committee and invited foreign investment. The said Committee was set up by the Congress under the Chairmanship of Jawaharlal Nehru in 1938. It did much valuable work in collecting materials for planning. The said Committee arrived at the conclusion that the use of foreign capital in agriculture, mining and industry, has led to its dominance over our economic and political life and has prevented the development of a proper national conscio-usness. It recommended that :

(1) foreign capital should not be allowed to obtain ownership and management right, over important industries,

(2) foreign capital should be accepted only in the form of a loan from a foreign government in the case of essential needs.

(3) Commercial facilities for private foreign capital investment should be ended by law, and

(4) Those industries which are important from the national point of view and which are held by foreign investors should be nationalized after providing for equitable compensation.

The worst consequence of heavy industries based on foreign technology is the increase in unemployment and underemployment which have virtually eaten into the vitals of the nation. The Prime Minister's and his advisors almost mystic faith in the twin gods of technology and heavy industry had turned out to have been misplaced. **Western technology, which developed in the West in response to a shortage of labour and the consequent need to replace men with machines, provides no short-cut to prosparity in countries with a surfeit of underemployment and undernourished labour and an acute shortage of capital.**

In agreement with orthodox or traditional economists, however in the post-independence era, the Prime Minister thought that capital-intensive technology led to higher output and, therefore, to higher national income or Gross National Product (GNP) and that poverty and unemployment will take care of themselves once we took care of GNP. The argument was that availability of capital was the basic condition to economic growth; that capital-intensive technology led to a distribution of income favourable to profits or concentration of money in a few hands although this was never admitted in so many words; that the rich having a higher propensity to save, those who will be deriving profits from capital-intensive industries, will accumulate savings; that these savings will necessarily be invested by the savers, the industrialists themselves, in new, large or capital-intensive undertakings or mopped up by government in the form of taxes in order to establish industries in the public sector, and so on and on till, in the long run, the economy would have become self-generating, stimulating medium and small industry and creating a vast emyloyment potential. It is thus and why Prime Minister Nehru came to look upon increase in national income as the supreme target of our planning and why inspite of a number of references in the plans to the employmet problem, the creation of employment opportunities was seen more or less as an adjunct to or a by-product of the development strategy.

We are faced with continuance of poverty, unemployment and and inflation, on one hand, and emergence of monopolies on the other. It is not an accident but a result of conscious planning.

It was after this policy of giving preference to heavy industry over a long period of 17 years, i. e., since 2nd September, 1946 when he took over virtually as Prime Minister, had caused immense harm to the country that it dawned upon Nehru that, after all, Mahatma Gandhi was right. Speaking on planning, he said in Parliament on 11th December, 1963 :

" I begin to think more and more of Mahatma Gandhi's approach. I am entirely an admirer of the modern machine and I want the best machinery and the best technique, but taking things as they are in India, however rapidly we advance in modern age, the fact remains that a large number of our people will not be touched by it for a considerable time. Some other method has to be evolved so that they become partners in production even though the production apparatus may not be efficient as compared to modern technique.

But it was too late. He was a sick man at the time he made the above speech, and passed away after barely six months.

'Basic and heavy industries first' approach was proposed to develop to free the country from dependence on foreign countries for capital and producer goods. But in an effort to develop these industries we are becoming more and more dependent on foreign countries.

The Nehru Government's policy hampered the achievement of economic independence and paradoxically enough assisted the very forces of economic imperialism, which it proclaimed to oppose vehemently right from the beginning.

II

INDIA
SOVEREIGN WITHOUT SOVEREIGNTY

While the imperialist powers of Europe followed the practice of naked imperialism, the U. S. A. improved its method and controlled the underdeveloped countries by the ingenious method of economic imperialism. Pandit Nehru wrote in 1934 in his book, ' Glimpses of World History ' :

> " Do not imagine that the empire of the United States is confined to the Philippine Islands, outwardly that is the only empire they have got, but, profiting by the experience and troubles of other imperialist powers, they have improved on the old methods. They do not take the trouble to annex a country as Britain annexed India; all they are interested in is profit, and so they take steps to control the wealth of the country. Through the control of the wealth of the country, it is easy enough to control the people of the country and, indeed, the land itself. And so without much trouble, or friction with an aggressive nationalism, they control the country and share its wealth. This ingenious method is called ' Economic Imerialism. ' The map does not show it. A country may appear to be free and independent if you consult geography or an atlas. But if you look behind the veil you will find that it is in the grip of another country or rather of its bankers and big business men. It is this invisible empire that the united States of Amercia possesses."

The method of controlling the wealth of the underdeveloped countries is further refined by all the imperialist countries. Once they are allowed to enter the economy, they operate like an octopus in social, economic and political sphere of the country and as a result, the drainage of wealth in verious forms from developing countries to imperialist countries continues unabated in colossal proportion. Ultimately the situation arises when the underdeveloped country has to surrender its national right of self-determination of forming its economic policies, resulting in erosion of its economic independence and sovereignty.

It is a national tragedy that Pandit Nehru who cautioned the nation against Foreign Economic Imperialism in 1934, later during his Prime Ministership followed such economic policies and opted for such development pattern that has pushed our nation into clutches of imperialist powers. The goal of self-reliance remains a distant dream.

Are we free to shape our economic policies? If we have moral courage to speak the truth, we will have to answer this question in emphatic "No". Our economy is tragically dependent upon foreign capital, foreign borrowings and foreign technology. Our nation's prerogative to formulate its economic policies and prescriptions to cure our economic problems, safeguarding our national interests, has been seriously circumscribed. Decision-making authority is the essence of the concept of sovereignty and like the poor consumer under capitalism, economically dependent India is sovereign without sovereignty. The important policy decisions are taken not in New Delhi but in Washington. We have not been able to maintain our self-respect and independence. The acceptance by our government of the IMF Loan, of 1981 with conditions, which are detrimental to the interest of economy and the nation, establishes this point beyond any doubt.

Several economic decisions such as raising the administered prices of a number of key and essential commodities, lowering the rates of direct taxation and increasing the burden of indirect taxes, relaxing the provisions of the Monopolies and Restrictive Trade practices Act, the Foreign Exchange Regulation Act and the Industrial Development (and Regulation) Act, enacting legislation prohibiting strikes in certain sectors, etc., were perhaps pre-conditions insisted upon by the Fund for approving the Extended Financing Facility arrangement. Over the period during wich the loan was to be disbursed, India's monetary and fiscal policies-including the size of the internal money supply, the structure of taxation and the quantum of budgeted deficits-was to be formulated not in New Delhi, but in Washington; never mind the Industrial Policy Resolution and several declarations of national intent in the National Development

Council, parliamentory resolutions and Five Year Plan documents. The Union Government had to agree, in conformity with the Fund's wishes, to accord special privileges to the private sector, including foreign investors, and to reverse the policy of import substitution and allow imports of even such banned items for which we have built adequate productive capacity in the country. During the period over which the loan was to be disbursed, India lost its right to enter into any bilateral trade agreements–whether with the Soviet Union or Romania, Yugoslavia or Iraq, Iran or Kuwait, Nepal or Bangladesh–without prior clearance from the Fund. Moreover, other external borrowings during this period were subject to a ceiling set by the Fund.

The erosion of our economic sovereignty which this loan agreement involved can be gauged from just a single point. In his letter of intent to the Managing Director of the Fund, the Union Finance Minister had indicated that the Government of India would remain in close consultation with the Fund 'on the adoption of any appropriate measures, consistent with the national policies accepted by our Parliament in accordance with the policies of the Fund on such consultation.' Obviously the expression 'consistent with the national policies accepted by our Parliament' was frowned upon by the Fund authorities. The Union Finance Minister's letter of intent had therefore to be followed up immediately by a clarification from the Government of India's Executive Director on the Board of the Fund that this expression was 'not in the least intended to exclude from the consultation process ..any policies which the Fund considers are and would be consistent with achieving the objectives of the programme.' In other words, if the policies recommended by the Fund are in conflict 'with the national policies accepted by our Parliament', the Fund's will would prevail.

Our economic freedom is formal, surrender is real and imperialists' grip is actual. In this context, the day of 5, June 1966 is noteworthy.

Late in the night at eleven O'clock on June 5, 1966 at a hurriedly called press conference, a note was handed over announcing the decision of the Government of India to devalue the par value of the Indian Rupee. In terms of the U. S. Dollar and the British Sterling, the rupee was devalued by as much as 57·5 per cent. The decision of the Government coming in the wake of categorical denials by the Finance Minister and the Planning Minister in and outside the Parliament, surprised the world and shocked the nation. Even Dharti Mata felt the shock and the capital was rocked on Monday, June 6. The Government's words totally lost their value.

The Government had been vehemantly opposing the devaluation of the rupee. All kinds of arguments - most of them cogent - were advanced against devaluation. The Ministry of Commerce had, very clearly, and quite logically too, put its case against devaluation in its report of 1965 - 66. Taking a comprehensive view it was known that the economic effect of devaluation in the short as well as the long term was not going to be beneficial in India. Devaluation would add to the servicing cost of our foreign loans. It would increase the liability of those who had imported machinery and other goods on deferred payment. In collaboration agreements it would benefit the foreign investor and throw a great burden on the Indian partner who has to find more rupees to match his part of the capital. Increased cost of capital base and production, less of physical goods and commodities left for home consumption due to greater quantity needed for export were bound to cause price rise.

Then what made the government to make this somersault? Only because, "all negotiations for foreign aid hinged on this decision." If we would have refused to devalue the rupee the Aid India consortium would not have given us 'aid'. The decision had been taken under political pressure is too plain to deny. No body is convinced by the Government's denials. Shri T. T. Krishnamachari, the former Finance Minister, has let the cat out of the bag. He is reported to have told the Congress Working Committee that the World Bank and the U. S. Government had been exerting pressure for the last two years to devalue the rupee and that he had withstood it. We also know that the present Government had also been trying to get aid without devaluation. But the U. S. Government was insistent. Perhaps it wanted to demonstrate its power, particularly after Tashkent, where India succumbed to Soviet Pressure.

In this context the report of the 'New York Times' is more revealing. It writes :

"Much of the change in Indian Economic policies was the result of steady pressure from the U. S. and the World Bank. U. S.

pressure had been particularly effective because the U. S. A. provided the largest part of the foreign exchange needed to finance India's development and keep her industry moving. Whether these were called 'Strings' or 'Conditions' India has little choice now but to agree to many of the terms the World Bank is putting on its aid. For, India has no where else to go.''

