

**RESHAPING OF INDIA'S FOREIGN POLICY AFTER THE
DISINTEGRATION OF THE SOVIET UNION**

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CERTIFICATE

Certified that the dissertation entitled, **RESHAPING OF INDIA'S FOREIGN POLICY AFTER THE DISINTEGRATION OF THE SOVIET UNION** submitted by Mr. Janardan Singh in partial fulfillment of the requirements for the award of the degree of Master of Philosophy, has not been previously submitted for any other degree of this University or any other University and is his own work.

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Dedicated

to

Mr. Chandra Shekhar

(The Former Prime-Minister of India)

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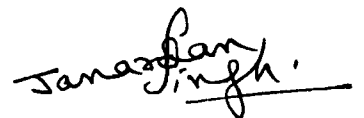
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INTRODUCTION

The international scene is totally transformed like a landscape shaken by major earthquake. The changes which have taken place in the International Political and Economic Order over the past three years, from 1989 to 1992, have been so profound that they have involved a big structural change in the global system. (Iraq, Libya, N.Korea, nuclear non-proliferation in South Asia point to the main element of global structural change), and engendered new approaches to problems of international politics and economics. The USSR with it's empire in eastern Europe has passed into history. The USA, as asserted by President Clinton has, without challenge, emerged as the only super-power. President Yeltsin considers the USA a friend and ally (as can be seen in Russia aiding the United States (and allies) in mounting a military venture against a former Soviet client state, Iraq or, Russia joining the North Atlantic Treaty Organisations "Partnership for Peace" programme of military cooperation on June 22, 1994) and the USA is helping him against his rivals in Russia. The Warsaw pact is no more and the NATO has become more or less irrelevant, because, the U.S. paradigm-shift from the containment of the Soviet Union and of Communism (the very basic cause of the formation of

NATO) to management of regional conflicts with or without the support of the United Nations. Regional groups, old and new, like the EEC, ASEAN and NAFTA have become more important than military alliances. Non-alignment has become obsolete in a world without military blocs, except, perhaps in its broadest sense of independence or autonomy in decision making in foreign policy. The world has entered an era of uncertainty in international affairs.

Besides this, the disintegration of the USSR gave the central Asian Republics, a dramatic degree of independence and left behind a power vacuum and uncertainty about their lasting stability. Economically dependent on Moscow and politically desirous of a strong centre, which would provide a peace-keeping role for the Russian Army, these republics are now faced with the task of rebuilding their economies, forging their own foreign policy, seeking foreign aid and technology and promoting trade and commerce. What is or should be India's role/contribution to these newly born central Asian Republics?

In the changing POWER-MATRIX, even United Nation has become a post-factor rubber-stamp for the US's bravura, runaway exercises. The Clinton White House perception (The pentagon policy draft is a justification for the USA

(iii)

administration's "base force" proposal to support a 1.6 million-man military over the next five years, at a cost of about \$ 1.2 trillion. It foresees building a world security arrangement which preempts Germany and Japan from pursuing a course of substantial rearmament, especially nuclear rearmament, in the future. And it advocates the use of military force, if necessary, to prevent the proliferation of nuclear weapons of mass destruction by other powers such as North Korea, Iraq, India & Pakistan¹) of the world has began to affect bilateral or regional politicostrategic equation or equations.

We in India need to ask ourselves some questions:

Has "Cold-war" ended in our part of continent, also ?

How relevant our Non-alignment (seeking the diplomatic space between the "Big Two") remains ?

In the changing International scenario, where our vision of "Asian Identity" lies ?

The answer of these questions are noted in this dissertation.

1. International Herald Tribune (Singapore), March 9, 1992.

2. BRIEF REVIEW OF LITERATURE OF "INDIA'S FOREIGN POLICY"

The foreign policy of any nation is essentially an exercise in the choice of ends and means on the part of a nation-state in an international setting. The study of Indian Foreign Policy has so far been confined to India's relation with particular countries and areas or her reactions to particular international crisis and developments. Very Little attention has generally been paid to the more fundamental problem of the making of foreign policy, on which the rationality or otherwise of specific policies depend to a considerable extent. The study of the basic determinants, political and administrative institutions, domestic processes and personalities involved in the making of foreign policy has been largely ignored not only by politicians and journalists, but even by scholars specializing in Indian foreign policy. Although a sizable literature has been produced during the last two decades on various aspects of India's foreign relations, very few systematic study of the system and process of foreign policy making in India has appeared so far.

SOURCES OF INFORMATION AND DATA

The main sources of information and data are Govt. documents, paper-cuttings, articles and books. I propose to rely heavily on:

- i) Constituent Assembly (legislative) Debates: Official Records, New Delhi.
- ii) Parliamentary Debates: Official Records, New Delhi, 1950-93.
- iii) Report, Ministry of External Affairs, New Delhi, 1950-51 to 1991-92.
- iv) Report, Ministry of Defence, New Delhi, 1950-51 to 1991-92.
- v) News paper cuttings (from Jan. 1988 to April 1994)

3. DETERMINANTS OF INDIA'S FOREIGN POLICY

A country's foreign policy is an expression of its self interest determined by its size, location and economic and military capabilities. It is also influenced by its history, immediate environment and the play of forces around the world.

In the bi-polar world that came into being shortly after India gained independence, Jawaharlal Nehru's foreign policy was guided by seeking the diplomatic space between the 'Big Two' while giving an ideological bent to the North-South equation, which collapsed with Soviet disintegration. Nehru's other pillar of shaping an Asian identity through a close India-China relationship collapsed in the autumn of 1962- as yet, not so cordial.

The tragedy of India's foreign policy has been that it could never liberate itself from the handicap of an adversarial relationship with Pakistan. The promise of beginning a new, less antagonistic phase with our neighbour has also remain unrealised. Neighbour's diminution (particularly Pakistan) gave new zest to its ruling elite to match India diplomatically and to the extent possible, militarily. Presently, the growing liberalisation has also added to our problems- a concern for aid, loan and foreign investment. So, what's next? What are India's better options ? To what extent will they be able to serve our interests in a bewilderingly changing world. **(These are also noted in this dissertation)**

4. THE PLAN OF THE DISSERTATION

I naturally begin (in Chapter-I) with a historical study of changing world-order. The world-order shaped by the "Big-powers", remained more or less centred towards them, during the period covered. There were shifts of emphasis, both in the time of Pax Britanica and during East-West confrontation. Present, Pax Americana is no exception. **These are noted in this chapter.**

Chapter-II, discusses Indian perspective of World-order. First, there is the official (Indian Govt.) stand on

world-order, followed by an analysis of Indian perspective by posing questions, like:

"Has cold-war ended in our part of continent ?"

If not, why so ? and what are our stand on NPT & others.

Chapter III, discusses India's foreign policy in changing framework. While foreign policy, as outlined by Nehru in September 1946, remained more or less the same during the period covered by this chapter, both in time of Nehru and of his successors (till date). Yet, after the Soviet collapses, we are wallowing around trying to figure out what our foreign policies should be. Our foreign policy analysts is of the view of all well and good (as can be seen in N.Rao's foreign policy).

The major aspect of this dissertation i.e. compulsions of the Post-Soviet disintegration & the question of reshaping in the light of the compulsions has been dealt in chapter IV & V respectively.

CHAPTER - I

CHANGING PATTERN OF WORLD-ORDER

The world-order is not static but dynamic. It has been changing from its very inception. Chronologically ordered, it can be divided into seven Sections.¹

Ist and IInd Section: "The World of early man".

Barraclough in 'The Times Atlas of World History', has named the former section as 'Stone Age' and the later section as 'Bronze-Age'. The geographical perspective of man in these two ages were local. The knowledge about the earth's surface was inadequate and transport and communication undeveloped. There was also lack of information. So, nothing can be said of then existing world order, except that it was local in nature.

IIIrd Section: "The Classical Civilization of Eurassia".

This classical iron-age civilization corresponds to 'Ancient Classical Geographical Phase', of which not sufficient earlier records are available. During these years learned people have accounted for the order they perceived in the universe in different ways. The account range along a continuum from arbitrary rule by men like deities, through

1. Source: 'The Times Atlas of world History'
Barraclough, 1979.

rule by a deity subject to law, through various kinds of cause and effect relations.²

IVth Section: "The World of divided regions"

(approximately 600-1500)

This time-period in Europe was that of dark period in the development of Science and Geographical ideas. At best, Scholars made accurate but sterile copies of the works of the ancients, rejecting anything which did not conform with the dogmas of the church.

However, it was only in the Muslim World and the Chinese World that the tradition of the geographical scholarship on various aspects flourished. The journeys undertaken by the muslims and the Chinese Scholars during the middle ages made significant contributions to the development of geographical knowledge. This was in contrast to the voyages and journeys undertaken by the Europeans during this period which made no Significant Contribution to the development of geographical concepts, models or paradigms. Around 1000

2. Given facts, have been taken from Chapter-2, page-27 of Fundamentals of Geographical Thought, by Sudeepta Adhikari; published in 1992 by Chaitanya Publishing House, University Road, Allahabad-2 (India).

A.D., Norrsmen³ sailed across the Atlantic to Greenland and North America but the sagas of these voyages and journeys were only passed on by word of mouth and written down long afterwards in isolated Iceland.

Vth Section "The World of the emerging west"

(1500-1800)

This was an age of exploration, which caused the unprecedented flood of new information coming from the voyages of discovery, inventions and cartographic precision which seem to have greatly revolutionised the contemporary geographical Scholarship.

As the inheritors of the geography of classical antiquity and that of Renaissance, the geographers of the Seventeenth and eighteenth centuries considered all kinds of phenomena whose differences in different parts of the world helped to acquire knowledge of the world. The pre-classical period examined here was one of gropings, when men struggled to shake loose from the weight of old paradigms and to find new answers to old questions about order, harmony and meaning. There were some who asked questions and looked for answers, and others who were fully occupied and satisfied

3. Burnbury, E.H., 1883: A History of ancient Geography among the Greeks and Romans from the earliest ages till the fall of the Roman empire. 2 Vols., London, John Murray.

with the task of establishing the validity of the facts that were reported by the explorers and of putting together a general picture of what things were like.⁴

So, we see that before nineteenth century, the geographical perspectives were essentially local or regional. By the time of the nineteenth century, the surface of the earth had been almost completely mapped, and it seemed possible to discern certain seemingly persistent relationships between the march of political history of the world and the spatial pattern of the global distribution of continents and water-bodies.

VIth Section: "The age of European dominance"

(19th Century)

This age has been of trade and imperialism, where Europeans have their say. First, the globe in terms of trade and imperialism was dominated by Dutch and Portuguese, followed by Spanish, French and Englishmen. Later Great Britain through its shrewd diplomacy, strategic location and strong navy occupied the pivotal position. So, this period is also popularly known as Pax Britanica. During this period Britain played a dominant role in European politics and preserved the balance of power system in Europe. Only on two

4. Sudeepta Adhikari, op.cit.Ch.-4, P-58.

occasions the supremacy of Britain was threatened during this period. First in 1854-56 during the Crimean War when the Russians threatened to dominate Constantinople. Second in 1870-71 during the Franco-Prussian War, which led to displacement of France by Germany as a leading power on the continent. This however did not disturb the balance of power in the European System.

According to Prof. Palmer and Perkins, this dominant position of Britain was "made possible by a favourable combination of circumstances at home and abroad: England's leadership in the Industrial Revolution, in international finance, and in world trade; her navy, which gave her control of the seas and free access to her widespread possessions and to the markets of the world; and the Post-Napoleonic situation in Europe which gave Britain no formidable challenger to her unique position until the rise of Germany".⁵

VIIth Section: "The age of Global Civilization"

(20th century)

This is an age of Global Society and World Wars, with not too much distortion of the flow of ideas.

5. Palmer and Perkins, International Relations, P-123.

a) Before World War I: Europe still dominated the rest of the world in 1914⁶, and most of the decisions which moulded the fate of the world were taken in the capitals of Europe. But with the rise of United States, Japan and Germany England's dominant position in the political as well as Industrial field began to show a decline-Germany had overtaken Britain in the production of pig iron and steel, though not quite in coal; while France, Belgium, Italy and Austria-Hungary (the Habsburg Empire) were well behind. Russian Industry was expanding rapidly, but had been so backward to begin with that she could not seriously challenge Germany and Britain. But it was outside Europe that the most spectacular industrial progress had been made over the previous 40 years. In 1914, the USA produced more coal, pig iron and steel than either Germany or Britain and now ranked as a world power. Japan too had modernised rapidly and was regarded as a power to be reckoned with after her defeat of Russia in 1904-5. All this greatly undermined the position of Britain and posed a serious challenge to the Pax-Britannica. No wonder, Britain ceased to play the role of a balancer and became member of one of the rival alliances.

6. N.Lowe, 1992:Mastering Modern World History. 1st edition. U.K., Macmillan India Limited.

b) In between world War I & II: A period of rising nationalism (mainly in Near East, Middle East and India), when Europeans might get challenged and their imperialist design starts shattering. Britain too, lost her dominant position and could no longer play an effective role on the world stage. A serious challenge was passed to the British authority by the rising nationalism in the Near East, Middle East, as well as India. The Russian Revolution of 1917, which left a deep impact on the people of Asia gave a further impetus to anti-imperialist movements in different parts of the European empire and posed a serious threat to their very existence. However, Britain Succeeded in maintaining a semblance of its authority, along with other European powers for some time; even though it had lost the dominant position of the earlier years.

c) In between World War II and disintegration of USSR: In the post world war II period, the international balance of power in Afro-Asian countries was greatly disturbed. Britain, France, Spain, Italy, Portugal, Netherland & Belgium failed to play their historical role in their respective areas. As a result some sort of power vacuum was created in these regions and soon the two rival giants- Soviet Union

and USA, rushed in to fill this Vacuum.⁷ From then almost all developments in the world politics can be traced back to the cold war rivalry between the two superpowers (USA & USSR). Even this cold-war rivalry has gone through change. For the present discussion, the period between 1945 and 1991 has been divided into four parts.⁸ The period between 1945 and 1972 is called the old cold war or cold war period. USA went for blanket containment policy⁹, in order to check spread of communism and formed no. of military alliances like NATO, CENTO, SEATO, MEDO, ANZUZ, Baghdad Pact, etc. In short, USA concluded defence treaties with almost all the countries bordering on the Soviet territory and thus tried to encircle her. The Russians tried to counter the western moves by forming the WARSAW PACT for friendship, co-operation and mutual assistance with Albania, Hungary, East Germany, Poland and Czechoslovakia. Soviet Union also gave every possible encouragement to the communist forces in other parts of the world. So, these moves and counter-moves

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7. See Richard D.Challener, ed., From Isolation to containment 1921-1952 (London,1970), pp. 147-51
 8. This division (1945-72:cold-war;1972-79:Detente;1979-88:new cold-war;1988-91:new detente) is analytical rather than real.
 9. Robert W.Tucker, "The purpose of American Power",foreign Affairs (New York), Vol.59,No.2, Winter 1980-81, pp.241-74; Walter Laqueur, "Containment for the 80s", commentary (New York), Vol.70, No.4, October 1980,pp 33-42.

lead to increasing militarisation in the world, which slows down by signing of SALT-I Treaty in 1972 in between Nixon and Brezhnev. Thus, the detente period started with 1972. It got allegedly ended in 1979 because of USSR intervention in Afghanistan, and as a result United States embarking upon plans to modernise its weapons and army to meet any possible threat from Soviet Union.¹⁰ So, started a New Cold War period from 1979, got ended up in 1988 with withdrawal of Soviet occupation forces from Afghanistan in April 1988; cease-fire between Angola and South Africa in August 1988; agreement regarding independence for Namibia, including return home of Cuban expeditionary forces; ceasefire in the Iran-Iraq war . In the field of arms control also the two powers reached an agreement. They ratified the 1987 INF Treaty and took preliminary steps in the strategic Arms Reduction Talks (START) towards an agreement to reduce strategic nuclear arsenals by 50 percent. They also agreed to reduce conventional forces in Europe. Thus the two super-powers indicated their desire to work together in dealing with regional conflicts and preferred to follow policy of co-operation rather than confrontation. The period between 1988 and Dec.1991 is called New Detente. In

10. Noam Chomsky, Towards a New Cold War(New York, 1982), pp.188-215.

June 1990, at Washington Summit, President Bush and President Gorbachev worked out agreement on nuclear, chemical and conventional arms.¹¹ In July 1991, the leaders of the USA & the USSR signed the historic START to reduce their nuclear arsenals by about 30 percent. Soon after the signing of START President Gorbachev said that the treaty had strengthened the confidence of the world that the cold war between East and West will never start again.¹² United States showed great consideration for Soviet Union and avoided immediate recognition to the Baltic-Republic which had declared themselves as Sovereign & independent. However, despite this process of disintegration of USSR could not be checked. On 25 Dec., 1991 with the resignation of Gorbachev as President of USSR, the Soviet Union formally came to an end. On the ruins of USSR emerged a commonwealth of independent States comprising of all the former republics of USSR, except the three Baltic Republics and Georgia. This formally closed the chapter of Soviet and hereafter start New Hegemonic role of USA in carving future world-order. (discussed in detail in sub section: "Disintegration of USSR and afterwards")

11. "Washington Summit, Washington Times (USA), 22 June 1990.