The prominet economists and leaders termed the devaluation as "economic suicide'' and 'economic slavery of America'. Pandit Deendayalji wrote: "Whatever the government spokesman might say, the decision has been taken under pressure from the IMF. IBRD and the western countries. The economic aid that they had been giving all these years was supposed to be without any strings. We foolishly believed it to be so. The string became visible when all aid from these sources was stopped in the wake of our conflict with Pakistan. Since then they have been gradually pulling the strings. While the people are patriotically prepared to resist these pressures the Government in its pussillanimity has succumbed to them. From the ceasefire to the signing of the Tashkent Declaration and the consequent withdrawal of our forces from Haji Pir and other areas in Kashmir, from the fertilizer deal to the devaluation of the rupee there is the same story of abject surrender of our national interests. The history of the East India Company and the Moghul rule is being repeated. Defeat, deception and devaluation are the GOI's achievements '. on the defence. front in 1962, on the diplomatic front in Tashkent, and on the economic front now in June, 1966. "

The courageous stand taken by President Julius Nyrere of Tanzania and by Michael Monlay, former Prime Minister of Jamaica which stand out as testament of how the dignity of a poor nation can be sustained in the face of the pressures applied by Imperialist powers and their international agencies like IMF, etc. In his New Year Message, 1980 to the Diplomats accredited to Tanzania, he wrote :

"The IMF always lays down conditions for using any of its facilities. We, therefore, expected that certain conditions would be imposed should we desire to use the IMF Extended Fund Facility. But we expected these conditions to be non-ideological and related to eusuring that money lent to us is not wasted, pocketed by political leaders or bureaucrats, used to build private villas at home or abroad, or deposited in private Swiss Bank accounts.

"We also accepted that we could justly be asked how we were planning to deal with the problem in the medium or longer term. We could then have accepted or rejected such conditions but we would not have felt it necessary to make a strong and public protest.

"Tanzania is not prepared to devalue its currency just because this is a traditional free market solution to every thing and regardless of the merits of our position. It is not prepared to surrender its right to restrict imports by measures designed to ensure that we import quinine rather than cosmetics, or buses rather than cars for the elite.

"My Government is not prepared to give up our national endeavour to provide primary education for every child, basic medicines and some clean water for all our people Cuts may have to be made in our national expenditure, but we will decide whether they fall on public services or private expenditure. Nor are we prepared to deal with inflation and shortage by relying only on monetary policy regardless of its relative effect on the poorest and less poor.

"Our price control machinery may not be the most effective in the world, but we will not abandon price control; we will only strive to moke it more efficient. And above all, we shall continue with our endeavours to build a socialist society.

"When an international institution refuses us access to the international credit at its disposol except on conditions that we surrender to it our policy determination, then we make no application for that credit. The choice is theirs-and ours.

"But such conditions do reinforce our conviction about the importance of the Third World demand for changes in the management structure of the IMF. It needs to be made really international and really an instrument of all its members, rather than a device by wich powerful economic forces in some rich countries increase their power over the poor nations of the world.

"There was a time when a number of people were urging that all aid to the Third World countries should be channelled through international institutions. They honestly believed that such institutions would be politically and ideologically neutral. I do not know whether there are now people who honestly believe that the IMF is politically or ideologically neutral. It has an ideology of economic and social development which it is trying to impose on poor countries irrespective of their own clearly stated policies. And when we reject IMF conditions we hear the threatening whisper; "Without accepting our conditions you will not get our money, and you will get no other money." Indeed we we have already heard hints from some quarters that money or credit will not be made available to us until we have reached an understanding with the IMF.

When did the IMF become an International Ministry of Finance? Wheh did nations agree to surrender to it their power of decision-making?"

It is a crying shame that the Government of India, representing a nation of 800 millions, is reluctant to demonstrate even a modicum of the courage which small nations show. While commenting on such servile attitude of our government and offering the inspiring guidance to the nation during Indo-Pak War in 1965, Revered Guruji Shri M. S. Golwalkar observed, "As days go by, the urgent need for self-reliance is becoming more and more painfully clear to us. The decision of the Government to continue to release liberal supplies of canal-water to Pakistan, when for want of water crops on our side are withering, and also to continue payment of crores of rupees at a time when every pie is to be sonserved for our defence, is a striking instance in point. It is obvious that we have succumbed to the pressure of World Bank on whose obligation we depend for monetary aid. The saying, 'Beggars are not choosers'-and so are deblors! has come true to a letter in our case. This is the price we are paying for not having taken care to make our economy self-reliant all these years. The habit of begging for food, for money and for everything over the last eighteen years has verily sapped our spirit of self-effort and manliness and reduced us to abject servility. Here was the chance for our leaders to resist all outside pressures and refuse to pay a single pie or release a single drop of water to Pakistan which would only go to feed its aggressive appetite. The so-called commitment under the Canal Waters Treaty had stood automatically cancelled immediately Pakistan invaded our country. In fact, our leaders ought to have demanded full compensation from Pakistan for all our losses caused by its wanton aggression and payment of all the dues it owes us under various agreements over the last eighteen years since partition. Though such a firm stand might have entitled immediate hardship to us, it would have steeled the nation with a new resolve to make our economy self - sustaining hereafter."

Let us realize that there are no short-cuts for preserving national freedom and honour, Every nation has to plot the hard path of self-reliance and self-sacrifice to reach that goal.

Aggregate External Assistance – Source-wise (upto end March, 1988) **TABLE – 1**

(Rs. crores)

Country/ Institution	Authorisations				Utilisations			
	Loans	Grants	P. L /480 665 Aid and third country Currency Assistance	Total (2+3+4)	Loans	Grants	P. L./ 665 Aid and Third Country Currency Assistance	Total (6+7+8)
1	2	3	4	5	6	7	8	9
IBRD	13,954	–	–	13,954 (22·7)	5,710	–	–	5,710 (13·5)
IDA	13,570	–	–	13,570 (22·1)	10,978	–	–	10,978 (25·9)
EEC	41 $	776	–	817 (1·3)	42	819	–	861 (2·0)
IFAD	173	–	–	173 (0·3)	141	–	–	141 (0·3)
ADB	683	–	–	683 (1·1)	27	–	–	27 (0·1)
U. S. A.	3,251	394	2,774	6,419 (10·4)	3,217	263	2,819	6,299 (14·9)
U. S. S. R.	5,931	9	–	5.490 (9·7)	1,818	8	–	1,826 (4·3)
U K	1,223	2,598	–	3,281 (6·2)	1,256	2,164	–	3,420 (8·1)
West Germany	3,297	53	–	3,350 (5·5)	2,898	51	–	2,949 (7·0)
Japan	3,688	183	–	3,871 (6·3)	2,611	157	–	2,768 (6·5)
OPEC*	1,922	12	–	2,004 (3·3)	1,651	12	–	1,663 (3·9)
Others	4,465	2,374	–	6,839 (11·1)	4,072	1,633	–	5,705 (13·5)
TOTAL :	52,268	6,399	2,774	61,441 (100·0)	34,421	5,107	2,819	42,347 (100·0)

Source : Report on Currency and Finance 1987-88, Reserve Bank of India.

TABLE-4

TOTAL EXTERNAL ASSISTANCE, SHARE OF GRANTS, DEBT SERVICING CHARGES, AND NET INFLOW OF ASSISTANCE

(In crores of Rupees)

Period	Total external assistance	Total debt servicing (Amortization +interest payments)	Net Inflow of Assistance
Upto 1st Plan	317.7	23.8	293.9
During 2nd Plan (1956-61)	2252.6	119.4	2133.2
During 3rd Plan (1961-66)	4531.0	542.6	3988.4
1966-67	1131.4	274.5	856.9
1967 68	1195.6	333.0	862.6
1968-69	902.6	375.0	527.6
1969-70	856.3	412.5	443.8
1970-71	791.4	450.0	341.4
1971-72	834.1	479.3	354.8
1972-73	666.2	507.4	158.8
1973-74	999.3	595.8	403.5
1974-75	1337.4	626.0	711.4
1975-76	1839.0	686.3	1152.7
1980-81	1624.0	804.0	820.0
1981-82	1870.0	849.0	1021.0
1982-83	2250.0	947.0	1303.0
1983-84	2245.0	1033.0	1212.0
1984-85	2332.0	1176.0	1156.0
1985-86	2896.0	1367.0	1529.0
1986-87	3578.0	2029.0	1549.0
1987-88	5013.0	2579.0	2434.0

Source : Report on currency and finance 1987-88, Reserve Bank of India.

III

FOREIGN AID

" Foreign Aid ' is one of the sharp wsapons of domination of the Third World in the armoury of the developed nations. A great many examples of it can be cited in the post World War II period. The Marshall Plan, the Truman Doctrine, the Colombo Plan, US " Aid " under the 1951 Mutual Security Act, the alliance for Progress Programme, the International Consortium for "aid" to India, Indonesia and Pakistan are some of the aid programmes initiated by the developed countries for the Third World. The foreign aid is used to achieve foreign policy ends comprising economic, political and military control of the underdeveloped world.

To quote Professor Raymond F. Mikesell from " Problems and Policies in Public Lending for Economic Development, "–" there is a feeling in many of the less developed countries that the major international lending institutions are dominated by the United States and other western powers and that, therefore, they seek to impose the policies of the western industrial countries upon the developing countries of the world. "

Moreover, through international agencies the US Government puts pressure on the developing countries to change their policies to suit American business. As Edward S. Mason in " Foreign Aid and Foreign Policy " puts it,"–it is usually much easier to bring about changes in domestic policies through the mediation of an international agency such as the International Bank or the Monetary Fund than through tough bilaterial bargaining. The IMF has been associated with most of the stabilization arrangements in Latin America. The consortium meetings presided over by the International Bank have come to be the most important forums for criticism of the development of programs and policies of India, Pakistan and other countries financed in this manner."

President Kennedy recognising the benefits of aid in the long run was clear in citing the cases of Taiwan, Colombia,Israel, Iran and Pakistan as examples of nations whose import patterns had been drastically affected by foreign aid. " These used to be exclusive market of European countres " Kennedy said, " So little attention has been paid to the part which early exposure to American goods, skills and American ways of doing things can play in forming the tastes and desires of newly emerging countries–or to the fact that even when our aid ends, the desire and need for our products continue and trade relations last far beyond the termination of our assistance."

American foreign aid has enabled the US multinational corporations to penetrate even Europe to such an extent that loud alarms have been sounded by European writers. Servan–Schreiber in his book 'The American Challenge', pleaded that Europe should develope its own MNCs to match the American MNCs otherwise Europe will soon become a colony of the United States.