12. The Hindustan Times, 1st Aug. 1991.

d. Disintegration of USSR, and afterwards:

The impact of the disintegration of the Soviet Union, has been so profound that they involved a big structural change in the global system, and engendered new approaches to problems of international and economics. The collapse of the Soviet Union, which Henry Kissinger likened to a "Second Russian Revolution"¹³, the renunciation by it of control over Eastern Europe and central Asian States and the collapse of the Warsaw Pact itself, the reunification of Germany and the end of East-West confrontation, both militarily technological and ideological, the end of the Cold-War itself, the U.S. paradigm-shift from the containment of the Soviet Union and of communism to management of regional conflicts with or without the support of United Nations. But the structural characteristics of the New World order have yet to emerge clearly and are still in the making. Hunter has argued, "If there is 'order; and that point can be debated, it will surely not be premised on the primacy of the United States, save where, as in the Middle East, military power can still be a major arbiter of events with implica-

13. See Henry Kissinger, "The New Russian Questions", News-week, 10 February 1992.

tions far beyond the region".¹⁴

So, it's premature to prognosticate with any degree of certainty, what direction the far-reaching changes take, it seems clear that (i) there can be no return to the former communist political system, (ii) Russia and the CIS will attempt to initiate fundamental reform of their Socio-political and military structures, and push forward market-reforms in the economy, and (iii) there will be no reversion to the Soviet Superpower paradigm which involved confrontation with the West. As, it is believed that the Cold War has ended with the collapse of Eastern Europe in 1989, the collapse of perestroika after the August putsch of 1991, and the formation of a looser conglomeration of CIS in December 1991. Disbandment of communist party, KGB & recently held election in present Russia, further strengthened the above views. But as Kissinger said, the Russian Federation, by itself, is a formidable military power, with its 17 million square miles of territory, 160 million population, considerable natural resources, and it's residual nuclear striking power. Ninety eight percent of the General staff are still Russian in composition, and seventy percent of the industrial enterprises on Russian territory belong to the defense

14. Robert E.Hunter, "Starting at zero: U.S.Foreign policy for the 1990s",Washington Quarterly, winter 1992, pp.39

complex, civilian consumer goods only still accounting for twenty-six percent of Russia's industry.¹⁵

But inspite of all the above mentioned prematureness, the concept of a New World Order gained currency. Why ? It's only because it was associated with the decline of communism as an ideological force and of planning as the economic philosophy of a large part of the erstwhile communist world. There were, to be sure, some parts of the world where the writ of this new world order did not loom large, such as china, North Korea, Vietnam, and Cuba, and the question has been raised whether in fact the Cold War can be said to have ended in Asia to the same extent that it has ended in Europe.¹⁶ Leaving aside this question (dealt in detail in Chapter-II), for the moment, however, it is undeniable that tendencies toward political pluralism and market forces in the economy gathered momentum not only in the erstwhile communist states and their successors but also in Asian States such as India, where it had been traditional for large sectors of the economy to be under state control. The culmination of these tendencies has been the decision of the

15. See Stephen R.Covington and John Lough, "Russia's Post-Revolution challenge: Reform of the Soviet Superpower paradigm," The Washington Quarterly, winter 1992, pp. 16-17.

16. See, Edward A. Olsen, "A New American Strategy in Asia?", Asian Survey, Vol. 31(12), Dec.1991, p.1144.

G-7 countries to admit Russia and the other ex-soviet republics to the IMF and World Bank -organisation once condemned by them as tools of capitalism-and to pledge emergency assistance to them on condition that they adhered to a strict economic reform program.¹⁷ The extent of the change in the world order is also evident in the predilection of some of the ex-soviet republics to seek security guarantees in the west. A case in point is Ukraine, whose president, Leonid Kravchak, while reaffirming his republics commitment to remove all nuclear arms from its territory by 1994, has declared that such a course would significantly weaken its military power.....

The problem of security arises. It has arisen especially acutely among our people now that our neighbours are starting to raise territorial claims against Ukraine, especially our big neighbor, Russia.

Other states are casting doubts on existing borders....we are not changing our (non-nuclear) position but we must have a security guarantee from the world community.¹⁸

17. Two republics not immediately made eligible for membership in IMF & World Bank were Azerjaiban & Turkmenistan. A \$24 billion international aid package was earmarked for Russia for the year 1992, with an IMF standby loan of \$ 4 billion in July Daily News (Colombo), 29 April 1992.

18. Quoted in the Island (Colombo), 29 April 1992.

The concept of the new world order was also associated with American dominance of the middle east, the biggest persisting hotspot in the world. The Gulf war not only demonstrated American vast superiority in military technology over the rest of the world, it also signified its political clout in being able to muster a wide ranging multinational alliance (including Syria amongst other Arab states), and its greatly enhanced influence in the UN security council in being able to carry through, without dissent, several resolutions which authorised the US-led force to carry out the war against Iraq and enforce sanctions against it.

This concept of world order was regarded as a correct representation of international change whereby the structure of the international system has undergone a transformation from bipolarity to unipolarity, and whereby the east-west confrontation had been replaced by a Pax Americana. President of USA is credited with supporting this conception of the new world order, and he certainly gives the impression of being a Metternich -like figure trying, with UN support, as Metternich did with the concert of Europe, to keep the peace and the new world status quo in the face of threats to it from regional competitors and adversaries. That such a conception conformed with president of USA thinking is revealed by the draft of a pentagon document (Defence plan-

ning guidance), publicised by The New York Times in March 1992, which advocated US political and military dominance in the post-cold war world so as to ensure that no rival super-power is allowed to emerge in western Europe, Asia or the territory of the former Soviet Union. As reported by the New York Times Service, the pentagon document "articulates the clearest rejection to date of collective internationalism", that is post -world war II strategy of UN-mediated setting of disputes and policing outbreaks of violence, in favour of "a world order" ultimately backed by the US. The pentagon document is quoted as saying that "the United States should be postured to act independently when collective action cannot be orchestrated" or in a crisis that demands quick response. The New York Time analysts view that there has been "the clearest rejection of collective internationalism" does not seem to be borne out by this statement, but that they reserve the option to act unilaterally or through selective coalitions, if necessary, to protect vital US interests.¹⁹

When India & others sought clarification about the pentagon document in Washington, the state department disowned it and dissociated itself from it. Nevertheless, it

19. International Herald Tribune (Singapore), March 9, 1992.

would seem that its policy statements were developed in conjunction with the National security council and in consultation with the president or his senior national security advisers.²⁰

But it gets further confirmed when Washington Times in 6th April 1994, criticises Clinton of his foreign policy failure to solve N.Korean crisis, arised out of N.Korea threat to withdraw from NPT and of not allowing full inspection by IAEA. it writes that N.Korea needs to be punished in light of above reasons and as per latest CIA reporting that N.Korea possess two Nuclear-Bombs(denied by N.Korea). It suggests US of air-striking on Nuclear plants of N.Korea to deprive it of Nuclear capabilities.²¹ It further writes that Clinton has failed to keep the peace and the new world status quo. As a result threat to its New World Status quo has been on rise from many regional competitors and adversaries.

20. Ibid.

21. Voice of America (Newspaper bulletin of 12.30 P. M., A.S.T & 10 P.M., I.S.T), April 6, 1994.

So, in light of above development one can see why US offered the proposal to Russia to join NATO²² & why US, who at one time has been unwilling in implementing UN resolution of making Indian ocean, a zone of peace²³ has now become so active in making S.Asia, a nuclear free region by pressurising India & Pak to sign NPT - not yet, fully successful.

US strategy is to make regional security arrangement all over the world, so that it can check the potential regional competitors and adversaries from challenging its New World Status quo.²⁴

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22. Russia declined to join NATO but joined the North Atlantic Treaty Organisations "Partnership for Peace" programme of military cooperation on 22 June '94, thereby becoming the 21st country to sign up to the programme since it was launched in January '94.
23. India strongly supported a UN General Assembly resolution (passed on 17 Dec. 1971) moved by Ceylon declaring the Indian ocean area a zone of peace from which the big powers should keep clear of their rivalries. The Soviet union, United States, United Kingdom and France along with 54 other states abstained on the resolution, while China, the only other permanent member of the UN security council, voted for it.
24. The Hindustan Times (Patna ed.), April 2, 1994.

CHAPTER - II

INDIAN PERSPECTIVE OF WORLD-ORDER

The Indian perspective, to write is, by posing issues discussed by Sh. Eduardo Faleiro, Minister of State for External Affairs in his inaugural address to the international youth convention in New Delhi on July 25, 1992.

The brief of his address is : He says that during recent years, several historic changes have taken place on the world scene and in international relations. One of the most profound development in the post World War II period has been dissolution of the former Soviet Union structure and emergence of the commonwealth of Independent States. The improvement of relations between the US and the former Soviet Union has eliminated Cold War tensions and rivalries. Contrary to the general perception that the world has become unipolar with a single super power, there are clear indications of other power centres playing an important role on the world scenario. Power is becoming multidimensional. Japan and Germany are emerging as important centres of economic power. The integration of the European Community, given an impetus by the Maastricht Conference, will result in yet another centre of economic power. In Eastern Europe, in several countries of Asia, Africa and Latin America, there has been a new surge in favour of democracy, human freedoms and economic reforms. There is emphasis and great-

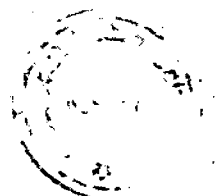
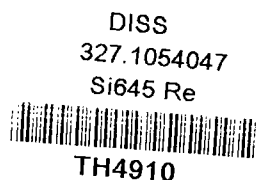
er openness and increasing realisation that the security of nation states is more assured through democratic functioning and faster economic growth than brute power. There is a new yearning for increased international cooperation to find answers to the problems which have eluded solutions in the aftermath of the Cold War years.

An expression of these aspirations can be seen in efforts to devise a new framework of international relations through the concept of a 'New World Order'. The term 'New World Order' was first used by President Gorbachev of USSR in his speech at the UN General Assembly in December, 1988. President Gorbachev had emphasised the non-use of force as an instrument of foreign policy, and the importance of the scientific and technological revolutions and their role in addressing global problems such as energy, environment etc. He had argued that further world progress is only possible through a search for universal human consensus. The concept of 'New World Order' was then used by President Bush in the wake of the Gulf War and in his speech to the UN General Assembly on 1st October, 1990. The American version of the 'New World Order' as defined by the Secretary of State Baker emphasises democracy, human rights, free market principles and strengthening of US competitiveness, cooperation with regional partners, arms control and non-proliferation ef-

forts, protection against transnational threats to environment and from narcotics, terrorism etc.¹

There is a wide feeling in the Indian power gallery that the way the concept has been elaborated so far, it tends to perpetuate the status quo and does not take into account the genuine and urgent needs and concerns of the developing countries. One of the most important problems the developing countries are facing is that the international economic situation continues to be adverse against their rapid development. These countries have a very low share in the global economy and are dependent on the developed economies for access to their markets availability of concessional resource and technology. Many of these countries are riddled with enormous burdens of external debt whose servicing takes away a large proportion of their export income. E. Faleiro says that the emergence of regional trading blocks of industrialised countries will further accentuate this asymmetrical relationship against the interests of developing countries. While it is acknowledged that these countries have to undertake essential restructuring of their economic and trade policies to attract greater investment

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1. Taken from Inaugural address paper presented to the International Youth Convention in New Delhi on July 25, 1992 by Sh. Eduardo Faleiro, Minister of State for External Affairs.



and to increase the competitiveness of their exports, it is vitally important that they are provided concessional resources, technologies and access to their markets by developed countries.

He also says that the wave of democracy that has triumphed in many parts of the world will not be sustained if sufficient attention is not paid to development. Authoritarianism feeds on economic discontent. It is not safe to assume that development will automatically follow democracy. In order to foster development. It is essential that there is an open trading system, availability of resources and access to technology. An equitable 'New World Order' will, therefore, have to incorporate all these elements and ensure peace, security and prosperity of all the peoples. It will have to be based on a genuine international consensus arrived at after an open dialogue.

He says, another development of increasing concern is attempts by certain developed countries to impose new conditionalities such as protection of environment, military expenditure, adherence to certain human rights standards, for providing economic and technological assistance to the developing countries.

Clarifying the Indian stand, he said, "we attach high priority to the preservation of environment and would very

much like to reduce our military budget. But these laudable goals should apply to all countries-developed and developing. What is questionable is the linkage of these issues with development assistance of which recipients are only the developing countries".

According to Eduardo Faleiro the improvement of relations between the USA and the former USSR has reinvigorated the role of the United Nations in international peace and security. The UN is playing an active role in the maintenance of peace and security and in solving several problems such as control of illicit drugs, human rights, environment, refugees etc.

He says that India welcome the revitalized role of the UN India will continue to provide all support to the UN's peace-keeping and other activities. However, India and other developing countries to expect that the UN will also play an important role in addressing the serious problems faced by developing countries such as Development. He further said that India has seen in recent months that the Development issues are being relegated to the background: the resources earlier devoted to these issues are being diverted to other questions on the UN's agenda. Poverty will not bring about peace and stability. It is extremely important for the developing countries to continue to empha-

size the centrality and criticality of development issues on the multi-lateral agenda.

He was of the view that the United Nations is an unique global institution in the sense that it provides the same one vote to the rich and the poor countries alike. The developing countries, need to make all efforts to ensure that the UN is effectively utilised to achieve progress on issues of their interest such as Development. The UN needs, at the same time to be strengthened and reformed by making the structure of its important organs more representative of its membership and its decision making process more democratic and transparent. An important example in this context is the Security Council. The structure and the functioning of the Security Council, which has the primary responsibility of maintenance of international peace and security have not changed in accordance with the new international situation. The membership of the Security Council has been expanded only once following a decision in 1963. Since then there has been a vast increase in the membership of the UN particularly as a result of the decolonization process; this, however, is not reflected in the composition of the Security Council. Wider representation in the Security Council is a must if it is to ensure its moral's action and political effectiveness. The decision making

process of the Security Council also needs a change. The tendency of the permanent members of the Security Council to present decisions for endorsement by others does not contribute to democratic functioning. The decision making process must involve genuine consultations with all members and decisions should reflect a broader consensus involving entire membership of the U.N.

In addition to the UN, he was of the view that the Non-aligned Movement (NAM) provides a unique forum to the developing countries to independently express their views on common problems. The NAM comprising more than hundred countries represents a large chunk of humanity and has over the years, acted as an important moral force on the developed countries. The NAM has made a positive contribution in the progress or resolution of several important issues on the international agenda: the decolonisation process, independence of Namibia, disarmament issues, elimination of apartheid etc. India has and will continue to play an important role in strengthening the NAM so that its potentialities could be successfully used to resolve many common problems. In other international fora such as the Group of 77 and G-15, India has emphasised the need to restore the centrality of development issues on the multi-lateral agenda. India shall continue to make efforts in these bodies to secure a fair and balanced multilateral trading system.

He says that in recent years environmental concerns have moved fast towards the top of the world's political and economic agenda. India actively participated in the UN Conference on Environment and Development (UNCED) held at Rio-de-Janeiro in June 1992. The Prime Minister Shri Narasimha Rao called upon both developed and developing countries to pool their efforts through joint R & D projects to tackle the environmental issues. UNCED established the importance of the twin issues of environment and development being addressed in their totality and in a balanced and comprehensive manner. The major accomplishments of UNCED include the adoption of Agenda 21 - a detailed programme for action addressing all major areas affecting the relationship between environment and the economy, land containing a separate chapter addressing the role of youth; adoption of the Rio Declaration on Environment and Development embodying 27 principles meant to govern the environmental and economic behaviour of peoples and nations; Adoption of a Non-Legally Binding Statements of principles; and agreement to commence negotiations on a Convention on Desertification and establish a high level Commission on Sustainable Development. Additionally, the Framework Convention on Climate change and the Convention on Biological Diversity, both of which were agreed to through separate inter governmental process, were

opened for signature at UNCED. India has signed both these Conventions at Rio and continues to actively and constructively participate in international initiatives on environmental issues. He says, "India view UNCED as the commencement of a process, such an important milestone in international cooperative efforts to tackle environment and development issues".

When question comes of neighborhood, he says, we have attached a high priority to strengthen regional cooperation among the SAARC countries. In the six years since its inception, the SAARC has several important achievements to its credit: 13 areas of technical cooperation have been identified; 62 SAARC activities were held during 1991; Regional Conventions on Suppression of Terrorism and on Narcotic Drugs and Psychotropic Substances have been signed: agreement has been reached to set up an Inter Governmental Group to seek agreement on a South Asian Preferential Trading Arrangements (SAPTA). The objective of setting up of SAPTA in about three years has been accepted at the political level. A feasibility study to examine possibilities of mobilising global resources for regional development is under way. India views SAARC as an important instrument for realising collective self-reliance and accelerating socio-economic development and is convinced that the SAARC cooper-

ation should be extended to other core economic areas so as to percolate benefits to the common man.

Besides Eduardo Faleiro statement on issues concerning Indian Perspective of World Order, there are lot more. In light of Soviet collapse and the end of Cold War (mainly, East-West confrontation), the other question that can be asked is: "Has Cold-War ended in our part of continent?". In answering this question, Professor Olsen recognizes that Asia's Cold War has always differed from Europe's.

In Europe, where the United States and its cold-war allies shared common threat perceptions, there was one front line, one prime adversary, one ring of Satellites in orbit around the Soviet Center, and there was a joint security institution (NATO) through which the cold war was waged. Asia possessed none of these. Its version of the Cold War was qualitatively different. Its Cold-War threat perceptions have been extraordinarily diverse. No two Asian States associated with the US saw the Soviet adversary in the same light as most lacked a real frontline or the strategic mentality, such a barrier fosters.²

Besides, there is an ideological dilution of the communist rhetoric but the regional conflicts, such as the Indo-Pakistani confrontation, Japan-Soviet divergences over disputed islands, sino-Japanese and Japanese - North Korean Suspicions and apprehensions are regionally based conflicts for which the Cold-War has little relevance.

2. Edward A.Olsen, "A New American Strategy in Asia?", Asian Survey, vol.31, (12), December 1991, p.1145.

Besides, whereas major US force reductions in the European theatre are now considered almost certain, its base-force posture in the Pacific region is estimated to be modest, and there appears to be no reductions in US naval forces in the Pacific. On the other hand, the reduction of conventional forces from Europe is going together with the existence of large ground based armed forces in Asia. In the Asia-Pacific region, "trade-offs" might be "extraordinarily difficult between (Soviet and) Russian continental power and US maritime power".³ But these are not the only trade-offs that are impossible, India itself is going for a blue water Navy, expected to deploy its "Prithvi" missile with its proven test records and regularly planning to have joint naval exercises with the US, Australia & other formidable naval powers. China ranks as the strongest military power in Asia, and Japan's military budget is already the third largest in the world. India might be beset presently with intractable economic problems, but that it is projecting itself as a formidable regional Asian power is unquestionable.

India is attempting to create independently operating naval fleets for control of the approaches to its western and Eastern coasts and to

3. Ibid., p.1150.

demonstrate effective Sovereignty over remote island groups, the laccadive islands 250 miles to the west and the Andaman and Nicobar islands over 600 miles to the east. As an adjunct to the navy, India has also recently formed two 1,000 man units and marines, suggesting that coastal assault missions beyond India's borders are envisaged. Finally India's expensive lease arrangement with the Russia to train Indian sailors in operating one or two nuclear powered guided missile submarines symbolizes strategic ambitions.⁴

India has disregarded sustained US pressure of signing NPT along with Pakistan, on the ground that it is discriminatory between nuclear "haves" and "have-nots", and that, in any event, there appears evidence of nuclear proliferation by other non-signatories to the NPT. India has also consistently rejected a regional approach to non-proliferation, based on the Pakistani proposal to make South Asia a nuclear weapons free zone on the ground that it did not take account of the reality of China's existence as a nuclear power beyond India's borders. The US supported variation of this proposal, that non-proliferation in South Asia be guaranteed by a five-power arrangement which would include USA, Russia and China besides India & Pakistan, has also been rejected by India. Deputy Secretary of state Strobe Talbott during Asia visit (April, 1994) has reportedly appreciated India's

4. Rodney W. Jones, "Old Quarrels and New Realities: Security in Southern Asia after the Cold War", The Washington Quarterly, winter 1992, pp.117-18

missile threat perceptions and acquiesced in its missile defence preparations against China. But the US wants India to desist from deploying missiles against Pakistan, offering the express guarantee that Washington would ensure that no Pakistani-missile was pointed at India⁵ More so, to nudge India away from its "pre-occupation" with China, the US strategy is to get India agreed for a regional security conference in which India's concerns can be aired. The US plan is to convene the conference with participation by the five nuclear powers which will include China, plus Japan and Germany, and of course, India and Pakistan.⁶ India, however, has upped the ante. It would like to make the conference even more multilateral with the inclusion of North Korea, Iran, Israel and the nuclear capable nations of the former Soviet union such as Belarus, Kazakhstan and Ukraine.⁷ It has created a dilemma for the US. The Clinton Administration may not want to complicate it's negotiations with North Korea on the nuclear issue. Besides, the US has no diplomatic relations with Iran and might not seek inclusion of Teheran, which it considered a rouge state. Thus

5. The Hindustan Times (Patna ed.), April 2, 1994.

6. Ibid

7. Ibid

the sub-continental issues which the Clinton Administration has chosen to tackle are extremely complex. If the US tries to be "too clever by half", as Henry Kissinger did during his middle East shuttle diplomacy a few decades ago, the result will be another global mess that is not going anywhere. Transparency in such matters may not solve the problem. This also does not preclude India from signing NPT as a nuclear power, together with Pakistan. On the other hand, the nuclear lobby in India is gathering strength. On the other hand, the view is also gaining ground in influential circles in India that "nuclear proliferation in the subcontinent will reinforce the existing (Indo-Pakistani) balance, and can be expected to contribute to stability in the region."⁸ Nuclearisation of South Asia now seems a foregone conclusion. Either India & Pakistan are both already nuclear powers, or are only "one-turn-of-the-Screw" away from making a nuclear bomb. As Professor Ghosal has put it:

The reality of Pakistan forcing its way into the nuclear club is almost certain. If Pakistan joins the nuclear club, India will surely do so too. In fact, India may have already developed nuclear weapons and delivery systems. The ques-

8. Balados Ghosal, South Asian Security Dynamics: Problems and prospects. Occasional paper, program in Arms control, Disarmament, and International Security, University of Illinois at Urbana-Champaign, August, 1991, p.9.

tion is now not if, but when both of these countries will openly declare themselves to be nuclear states.⁹

India's most prominent bomb lobbyist K.Subramanyam's constant urging that India should make the bomb "immediately" might not support the view that India already has it, but he, too, considered Pakistan to be a nuclear weapon state, and believed that not only would nuclear weapons result in a mutual reduction of the Defence budgets of India and Pakistan, but also stabilise their relationship.¹⁰ Development of nuclear weapons by India has also received strong support from former Indian Army Chief of the Staff, Lieut.-General K. Sunderji, who would opt for a relatively small number of mobile launchers and long-range ballistic missiles equipped with Nuclear-fission (not H-bomb) warheads capable of reaching Chinese Urban areas.¹¹ He also believes that stability in India's relationship with both China and Pakistan can be achieved by India possessing a minimum deterrent with a second strike capability.

The exact status of Pakistan's nuclear program has been clarified by its Defence Minister Ghous Ali Shah, who re-

9. Ibid.

10. See S.P. Seth, "The Indo-Pak Nuclear Duet and the United States", Asian Survey, Vol.28(7), July 1988.

11. Jones, Op.Cit., p.120

vealed in Islamabad on 15 March, 1992 that Pakistan had been compelled to go nuclear because of India's security crack-down in disputed Kashmir, but that it's nuclear capability was maintained purely for peaceful purposes.¹² This was revealed later on by Pakistan's foreign secretary Sahryar Khan that Islamabad possess the capability to make and deploy nuclear weapons.¹³ India and Pakistan have both demonstrated their nuclear delivery capabilities. India flight-tested the Prithvi short-range missile in March 1988 and demonstrated the Agni intermediate-range, nuclear capable ballistic missile prototype in May 1989, 1993 & 1994 (three in series). Pakistan claimed to have tested short-range Hatf ballistic missiles in 1989 and in process to get M-11 nuclear missiles from China (China has agreed to supply Pakistan). It has also reportedly obtained mobile launchers, presumably from China and in process to get 38 F-16s (to increase delivery capabilities), from USA.

If India and Pakistan are to be rated as nuclear powers along with China, then there are three nuclear powers in our parts of Asia. In Asia, this nuclear powers may proliferate to eight with inclusion of N.Korea, Japan, Israel,

12. Bangkok Post, 17 March 1992.

13. Ibid, The Hindu, 22 February 1992.

Iran & Kazhakistan. If Russia (nuclear power) because of its larger Asian parts is to be included it is nine.

Washington Times in 6 April 1994 says that N.Korea goes nuclear, as it possess two nuclear bombs(denied by N.Korea), which makes it not to allow full N-Inspection by IAEA. IT gets further confirmed when on 1 April 1994, UN Security council unanimously asked N.Korea to allow N-Inspections; N.Korea quickly repudiated the statement and said the pyong-yang Government would not permit further inspection.¹⁴ "We are strongly against this discussion of the nuclear issue in the council", N.Korean ambassador Pak Gil Yon told reporters. The issue even of a statement will not help the solution of the problems. "We have nothing more to show the International Atomic Energy (Agency) inspectors at this time", he added.¹⁵

As Japan's historic adversary N.Korea is nursing nuclear ambitions and, existing as it does amongst several nuclear powers, Japan may not like to depend for all time on the American Nuclear Umbrella. Japan passing soft-breeder nuclear Reactor in April 1994, at the height of N.Korean crisis is a pointer in this direction (Plutonium generated from this breeder Nuclear Reactor, can be used for making

14. The Times of India (Patna ed.), April 2, 1994.

15. Ibid

bomb). So, Japan going Nuclear in the 1990s remain a real possibility.

These all are also one of the factors, why US wanted to convene Regional Security Conference ¹⁶ (as expressed by strobe Talbott in his visit to Delhi in April'94), in order to air Regional Security concern (because of probability of many Asian powers, going Nuclear). India upped the ante by advocating the inclusion of N.Korea, Iran, Israel, Kazakhstan, and two left-over probable European Nuclear powers i.e. Belarus & Ukraine, in order to make it more multilateral, so that the whole continent (Eurasia) concern can be aired & Regional Security within parameters of "world-peace" & "World-Disarmament" can be achieved.

16. The Hindustan Times, April 2, 1994. (The US plan is to convene the Regional Security Conference with participation by the five nuclear powers which will include China plus Japan & Germany, and of course India & Pakistan).

CHAPTER - III

**INDIA'S FOREIGN POLICY
IN A CHANGING FRAME WORK**

Before the emergence of the independent India, the country didn't have its own foreign policy. For last 150-200 years (from time of independence), because of being a colony of U.K., France & Portugal, it's foreign policy was guided by them. Because of the central powers lying in the hand of Britishers, it's foreign policy was more of a British Foreign Policy¹ based on:

- a) not to lay down or declare in advance a long-term, or comprehensive and consistent, policy towards any country or situation.
- b) To have no permanent friends or enemies.
- c) Dislike and avoidance of boastfulness, or to making brave & challenging declaration.

Before this, India did not actively participate in the international relation partly because there was no strong central authority, whatever foreign policy the country had was decided by the powerful local warlords. However we the Indians were always conscious of the fact that we have a proud civilization with the weight of the centuries of tradition and rich heritage. We were deeply conscious to accept India in a role of client state. We always thought

1. See M.S. Rajan, "The need for a pragmatic Indian foreign policy", Political Science Review (Jaipur), vol.3. No.1. May 1964.

that India is too big a country to become a camp follower of any other country; and from this arises a prolonged struggle against British imperialism, the mightiest of western imperialism, and was pulsating with nationalist urges and impulses. India fought a prolonged struggle for freedom. Innumerable people courted prisons, resisted the Raj in a hundred and one ways and challenged the might of the British Empire. This fight provided some inspiration to the struggles for freedom in other Asian countries too and strengthened the Indian people's determination to fight on. India's entire background was consistently anti-imperialist and she necessarily sympathized with the struggle against western imperialism, no matter where it was being carried on. It could not be surprising that an integral aspect of independent India's foreign policy was "the policy of standing up for the weak and the oppressed in various continents"²

Thus history and recent experience were powerful factors making for a strong independent foreign policy to take shape over the years and for this foreign policy to be mainly anchored to the Afro-Asian community and the community of the developing countries. The dictates of geography

2. Taken from A.K. Damodran, "Jawaharlal Nehru and Non-Alignment in India" (January-March, 1983).

too were obvious. India was a part of the Afro-Asian community; her future development was bound up with the development of the newly emerging countries; her independence could only be assured by the emergence into independence and the strengthening of the independence of the Asian-African countries; she could not exist and grow into an oasis of freedom, progress and prosperity amidst an ocean of dependent, unfree and poverty -stricken Afro-Asia.

Geography also not failed to determine the thrust and focus of India's foreign policy. The very fact of our being situated where we are has left its mark on our foreign policy. Jawaharlal Nehru himself pointed out the geographic parameters of India's foreign policy. India, he said, was at the gateway to both South-East Asia as well as the Middle East. Anything happening in South Asia, South-East Asia, the Gulf region, West Asia and the Indian ocean region affected India, and India could not close her eyes to it. "Look at the map", Jawaharlal Nehru said:

If you have to consider any question affecting the middle East, India inevitably came into the picture. If you have to consider any question concerning South-East Asia, you can not do so without India. So also with the far East. While the middle east may not be directly connected with South-East Asia, both are connected with India. Even if you think of regional organisations in India, you have to keep in touch with

the other region.³

India's priorities were in a way naturally fixed. The immediate neighbors had the first claim on this country's attention. The relation with Pakistan, Nepal, Sri Lanka (then Ceylon) and indeed Burma and Afghanistan, China being not the least constituent part of it, were of paramount importance to India. India's security, vital interests, and well-being was intimately tied up with the fate and future of this region. Similarly India was vitally concerned with developments in South-east Asia, on our doorsteps, the Gulf and West Asian countries, equally our immediate neighbors, and the Indian ocean area, whose very name testifies to its importance for India.

The compulsions of history, geography and past experience thus were important formative influences on the formulation of India's foreign policy. In addition, it can hardly be overlooked that India's size, potential and perception of her elite postulated an intense interest in world affairs and an effort to carve out a place for India's role, certainly a determination not to be ignored and cast aside. Potentially, India was a major power, a fact of which at least the local opinion in the country was highly conscious.