We must, therefore, realise that foreign aid poses obvious political and economic dangers to our country. Apart from this consideration, it is true that the use of foreign capital is economically useful only to a limited degree. We ordinarily think of foreign capital as a ready financial resource available for our use as we like. The fact is otherwise. Foreign capital has to be spent in the foreign country itself; it cannot be equivalent to domestic savings and capital. Domestic capital when invested, not only creates employment but also opportunities in the industries in whch the investment is directly made. It also helps the employment of those who are engaged in the manufacturer of the machinery, raw materials, spare parts and other resources used in those industries. This is not the case with foreign capital.

We should not therefore, heavily depend on it for our economic development. But due to its craze for foreign technology and megalomaniac attitude and because of the undue influence of foreign capitalists and Indian monopolists the government of India indulged into indiscriminate borrowings from the foreign countries.

India has drawn upon several sources for foreign assistance. These include capitalist countries, socialist countries and international institutions. Very recently foreign aid in the form of foreign currencies and crude oil has been sought from petroleum producing countries. Broadly, these sources can be grouped into four major divisions : consortium countries, the World Bank Group (TBRD and IDA), socialist countries and others. The largest amount of foreign aid has come from consortium members, both the countries and the World Bank group contributing sizeable aid. In terms of groups, the next is socialist countries. The OPEC group of countries also contribute significant amounts. Of the principal donor countries, the important ones are the USA, the UK, Japan, West Germany, and the USSR. It is obvious that richer countries have contributed larger amounts. Consortium countries include Austria, Belgium, Canada. Denmark, France, West Germany, Italy, Japan. Netherland. Norway, Sweeden, the UK, and USA, The International Bank for Reconstruction and Development, and its affiliate, the International Development Associatjon, are also members of the consortium. The Table No. 1 shows the sources and the amount of each source of Foreign aid.

The foreign debt at the end of First Five Year plan was Rs. 317 crores only. When in the Second plan, priority was shifted from agriculture to heavy industries, at the end of Second plan debt amounted to Rs. 2252 crores, that is 702 per cent increase. They are relentlessly mounting. Officially the foreign debts amount to Rs. 62300 crores upto 1989. The table No. 2 gives a view of the aid authorised and utilised upto 1988.

It is clear that foreign debts has risen from Rs. 35725 crores in 1985 to Rs. 54817 crores in 1987. The actual figure may be much more, as the official figure is a gross under estimate.

Most of the aid has come to India in the form of tied aid. This is the aid which has to be used for the purchase of goods for specified projects and/or is to be spent in specified country/countries. Such a composition of aid, weighted heavily on the side of tied aid, has resulted in many difficulties. Two among them may be mentioned.

One is that it has led to higher costs of plan projects. Because of the compulsion on the recipient country to buy from certain countries or to use aid for the purchase of certain goods, the foreign sellers were placed in an advantageous position of charging high prices, resulting in raising the costs of projects. further, tied aid has restricted our choice in respect of its use. Therefore, the possibility of making optimum use of freely available resources could not be explored or utilized. The aid could not be considered an addition to domestic resources in the real sense. The pre-fixed use restricted the options of planners. Hence it made less than full contribution it could make. Secondly it discourages local initiative in matters connected with savings and indigenous technology. For example, easy availability of foodgrains from foreign countries and other soft loan conditions from the USA, made us neglectful of the needs of agricultural development, at least till 1965–66 and for some time thereafter when we started with the introduction of new technology in the sphere of wheat production. Similarly, it is asserted that adequate efforts to increase savings, particularly on the part or public sector, were not made. Further, we have all along been so charmed by foreign technology that we did not care to look around within the country for alternatives. As a result, we could not develop our own technology suitable for Indian condtions

Foreign loans has given rise to several problems. Among them one very important problem is that of the large burden of debt–servicing.

Foreign debt–servicing consists of interest payments on the loan contracted and the payment of principal when it falls due. The amount of these payments has grown rapidly during the last few years and has reached a staggering figure at present.

The debt has become a big burden on the economy. This becomes obvious when we relate is to such other magnitudes as external assistance, national income, export earnings, government revenues and domestie savings. This is brought out in Table No. 3 for the year 1984–85

A quick glance at Table No. 3 reveals the gravity of the burden. When viewed in the context of external assistance, the percentage of debt servicing charges was as high as 49.9 of the amount utilized in 1984-85. It means, in other words, that in that year, India was left with a little over 50 percent for purpose of development, considerabie proportion having been eaten away debt by obligations.

TABLE No. 3

BURDEN OR DEBT SERVICING IN TERMS OF PERCENTAGE (1984-85) of :

External Assistance	National Income	Export Earning	Tax-revenues Central-Govt.	Domestic Savings
49.9	0.8	11.8	7.8	2.9

The consequences of heavy debt-servicing charges are many and indeed harmful. In the first place, they reduce the gross aid available since significant proportion of the aid is used for meeting these payment obligations. This reduces the sources avaibale for development. The Table No. 4 shows the net flow of aid. Secondly, a reduction in the availability of foreign exchange resources affects seriously the requirements of industrial development at this stage. Quite a large segment of our industrial sector consists of heavily capital-intensive units which require for their maintenance and expansion import of goods and sophisticated know-how. Any difficulty in this sector gets multiplied, and affects adversely the entire economy. Thirdly, by repaying interest and loans through taking more loans, we are passing on the burden to future generations. In this way we are reducing the quantum of benefits they would have enjoyed in the absence of such a large burden of debt-servicing. Fourthly, they involve repayment in the form of gold or foreign exchange earned through export earnings. As such, it results into loss of precious assets of a country. Of course conditions concerning interest and repayment are known in advance and thus a country contracts loans with full knowledge of this burden. But these very obligations turn out to be burdensome if reasons such as higher interest charges, difficult repayment conditions, improper use of foreign aid, etc., make it difficult for the country to meet these obligations. At present, India is facing severe difficulties in meeting debt-servicing charges, especially when our country's deficit imbalance of payments continues to rise, right from 1951.

The country's deficits originated in the Frist Plan itself and continued rising unabated since then, with exceptions of little significance. At present these have become very large, and appear formidable.

While the deficits, to begin with were small, these increased to big figures with the passage of time. For example, in the First Plan it was on an annual average basis only Rs. 32.5 crores. In the Second Plan the figure jumped to many times that in the First Plan to Rs. 344.7 crores. This rising trend remained in the subsequent Third Plan, when the overall deficit, on an yearly average almost doubled to Rs· 615 crores. The three annual Plans (1966-69) saw a further rise in the deficit when it crossed the one thousand figure on an annual average basis to stand at Rs. 103.74 crorcs. As was the picture in the fifties and the sixties, the same was in the seventies, covering the Fourth and the Fifth Plans. The annual average deficit for the Fourth Plan (1969-74) came to a little less than the preceding three years' average of Annual Plans at Rs. 792 crores, and that of the Fifth plan at Rs. 834.9 crores. For the Sixth Plan period of Five Years (1980-85) the deficit on an average annual basis come to a big sum of more than Rs. 2983 crores.

Even in the first plan trade deficit was at annual average of more than Rs. 100 crores, which increased further to more than four times to Rs. 450 crores in the Second Plan. The Trade deficits continued to be a big figure, and was in fact slightly more than Rs. 640 crores in the Third Plan. There was further jump up in the deficit in the three Annual Plans with the yearly average of about Rs. 700 crores. The Fourth Plan however saw a big reduction in deficit with the annual average setting at Rs 330 crores. In the Fifth Plan the average annual deficit rose again to a higher figure of about Rs. 635 crores. During the Five Years of the Sixth Plan (1980-85) the deficit has excecded Rs. 6090 crores (annual average). In the year 1985-86, it jumped to the gigantic amount of Rs. 8735 crores. Thus by and large the trade deficit (on an yearly basis) has been quite sizeable. These are however only annual averages. There have been in some years much larger deficits. The table shows the position of India's foreign trade.

TABLE No. 5

INDIAN FOREIGN TRADE'S

(Rs. Crores)

Year	Imports MARCHANDISE	Expots	Total Value of Trade	Balance of Trade (surplus & Deficit)
1950-51	.650	.601	1.251	- .49
1960-61	1.122	.642	1.764	- .480
1970-71	1.634	1.535	3.169	- .99
1980-81	12.549	6.711	19.260	- 5.838
1981-82	13.608	7.806	21.414	- 5.802
1982-83	14.293	8.803	23.096	- 5.490
1983-84	15.831	9.711	25.602	- 6.060
1984-85	17.134	11.747	28.881	- 5.387
1985-86	19.747	11.012	30.759	- 8.735

Source : RBI. Reports on Currency and Finance; Economic Survey 1986-87.

The payments position has been marked by large deficits. Although deficits have occured in each of the different segments of the balance of payments account, the biggest chunk, and almost without break, has been in the trade or merchandise account.

A burdensome factor in raising the imports has been not the increase in the volume of imports, but an increase in the price of imports. One such factor has been the devaluation of the rupee in 1949 and in 1966.

It may be recalled that after the second world war, the economic situation of England was precarious. Its economy was dependant on the assistance of America. It was therefore compelled to devalue the Pound sterling by 30.50% on September 18, 1949. Twentytwo nations including all British Commonwealth countries except Pakistan followed England and devalued their currency. India declared devaluation of the rupee on December 12, 1949.

Normally such a step by raising the rupee price of imports should cut down the imports. However, in a situation where imports could not be slashed much or even a little (being development–goods, or foodgrains), this measure raised the money value of goods bought.

Foreign borrowings have carried plenty of costs. The debt servicing burden has more than doubled from 12.26 percent of foreign exchange earnings five years ago, to over 24 percent, now officially. However Bank reports that the debt service ratio is 38 Percent. The official position earlier was that 20 percent was a safe level. Undoubtedly, the situation is alarming. If this continues, India could go the Latin American way.

In the approach paper to the eight plan, the planning Commission cautioned the Government about the raising debt servicing burden. The fact is that a rising debt service ratio can take a toll on the common man. Essential imports may have to be curtailed. Also, exports will have to be jacked up. This implies that a part of the surplus domestic production will not be available for consumption at home.