3. Constituent Assembly (legislative) Debates, vol.2, part-II, 8March 1949, pp.1225-36.

This awareness reinforced by a powerful nationalist impulse set India to chart out her own independent course in international affairs and to beckon other Asian-African countries to follow it too. This awareness was not limited to Jawaharlal Nehru but was shared by the vast majority of opinion in the country, consciously by the articulate sections and perhaps subconsciously but deeply felt by even the inarticulate masses.

While talking of Asia, Jawaharlal Nehru reminded the constituent Assembly in 1949,

remember that India, not because of any ambition of hers, but because of history and because of so many other things inevitably has to play a very important part in Asia. And not only that; India becomes a kind of a meeting ground for various trends and forces and a meeting ground between what may be roughly called the East and the West.⁴

Even the early hostility that India met with as a consequence of her independent stand, Jawaharlal Nehru explained, was a recognition of India's place and influence. "If we had been some odd little nation somewhere in Asia or Europe", Jawaharlal Nehru told the constituent Assembly,

it would not have mattered much, but because we counted and because we are going to count more and more in the future, everything we do becomes a matter for comment and many people do not like our country so much. It is not a question of our

4. Ibid

viewpoint or of merely a fact that we are potentially a great nation and a big power and possibly it is not liked by some people that anything should happen to strengthen us.⁵

Thus, Non-alignment became the logical framework of India's foreign policy. An independent foreign policy responded to the conscious and sub-conscious urges of the people, imparted a sense of pride and belonging and helped cement the unity of country, for this foreign policy secured a consensus and was taken out of the ambit of day-to-day politicking. The intrusion of foreign policy into domestic policy would have vitiated the domestic situation, divided the people and created new tensions in the country. In the words of Jawaharlal, "any attempt on our part, that is, the government of the day here to go too far in our direction would create difficulties in our own country. it would be resented and we would produce conflicts in our own country which would not be helpful to any other country."⁶ Through the adoption of a policy of independence, support to the anti-imperialist struggles elsewhere and through a policy of promoting peace in the world by strengthening NAM, UN & promoting panchsheel doctrine, Jawaharlal Nehru took

5. Ibid.

6. Speech at the Indian council of world Affairs, 22 March 1949, India's Foreign Policy: Selected Speeches, September 1946-April 1961, New Delhi, Publications Division, 1961, pp.42-50.

foreign policy out of the vortex of domestic politics and made it subserve the cause of unification and stability in the country.

However, the international context in which India's foreign policy and relations were formulated was characterised by the cold war in full swing between the communist and western camps, and a state of "armed fear". Neither of the blocs tolerated or respected non-alignment each suspecting that this was merely a facade for leaning towards the opposite camp.⁷ This was the period of proliferation of military pacts and alliances, particularly the establishment of the NATO and the Warsaw Pact. Also, the super powers heading the two camps were trying to enlist to their respective camps the non-aligned nations, if not as allies, at least as friends, through military pacts and military aid.⁸ Many parts of the world were under colonial rule or the political domination of the western nations. Even the voice of New Asia, let alone that of New Africa, was only beginning to be heard in the councils of nations, as exemplified by the Bandung Conference (1955). De-stalinization was to have its maximum impact on Soviet foreign policy and

7. The Hindu, Madras, 20 December 1956.

8. Ibid.

relations and, in its turn, on the rest of the world only towards the end of the Nehru era, just as the Dullesian policy of containment of international communism was yet to be replaced by a policy of peaceful co-existence and competition. The armaments race, especially in nuclear weapons, was going on at a furious pace. There were frequent testings of these nuclear weapons by both the super powers, as well as the United Kingdom and France, joined by the people's Republic of China in 1964, against the loud and persistent protests of the vast majority of nations. There was thus a precarious situation in which an accident or a miscalculation could have brought about a third world war which would have destroyed large parts of the world. So, in order to provide a measure of security in the early period of India's independence during a time when the world was very cruel and unsafe place without having to undertake entangling commitments and assume military obligations; India decided to remain in the commonwealth and chose to adopt the pragmatic means of non-alignment in seeking to achieve the goals of India's foreign policy⁹ Similarly, in order to promote regional economic cooperation, Nehru supported creation of ESCAP (Economic & Social Council for Asia

9. Jawaharlal Nehru. "A New Type of Association", in India's Foreign Policy, pp.134-46

and pacific) in 1959. However, in course of operation of our foreign policy over a period of initial fifteen years (during which period many other Asian-African countries came to emulate our example) we remained somewhat doctrinaire and prisoners of our own peculiar brand of non-alignment which increasingly lost touch with the realities of the changing pattern of international relations. Example:- there was no need at all for India to commit itself to never use force to defend our vital national interests such as those entailed in the Goa. We could have said that while we believed in the peaceful settlement of the problem, we would not hesitate to exercise our right to use force to secure our ends in the event of the Portuguese government not manifesting the same faith in peaceful settlement. A more pragmatic policy and outlook would thus have enabled us to secure our objective in respect of the question without our needing to use force and without our reversing our 14-year-old policy and provoking criticism in the UN security council. Likewise, had we not condemned foreign military alliances and denounced the acceptance by an Asian-African country of foreign military aid, especially from any of the big powers, as being dishonorable in itself and even inimical to the country's long term interests, as well as to world peace, of if we had not unintentionally given the

impression that adherence to non-alignment was more important than even our survival as a nation state,¹⁰ nobody could have criticized or ridiculed as for accepting foreign military alliances to check Chinese aggression i.e. for the sake of the most vital of all objectives that any country might wish to secure in the community of nations.

A number of other instances of this lack of pragmatism can be cited in India's foreign relations, till 1962—such as India's exaggerated attachment in the fifties to the self-executing goodness of Panchsheel¹¹; to its cold-shouldering of the small Asian nations merely because they aligned

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10. Take for the following statement: "...the moment we give up the idea of nonalignment, we lose every anchor that we hold on to, and we simply drift....." Jawaharlal Nehru, India's Foreign Policy (Delhi, 1961), p.326. If we abandoned non-alignment, said Nehru even after the Chinese aggression, it would mean a "terrible moral failure", Hindustan Times (New Delhi), 28 January 1963.
 11. Prime Minister Nehru at a state banquet given by him to the Indonesian Prime Minister on 23 September 1954 said, "This afternoon sir, you were speaking to members of our parliament, and you referred to certain basic principles which govern Indonesia. you call them Pancha Sila (Sic! Pantja Sila) which is from our Sanskrit word Pancha Sila or principles which have recently come to the fore. You may call them Pancha Sila also in the same way, which on the face of it are obviously admirable, and it is difficult to imagine how to oppose them or to dislike them unless one thinks that behind them is hidden some evil motives.....that even before the formal recognition of these principles independent India was already following them in her role in world affairs (cf. e.g., India's protest note to China dated 31 October 1950 over Tibet) and the principles as stated in the agreement on Tibet was the result of mutual discussions—not the sole contribution of any one party....."The Hindu, 24 September 1954.

militarily and/or otherwise with the western bloc of nations (as for example, Iran, the Philippines, Thailand, and Turkey) and its placing of too high a premium on the friendship of non-aligned nations (as, for example, Burma, Indonesia, Kampuchea, Srilanka, and Ghana, which unlike the former criticised India and supported, in effect, the Chinese stand in Sino-Indian conflict of 1962); its over estimation of the value of according representation to the people's Republic of China in the United Nations(although it was certainly right to urge that the Peking regime should be admitted to the membership of the world body); its repeated strong denunciations of military pacts and alliances, foreign military aid, and search for armed strength by small Asian-African countries without showing any consideration whatsoever for the interests and the geopolitical location of those states; and so on.¹²

Chinese aggression i.e. the year 1962 marks a watershed in the development of India's foreign policy. It came to be characterised by greater pragmatism and realism. The defeat at the hands of the Chinese in 1962 convinced the leadership that purely moralistic foreign policy shall not be in the interest of the country and necessary modifications should

12. Taken from, Bimal Prasad, India's foreign policy: Studies in continuity and change (New Delhi, 1979)

be made in the policy to make it more effective instrument of national interest. This change was discernible during the Prime Ministership of Nehru himself when he openly declared that India was no more non-aligned so far as China was concerned. But when it comes to PTBT (Partial Test Ban Treaty) of 1963, Nehru again failed to realise that the treaty was designed to ensure permanent dominant position of the existing nuclear powers. He signed the treaty, when his next door neighbor China not only refused to sign the PTBT but also exploded the first bomb in 1964. Then in November 1964, Nehru's successor, Lal Bahadur Shastri, altered the earlier policy which had seemed to many in India to be idealistic and doctrinaire. Shastri, more pragmatic, declared that while the Nehru policy was that of the present government, he could not bind the future governments of India not to change it.¹³ Besides this, he tried to cultivate friendly and intimate relations with neighbors like, Nepal, Burma and Srilanka as well as the two super powers. He succeeded in procuring military and economic assistance from both powers and greatly strengthened India's position. What is significant that even U.S.A. despite strong protests from Pakistan continued to provide liberal military

13. M.S. Rajan, "India: A case of power without force", in International Journal (Toronto), vol.30, no.2, spring 1975.

aid to India. This aid was suspended only on the out break of war between India and Pakistan in 1965.

Another outstanding feature of the Indian foreign policy during the Shastri era was that the emphasis shifted to 'collective decision-making'. The formulation of the foreign policy was no more the exclusive or prerogative of the Prime Minister and a handful of his personal advisers and friends. Instead he discussed the things with other members of his government and other important party leaders. Thus, the public involvement in the formulation of foreign policy increased.

After the sudden death of Shastri, Mrs. Indira Gandhi became the Prime Minister. Like her predecessors she took keen interest in the conduct of foreign policy. The policy of keeping future options open, remained the policy of her government. During the first few years she also took all major foreign policy decision in consultation with other prominent members of government and party. In short, the principle of 'collective-decision making' continued. However, with the passage of time she asserted herself and started formulating foreign policy with the assistance of some of her close and trusted colleagues and friends. During her period also the process of developing close relations with super powers continued. As a result she was able to secure

large financial and military assistance from USA. She also cultivated intimate relations with USSR. It was during her leadership that India exploded nuclear device on 18 May 1974 (not a weapon). The big five nuclear powers (as though they were divinely ordained¹⁴) frown¹⁵ on the Indian explosion, even though India had not violated any bilateral or multi-lateral treaty or agreement and Indian official spokesmen have clearly re-affirmed the nation's continuing policy of using nuclear energy solely for peaceful purposes.¹⁶ Previous of her government had refrained from signing the 1968

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14. A Canadian representative, speaking in a committee during the 29th session of the General Assembly caustically remarked that even though United Nations organs had debated a succession of disarmament plans, the number of nuclear-weapons states had grown to five, almost as if the status of permanent member of the security council carried with it an automatic requirement to possess such weapons - a sort of 20th century version of the 'divine right of Kings'.....Hindustan Times (New Delhi), 26 October 1974. Prime Minister Bhutto of Pakistan once justified China's nuclear-weapons test on the ground that a great-power was entitled to acquire nuclear status : Economic Times (Bombay), 23 May 1974.
 15. Refer Appendix 'A' for world's reaction on India's explosion.
 16. The Prime Minister, the Defence Minister, the Minister of External Affairs, and the Chairman of the Atomic Energy Commission are among the official spokesmen e.g., speaking at a plenary session of the United Nations General Assembly, Swaran Singh, the Minister of External Affairs said on 26 September 1974: "we have no intention of making nuclear weapons. I wish to reiterate once again in this forum our firm and consistent policy to use nuclear energy and technology solely for peaceful purposes". The Times of India (New Delhi) September 27, 1974.

Nuclear non-proliferation treaty (NPT), based on the treaty's unequal and discriminatory character and lack of mutually balanced obligations and responsibilities, as between nuclear-and non-nuclear-weapon states, and even more on the fear that India would be condemned to 'technological colonialism', and to beseeching the nuclear powers, cap in hand, for permission to buy or borrow advances in nuclear technology, rather than (as insinuated by some critic) a desire to preserve for exercise at some future date the option of manufacturing nuclear weapons. Even in 1974, after explosion, there has been no change in her government policy of opposing the manufacture, testing, stockpiling, and use of nuclear weapons. Furthermore India fully supports a comprehensive ban on all nuclear tests (including the underground ones permitted under the 1963 treaty) and on any future international agreement on the control of peaceful and/or non-peaceful uses of nuclear energy which is clearly non-discriminatory (as the NPT is not). So, India can not be expected to, and will not, accept nuclear apartheid.¹⁷

17. In a statement to the lower house of the Indian parliament on 22 July 1974, Prime Minister Gandhi observed: "No technology is evil in itself; it is the use that nations make of technology which determine its character. India does not accept the principle of apartheid in any matter and technology is no exception", Times of India (N.Delhi), 23 July 1974.

During the months from March to December 1971, when India was faced with the civil war in East Pakistan and its resources were being strained by the resulting demographic aggression of some ten million refugees, neither any other state nor the United Nations did anything to stop it; they tried to console India by giving some assistance to maintain the refugees. So, in order to meet the potential danger of a war between India & Pakistan she signed early in August 1971 of the Indo-Soviet treaty of 'peace friendship and cooperation',¹⁸ As a result Soviet Union supported us in war of Dec. 1971, which we fought in order to protect ourselves from "demographic aggression". She also supported us in the United Nations for our stand on Bangladesh, when the rest of the world naturally reacted adversely to our India's military riposte. And all the Soviet Union did without calling for change in our policy of non-alignment, as per article IV of the Indo-Soviet Treaty of 1971, which calls for respecting India's policy of non-alignment. It was also during her strong leadership that the former Himalayan Kingdom of Sik-

18. Refer Appendix 'B' for detail on Indo-Soviet Treaty of 1971.

kim, hitherto enjoying a "protectorate status"¹⁹ also came within the line of control. On 16 May 1975 it was formally merged with the Indian Union as its 22nd state, when the president gave his assent to the constitution (thirty-eight Amendment) Bill which had been passed by the parliament.²⁰ This step was at once played by critics, who saw it as an attempt by India to expand its territories. The most strong criticism²¹ by far, however, came from China. Nepal and Bhutan also showed apathy and sense of insecurity. India defend its actions in theory and practice and rectify its tarnished image. On 1 May 1975, India denounced China's and others accusation regarding Sikkim as "an interference in the internal affairs of India".²²

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19. After the British had left India, Sikkim, a Himalayan Kingdom and a member of the Indian chamber of Princes entered into a standstill agreement with India in 1948. In 1950, unlike the other princely states which merged with the Indian union, a treaty governing the relations of both India and Sikkim was signed. Under this treaty, responsibility for the "defence and territorial integrity" of Sikkim's external relations and communications was placed with India. As such Indian troops were stationed on its sensitive border with Tibet and the Indian government held a right to take necessary action against any threats which might be detrimental to its security.
 20. Passed by the Lok Sabha on 23 April and by the Rajya Sabha on 26 April 1975.
 21. Refer Appendix 'C' for world's reaction on Merger of Sikkim
 22. The Hindustan Times (Delhi), May 2, 1975.

When the Janta party came to power in March 1977, many hopes and fears were expressed, in India as well as abroad in respect of continuity and change in India's foreign policy, which were proved to be groundless. According to K.P. Misra, "the handling of foreign policy by the Janta government is practically the only bright spot in its otherwise disappointing record".²³ The only respect in which the Janta party manifesto was a notable departure from the previous government policy was in respect of non-alignment: the party was said to be "committed to genuine non-alignment free from attachment to any power bloc". The new government continued friendly relations with the Soviet Union realising it fully well that India had immensely benefited from the close connections with Soviet Union through supply of sophisticated military hardware, assistance in diversification of country's economy through establishment of basic industries and even expanding trade between the two countries. Any deviation from this policy would have done much harm to the country. Therefore, the Janta government tried to develop very intimate and close relations with Soviet Union without showing in any way a tilt in its favour. The Janta government also tried to

23. K.P. Misra, ed., Janta's Foreign Policy (New Delhi, 1979)

improve relations with USA which had been cooling-off since 1967. A new chapter was opened in Indo-US relations with the visit of President Carter. Most of the irritants and suspicions which had marred the relations between the two countries were removed and a spirit of mutually beneficial cooperation was revived. For the first time the traditional donor - recipient relationship between USA and India was replaced by an equal partnership based on friendship and common will to co-operate both in bilateral matter and on international issues. It is true that during the Janta period also there continued to be difference of opinion between the two countries on the same issues, but by and large these was a comparative lack of rancour in their mutual dealings and discussions. In short, can be said with Pran Chopra that the Janta Government "tried to be more even handed in dealing with them (USA & USSR) more free of unnecessary asperity towards the USA on the one hand and on the other hand more free out of season warmth and praise for the Soviet Union. It has not gone out of its way to heat up controversies with the USA or to line up in haste with the Soviet Union or too rapidly grasp every offer of aid by Moscow". 24

24. The Round Table (issue 285, July 1979), p.228.

Another outstanding feature of the Janta foreign policy was an attempt to develop more closer relations with the neighbouring countries. It backed President Zia-Ul-Rahman²⁵ of Bangladesh in his effort to encourage cooperation among Soviet Asian countries, which later led to formation of SAARC in a declaration signed by the foreign secretaries of Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan & Sri Lanka, in New Delhi in August 1983 (under Indira Gandhi reign). The first session of the head of state and government of SAARC countries was held in December 1985 (Under Rajiv Gandhi reign). So, we see that the progressive efforts of Janta party to develop more close and intimate relation with neighbors, was adopted and continued by successive governments too. Presently, Narshima Rao govt. is also keen in strengthening bond with neighbours. The Janta government t also tried to improve relations with China. In addition to this, the Janta party continued the policy of improving relations with the countries of South-East Asia and West Asia and extended full support to the anti-racial policies and liberation movements in Africa. It also claimed to play a more positive role in disarmament and insisted that it

25. Between 1977-80, President Zia-Ul-Rahman paid visits to Nepal, India, Pakistan and Sri lanka and had consultations with the leaders of these countries on the need for cooperation among the countries of the region (South Asia)

should not be left to the super powers alone to provide a lead in this regard. In short, Janta party followed a foreign policy which was highly pragmatic and aimed at promotion of nation interests.

With the fall of Janta government and return of Indira Gandhi to power, India's foreign policy again reverted back to the pattern prevailing before the formation of Janta government. The period began under a cloud created by India's controversial stand on Afghanistan,²⁶ and improves with the efforts of Indira Gandhi by playing constructive

26. Because of vetoed by Soviet Union on a Security council vote on 7 Jan. 1980, calling for immediate and unconditional withdrawal of all foreign troops from Afghanistan; an emergency session of the UN General Assembly was called on 14 Jan 1980 (the day Indira Gandhi was Sworn in as PM of India) to discuss Afghanistan crisis. India abstended on the UN General Assembly vote called for immediate withdrawal of Soviet forces in Afghanistan. The reason given for India's abstention by Indian representative was, "India's stand was shaped not only by its interest in the peace & security of the region but also by its "close ties" with the Soviet union. Thus, while India could not remain indifferent to efforts of "certain foreign powers" to interfere in the internal affairs of Afghanistan by "training and arming subversive elements and encouraging them to spread trouble in the country", and although it was opposed to the presence of foreign troops in the country, it also had no reason to doubt the assurance given by the Soviet Union that its troops went to Afghanistan "at the request of the Afghan government" and these would be withdrawn as soon as the latter government made such a request". Concern were also expressed by the Indian delegate that discussion of the issue at the United nation, instead of helping to restore peace in the region, would threaten to intensify the cold war already apparent there. (UN Document A/FS/PV.3/11 January 1980, pp.11-12).

role in the affairs of the region through helping of formation of SAARC (1983), actively participating in ESCAP and NAM, as can be seen from the increased exchanges and cooperation between India & neighbors, African, West Asian and Latin American countries leading India getting acknowledged as the leader of the third world affairs and interests. By the end of Indira Gandhi's reign (which ended with her assassination in Oct. 1984), its image as projected abroad was one of strength ²⁷ and a power of no small potential.

After Indira Gandhi's assassination, Rajiv Gandhi became the Prime Minister. He continued the foreign policy of Nehru and Indira Gandhi and reaffirmed his faith in the United Nations, the non-aligned movement, opposition to colonialism, old or new in his very first broadcast to the nation on 12 November 1984. He also indicated his determination to work for narrowing international economic disparities; develop closer relations with immediate neighbors; pursue policy of non-interference, peaceful co-existence and non-alignment; promised to pursue the concept of common regional developments of south Asia; improvement and

27. The steps India had taken to update and reinforce its military strength - military arms and hardware from the Soviet Union: submarines from West Germany and Jaugar and Mirage-2000 fighter aircraft from Britain and France respectively-may have not been the least in shaping this image.

strengthening of relations with China, Soviet Union and United States; to carry on relentless crusade against arms race; to promote dialogue between the North & South to build a just world economic order. He pursued these objectives and not only improved relations with USA and other neighbouring countries but also made frantic efforts to promote internal peace, nuclear disarmament and greater economic cooperation between north and south. Besides this, he helped neighbouring countries in foiling coup & fighting against terrorism. He helped president Gayoom of Maldives in foiling coup, staged against him. Likewise, he helped Srilanka by dispatching IPKF under Rajiv-Jayewardene pact²⁸ of July 1987. The successive president Premadasa was opposed to Indo-Sri Lanka accord right from the very beginning and insisted on the replacement of the accord by a friendship treaty on the lines of treaty between India & USSR (of 1971). He called for withdrawal of IPKF (Indian peace keeping force) from Sri Lanka by 29 July 1989. India, however took the stand that Sri Lanka could not impose unilateral deadlines and that as a guarantor of the 1987 agreement India had to ensure that all its terms were fulfilled. But later India reached an agreement on 18th Sept, 1989 provided

28. Refer Appendix 'D' for detail on Rajiv-Jayewardene Pact of July 1987.

for establishment of a security coordination group comprising sri lankan minister of state for defence, Chief Minister of the North-eastern province and general officer commanding of the IPKF. The group was to be responsible for ensuring the security of all communities in the north east during the IPKF representatives of various political and ethnic groups in north-east was set up and the phased withdraw of peace forces from SRI Lanka, started. The Sri lankan leaders were not happy with the pace of withdrawl, till the emergence of National front government in Delhi in Dec.1989 when 'decision was reached for immediate withdrawl. National front government also expressed its desire of improvement in relations with other neighbours. It also expressed its determination to develop more intimate relations with US without jeopardizing good relations with Soviet Union. The Janta Dal (S) which came to power after the fall of V.P. Singh government, also continued the policy of the earlier governments and did not make any change in the traditional foreign policy of the country.

India's Foreign Policy : The Present Phase²⁹

(June 1991-

Soon after the present Prime Minister, P.V. Narashima Rao, assumed office in the middle of 1991, he announced that, on foreign policy, new government would follow the 'Nehru-line'. On the international context, these were some radical changes : the end of the cold war, the disintegration of the former USSR, the closure of the Warsaw pact, the disappearance of a 40 year old bipolar world and the ending of many old international conflicts, the emergence of the US as the sole super power (resulting in "Unipolarism") and the incipient multipolar world with a united Germany and the economic giant of Japan (slowly flexing its political muscles), the possibility of emergence of Islamic fundamentalism, the sudden unexpected, influx of new membership of the United Nations to 182 (from the old nearly frozen membership of 168) and a partial revival of the world organization (largely, the security council) from the ill-effects of the cold war, the great weakening of the non-alignment movement and the consequent wide loss of faith in non-alignment ---- and so on. These extensive changes led to domestic debate on them.

29. From M.S. Rajan, "Studies on India's Foreign Policy", 1993, New Delhi.

While domestic debate was still on, the government upheld the continuing validity and relevance of non-alignment - the most valuable part of the Nehru heritage on foreign policy. This was a courageous decision, because, as in India (so abroad) there was a widespread division of opinion on the issue. Eventually the debate largely ended with a national consensus among all political parties and ideological divisions. As the Prime minister said in an address in Tokyo (in June 1992):".....The pursuit of non-aligned foreign policy is even more relevant today than ever before. Nonalignment basically consists of the espousal of the right of nations to independence and development, regardless of the bloc phenomenon. Whether there is one bloc or more at a given moment, the urge of a nonaligned country would continue to be to maintain its independence, to take decisions according to its lights, not tagging itself in advance to others". He dared to reassert that the "Chimera of Hegemony must not be pursued". Supporting the nonaligned movement, he added: "The Non-aligned movement is a standing example of decision making by consensus.....Accommodating change through consensus today is necessary to prevent explosions tomorrow. "Earlier in an interview to the Hindu (June 4), he had said: "I am absolutely certain that the NAM has a big relevance today".

This reassessment of India's continuing nonalignment also reaffirmed the non-aligned view of India's attitude to, and relations with the US and new Russia (the successor to former USSR). Despite some disagreement with the former on some US actions and some new hurdles in bilateral economic relations, India has maintained friendly relations with this sole power. It has avoided over-reaction and confrontation, seeking to adjust bilateral disagreements, through traditional diplomatic methods. The government has sought to maintain a certain degree of equanimity in Indo-American relations in mutual interests. India has in effect, underlined the "message" to the United States that it would not be browbeaten by pressure of US hegemonism, nor get provoked into a confrontationist stance. The United States seems to understand - if not appreciate-this Indian stand-as evidenced by its stand in recent years on Indo-Pakistan relations, which is broadly parallel to that of India. So far as new Russia was concerned, India has revised the terms of the 1971 treaty with the Soviet Union excluding the ostensible security clauses.

Prime Minister Rao reiterated (in his speech in Tokyo in 1992 and at G-15 summit's speech) India's old priorities in international relations as being "democratisation of the UN, the elimination of all nuclear and other weapons of mass

destruction and the tackling of the root economic and social causes of resentment between the haves and the have-nots". India also continued to refuse to sign NPT on the old grounds, that it is discriminatory as between the nuclear-weapon powers and the others. This Indian stand speaks highly of the courage of the present government, because recently, France and China (two nuclear-weapon powers who had declined to sign the treaty for the last 25 yrs.) have signed the NPT.

India's old policy towards its neighbors (and on regional cooperation too) has been maintained by the present government. It is a policy of friendliness towards all of them, a "geographical imperative" for as much the neighbours as for India. India has continued its traditional stance of seeking to solve problem with neighbours by bilateral diplomatic means, and avoiding internationalization. Needless to say, India continues to follow many other aspects of the foreign policy that were initiated and evolved by Jawaharlal Nehru maintenance of international peace, peaceful settlement of international disputes; peaceful co-existence of nations of differing ideological political economic and social systems; opposition to colonialism (neo-colonialism) and racialism; international economic cooperation for raising the living standards of peoples, especial-

ly of the developing nations; support to and strengthening of international organizations, notably of the United Nations.

A major departure of the present govt. from the Nehru heritage is the decision to establish diplomatic relations with Israel. India had recognised the state as long as Sept. 1950, but had declined to establish diplomatic relations-partly in view of the Israel's treatment of the Arabs of the old Palestine, in deference to the hurt feelings of the Arab States and perhaps, of the assumed feelings of the large Indian Muslim minority towards Israel. It is good that India normalized relations with Israel -not only because of many changes in the West Asian situation (including the attitudes of the Palestinians and the Arab states) but also because the non-normalization of relations with Israel had deprived India for decades the traditional neutral Indian role in resolving the west Asian crisis.

A major decision of the present government in domestic economic policy-liberalisation of govt. regulation of domestic economy and integrating it with the global economic structure and relations is having far reaching repercussions on India's foreign economic policy and relations. Since this is partly a departure from the four decades of India's domestic policy, there is, naturally, some division of

opinion in the country about the wisdom of this policy in the light of the Nehruvian heritage, but the government has taken a firm and categorical stand on not reversing the decision. Consequently, India is now accelerating economic diplomacy and relations and in effect underplaying an active role in (political) world affairs. These changes have some major impact on India's traditional role in world affairs, which is seen in India being not too vocal (as Nehru & his successors used to) about the return of western colonialism/neo-colonialism to India's proximity in west Asia (e.g. the 1990 Gulf war and since), the US domination of the UN decision making, the western creation of MTCR, which, in effect, prevents some new nations from developing the missile technology, the tremendous economic threats of US to enforce internal economic and legal changes in other countries, and so on.

CHAPTER - IV

**COMPULSIONS OF THE POST-SOVIET
DISINTEGRATION, WORLD-ORDER**

The unexpected and sudden collapse of the Soviet union certainly created around confusion in Indian foreign office and beyond; this was perhaps natural, and surely not confined to India alone. Such a confusion was, however, not entirely psychic but was grounded in reality. All of a sudden, India lost a reliable friend and a dependable traditional source of supply for its defence requirements, and energy and heavy industrialization needs. Moreover, the collapse of the Soviet Union coincided at a time (December 1991) when India was engrossed in a host of domestic problems under a weak minority government, and as such Indian foreign policy then sadly lacked political leadership. Under the circumstances, the Indian foreign office did its best. But perhaps as a result of old habits, once the initial shock of the disintegration of the USSR was over, Indian foreign policy, continued its traditional line; it remained almost totally centred on Russia and Moscow, still nostalgic of the special relationships of yesteryears. The fact that for more than four decades India, like many other nations, had looked at the non-Russian part of the Soviet union through the eyes of Moscow was not easy to set aside overnight. Besides, the fond hope of the revival of traditional special Soviet-Indian relationship in the form of new Indian -Russian relationship persisted too. This may be

one of the factors that made India to move slow in the new independent republics of the erstwhile Soviet Union, including the central Asian ones. While India dithered, others in the neighbourhood like Turkey and Pakistan, were more quick to act.¹ The watershed was the visit of president Yeltsin in January 1993, when India's perception of new Russia became somewhat normal. In spite of the alround satisfaction then expressed in India over the results of the Yeltsin visit, it did not take much time to realise that the Russians had extracted hard bargains from India, and as such, Indian-Russian relationship had to be structured anew on new foundations. The ground-realities had asserted themselves, at last.²

By the time India finally made efforts to make its presence felt in other new independent republics, particularly in central Asia, it found to its uneasiness that it not only faced competition with others but also that the historical experience of last 40 years or so are not conducive to make its presence effective; to the new power-elite in these republics, India appeared nostalgic of the ancient

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1. Refer Appendix 'E' for detail on Turkey and Pakistan in Central Asian states.
 2. Zafar Imam, "CIS and India:problem and perspective of relationship" a paper presented at an international seminar on "Reform, conflict and change in CIS", Jawaharlal Nehru University, New Delhi, November 1993.

regime. India needed refreshing its image, new modus operandi, particularly in the sphere of economic relationship were called for. These in themselves posed novel challenges, as new channels, other than the traditional official or state ones, were to be relied upon in dealing with Russia and others in the CIS. These gradually turned more complex with the ongoing structural changes in Indian economy that began to gravitate away from the erstwhile Soviet market finding it less attractive. Besides the new geographical location of these states and the collapse of their traditional power structure created complicated logistic and organisational problems.³ So, for a better understanding of compulsions of post-Soviet disintegration, world order. First, I will like to have view of negative factors/development, followed by positive factors/development because of Soviet-disintegration.

Then I will analysis the general nature of Indian economy i.e. Foreign Trade balance of payments, external assistance, etc. (mainly after December 1991 i.e. after Soviet collapse), followed by GATT in evaluating Indian foreign policy (whether to reshape or not?).

3. Ibid.

Negative factors/development after Soviet collapse

1. Total change in the geo-political environment in central Asia vis-a-vis India.

Russia is no longer an immediate neighbour of India. Moscow is now as far or near to Delhi as, for example, Frankfurt or Geneva. Its immediate neighbours are now Uzbekistan and Tazikstan, while other new republics in Asia has become a little far. Moreover, all the new central Asian states have natural geographical advantage with near East, Pakistan, Iran and Turkey. For example:- Pakistan, Iran & Turkey can provide a convenient sea-outlet for these land-locked central Asian states.