Dependence for a substantial part of capital on foreign sources, in particular on foreign governments, results in constraints on the government in acting freely to do what it thought best in the interest of the country. Of course, foreign governments or world institutions do not exert pressure explicitly. Nor are these pressures written into agreements concerning foreign aid. These pressures are implict in the sense that the country has to conform to the conditions or criteria of aid taking. For example, consortium countries and the World Bank seek and get information about economic development of a country and review the same to make their own assessments about the creditworthiness of the aid-seeking country. In this exercise, the donors expect a certain type of economic development in the recipient country in order that it becomes eligible for the aid. The Government is thus placed under obligation to come up to the donor's expectations. The world Bank review of India's economic development and recommendation for devaluation of the rupee in 1966 was one such example of implict pressure. The USA was then more explicit in exercising the pressure because it promised substantial aid only if India devalued her currency.

The pressures sometimes become open and seem to threaten the very soverignty of the recipient country. One typical example of this kind of pressure is the threat of the US Government to stop all aid to India during the Indo-Pak conflict in December, 1971. Obviously, the effectiveness of the threat depends on the extent to which a country relies on particular government, as also the strength of the recipient country with which it can face the threat. Other things being equal, the larger the dependence on foreign sources for aid, the greater the effectiveness of the threat.

Shri R. Sasankan in his report from Washington published in Indian Express on May 29, 1989 writes, "India is nearing a debt trap. Its total external debt at the end of March 1989 stood at a whopping Rs. 96,320 crores ($ 60.2 billion) which is Rs. 41,320 crore more than what has been acknowledged by the Government in its latest pre-budget economic survey. The debt-service ratio (interest payments to export earnings) is put at 38 percent as against the Government estimate of 24 percent.

These alarming figures and observations are contained in two separate but identical and confidential country reports prepared by the Washington-based Institute of International Finance (IIF), and the New York Based Manufacturers Hanover, a top US Bank and a major player in the debt drama.

Both the IIF and Hanover feel " the India will tap the IMF next year, but unlikely this year in view of eletion politics. "

So, India's foreign debt is currently estimated at Rs. 96320 crores—equivalent to every man, woman and child in the country owing Rs. 1240/— to the rest of world. From this critieal position, a bail-out by the IMF would thus seem logical. But an IMF loan has traditionally been a dirty word, because the global lending agency usually requires borrowers to sharpiy devalue their currencies and impose conditions, detrimental to the interest of the economy and the nation.

In the report published in India Today May 15, 1989, Paranjoy Guha writes, " The Government will obviously weigh the consequences of seeking an IMF loan before arriving at a decision. " As Mukhrjee and Narasimhan recall: " In 1981, we did not go to the IMF on a stretcher but walked in our own legs. " Observers hope that this time round, India won't have to go to Washington on crutches.

IV

FOREIGN TECHNOLOGY

Technology is the most powerful force that helps domination and control of developed countries in the Third world. By buying equipment and technology the new free countries strive to speed up the development of their industry and thus to overcome their economic backwardness and reduce their dependence upon the imperialist countries, while the latter seek ways to use the requirements of the developing countries in equipment and technical documentation as new channels of exploitation of the developing countries and make these countries ever dependent on them.

But due to the craze for advanced western technology, Pandit Nehru adopted the policy of wholesale transplantation of western technology. There was no public speech in which Nehru did not refer to India's need for 'advanced' technology, refusing to see that the so called 'advanced' consisted not in increasing production per unit of land or capital investment but per worker employed or per entrepreneur, leading to wide disparities in incomes, unemployment and concentration of economic power - the very ills which our founding fathers had wanted to eradicate, and said so in the constitution.

Pandit Nehru the worshiper of the shrine of western technology went all out for foreign capital, whether in the form of loans or in the form of investment in India by foreign capitalists. And the apprehensions that were voiced at that time have come true. This has simply turned out to be another mane for loot of India's wealth.

With foreign technology came the foreign capital. Domestic savings are not sufficient to meet the financial resources required for capital-intensive and import-based technology. When we invite a blind person to dinner, we have to make preparations for two. The two are inseperable. In fact, both were knowingly invited by Pandit Nehru. Availability of the foreign technology was the main reason behind the change in the policy of the government towards foreign capital within one year of passing the resolution on the said subject.

After independence in 1947, by an Industrial Policy Resolution on 6-4-1948, the government of India acknowledged the need of foreign capital for industrialization. The said Resolution States :

"The Government of India agree with the view of the Industries Conference that, while it should be recognised that participation of foreign capital and enterprise, particularly as regards industrial technique and knowledge, will be of value to the rapid industrialisation of the country, it is necessary that the conditions under which they may participate in Indian industry should be cerefully regulated in the national interest. Suitable legislation will be introduced for this purpose. Such legislation will provide for the scrutiny and approval by the Central Government of every individual case of participation of foreign capital and management in industry. It will provide, that as rule, the major interest in ownership, and effective control, should always be in Indian hands; but power will be taken to deal with exceptional cases in a manner calculated to serve national interests. In all cases, however, the training of suitable Indian personnel for the purpose of eventually replacing foreign experts will be insisted upon......"

While declaring the change in the policy in Parliament Nehru observed on 6-4-1949 :

"The policy as regards participation for foreign capital has already been announced in broad terms in Government's resolution of the 6th April, 1948. The stress on the need to regulate in the national interest, the scope and manner of foreign capital arose from past association of foreign capital and control with foreign domination of the economy of the country. **But circumstances today are quite different.** The object of our regulation should therefore be the utilisation of foreign capital in a manner most advantegeous to the country. Indian capital needs to be supplemented by foreign capital not only because our national savings will not be enough for the rapid development of the country on the scale we wish, but also because in many cases scientific, technical and industrial knowledge and capital equipment can best be secured along with foreign capital."

The main changes declared and concessions given by the Prime Minister, while extending an open invitation for particiption of foreign capital in Indian Economy were :

(1) Foreign companies will be treated on par with Indian companies.

(2) Foreign companies will be free for remittance of profits and repatriation of capital and

(3) In case foreign companies are compulsorily acquired or nationalised compensation would be paid on a fair and equitable basis.

On 29th August, 1975, R. S. Bhatt, Chairman of the India Investment Centre, boasted at a press conference in New Delhi that several foreign firms had told him that the guidelines enshrining government's policy in this regard were "fair and reasonable" and 'no other country in the world permitted foreign firms to have an equity share of as much as 74 percent".

As a result of these continued concessions, foreign investors who were prepared to pack up on the advent of political independence in the country decided to stay, and the amount of foreign investment rose from Rs. 260 crores in 1948 to Rs. 6149 crores in March, 1987. This, despite the fact that we were supposed to have wrested independence from the exploitation of the British imperialists and given freedom to poor people. It would seem today we have not one foreign exploiter but several who have increased their exploitation twenty three times over the last twenty-five years.

The public Undertakings Committee has also found that the public sector undertakings have been indiscriminately enterling into foreign technical collaboration in spite of the fact that the required technology is available in India. In their 89th Report (Fifth Lok Sabha) they have given several instances of foreign collaboration by private parties when technology was available with local public undertakings. One such instance related to Nitroteloume which was obtained through foreign collaboration by a firm in Bombay when Hindustan Organic Chemicals, Poona, were having the know-how. Again, Indian Oxygen Limited had entered into a foreign collaboration for an oxygen plant when the Bharat Heavy Plate and Vessels, Visakhapatnam, had the necessary know-how. Texmaco, Calcutta had a foreign collaboration for industrial boilers when BHEL, Trichi had the necessary know-how. The instances can be multiplied but those already quoted should show the indiscriminate manner in which foreign collaborations have been obtained in India.

They should not be, therefore, surprised if an enquiry establishes that some of the political big-wigs are co-sharers in the loot of their beloved country.

Possessing neither capital to the required degree nor technor logical knowledge to the reqired standard, we are caught in the never ending cycle of relying on other nations for assistance. Economic development of our nation has, thus, now become traggically dependent on foreign technology and foreign investments and loans.

Western technology is the result of development of many countries. Its standardisation is the result of evolution and not a singular event. When we use that technology, we forget that it is not the cause but the effect of economic development in the west. The background to its invention and the basis of its current use are both different from our circumstances. The west faced the situation of relative shortage of labour and plenty of markets at home and abroad. We are facing a situation of abundant labour and restricted markets. The climate of our country is different, and our basic technical skill is undeveloped. We, therefore, have to use that technology which is simple and which provides work to more people.

Commenting on this issue, Pandit Deendayalji said that "The tractor and the bull are in a sense, two different levels of technology. The tractor, when used, will replace the bull as an economic factor; both cannot be used together. Commonsense suggests that we should use that level of technology which combines well with other factors of production that are in good supply. The nature of supply of men, motive power, money, management, materials and market in the country should all govern the choice of technology. In fact, historically speaking, technological development took place because of changing circumstance affecting the supply of other factors of production. "Necessity is the mother of invention." But today, we are practising the reverse maxim : "Invention is the mother of necessity," by our undue emphasis on Western Technology.

Western technology is capital-intensive and has to be imported. In order to use imported machinery we have to depend upon imported technical help, raw materials and spare parts for repair and maintenance. In India, we do not possess ready resources of these kinds. On the whole, our costs amount to much more than the value of the machinery which we import. This situation will lead to foreign exchange crisis in the present situation when debt-servicing burden is back-breaking.

The greatest paradox of Indian industry based on western technology is that the more it expands and diversifies, the more it becomes technologically dependent on the rest of the world. It is like losing in a relay race in which we do run forward but fall behind other competitors.

Foreign technology leads to concentration of economic power in few hands and is dehumanising. In this context, the great economist who made history by propounding the high value of 'Intermediate Technology', Dr. E. D. F. Schumacher, justly famed for his book "Small is Beautiful," writes :

"It is grave error to assume that technology is a neutral factor in socio-political affairs; that there is a simple way of distinguishing" "better" from "worse" and that the latest is always likely to to be the "best". Technology is anything but "neutral." It is a most powerful political force, shaping and moulding society into its own image. The technologies evolved during the last hundred years almost exclusively by Western Capitalism are now the strongest force pressing all societies which adopt them into the mould of Western Capitalism whether in its private capitalistic or its State capitalistic form. They are the opposite of what Gandhi considered good for the people at large. They concentrate power in a few hands and reserve the privilege of production for their already rich or powerful multinational corporations, tycoons of various sorts, bureaucrats, commisars and the like. Ordinary people, whether educated or uneducated, do not count; their task is to adapt themselves so that theywill fit into a "slot" provided by the rich and powerful, where they can carry out some more or less meaningless function and fill a gap left, for the time being, by mechanisation or automation. When there are not enough "slot" millions of these ordinary people are left without self-earned income, useless, rejected, unable to stand on their own feet.