On the other hand, Russia's geo-political situation has also totally changed. It has no direct access either to European or Asian mainland. Although, it still has vast Asiatic regions, its immediate Asian neighbour, outside CIS is only China & Japan. Besides, it has become a land-locked state in the south except a tiny opening on Black sea, an area which may not be sufficient even for stationing its huge black sea fleet.

Such a transformation of geo-political environment in India's northern neighbourhood has yet not been fully grasped by Indian foreign policy makers.⁴

4. Ibid.

2. The failure of mechanism to implement agreements signed and to pursue intentions expressed publicly and in official meetings.

It is not India wavering, as it has shown in recent times an unusual keenness to do its bit, particularly in relation to Russia. It is mainly Russia that has not either implemented the agreement or developed cold feet. Notable such examples are the manner in which Russia disowned its commitment for \$ 350 m Cryogenic deal with India and the long-drawn, largely inconsequential negotiations for the supply of arms, defence spare-parts and oil to India. One obvious problem here appears to be the ongoing instability and paralysis of Russian government apparatus in Moscow, though it is not confined to dealing with India alone. But the net result has been that India is not always sure how much of the agreements signed could be implemented from the Russian side, and how many ministries and officials the Indian embassy in Moscow must lobby to help. Likewise, various economic delegations of India's private sectors have not been able to make a headway in Moscow other than listening to good intentions and signing agreements that soon become problematic to implement. This certainly is a disincentive for India. Moreover, this combined with the increasing competition from the west in the CIS market, above all, Russian, as well as the increasing role of Turkey and

Pakistan (backed by United States) in Central Asian republics, are a major hurdle for India's economic relations with the CIS.⁵

3. The collapse of political relationship and the growing communication gap between Delhi and Moscow.

Gone are the days when Indian leaders and officials had easy access to their counter-parts in Moscow and republican capitals. Today the job of an Indian ambassador or a visiting dignitary to the CIS capitals has turned complicated, often frustrating, for he/she has to knock on a quite a number of doors in the corridors of power to get a job done, if, at all, it is done. As an illustration, there is a statement of Pavel Grachev, Russia's defence minister, on the supply of arms and military spare parts in September 1992 on Moscow TV: "This question took the most part of our time(he said). We discussed the ways of sale of arms and technology to India. At the same time this question is not the prerogative of the Russian defence ministry. This question is studied by our ministry of armed forces.⁶ As a matter of fact, it is no longer unusual to find Russian

5. Refer, Appendix 'F' for detail on India's economic relations with CIS. Also see, Appendix 'E' for detail on Turkey and Pakistan in Central Asian States.

6. Indian Express, September 8, 1993.

spokesmen often making contradictory statements inside and outside the United Nations even on issues vital to India, like Kashmir, NPT and sale of defence equipments and high technology; so much so that president Yeltsin's remarks on Kashmir during his visit to Delhi are open to different interpretations.

4. The top apparatus of Russian foreign office, has little time or inclination for diversion from the West & Russia's close Asian neighbours, China and Japan. Besides, the officially patronized print and electronic media in Moscow has not only ignored India but it has also turned cool, if not always hostile.⁷

Likewise, the five Asian republics (Tajikistan, Turkmenistan, Kazhakstan, Kirgistan and Uzbekistan) appear to prefer pure bilateralism, and that too, oriented on trade and commerce, and no more, in dealing with India.

5. The ongoing structural changes in Indian economy has made India to gravitate away from the erstwhile Soviet market, finding it less attractive; partially because of new geographical location and partially because of collapse of their traditional power-structure which has made change in their status (of many of the CIS states) from donor to that of recipient one.

7. Ibid.

6. Central Asian states are trying to find new avenues for their foreign policy activities, falling back, for a start on the cultural & linguistic heritage of their past. This trend in India can be viewed by our analyst as the rise of "Islamic Fundamentalism" - a threat for any Secular state.

7. **US Hegemonism**

In the changing power-matrix UN has become a post-factor rubber stamp for the US's bravura, runaway exercises. The Clinton white house perception of the world has began to affect bilateral or regional politico-strategic equation or equations. For example in Korea, Iran, West Asia, Somalia, S.Asia, central Asia & Afghanistan.

Positive Factors/development after Soviet collapse

1. Russia acting like a European power under the US patronage is no cakewalk. It has to face rivalry and competition with other big European powers like France and Germany. Then there are counter-claims of Ukraine, Belarus, and East European states for maximum serving of the European salad. On top of it, inspite of its best efforts, prospects for a special relations with the US remain distant, it is unlikely that the Clinton Administration will be prepared to give a special treatment to Russia totally ignoring the claims of its traditional alliance partners as well as the countries

of central and eastern Europe. It may be hoped that getting hooked by USA, rather cheaply, will pave the way for rise of "Eurasianists" who will take the bridle from the "Euro-Atlanticists, in Russia, being less problematic to India.

2. Notwithstanding the disdain and disliked by the Yeltsin administration of close and friendly Indo-Soviet relations of the part there is a large reserve of good will and appreciation for India & its composite cultural heritage found in Russia and in other commonwealth of independent states.⁸ It is precisely this large reserve that provides India a continuity from the past.

3. The declaration of India's policy to Russia, made on the occasion of signing of Indo-Russian pact on combating terrorism and drug-trafficking on Oct. 18, 1993, affirmed: "In recent months we (India & Russia - added) have worked together to adjust our bilateral relationswe in India look forward to a stable prosperous, democratic and a strong Russian federation....."⁹ It shows that India & Russia relationship is now shaped bilaterally in a realistic manner, oriented on trade and commerce and nothing more (profitable for India).

8. Zafar Imam, op.cit..

9. Hindustan Times, Oct. 19, 1993.

4. Now, there is no need to O.K./Pass such type of resolution; as passed during the visit of President Yeltsin to India. However, the resolution of the debt problem by India during his time of visit (unprofitable for India) has paved the way for trade and commerce not only with Russia but with others in the CIS as well.

5. After disintegration, India is providing various facilities to Russia, Kazakhstan, Kirgistan, Uzbekistan and others, so that the trade between CIS & India can be improved. A 5 year trade agreement was also signed in 1992 with India's technical credit ceiling fixed at annually¹⁰.

6. Because of Southward extension of central Asian states, Russia like India fears that Islamic fundamentalism and other forms of extremism may spread to the whole of Central Asia. Leading to built up/strengthening of Pan-Islamic Movement, threatening the secular fabric of neighboring countries.

Like India (11% of Muslim population), Russia (10% Muslim Population) also has large no. of Muslim population. They live in areas which are adjacent to Central Asia in possibility of Islamic fundamentalism gaining ground.

10. Stateman, May 5, 1992. Also see, Appendix 'F' note on India's Economic Relation with the CIS.

Central Asia, these autonomous republics of Russia will be affected. So, in order to curb Islamic fundamentalism strong handedly, Russia's natural friends are Israel and India, who too are highly concern of growing Islamic fundamentalism, partly because of Geographical proximity (as in Israel & India) and partly because of domestic compulsions (only in India). So, a close relation (in future) between India, Israel & Russia can be envisaged.

Similarly, the present leadership in Central Asia (who were communist prior to breakup of the Union have now turned Nationalist) also fears from spread of Islamic fundamentalism. They want the Guarantor of peace in Central Asia. In this competition, India, has however, inbuilt advantages. The one is India's democratic and secular set up, which certainly presents a viable and attractive nation-building model for these new states in Asia. The other India can easily offer the kind of appropriate technology and economic inputs that these new states amply require. And India is acting in this direction too.

General Nature of Indian Economy

(1989-90 to 1993-94)

India's picture, looks very dismal, during the Soviet disintegration. It's real GDP/GNP Growth was very low, and export and current account balance - unfavourable. It slowly peaked up from 1992 and managed to lessen current account deficit (from 1991 position) by expanding export; but profits of exports get marginalised by expanding imports in 1993, but the situation is still better than that of 1991. As far as exchange rate is concerned, it's condition has deteriorated from that of 1991, because of devaluation of rupees, in turn boosting Govt.'s export-promotion measures.

So, we get the impression that India's export-import has been increasing, current account balance to an extent improved, rupee devaluing (as exchange-rate indicates), low-stagnant GDP/GNP Growth - "not standing upto mark, among other prosperous countries of the world".

For detail, go through Table 1 to 12 and Fig.1 to 4. The observations of all the tables & the figures are noted under sub-heading "General Observations on General Nature of Indian Economy".

Table 1 : Balance of Payments 1989-90 to 1993-94

(US\$ million)

	1989-90	1990-91	1991-92	1992-93	1993-94
A: Earning by Sources					
Exports	16,955	18,491	18,135	18,500	20,350
Imports	24,411	26,241	21,213	24,000	27,600
Trade balance	-7,456	-7,750	-3,078	-5,500	-7,250
Tourist earnings (Net)	1,031	862	850	900	900
Remittances (net)	2,284	2,000	2,200	2,200	2,500
Interest and other invest income	-2928	-3,100	-3,200	-3,400	-3,500
Official transfer (net)	539	457	451	450	450
Others invisibles (net)	-308	-196	-249	-250	-200
Total invisibles (net)	618	23	52	-100	150
Current account balance	-6,838	-7,727	-3,026	-5,600	-7,100
Foreign assistance (net)	1,856	2,268	2,803	2,500	2,800
Commercial borrowing (net)	1,777	729	1,805	50	75
NRI deposits (net)	2,403	1,259	-747	650	650
INF (net)	-877	1,214	781	1,500	325
Other capital (net) inc. foreign investment	938	979	1,767	2,300	2,400
Total capital (net)	6,097	6,449	6,409	7,000	6,250
Change in reserves	-741	-1,278	3,383	1,400	-850
Reserves outstanding	3,368	2,236	5,361	6,434	5,584
External Debt	57,737	67,070	68,670	75,670	81,920
Debt service ratio	24.90	25.20	26.20	29.00	30.00
GROWTH RATE (%)					
Export	18.92	9.06	-1.93	2.01	10.0
Import	3.36	7.50	-19.16	13.14	15.0
Current account as % of GDP	-2.7	-2.5	-1.0	-2.4	-3.0

Note: The last two year's figures are CMIE estimates and projections.

Source : India:1993-94, An Express Vans Publication, Indian Express Newspapers (P) Ltd., Oct. 1993.

Table 2 : Composition of India's Exports

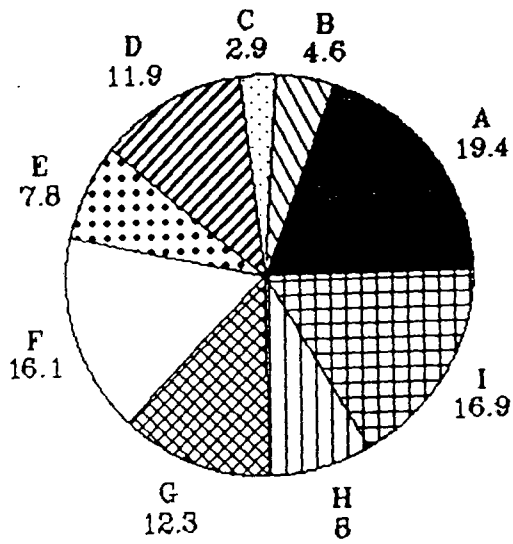
	(Per cent)		
	1990-91	1991-92	1992-93
Agriculture and Allied products*	19.4	18.7	16.5
Ores and Minerals	4.6	4.6	3.1
Mineral Fuel and Lubricants	2.9	2.4	2.9
Engineering Goods**	11.9	12.5	13.6
Chemicals	7.8	8.9	7.8
Gems and Jewellery	16.1	15.3	16.0
Readymade garments	12.3	12.3	13.3
Leather and leather manufactures	8.0	7.1	7.2
Others	16.9	18.2	19.6

* Include Coffee, Tea, Oilcakes, Tobacco, Cashewnuts; Spices, Sugar, Raw Cotton, Rice and Marine Products.

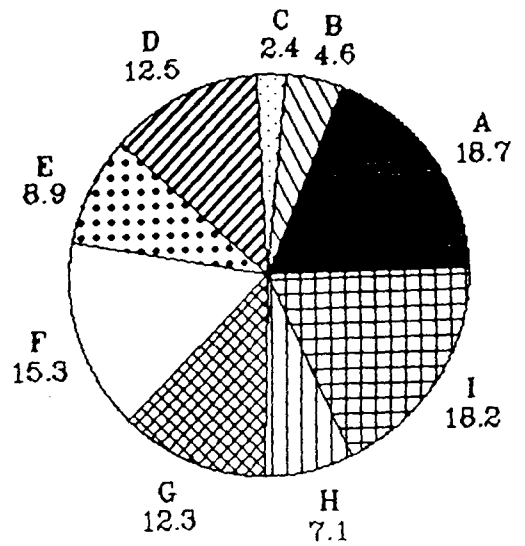
** Include Machinery, Transport equipment, Metal manufactures (Including Iron & steel), Electronic goods and computer software.

Source : DGCI & S

Composition of India's Exports (in percent)

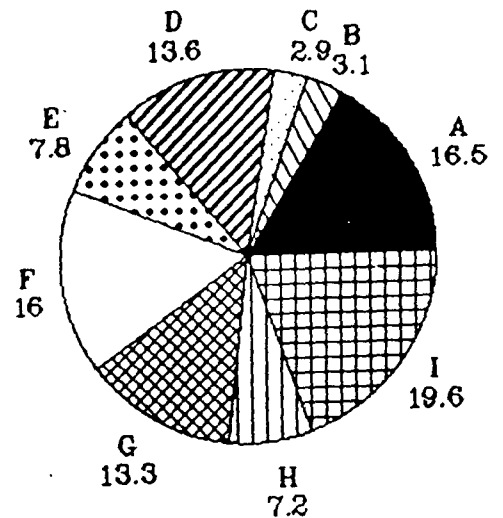


1990-91



1991-92

- A - Agriculture and Allied products
- B - Ores and Minerals
- C - Mineral Fuel & Lubricants
- D - Engineering Goods
- E - Chemicals
- F - Gems and Jewellery
- G - Readymad Garments
- H - Leather and Leather Manufactures
- I - Others



1992-93

Table 3 : Destination of India's Exports

	(Per cent)		
	1990-91	1991-92	1992-93
UK	6.5	6.4	7.4
FRG	7.8	7.1	7.5
Other EEC	13.2	13.5	13.5
USA	14.7	16.4	19.4
JAPAN	9.3	9.2	7.7
Other OECD	2.0	5.2	5.7
USSR	16.1	9.2	3.6
Other East Europe	1.8	1.8	1.3
OPEC	5.6	8.7	9.4
Developing Countries (Non-OPEC)	16.8	16.1	16.7
Others	6.2	6.3	7.9

Source : DGCI & S

Table 4 : Composition of India's Imports

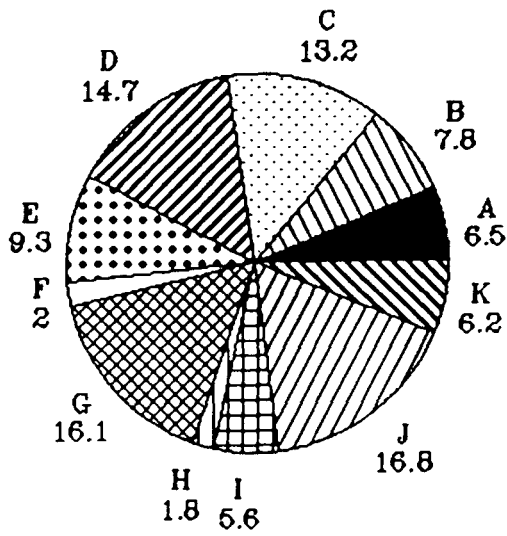
	(Per cent)		
	1990-91	1991-92	1992-93
Food & Live animals Chiefly for food	NA	NA	NA
Raw materials and intermediate manufactures	NA	NA	NA
Capital Goods*	24.23	21.81	NA
Others	NA	NA	NA

NA Not available

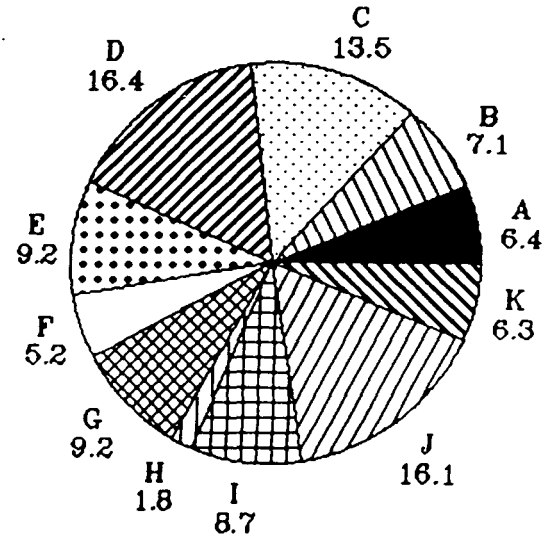
* Capital Goods, includes Project Goods
(The given percentage of 1990-91, 1991-92 is not quantity
percentage, but rupee percentage).

Source : DGCI & S.

Destination of India's Exports (in Percent)

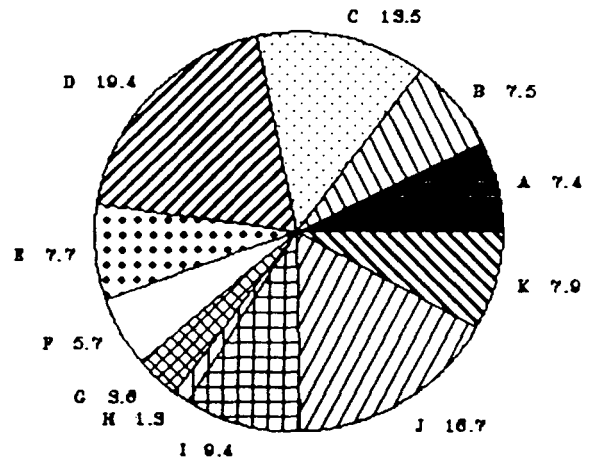


1990-91



1991-92

- A - UK
- B - FRG
- C - Other EEC
- D - USA
- E - Japan
- F - Other OECD
- G - USSR
- H - Other East Europe
- I - OPEC
- J - Developing Countries
(Non-OPEC)
- K - Others



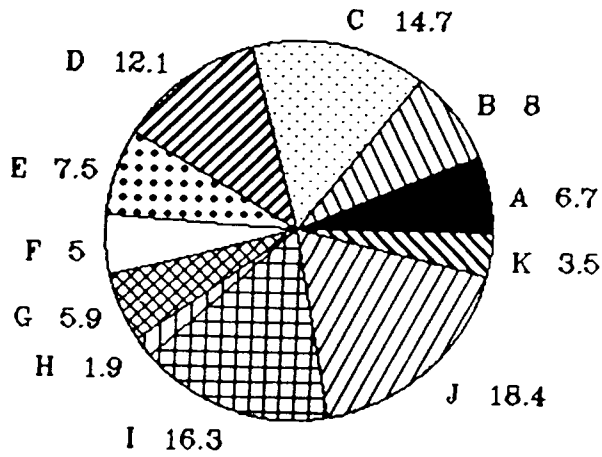
1992-93

Table 5 : Sources of India's Imports

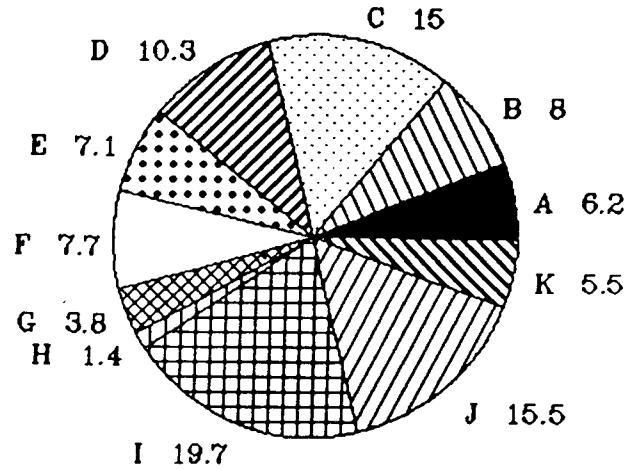
	(Per cent)		
	1990-91	1991-92	1992-93
UK	6.7	6.2	6.6
FRG	8.0	8.0	8.4
Other EEC	14.7	15.0	15.9
USA	12.1	10.3	10.0
Japan	7.5	7.1	5.8
Other OECD	5.0	7.7	9.2
USSR	5.9	3.8	0.9
Other East Europe	1.9	1.4	1.4
OPEC	16.3	19.7	21.7
Developing countries (Non-OPEC)	18.4	15.5	13.8
Others	3.5	5.5	6.2

Source : DGCI & S

Sources of India's Imports (in Percent)

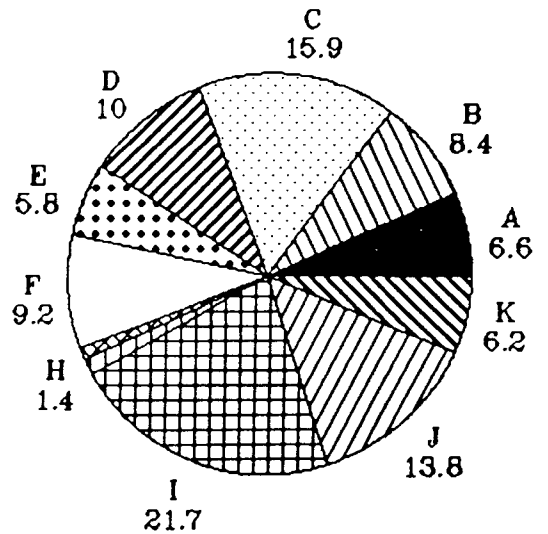


1990-91



1991-92

- A - UK
- B - FRG
- C - Other EEC
- D - USA
- E - Japan
- F - Other OECD
- G - USSR
- H - Other East Europe
- I - OPEC
- J - Developing Countries
(Non-OPEC)
- K - Others



1992-93

Table 6 : Comparative table of India's Import and Export

	(Per cent)					
	1990-91		1991-92		1992-93	
	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.
UK	6.7	6.5	6.2	6.4	6.6	7.4
FRG	8.0	7.8	8.0	7.1	8.4	7.5
Other EEC	14.7	13.2	15.0	13.5	15.9	13.5
USA	12.1	14.7	10.3	16.4	10.0	19.4
Japan	7.5	9.3	7.1	9.2	5.8	7.7
Other OECD	5.0	2.0	7.7	5.2	9.2	5.7
USSR	5.9	16.1	3.8	9.2	0.9	3.6
Other East Europe	1.9	1.8	1.4	1.8	1.4	1.3
OPEC	16.3	5.6	19.7	8.7	21.7	9.4
Developing countries (Non-OPEC)	18.4	16.8	15.5	16.1	13.8	16.7
Others	3.5	6.2	5.5	6.3	6.2	7.9

Table 7a : Countrywise Breakup of Foreign Investment Approved, 1990-1992

1	Total approvals			Shares		
	1990	1991	1992	1990	1991	1992
	2	3	4	5	6	7
	(Rs. Million)			(Per cent)		
U.S.A.	344.8	1858.5	12315.0	26.9	34.8	31.7
Switzerland	135.0	355.0	6897.6	10.5	6.6	17.7
Japan	50.0	527.1	6102.3	3.9	9.9	15.7
Switzerland	135.0	355.0	6897.6	10.5	6.6	17.7
Japan	50.0	527.1	6102.3	3.9	9.9	15.7
U.K.	90.6	321.0	1176.7	7.1	6.0	3.0
Netherland	37.6	559.2	967.9	2.9	10.5	2.5
Germany	195.1	418.0	862.7	15.2	7.8	2.2
Italy	68.2	178.1	893.9	5.3	3.3	2.3
Australia	6.3	26.1	776.2	0.5	0.5	2.0
Hongkong	11.5	211.5	570.8	0.9	4.0	1.5
Malasiya	1.2	1.8	744.3	0.1	0.0	1.9
Singapore	-	13.7	602.1	0.0	0.3	1.5
France	88.8	193.3	296.4	6.9	3.6	0.8
Sweden	3.3	69.8	484.1	0.3	1.3	1.2
Korea (Rep. of)	70.6	61.5	394.0	5.5	1.2	1.0
Denmark	27.2	111.7	252.3	2.1	2.1	1.0
Russia	71.8	86.1	115.9	5.6	1.6	0.3
Belgium	-	16.1	237.0	0.0	0.3	0.6
Taiwan	8.4	4.5	237.0	0.7	0.1	0.6
Finland	5.6	25.3	105.0	0.4	0.5	0.3
NRIs	52.4	197.0	4391.3	4.1	3.7	11.3
Others	14.8	105.8	452.9	1.2	2.0	1.2
Total	1283.2	5341.1	38875.4	100.0	100.0	100.0

Source : Reserve Bank of India.

Table 7b : Inflow of External Assistance : 1960-61 to 1992-93

(Rs. crores)

Year	Aid pledged by Aid-India consortium	Aid from Consortium & Non-consortium sources					Net aid inflow (2-5)
		Gross aid utilisation	Amortisation payment	Interest payment	Total debt services (3+4)	Debt service as % of col.2	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1961-62		532	91	52	143	26.9	389
1962-63		699	76	61	137	19.6	562
1963-64		929	85	72	157	16.9	772
1964-65		1139	109	82	191	16.8	948
1965-66		1216	121	106	227	18.7	989
1966-67		1132	157	115	272	24.0	860
1967-68		1177	194	122	316	26.8	861
1968-69		913	207	137	344	37.7	569
1969-70		837	238	142	380	45.4	457
1970-71		780	254	158	412	52.8	368
1971-72	940	823	271	175	446	54.2	377
1972-73	950	605	302	177	479	79.2	126
1973-74	852	803	300	184	484	60.3	319
1974-75	1134	1314	368	201	569	43.3	745
1975-76	1483	1718	427	224	651	37.9	1067
1976-77	1523	1531	471	242	713	46.6	818
1977-78	1853	1268	561	260	821	64.8	447
1978-79	2015	1216	600	286	886	72.9	330
1979-80	2698	1353	570	301	871	64.4	482
1980-81	2681	2162	518	286	804	37.2	1358
1981-82	3089	1865	538	311	849	45.5	1016
1982-83	3585	2252	587	360	947	42.1	1305
1983-84	3980	2266	616	417	1033	45.6	1233
1984-85	4707	2359	647	529	1176	49.9	1183
1985-86	4748	2936	776	591	1367	46.6	1569
1986-87	5626	3605	1176	853	2029	56.3	1576
1987-88	7003	5052	1581	1043	2624	51.9	2428
1988-89	8741	5304	1646	1300	2946	55.5	2358
1989-90	11000	5802	1987	1699	3686	63.5	2116
1990-91	11350	6660	2395	1955	4350	65.0	2310
1991-92	17300	11670	3559	-	-	-	-
1992-93	18600	-	-	-	-	-	-

Note : The above figures do not include loans received by government from the IMF under Extended Fund Facility and Compensatory Financing Facility.

At the annual Aid-India consortium meetings the donor countries only make aid pledges which does not means corresponding aid availability to us, since such meetings are followed by country negotiations for signing of agreements. So, often the aid agreed is smaller than aid pledged. Then out of the agreed aid, funds are released when purchases are made, while project-linked amounts are released over several years. Besides a good part of the aid is used for repayment of outstanding of earlier aids and interest payments thereon. Thus only a small part of the aid utilised in a year is out of the aid authorised during the year. Therefore, debt servicing which absorbed around one sixth of the gross aid utilised during early sixties increased over the years to form three-fifths in 1990-91.

Source : India : 1993-94, An Express Vans Publication, Indian Express Newspapers (P) Ltd. Oct. 1993.

Table 8 : Drawls from International Monetary Fund, 1990-1992

Date	Facility	SDR (million)	US\$ (million)	Rs. (crore)
1	2	3	4	5
July-Sept 1990	RT	487	666	1168
23-01-1991	FCT	552	789	1450
23-01-1991	CCFF	717	1025	1884
22-07-1991	CCFF	166	221	570
16-09-1991	CCFF	469	637	1647
15-11-1991	UCT	85	117	305
02-01-1992	UCT	185	265	683
02-07-1992	UCT	462	663	1717
09-12-1992	UCT	462	643	1685
Expected in Feb '93	UCT	231	325	845
Expected in May '93	UCT	231	325	845

RT Reserve tranche
 FCT First credit tranche
 CCFF Compensatory and contingency financing facility
 UCT Upper credit tranche.

Source : Reserve Bank of India.

Table 9 : Stocks and Flows under non-resident deposit accounts

Year	NR(E)R Accounts		FCNR Accounts		Total	
	Outstanding at year end @	Inflow(+)/ Outflow (-)	Outstanding at year end**	Inflow(+)/ Outflow(-)	Outstanding at year end	Inflow(+)/ Outflow(-)
1	2	3	4	5	6	7
(Rs. hundred crore)						
1985-86	34.61	6.16	21.89	11.51	56.50	17.67
1986-87	43.36	4.77	35.11	11.73	78.47	16.50
1987-88	51.07	4.77	49.47	13.63	100.54	18.40
1988-89	58.99	2.35	82.55	22.30	141.54	24.65
1989-90	65.07	-0.04	113.24	21.79	178.31	21.75
1990-91	73.49	1.56	134.05	2.55	207.54	4.11
1991-92	80.71	-0.44	136.08	-36.41	216.79	-36.85
1992-93*	89.83	2.60	130.90	-6.19	220.73	-3.59
(US\$ billion)						
1985-86	2.81	0.50	1.78	0.94	4.59	1.44
1986-87	3.35	0.37	2.72	0.92	6.07	1.29
1987-88	3.94	0.37	3.83	1.05	7.77	1.42
1988-89	3.77	0.16	5.28	1.54	9.05	1.70
1989-90	3.78	-	6.58	1.31	10.36	1.31
1990-91	3.74	0.08	6.84	0.17	10.58	0.25
1991-92	2.59	-0.03	5.26	-1.63	7.85	-1.66
1992-93*	2.92	0.09	4.99	-0.15	7.91	-0.06

@ Inclusive of accrued interest.

* Up to December 1992 and provisional.

** Exclusive of accrued interest.

Source : Reserve Bank of India.

Table 10 : Foreign Currency Reserves 1991-92 and 1992-93

End of month	US \$ million		Months of Imports covered	
	1991-92	1992-93	1991-92	1992-93
April	1269	5476	0.89	2.75
May	1271	5458	0.90	2.72
June	1124	6224	0.70	2.88
July	1286	6457	0.98	3.00
August	1141	6309	0.77	3.36
September	1722	5769	1.12	2.82
October	2325	5467	1.43	3.03
November	2707	4861	1.81	2.42
December	3580	5359	2.08	2.65
January	3774		2.35	
February	4162		2.46	
March	5631		3.08	

Note : To calculate the number of months of imports covered, the rupee equivalent of foreign currency reserves (at the official exchange rate) is divided by imports in that month.

Source : India : 1993-94, An Express Vans Publication, Indian Express Newspapers (P) Ltd, Oct. 1993. (The last three months i.e. October, November & December figures are CMIE estimates and projections).