If we are interested in "economics as if people mattered", wet must work for technologies "as if people mattered" or you mighn say, "technologies with a human face."

Commenting on such echnological policy, Gandhian econm-ist Shri J. D. Sethi writes :

" The spirit of Mahatma Gandhi died in India, the day Jawaharlal Nehru and his colleagues assumed power after partitioning the country. However, Gandhij's ghost has not been laid despite every effort to bury him deep and it will not go as long as the poverty of the masses, the unimaginable vulgarity of the politicians and above all, the willing enslavement of the intellectuals keep gripping Indian society. The ghost will keep haunting the elite all the more so as the challenges of the 21st century unfold themselves and demand their price." He furtner writes: "The early 30's were a period in which Europe and Japan dumped goods into India and other poor nations. There was a hue and cry from the industrialists against dumping. Gandhi put forward the idea of Swadeshi more forcefully against dumping of goods but he warned everybody that the problem was not that of dumping of goods and that in the long run. India would face the problem of dumping of industries. That is precisely what has happened not only in India but in all the developing countries and what has become the ugliest part of our industrial society. Rajiv Gandhi is openly and unwittingly encouraging. Such dumping. He must put a stop to this well-argued-dependence."

Dazzled by the material progress of the West, the Government has chosen the western technology, automation, computerisation etc. without considering the factor endowments of our country. This has resulted in labour saving technology, economic dependence, deficit financing etc. The government has to resort to money borro-wing spree round the world to finance such import-based and capital intensive industries. As a result it has mortgaged the wealth of this country and its people for several future generations.

Where is high tecnnology leading the West ? Just takes a look at the European and the American economics. They have the latest and the best technologies and have the fastest computers for econo-mic forecasting and analysis yet their unemployment figures are swelling at an alarming rate. Workers are voluntarily proposing moratoriums on pay hikes; they are even suggesting pay cuts at their own initiative and are beginning to desert their unions out of sheer desperation for survival.

Even the all-powerful auto unions in the West are bowing to the harsh realities of life in weak submission. As a direct off shoot of the unemployment problem, the law and order situation is going from bad to wrose, crime graphs are scaling new peaks every year, suicides are becoming routine and the very fabric of these societies appears to be in jeopardy.

We are not against science, technology, modernisation or machines. Science is an international asset and any country can adopt new industrial techniques. Sceince and technology are means to help mankind to progress towards its objective but they cannot determine what the objective is to be. Scientific outlook demands that each country should decide its basic objective of economic planning first and then evolve appropriate technology to fulfil the said objective.

It goes without saying that India requires appropriate technology. Foreign countries have developed technology with a definite standard, i e., capital-intensive. The technology developed and employed by the MNCs in their international operations stems from research and development activty in the industrialized world. The demand of the less developed or semi-developed country like India in certain sectors such as atomic energy may be a technology which is advanced, computer-based and capital-intensive. In other sectors a more labour-intensive and less capital-intensive technology is needed, due to the availability of more labour than capital. Consequently, the imported and capital intensive technology of the west does not solve the basic problem of employment and indigenous raw materials. If the imported technology can not make use of the local material in the host country the very purpose of import of technology is defeated. The host country becomes dependent on other countries for import of raw materials. It only helps the developed countries to have a tight grip over the economy of the country.

As equally important facet of approprite technology is the final product. "The MNCs have primarily specialised in catering to the needs of high-income consumers and developed products that do not meet the needs or financial possibilities of the mojority of the population in the Third World." They have produced a tehnology which looks after the needs of small section of society, i. e. the goods they produce are consumed by the richer section of a developing society. The common needs of all people like food, drinks, shelter and entertainment are not catered to by the foreign technology, which comes from the MNCs. These MNCs have indicated that they are not interested in or that they are not equipped to enter areas such as elementary health requirements, nutrition, low income housing, etc This lack of interest stems essentially from the fact that social benefits in these fields exceed and are not reflected in terms of private profitability.

Indiscriminate import of technology by India has inhibited the development of what is widely known as appropriate technology. Further, the restrictive clauses in technology transfer contracts prohibiting duplication, experimentation and adaptation adversely affect the learning process in India retarding indigenous innovation.

The new technology should make us self-reliant and put an end to our dependence on foreign countries for a machinary, spare parts, capital, technicians, etc. Wherever inevitable, large-scale industries will have to be set up. But priority should be given to the decentralised processes of production which in Gandhiji's telling words, is 'not only for masses but also by the masses', which can bridge the gulf between the rural and the urban India, bring out greater coordination between agriculture and industry, and make the large-scale and the small industries mutually complementary.

The current balance of payments deficit, it has been noted, is as much a result of protectionism abroad and choice of inappropriate technology. While it may not be within India's powers to control protectionism abroad, it is certainly possible for us to start changing our own choice of technology-from the existing one dependent on imports to one which makes fuller use of abundant local resources and manpower.

V

MULTINATIONALS

Poisonous gas leakage that suddenly overtook the sleeping population of Bhopal quite unware on the night of December 2, 1984 drew attention of the nation to several issues including that of the menace of Multinationals. The company involved in this gruesome affair was a U. S. based multi-national, The Union Carbide. Naturally our policy about the multinational vis-a-vis our national industries does figure in this matter. Our Government has been pursuing a policy of softness towards MNCs giving them all sorts of concessions and exemptions which creates an atmosphere of laxity where firmness is called for. Profit hungry multinationals dump in the Third World Countries such technology and manufacturing systems which are barred in their own country on the ground of colossal hazards involved in the process. Are Indian lives of trifling value even within India when multinationals seek licences ? This happened because multinationals, backed by imperialist powers dominate our economy.

Multinationonol Corporation (MNC) is an instrument of imperialist powers to control the economy and to perpetuate the systematic exploitation of the underdeveloped countries. For making their position and interest secure they follow all practises of chicanery. As a result, the drainage of wealth in various forms, from the developing countries to the developed world continues unabated, a phenomenon not unlike the one under colonialism. The old relationship of colonizers and colonised is replaced by business relations between two sovereign nations where business interests are represented by the MNCs.

The newly liberated undeveloped nations are independent politically but not economically, They depend on MNCs which hail from the developed world. The dependence manifests itself both in selling raw materials in the world markets and in buying plant machinery, equipment and technology. In carrying out these operations the developing countries encounter MNCs which have monopolised international market, finances and technology. The government of India sought the help of MNCs in this respect after independence. MNCs are working in India –

(i) either through a branch or

(ii) an Indian subsidiary i. e., a company in India under the Companies Act 1956. The subsidiaries have functioned either through.

(a) collaboration in subsidiaries, or

(b) collaboration with minority capital participation, or

(c) participation through technical collaboration.

After Mr. Rajiv Gandhi's celebrated interview to the Time Magazine soon after he was elevated to the office of Prime Minister in which he proclaimed that distrust of multinationals was a hangover of the colonial past and must no longer colour official policy. Thousands of collaboration deals between Indian and foreign firms have been approved by the Government. The Government headed by Mr. Rajiv Gandhi has been rightly hailed for the " emergence of new hope and opportunities for foreign collaborators in India. "

Foreign collaboration has been made the corner-stone of official policy under the present political power-dispensation for accelerating growth and modernisation of the Indian economy. In order to jump over the tariff walls, thousands of foreign companies established their units either as subsidiaries or as independent units or in collaboration with Indian companies. The phrase " import substitution " has given FERA (Foreign Exchange Regulation Act) companies the status of being part of national self-reliance. Further, clubbing their control with the Indian MRTP (Monopolies Restrictive Trade Practices) companies gave them an unfair advantage. The industrial policy of bogus self-reliance permits the domination of foreign capital so long as the product is manufactured within the country. Indian enterprise, both in the private and public sectors has been encouraged. in fact dictated to go for foreign colloboration to augment investment resources and to upgrade technology. New investment in modern industry is not encouraged and is even blocked in the absence of foreign colloboration, technical and financial. The changes in " our terms " in favour of mutinationals and foreign investment have been drastic and far-reaching.

With liberalisation of economic policies and reliance on market forces and free enterprise gaining ground in official policy, Foreign

Private Capital is not considered to be not only essential for augmenting total resources for economic growth but also as being desirable. This has been a major policy shift on foreign capital and multinationals with all its economic, social and political implications.

Initially, the role of foreign capital in India's development plans was guided by the need to import technology and equipment as part of an import substitution plan for modern industries in the heavy and capital goods sector. In the case of private sector, foreign collaboration was allowed for production within the country, of goods and services to meet the effective demand for items of current consumption. But between 1965 and 1980, there was a significant decelaration in the flow of foreign concessional credits as well as foreign investments.

From 1980 onwards, however, official policy again tilted in favour of fresh round of massive import of capital and technology. This tilt has become pronounced during the last few years as a part of the liberalising trends in economic policy. Thus has come about the second phase, much stronger than the earlier one, in foreign investment and collaboration both in the public and private sectors.

FERA restrictions on the expansion and diversification of foreign companies in the Indian market have been removed. In the case of companies which had earlier diluted foreign equity to 40 percent, enlargement of their foreign equity is receiving prompt and favourable response A reverse process of enlarging equity for foreign companies far beyond FFRA limits has been set in motion. Official policy has been geared to attract more eapital and the latest technology on a continuing basis.

This involves both the joint trading and production ventures in which multinationals would come in with their high technology and global marketing net work and Indian firms would play the role of sub-contractors and provide cheap shop-floor operators and labour. India would not, under the proposed scheme of things, attempt to even indigenise parts and components which go into final assembly of products for domestic consumption or export because, it is argued, it would be costly and would not give comparative advantage. On the contrary, components and parts would be supplied by multinational corporations and assembled into the final product by Indian labour. This is what the so-called screw driver technology being given to Indian business partners is really all about.

The ceiling limit on payment of royalty fees on imported high technologies has been removed. There is also to be no limit on the duration during which import of any technology as well as its constantly updated versions can be received. Far more important and far-reaching is the decision that in order to import high technology on a continuing basis and to take advantage of upgradation of their technology by the foreign suppliers, equity participation of foreign suppliers in business ventures which seek to import high technology will not only be permitted but preferred as a policy over outright purchases of high technology from abroad.

The implication of the new policy on technology transfer so-called is that the whole of India's production structure based on high technology, now and in the future, is proposed to be brought within the ambit of joint ownership and management of Indian and foreign business interests. Any idea of a wholly indigenous industrial enterprise is thus ruled out. The official policy has indeed swung to total dependence on imported technology and foreign collaboration.

What cannot be missed in this context is the extraordinary spurt in the activity of multinationals in India during the last few years of Mr. Gandhi's Government. Their expectations are high.

It will not escape attention in this context that the collaboration deal for manufacturing computers and negotiations for the installation of the supercomputer with US multinationals under strict safeguard clauses, which go so far as to limit the sovereign status of India, remain undisturbed. The deals for costly purchases of military equipment, with large kickbacks thrown in which have become issues of fierce public-political controversy, really testify to the enlarged operations of multinationals in highly strategically sensitive areas. At the other end of the spectrum of multinational operations in India, the door of the Indian market is opened for the entry of Pepsi Cola.

There are some basic querries relating to the nature of MNCs. Do the MNCs help in the development of the developing nations? If yes, in what directions such development takes place? If a developing nation invites MNCs, will it help the new nation to achieve self-sufficiency in the field in which an invitation is extended? Are the MNCs an instrument of transferring technology do they transfer? Is it absolete or appropriate, intermittent or sophisticated?

Further, will such technology help the Third World countries in achieving self-sufficiency or it makes them dependant on the MNCs? What are the basic motives of MNCs when they come to a developing nation? To achieve their basic ends what methods of operation do they adopt?

The recent public revealation of their activities, both in India and in many other third world countries should serve as a warning to the host countries. The 'services' rendered by MNCs are far inadequate in comparison with the socio-economic and political dangers they pose and the potential risks they generate during the course of their operations. Once they are allowed to enter the economy, they operate like an octopus in social, economic and political sphere of the host country. As a result, this drainage of wealth in various forms from developing countries to developed world continues unabated. The time has come for developing countries to examine seriously the ramifications of this form of neo-colonialism which is subjecting them to a development pattern which is bound to keep them in a position of dependence in perpetuity.

Instances are not lacking in the Third World Countries where MNCs have unabatedly applied political and economic pressure on the host government which tried to restrict their activities. Donations to political parties, maintenance of lobbies inside and outside the legistlature, outright bribery, illegal payoffs to local politicians and government officials in the host countries are well-known weapons in the arsenal of MNCs political tactics. In case of hostility shown by the host government the MNCs in collaboration with intelligence agencies, even go to the length of engineering, openly or clandestinely, a coup de-etet against the inimical government.

In the economic field, evasion of local taxes, practice of underinvoicing of import and export bills, holding out the threats of closure of their operations in the host countries and the use of the technique of transfer pricing have all become accepted methods of MNCs business ethics, A careful examination of the working of some of the MNCs in India like Britannia Biscuits Company, Dunlop India Ltd., International Business Machines, and Pipe Line cases supplying foodgrains to India, some American Multinational corporations, confirms this detrimental mechanism of MNCs operations.

Transfer pricing is a mechanism employed by MNCs to boost profits. IBM used this method in India. During 1961-71, it remitted over Rs. 4 crores worth profits abroad by importing old machinery and obsolete gadgets which had no market value anywhere in the world. Roche, a multinational drug company operating in India, charged an exhorbitant price of Rs. 13,246 per kg. for librium and Rs. 27,870 per kg. for valium, while the Drug controller put the price of these drugs at Rs. 380 and Rs. 462 per kg. respectively.

The MNCs transfer absolete technology to underdeveloped countries. It has also been confirmed by a report of the Indian Parliament. The Public Accounts Committee in its 221st Report observed :

> " The committee were informed that scores of IBM machines having no book values were in circulation, earning machine rentals at fixed rates. It was further revealed that while IBM recovered, for most of the machines, depreciation based on 4 years' life, such machines lasted for many years. Another interesting feature of these rental machines was that most of them had already elsewhere in the other developed countries the best part of their useful lives. When they became obsolete in those countries and therefore scrapped, such machines were being imported into India on an ' As Is ' basis, refurnished and circulated as rental machines earning revenues at fantastic rates."

The findings of the Hathi Committee's report on the Drugs and Pharmaceutical Industry on transfer of technology by MNCs to India are worth quoting, It said :

> " Other points to remember - - - are
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> (1) Introduction of technology of basic drugs newly into the Indian subsidiary does not occur free since for most of such introductions, additional payments have neverthless to be made notwithstanding equity interests, and
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> (2) the overseas firms choose to permit flow of such technology to India as will serve the interest of the parent firms. Rarely new and novel technology is permitted to flow either free or even on payment. Most technologies that flow from parents foreign firms into the Indian subsidiary or partners are, in fact, well established all over the world for the last 15-20 years and could as well have been imported into the country without taking recourse to equity participation."

In its second World Development Report, published in 1979, the World Bank has acknowledged that the dominance of the MNCs in the economy of countries largely depending on raw products has a negative effect on their structural development. It has been estimated that while the developing countries procure about 30 billion dollars for their raw material exports, the consumers on the othar hand pay about 200 billion dollars, thereby revealing the gap of 170 billion dollars that ostensibly goes to the MNCs that cater to the processing, distributing, advertising and other middle-man activities.

The MNCs derive direct benefits from the foreign aid. Most of the aid which comes from the developed countries is tied aid and the recipient has to spend a certain percentage in the donor country itself where these MNCs provided the required commodities. In an article entitled "Impact of Foreign Aid on US Exports" Hyson and Strought argue that—

" Although AID is not involved in direct subsidization of exports, U. S. procurement policies do in effect provide indirect subsidies to U. S. exporters. This is because some of our tied exports would simply not occur if it were not for foreign assistance financing. This is most easily seen in the case of a number of U. S. commodities that are priced above world levels bnt which are nevertheless exported because aid funds are restricted for purposes of their purchase. The cost of some commodities we finance may run considerably above world market prices. "

How MNCs are benefitted by aid is easily explained by the wheat purchases by India from the United States under PL 480 grants. The grain was purchased from US Multinational firms and the payment for it was made to them from the aid granted to India. Aithough India was to pay the loan in Indian currency, yet when India concluded a new agreement in February 1966 with the United states for purchase worth 167 million dollars it was agreed that 75 percent of the money made from these grain sales would be spent on long-term loans for construction of projects agreed upon by both parties in advance, 5 percent on financing Indian firms linked with American capital and 20 per cent placed at the disposal of the US Embassy in India. Linking Indian firms with American capital was to compel India to embark on a capitalist path of development. It only shows that the major benefit of the aid went to MNCs.

While US MNCs are helped by the US Government to have a strong foot-hold in the Indian economy, they also work in close co-operation with international organisations such as IMF (International Monetary Fund), IBRD (International Bank of Reconstruction and Development), Development Assistance Committee (made up of the United States, Canada, Japan and the aid-donor countries of Western Europe) to pressurise the developing countries to open their gates to private business. The world Bank also functions on similar lines, because these institutions are dominated by the United States and other Western Powers. The policy adopted by Aid India Consortium is the latest example of such help.

On 20-6-1989, the Aid-India Consortium turned down Aid-India's plea for increased assistance, that is, more than $ 6·7 billion as recommended by World Bank. The Times of India in its editorial commented "The implication of the decision of the consortium is that the government of India should change its policies and 'promote the rapid inflow of foreign private capital', that is the massage of the parameters from Paris".

MNCs are simply a new form of old exploitative international business firms with profit making as their basic motive. Wherever they go, their concern is not the development of the region (or the areas of their operation) into a self-sufficient independent entity but to earn enormous profits and to introduce certain processes which guarantee a continued flow of profits. Backed by powerful home government, they pose a danger to independent economic development.

India has a large number of well-qualified scientists supported by a modern scientific infrastructure, but she is still dependant on foreign technology in almost all branches of industry. Obviously the linkages of multinationals with local industrialists in India, their powerful lobbies both inside and outside the Parliament, their contacts with Indian elites, their capability of creating a fear-psychosis in the local market (when their interests are at stake), their control over communication media, prevent Indian government to utilize its scientific talent for building a self-reliant economic base.

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VI

ALTERNATE STRATEGY

The blind imitation of the Western process of industrialisation and alien model of economic development has ruined our economy. Justice V. R. Krishna Aiyer (Retired) has rightly said, in this context, "Western technology, geared to callous, capitalist appetite for rapacious profits through unconscionable industrialisation, is hell bent on the violent violation of the balance of nature, reckless of the human future... Industry at the service of Man, not Man at the alter of Industry–that is the Karuna of India's fundamental law, the humanism of our Indian trdition .. 'Industrialise OR perish' is valid under certain development situations But policy when perverted by wrong motivations and methods, the end product becomes 'Industrialise AND perish." Our national economy is moving towards 'perish.'

Ever since the adoption of the Mahalanobis strategy for fast and massive creation of capital-intensive, capital-stock devised by Prof. Mahalanobis, there has been a continuous deterioration in economic situation. Unemployment situation is assuming menacing proportions. The poverty is proliferating. Prices are rising which crushes the back of the common man. Foreign debts are going up and up. Foreign exchange position is worsening at an alarming rate from month to month due to huge deficit in foreign trade. The existing strategy has also caused already a steep rise in the capital–output ratio from 2 : 1 to 6 : 1. That is why, though we are saving in the net 23 per cent of the national income, the growth rate is low. The capital–output ratio is incrementally continuing to rise, indicating that the productivity and efficiency of capital of our capital-scarce country is going down, down and down. Moreover, the growth rate continues to go down. There is growing evidence that countries pursuing initially a heavy industry cum–infrastructure priority strategy might land themselves in a zero growth state in the near future. These circumstances and also the relative achievements of China and Japan with their growth rates compels us to reconsider our strategy also, Should we not then change our strategy? Should the plan continue on the basis of the Mahalanobis strategy? Or should it make a break-through to a new strategy? Is the time ripe for a radical departure from the present strategy? Should we boldly announce that hence-forth the plan will be based on the alternative strategy?

Consumers' Goods Strategy

The view that the production and supply of wage-goods or consumer-goods is crucial for the growth, has been put forward as a counter-proposal to the Mahalanobis strategy of giving the highest priority to the rapid building-up of the capital stock of the country, by welknown economists and personalities like C. N. Vakil, P. R. Bramhananda, R. J. Chelliash, Pandit Deendayal Upadhyay, J. D. Sethi, etc.

It assigns key role to the production and supply of consumer or wage goods in the development profile of the Indian economy. The 'agriculture and consumer-goods priority' strategy provides a simultaneous solution to high growth requirement, poverty-eradication, full employment and inflation-containment. It makes demand on foreign exchange much less than does the current strategy. The coming years are going to be one of acute foreign exchange scarcity. Currently, there is a gap of Rs. 6,500 crores per year. If we coutinue the existing strategy, the exchange gap would still widen The wage-goods strategy will bring about balance of payments self-reliance, on the current account.

What does the wage-goods nexus contain? (1) Food-grains, (2) Milk and dairy products, (3) Eggs, (4) Meat, (5) Fish, (6) other food products including sugar and gur, (7) edible oils, (8) salt, (9) clothing and other mass consumption textiles and footwear, (10) Kerosene and cooking accessories, including other fuel products, (11) soap, (12) matches, (13) common drugs, (14) cheap/low cost materials and inputs for housing, (15) Public consumption goods and merit goods like drinking water, electricity sanitation facilities. medical services, family planning accessories, educational accessories for primary and adult education, and mass public information facilities. The list is almost exhaustive but depending upon the feasibility and the social consensus, other consumption goods may be added.

Proverty is the stark fact of our life, Its removal must become our general aim. The first necessity for this purpose is to increase production, At the same time, we have to see that the produce is equitably distributed in the society so that the poor today can raise their economic strength proportionateiy with the increase in production. Production is of two kinds :—

(1) Consumer goods and (2) Producer goods, that is, those goods which are not used for consumption but are used in the manufacture of consumer goods. The end result of both is consumption. So, production of consumer goods should be given priority. We should not forget that producer goods are meant to provide better quality and an increased amount of consumption in the future. Manufacture of producer goods for its own sake is meaningless. A good economic system should ensure the production of producer or capital goods only to the extent, that the society feels, at the present, it as necessary for yielding future consumption. Otherwise we shall be creating innumerable problems of a social and political nature, besides economic instability. The history of western capitalism and communism is a warning.

The production system should be such that the increase in goods should accompany their use or consumption at the same time. That is, increased purchasing power in the hands of the common man should be proportional to the increase in goods available to him for use or for consumption. This way we shall be able to achieve the goal of full employment. Decentralisation requires that process of production which is to be carried on at home and as far as possible, not in factories. Taking into account both-the economic factors and the latest research in science, small-scale machanised unit should form the general basis of India's Industralisation, Large Units should be cxception to this rule. Overall capital formation would be much greater if the small-seale technology is adopted. The workers can own these industries and even if other workers are engaged, the human element will not disappear from the relationship between the employer and the labourers. Co-operation too has a big scope here. These are quick return industries. Capital is not locked up here for long. It is highly congenial to the all round development of human personality.

Here the question arises whether foreign interests will allow the government of India to adopt the alternative consumer goods strategy for achievement of national self-reliance ?

The unholy alliance between the India Government, Indian Monopolists, Multinationals and foreign powers is an accomplished fact. All of them have vested interest in continuing the existing strategy. This alliance will prevent the government of India from changing the strategy to protect their vested interests.

Howeve, time and tide wait for nobody. The forces of foreign economic imperialism continue to tighten their grip over India, It is dependant on foreign powers for external finance, and expansion of exports. The report on " Economy Monitor " in India Today; 15th July 1989, says " The economy ticks along wlth disturbing signs. Last month was particularly bad on the foreign trade front-while exports showed virtual stagnation. imports once again increased sharply. with a severe foreign exchange problem existing, the trade figure indicate the situation is worsening. " As per Reserve Bank of India's Report for 1987-88 on currency and finance, the foreign trade deficit amounted to the alarming sum of Rs. 46109 crores during the period from 1980-81 to 1987-88. Consequently India's foreign currency reserves are likely to cross the danger level very soon.

Under such critical situation, the government will be ultimately compelled to approach IMF for providing financial flows to reduce the imbalaces. The report of the Hanover Bank of U. S. (1989) indicates the same when it says, " despite the country's low reserve level, India is not expected to seek an IMF loan this year due to the upcoming elections. However, a further weakening of the current account deficit in 1990-91, would necessitate some form of IMF facility. " If this happens, the remedy will prove to be worse than the disease.

The IMF package will be not only inequitous. It will be ineffective as well, in curbing the balance of payments deficit. Our payments deficit is not some temporary, accidental phenomenon, but one which recurs in every period because we cannot earn as much foreign exchange as we need and the gap between the two is widening. The IMF loan would enable us to meet our payments difficulties over the next few years and we would be back again with a serious payments problem afterwards. What is more, the problem would be far worse then, than now, because debt-servicing on the IMF would be an additional strain, because import liberalisation would have increased the economy's import-dependence and because ' liberalised ' procedures on foreign collaborations would have stepped up the investment income outflows. A case could at all be made for the IMF loan, ignoring its inequitious effects, if it could be shown that in an import ' liberal ' regime, exports would increase appreciably to cover the costs of "liberalisation", to cover the extra debt-servicing charges and to leave over enough to cover the basic export-import gap. For if export growth remians sluggish despite 'liberalisation', then the country could be caught in a debt-trap of continuously having to borrow, of having to borrow larger and larger amounts to meet debt-servicing, of being unable to take other corrective action like import controls owing to pressure from the lenders and of experiencing a widening payments gap owing to growing outflows through multinational companies and larger imports and sluggish exports.

We should not forget that the IMF often exacts conditions which aggravates the instability of the borrower country and seriously hamper its efforts at industriazation. In Argentina, Chile and many other countries, in the 1950s and 1960s the IMF and the World Bank acted as agents of American and Western imperi-lism on many occasions. The role of the World Bank and other Western aid giving agencies in destabilizing Allende's government in Chile is too well-known to need elaboration here.

Michael Manely, the then Prime Minister of Jamaica, in his message to the Conference on the International Monetary syseem and the New International Order, at Arusha, Tanzania, in July 1980 narrates his experience of IMF stabilisation programmes and writes, 'Three months ago... we discontinued our negotiations for further IMF support because, after three years of experience in which we struggled relentlessly to persuade the IMF to soften its conditions, we were convienced that

- IMF prescriptions, are designed by and for developed capitalist economies and are inappropriate for developing economies of any kind;

- the severe suffering imposed on a developing society through IMF conditionality is endured without any real prospect of a favou-rable economic outcome and without an adequate foundation of social welfare provisions to mitigate the hardships experienced by the people;

- the notion that IMF approval with international commecial banking institutions will supplement thc funds made avilable by the IMF is a fallacy,

- the positive withholding of tranches of foreign exchange as a consequence of the failure to meet periodic IMF tests condemns the defaulting country to a worsening of the foreign exchange situation which the IMF involvement itself Is aimed at improving."

Moreover, the enforcement of the long-term IMF policies in a country such as India would mean the strengtheing of monopolies, and of transnational corpoiations, ruin of small - scale manufacturers further constriction of the domestic market for mass consumption goods and a severe setback to the cause of technological self-reliance of the economy.

The tirade against India in America to make 'foreign aid' conditional must serve as a warning and prevent us from approaching IMF. It was the close call for India in the U. S. Houses of Representatives on Thursday June 29, 1989, when on amendment to the Foreign Aid Appropriations Bill moved by Republican Congressmen Wally Herger seeking to make American development aid to New Delhi conditional fell through by a narrow margin. The amendment, was rejected by 212 to 203 votes. The wind was blowing heavily against India it was almost a squeak when the voting result was announced.

Aid will not flow in simply because we approach IMF. It will demand its full price.

At this juncture I am reminded of the statement of Deendayalji issued after devaluation, regarding grave consequences of our helpless dependence on foreign help. He said, "The people must be wary. The tiger has tasted human blood. The man-eater will not rest. Aid will not flow in simply because the rupee has been devalued. They want to be assured of peace with Pakistan, knowing full well that these powers are ever prepared to turn a Nelson's eye to her misdeeds, will try to dictate us terms. A settlemnt on Kashmir will be a sine quo non of all aid. Despite Pakistan's collusion with Communist China we are being strongly advised to cut out our defence spending. The talk of India manufacturing nuclear weapons is anathema to these powers. We are assured that we can depend on these aid-giving countries in case of contingncy, But it is precisely at such time that the helper becomes most exacting, Independent India is being led to the position of the former rulers of the Princely states under WELLESELY's subsidiary Alliance designed and executed under the Company Raj. A new paramount power is emerging. It is not the rupee but our very freedom that is in peril".

We must understand that the tiny elite of power and money-mongers are preparing once again to mortgage the whole future of our country in the service of imperialist countries at the cost of hundreds of millions of the Poor. The need of the hour is to wage a war against the government to compel it to prevent itself from approaching IMF and reverse its economic policy with a view to redistribute income, to attain economic freedom, to fulfil basic materiai needs of every citizen and to develop self-reliant economy. Our freedom is incomplete without economic independence.

Let us save our nation from disgrace and disaster. Let us revive the spirit of swadeshi. Let us resolve to build up self-generating and self-reliant economy and liberate our nation from the bondage of invisible 'foreign econmic imperialism.' That alone is the way to peace. prosperity and honour.

ANNEXURE

BHARTIYA SHRAMA SHODH MANDAL
A N D
RAMBHAU MHALGI PRABODHINI

W O R K S H O P

O N

INDIA's WAR FOR ECONOMIC INDEPENDENCE

AT :

SWA - ROOP WARDHINI, PUNE

On 21st & 22nd January, 1989

OPENING SPEECH

BY

SHRI MANHARBHAI MEHTA, ADVOCATE,

President, Bharatiya Mazdoor Sangh

Our freedom movement was a part of the national renaissance. Tilak and Vivekanand, Aurobindo and Gandhiji conceived independence as an occasion for national reconstruction on the foundation of Bharatiyatva. Also, it was a means to secure 'real economic freedom to the starving millions and end the exploitation of masses' as stated by the Indian National Congress in its resolution at Karachi in 1931.

But the government of free India has turned the country into a pale imitation of foreign models by overdepending upon foreign aid in everything from thinking, management, capital, method of production, technology etc. to even the standards and forms of consumption. Economic development of our nation has thus now become tragically dependant on foreign thougths, foreign capital and foreign technology, resulting into erosion of our national self-respect, economic freedom, and sovereignty.

The pro-capitalist government has given free scope to capitalists for exploitation of peasants for cheap raw materials, of workers for minimising the cost of manufacturing process and of consumers by increasing prices. It has adopted a developmental stratagy with a bias for capital-intensive heavy industries resulting into mounting unemployment, proliferating poverty, rising prices, growing disparity, concentration of economic power in few hands etc.

There are millions of pauperised, exploited and oppressed children of Bharatmata all around us who live in hunger and destitution, deprived of even the barest necessities of life and whose stories of miseries will move the stoniest of hearts. And due to the de facto unholy alliance between the government, the Monopoly Houses, Multinationals and foreign interests, this grinding poverty is spreading like an uncontrolled epidemic. Stark poverty is so much prevalent that for food and shelter, poor people prefer to remain as bonded labour or even go to jail. They have no economic freedom and hence political freedom has no meaning for them.

The need of the hour is to launch the relentless struggle against the government to compel it to reverse its economic policy with a view to redistribute income to attain economic freedom, to fulfil basic material needs of every citizen and to develop self-reliant economy. our freedom is incomplete without economic independenee.

The deepening economic crisis should open our eyes. We should not persist with wholly alien models of economic development. We must conceive our own model of economic progress and development in the light of our Bharatiya culture, our past traditions, present requirements and aspirations for the future.

The " Integral Humanism " the ripe fruit of lifelong penances of Pandit Deendayal Upadhyay should constitute the idealogical basis of such a model for economic reconstruction. The tenets of integral humanism will determine the basic approach of formulating economic system within the wider context of National Reconstru-tion.

According to our culture, there is no conflict between the individual and the society, each in fact depends on as well as contributes to the fulfilment of the other. The fourfold objectives of man described as the four purusharthas viz. Dharma (righeousness) Artha wealth), Kama (enjoyment) and Moksha (emancipation) ensured the prosperity of a human society. Humanity working towards prosperity through the four purusharthas should be the goal of economic system.

The happiness of man is the main objective of the production of wealth and the labour of man its main instrument. The economic activities of man have always aimed at the fulfilment of his material needs with the use of natural resources. Only that system is useful which along with the fulfilment of this objective can help the all round development of man, that is physical, mental, intellectual and spiritual development of man. A system, in which the economic capacity may increase but other aspects of humanity may stop developing, cannot be beneficial. Therefore, we have to devise such an economic system and to create such infra-structure in which and by which the inherent potentialities of man may find their highest fulfilment. The man must be the centre of our system.

Both the economic systems—capitalist as well as communist, have failed to take account of the Integral Man, his true and complete personality and his aspirations. One considers him a more selfish being hankering after money, having only one law—the law of fierece competition, in essence the law of jungle, Whereas the other has viewed him as a feeble lifeless cog in the whol scheme of things, regulated by right rules, and incapable of any good unless directed. The centralisation of power—economic and political —is implied in both. Both, therefore result in dehumanization of man. Man, the highest creation of God, is losing his own identity. We must re-establish him in his rightful position, bring him the realization of his greatness, reawaken his abilities and encourage him to exert for attaining divine heights of his latent personality. This is possible only through a decentralised economy. We want neithter capitalism nor communism. We aim at the progress and happiness of "Man", the Integral Man.

The economic system must provide for the basic necessities of human life to every one. Right to food, clothing and shelter is the birthright of every citizen of democratic republic and it is the responsibility of the society to provide for the same. There is a saying "बुभुक्षितः किम् न करोति पापम् ?" that is, what sin will not be committed by one who is starving? Driven by hunger, even a rishi like Vishwamitra broke into the house of a hunter and ate flesh of a dog. Therefore, to establish Dharma and uphold Sanskriti, we will have to guarantee minimum living standard to all.

Where a right to a guaranteed minimum living standard is recognised, any individual who does not share the efforts to produce is a burden to the society. Similarly any system which obstruct the production activity of the people is self-destructive. Such a system will not enable the individuals to fulfil their responsibility. Not only that, but even if the requirements of an individual are met, while he does not share the efforts, his personality will not develop fully, his progress as a human being will be distorted and lopsided. Man has stomach as well as hands, If he has no work for his hands, he will not get happiness even if he gets food to satisfy his hunger. His progress will by obstructed. Hence the guarantee of work to every able-bodied member of the society should be the aim of our economic system.

Without right to work and guarantee of minimum standard of living, all talks of social justice and economic freedom is meaningless. This can be achieved by means of 'Decentralization' and 'Swadeshi'.

Centralisation and monopolisation have been the order of the day for all these years, knowingly or unknowingly. The planners have become prisoners of a belief that only large scale, centralized industry is economic and hence without worrying about its ill-effects, or knowingly but helplessly, they have continued in that direction Decentralisation requires that process of production should be carried on at home, as far as possible, not in factories. Taking into account both, the economic factors and the latest researches in science, small-scale mechanised units should form the general basis of India's Industrialisation. Large units should be exception to this rule. They can be correlated to agriculture, and established in villages. Small industry being labour-intensive, it can help better in eradicating unemployment. It requires relatively less capital. In India the number of small-scale entrepreneurs can be large compared to big once. Overall capital formatian would be much greater if the small-scale technology is adopted. The workers can own these industries and even if other workers are engaged, the human element will not disappear from the relationship between the employer and the labourers. Cooperation too has a big scope here. These are quick return industries. Capital is not locked up here for long. It is highly congenial to the all-round development of human personality.

The Swadeshi movement began in the days of our Struggle for indepndence. But as the basic urge behind it was anti - British and not a positive sentiment, the Swadeshi feeling did not remain a permanant feature of our national life and in consequence, today, their is evidence of a general attitude of indifference among the people towords Swadeshi articles. The concept of Swadeshi is ridiculed as old-fashioned and reactionary We proudly use foreign-articles. This is not the real road to progress and development. We shall forget our individuality and become slaves, virtually, once again. We must revive the spirit of Swadeshi and encourage use of Indian goods, Indian resources and modernized indigenous Bharatiya technology. Swadeshi in consumption is essential for evolving self-reliant economy. The positive content of Swadeshi should be used as the cornerstone for the reconstruction of our economy.

There must be some ceiling on individual accumulation, and no person has a right to exploit someone else's labour for personal profit. Vulgar, ostentatious and wasteful expenditure is a sin when millions are starving. There must be reasonable restrictions on consumption. Consumerism—that is consuming as much as possible-is not compatible with the spirit of Hindu culture. 'Maximum production and equitable distribution' should be our motto; and national self-reliance, our immediate goal.

While industrialisation is a must, it must not be in blind imitation of the west. Nature is to be milked and not raped. There should be integrated thinking in Ecology, Economics and Ethics. Greator stress should be laid on labour - intensive then capital-intensive industries. The problem of unemployment and under-employment must be tackled on war-footing. Economic and indstrial policies should be decided on the basis of maximising employment so as to keep the money distributed and circulating among the people.

The main objective of the economic planning should be full employment and national self-reliance. For this purpose it will be necessary to accord priority to increase in agricultural production and consumer-goods prodction. Also, it will be essential to evolve Swadeshi Technology which would facilitate decentralization of the process of production.

Science and technology are means to help mankind to progress towards its objective but they cannot determine what the objective is to be. Scieutific outlook demands that each country should decide its basic objective of economic planning first and then evolve appropriate technoloy to fulfil the said objective. According to the basic principle of "Integral Humanism", every human being has a "right to work" and hence "full employment" should be the basic objective of economic planning for providing work to every able-bodied citizen. For this purpose, small scale cottage industries shall occupy the pivotal place in the process of industrialisation, The scienc must guide and develop suitable technological changes for aiding the cottage producer in improvivg his methd of, production in such a way that the inanimate appratus continues to remain servant of the society and is not allowed to become its master. The aim will not be as now to bring in as much wealth as possible for the owner of means of production by exploiting the labour of hundreds of others, but to make the work more efficient and light for the cottage producer. The need to raise the productivity of the small-scale and cottage producer will be the motive behind the technological research and progress. The scientist will have even more scope than now for research, for, while it is easy to invent expensive and complicated ways of improving production, it is not so easy to devise simple and inexpensive improvements which a small producer with limited resources can adopt.

National self-reliance is our immediate goal. There is a conceptual distinction between self-reliance and self-sufficiency. The former meaning dependence on our own resources and the latter being depndence on our own production. To those accustomed to safe-sailing, this may appear to be an indiscreet move towards untrodden path. But it is nothing of that sort. Apart from our own cultural heritage, we have before us examples of some countries like Biafra or China who became self reliant without depending on white imperialist countries. The story of Biafra can be concisely stated. During Nigerian Civil War, Biafra was isolated from the rest of the world and its communications means were very meagre. With its very few scientists, engineers and technologists, but with a strong will of self reliance it tried to build up its national economy and succeeded in it.

In 1948 there was a communist revolution and Mao-tze-tung and his colleagues suffered from the illusion of communist internationalism, 'Russi-Chini bhai bhai' was the slogan. The first five year plan of China was drafted entirely by Russian experts. All plants and projects were manned by Russian experts and most of the machinery used was Russian. But soon the Chinese found out that what the Russians were aiming at was not internationlism but an attempt to build Russian economic empire in China. This made Mao-tze-Tung—who was more patriot than a communist—to recover from the reverie of communist internationalism. Mao and his colleagues decided to resist this Russian attempt. A war of nerves began. In 1969 Russia severed all connections with China and brought pressure on China by suddenly withdrawing all experts and machinery, hoping thereby to bring China to its knees. But the Chinese were not caught napping. They had foreseen this possibility and had prepared to meet it. Even during Russian-Chinese bhai bhai days, Russian experts who were constructing a certain big bridge over the big river Yangtze were diverted to another work somewhere else. Later when the Russian experts were given an opportunity to visits the bridge site, they were surprised to find the bridge fully completed quite accurately as per specifications, Not only that but a still greater surprise awaited them. The Chinese had made a perfect prototype of the Russian bridge building machinary and the Russians could not tell the one from the other. This was possible because the day the Chinese suspected the motive of the Russians, they had directed the best talent in China to indigenous production and were enthused by the National Self Respect of the Chinese. There was the will for self-reliance and it found a way. Contrast this with the Indian case, when a big bridge was to be built across the river Hugli, our engineers and experts were certainly competent to plan it. But the whole thing was entrusted to foreigners.

From this, it will be clear that while the problems are economic the remedy does not lie in the economic field. The trouble arises from the lack of national self respect and the will to make our economy self reliant and nation great. We have the man power, the natural resources, and talent and if we can build up national psychology properly and infuse patriotism in every heart, nothing prevents us from becoming one of the most prosperous nations of the world in the near future.

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Shri Mehta plunged into Labour Movement in 1959 and has associated himself with Bharatiya Mazdoor Sangh in various capacities, At present Shri Mehta is the All India President of the mighty organisation Shri M. P. Mehta Co-Author of 'Labour Policy' published by B M. S., has several useful booklets to his credit. 'Social Responsibility of Trade Unions, Menace of Multinational Corporations, Reject Bhoothalingam Committee Recommendation, China in Transition, are among his works worth special mention.

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