Table 11 : Movements in Foreign Exchange Reserves

Year	Foreign currency assets at the end of the year		Reserves at the end of the year ^a		Movements in reserves		Net draws of IMF		
	1	2	3	4	5	6	7	8	9
	Rs.crore	\$ million	Rs.crore	\$ million	Rs.crore	\$ million	Rs.crore	\$ million	
1980-81	4882	5850	5544	6823	-390	-538	814*	1029*	
1981-82	3355	3582	4024	4390	-1520	-2433	637	639	
1982-83	4265	4281	4782	4896	758	506	1893	1958	
1983-84	5498	5099	5972	5649	1190	753	1342	1298	
1984-85	6817	5482	7243	5952	1271	303	63	53	
1985-86	7384	5972	7820	6520	577	568	-327*	-267*	
1986-87	7645	5924	8151	6574	331	54	-840*	-690*	
1987-88	7287	5618	7687	6223	-464	-351	1388*	-1123*	
1988-89	6605	4226	7040	4802	-647	-1421	-1749*	-1175*	
1989-90	5787	3368	6251	3962	-789	-840	-1688*	-1035*	
1990-91	4388	2236	11416#	5834	5165#	1872#	2043*	1106*	
1991-92	14578	5631	23850#+	9220#+	12434#+	3386#+	2078	780	
1992-93	13688	5237	22720	8693	-1130	-527	2625	1006	

(upto end
Jan 1993)

- @ Includes foreign currency assets of RBI, gold holdings of RBI and SDR holdings of Government.
- * Includes Trust Fund loan drawals and repayments.
- # Effective October 17, 1990 gold is revalued close to international market price at the end of every month. For earlier periods gold is valued at official rate of Rs.84.39, per 10 grammes.
- + Includes purchase of gold of Rs. 494 crore (US \$ 191 million) from Government of India.

Source : Reserve Bank of India.

Table 12 : External Debt and Debt Servicing : Key Indicators

	1980-81	1985-86	1988-89	1989-90	1990-91	1991-92	Sep. '92
1	2	3	4	5	6	7	8
Year end external debt							
US\$ billion	23.50	37.35	53.90	58.63	63.40	67.58	71.11
Rs. hundred crore	194.70	459.61	844.92	1003.76	1229.50	1989.67	2029.72
Debt service payments							
US\$ billion	1.41	2.61	5.65	6.02	6.43	6.44	
Rs. hundred crore	11.16	31.89	81.77	100.22	115.41	159.28	
Total Debt as per cent of GDP	13.7	17.4	19.7	21.5	21.4	27.3	
Debt service as per cent of current receipts	9.3	16.7	26.5	25.2	24.7	24.6	

Note : Data on short-term debt and estimated interest payments on NRI deposits are not available prior to 1988-89, hence the series from 1988-89 onwards is not strictly comparable with the prior to 1988-89. The external debt data conform to the reclassification suggested by the Report of the Task Force and the Policy Group on External Debt Statistics of India, 1992 from 1988-89.

Source : Reserve Bank of India.

General Observations on General Nature of Indian Economy

* For the financial year 1993-94, the current account deficit is to reach \$ 7 billion, as compared with \$ 6 billion in 1992-93 and \$ 2.8 billion in 1991-92.

* The trade deficit for 1993-94, is \$ 7.2 billion, compared with \$ 5.5 billion in 1992-93 and \$ 3 billion in 1991-92. In 1993-94, the Growth rate of export & import has been 10% & 15% respectively, as compared with 2% of Export & 13% of import in 1992-93 and -2% of export and -19% of import in 1991-92. So, we see that in 1991-92, the trade which has virtually collapsed is again on path of improvement.

* UK, Germany, USA, Japan are our major trade partners accounting for 30.8% of our total import and 42.0% of our total export. After Soviet collapse, which has also led to trade collapse in between CIS & India, needs to be revitalised as it has reached as low as 0.9% (import, 1992-93) & 3.6 (Export, 1992-93) from 5.9% (import, 1990-91) & 16.1% (Export, 1990-91). It is the USA & UK, where our export has increased after Soviet collapse, rescuing us from loss of virtual collapse of trade in between CIS & India. FRG & Japan, though a major trade partner, their share in our export has slightly decreased, which needs to be retracked. Import has decreased in case of Japan but has increased in case of Germany. So, Germany needs a special attention by our trade-analysists.

We have also good trade relation other EEC (minus UK & Germany) & Non-OPEC developing countries. It needs to be more strengthened. But, our volume of trade with other East European countries (minus USSR) is less, though a Balanced one. It needs to be increased.

We have very unbalanced Export-Import ratio with OPEC countries. Import far exceeds Export. Our analysts & planners must look up for new avenues in OPEC countries, so that by increasing Export to OPEC, the gap can be lessened.

* When it comes to composition of our Exports, then I see that percentage of Agriculture and Allied products has come down from 19.4% in 1990-91 to 16.5% in 1992-93. It needs to be checked & further boosted. The other items in which Export has declined are Ores & Minerals & Leather & Leather Manufactures. Whereas decrease in export of Ores & Minerals is a good sign - showing our getting industrialised, the decreased in Leather & Leather manufactures from 8.0% in 1990-91 to 7.2% in 1992-93 need to be checked & further boosted.

Readymade Garments and Engineering Goods are the areas, where the share in export has gave up; the mineral fuel & lubricants, Chemicals, Gems & Jewellery are the area, where our export share has remain more or less the same.

* Net external assistance during April-September 1992 was less than one-fifth that received in the corresponding

period of 1991. This source financed only 6% of the current account deficit in April-September 1992 whereas it had financed more than half the current account deficit in April-September 1991. During the second half of 1992-93. "Other Capital" (net) amounting to \$ 3044 million financed more than 75% of the current account deficit. "Other Capital" receipts included FCBOD receipts of \$ 1446 million movements in bilateral balances of \$ 635 million and short-term credits of \$ 333 million.

During the 1992-93, net external assistance has financed almost all of the current account deficit. But in 1993-94, net external assistance has gone down because of drastic reduction of IMF (NET) from \$ 1500 million in 1992-93 to \$ 325 million in 1993-94.

* The total foreign investment approved in 1992 was 38875.4 million, as compare to 5341.1 million in 1991. The Aid pledged by Aid India consortium in 1992-93 was 18600 crore. The figure of 1993-94 is not available. The top ten countries (USA, Switzerland, Japan, UK, Neth., Germ., Italy, Aust., Hongkong, Malaysia) share in total foreign investment approved is 80.5%. The top five's share is 70.6% and the top three, who are USA, Switzerland and Japan alone accounts for 65.1% of total foreign investment approved.

* Movement in the country's foreign exchange resources reflect the net result of external transactions. The new balance of payments adjustment strategy adopted since July

1991 has resulted in a considerable improvement in reserves during 1991-92 and 1992-93. Foreign exchange reserve, stood as US\$ 9220 million at the end of March 1992, an increase of US\$ 3386 million over the end - March 1992, an increase of US\$ 3395 million in 1991-92 as against a decline of US\$ 1132 million in 1990-91. Foreign currency assets reached US\$ 6.9 billion in the middle of July 1992 and stood at US\$ 5096 million as on 5 February 1993 showing a decline of US\$ 535 million over the end - March level. The decline of foreign currency assets during 1992-93, in spite of recourse to IMF resources [India made a 20-month stand by arrangement with the IMF in October 1991 for a total loan of SDR 1656 million (US\$ 2262 million)] was mainly due to a substantial increase in imports as industry recovered and replenished its inventories.

Reserves have also suffered because of a net outflow of NRI funds. The net outflow of funds from NRI bank deposits between April-November 1992 was \$ 248 million - approximately 15% the net outflows in the corresponding period of 1991. In fact, there was a net inflow of \$ 64 mln. into FCNR accounts in November 1992. However, these was net outflow from NRER accounts for the fifth consecutive month in November 1992, resulting in a total net inflow of \$ 40 million during the month.

* The growing payments deficits and external borrowings after the mid-eighties coincided with a deterioration in the quality of external financing. Maturities shortened and the average rate of interest increased. This is reflected in an increase in the total debt. The total debt outstanding at the end of September 1992 stood at US\$ 71 billion and in 1993-94, stood at US\$ 81.9 billion. These developments have necessitated a close monitoring of the size, composition and growth of external debt in the future (Also, suggested in the report of task Force and a Policy Group on External Debt, set up by Reserve Bank of India in consultation with the Ministry of Finance. The report made recommendations on the standardization of collection and compilation of external debt statistics and their monitoring).

Supplement

The Times of India (N. Delhi) of 27 April 1994 writes that India does not need to access IMF facilities in news of the vast improvement in her reserve position (approximately \$ 14 billion), justifying our right approach of early going to the IMF, when we (India) were in trouble ; and subsequently, following the policy of liberalisation of Indian Economy, to come out of the trouble, by boosting Indian exports, attracting NRI deposits, and foreign-investments from abroad.

**GATT (General Agreement on Tariffs and Trade)
Final Agreement (December 15, 1993) and Its Implications**

Final Provision of the Agreement¹¹

On December 15, 1993, 116 countries including India brought to an end the seven-year long drawn out Uruguay Round of Negotiations.

The key points in the Agreement are as under :

1. Industrial countries will reduce tariffs on most manufactured goods by more than a third to an average of 3 per cent.
2. Reduction in the volume of subsidised agricultural exports.
3. Trade in services like banking and insurance, and export of skilled manpower, brought under GATT.
4. The multi-fibre agreement (MFA), to be phased out over a period of ten years, as textiles will come under GATT.
5. Twenty-year protection for patents, trademarks, and copyrights but developing countries get a ten year phase in period.

11. N.K.Chowdhry & J.C.Aggarwal, "Dunkel Proposals : Implications for India and the third world", 1994, Shipra Publication.

Specific Provisions and Gains for India : Government Stand¹²

The Union Commerce Minister Pranab Mukherjee pointed out the following facts on December 18, 1993.

1. Reduction in tariff levels to be carried out in a 10-year period from the date of implementation of the Uruguay Round Agreement.
2. Phasing out the period to coincide with the 10-year transitional period agreed to for the integration of textiles into GATT.
3. Reduction of import tariffs on the textile items falling into three categories : fabrics made from flex (listed in Chapter 53 of the harmonised code, special woven fabrics (Chapter 58) and felt and non-woven materials (Chapter 56).

Mr. Mukherjee stated that India had, in relative terms, gained in a number of areas in the new agreement and commended the negotiating team for doing a "good job".

in general, the country had gained from the benefits of a multilateral trading system, like most favoured nation (MFN) status, rule-based trade and the protection of a

12. Ibid;

Also see Appendix 'G' for Commerce Secretary views on Dunkel Draft Proposal

dispute settlement system, where unilateral action would be subject to multilateral review.

Explaining the impact of the Uruguay Round agreement on India at a crowded news conference here, Mr. Mukherjee discounted apprehensions that the subsidies derived by the Indian farmers would be discontinued as a result of the new agreement. He pointed out that the existing 10 per cent ceiling on subsidies amounted to Rs. 11,300 crore as against the maximum subsidy given by India at the level of Rs.5,200 crore. But as a result of this agreement, the subsidy ceiling for India would go up to as high as Rs.30,000 crore.

Mr. Mukherjee's assertion was that the gains to India as a result of this agreement would emanate from the benefits out of the new multilateral trading system with its most favoured nation status among the trading countries and the rule base trading regime. He underlined that India is a small player in the global trade and the Government could not have influenced much the course of negotiations in favour of India.

He pointed out, Indian negotiators did an excellent job in the final round of negotiations and India had been able to protect to some extent the country's interests in a large number of areas, including agriculture, textiles and services.

As regards textiles about which an impression had been created that India had got a bad deal. Mr. Mukherjee said that the agreement to phase out textile import quotas in developed countries within a definite time frame of ten years, had been an achievement taking into account the fact that such efforts made earlier in the last 30 years did not bear any fruit.

He elaborated on this textile agreement by pointing out that the tariff bindings on textile products would begin only after the phase out period. However, he admitted that most of the benefits out of the abolition of the multi-fibre agreement would be realised only after the ten year time frame.

The Commerce Minister stated that India had successfully resisted suggestions to open its market on reciprocal basis. He pointed out that the revised text stipulated that public procurement, stock holding and sale as also subsidies to the rural and urban poor would be exempt from all commitments.

Referring to the patents and the trade related intellectual property rights, Mr. Mukherjee said that there would be a ten year transition period for introduction of product patents and the Indian Patents Act would have to be revised on the lines of the provisions made in the agreement.

The Minister observed that Indian farmers would be able now to retain and exchange seeds among themselves, though commercial sale of these patented and packaged seeds would not be permitted.

Mr. Mukherjee was very specific that the adoption of international standards in IPR protection would enhance flow of foreign direct investment and technology. Further while providing for plant breeders rights, farmers and researchers rights could be protected under the sui generis system to be adopted by India.

As regards services, the Minister said that access of service personnel into markets of member countries would henceforth be possible on a non-discriminatory basis under a transparent and rule based system. He, however, did not give any estimate of this outflow of personnel in the near future.

Mr. Mukherjee was of the firm opinion that a big advantage for developing countries like India would be the protection of a multilateral dispute settlement system since any unilateral trade action would be subject to multilateral review. Further, there would be differential treatment for developing and least developed countries.

Opposition Leader on Final Agreement

Shri Atal Behari Vajpayee, the Leader of the Opposition in the Lok Sabha expressed the view that the government ought not to be taking shelter behind technicalities that it was not obligatory on its part to seek Parliament's approval before ratifying the treaty. "If the government feels the treaty is good and beneficial to us, let it face Parliament and seek its approval", he said.

The BJP leader regretted that the developing countries failed to act unitedly to extract the maximum possible advantages. Several of these countries were more interested in securing bilateral concessions instead of collectively opposing the Dunkel proposals that went against the Third World Nations as a bloc.

With a ministerial meeting due in April before the one-year time frame for ratifying treaty, Mr. Vajpayee felt there was still time available for India to get some proposals in its favour.

To a specific query whether he would be for India pulling out of GATT if it failed to extract any concessions now, Mr. Vajpayee said India should then "reconsider" whether or not to continue as a member of the GATT. In the meantime, the Government ought to come before Parliament and seek approval before thinking in terms of ratifying the treaty, he said.

A resolution, adopted by the BJP executive, asserted that India had "lost or capitulated on almost every issue of crucial national interest" in the Uruguay Round deliberations/ "It has lost heavily in agriculture, textile exports, trade-related intellectual property rights (TRIPs) as well as trade-related investment measures (TRIMs)", it said.

The resolution said it was shocking for the Commerce Minister to have pleaded helplessness instead of mobilising all developing countries to present a united front against Western pressures.

Referring to the South Korean Prime Minister's resignation after this failure to stop the opening of his country's sensitive rice market, the resolution said the Narasimha Rao Government on the other hand "has refused to resign" despite opening up the entire economy to foreign economic interests.

As for the Commerce Minister's observation that Indian exports would go up by \$1.5 to 2 billion as a result of the conclusion of the Uruguay Round, the BJP resolution tauntingly asked : "Is India's sovereignty a purchasable commodity?" It went on to say that China, even without being a member of GATT, had been able to increase its exports several fold over the last few years.

The net effect of TRIPs, it said would be to raise the prices of drugs all-round. The clout of foreign drug compa-

nies, which have been "most unscrupulous in their exploitation of markets in Third World", would now increase.

On textiles, the resolution said the quote regime that militates against India's exports has been extended further by 10 years. Further, there was no guarantee that it would not be extended further.

The BJP, it said, would take the initiative to interact with "all democratic nationalist forces to wage a relentless struggle for economic and national sovereignty".

Miss Tavleen Singh summed up the discussions held in Parliament on the GATT in these words, "From extreme Left to extreme Right there is, for once, unanimity. All our political parties agree that the Government has 'compromised India's sovereignty' by signing GATT (General Agreement on Tariffs and Trade). Since most of the debate on whether we could have avoided signing or not is held in economic jargon of the most mystifying kind, mere mortals like us cannot even begin to understand what is going on. So, our netas are having a field day. Most of them understand very little themselves but rhetoric, in Indian political circles, passes easily for analysis. When the subject came up for the usual 'uproar' (debates, alas, out of fashion) in the Lok Sabha, Somnath Chaterji railed against the 'anti-national' and 'anti-people' proposals and warned the Government that the

House would not sit idle while the country's interest were being sold to 'US imperialists'. He was supported, not just by other Lefties like George Fernandes but even by supposedly right-wing MPs like Jaswant Singh. And as for Jaipal Reddy of Janata Dal, he went even further, 'We cannot be party to the signing of the death warrant of the Indian economy', he pronounced grandly as if his party had so far been personally responsible for keeping it alive.

When it comes to defending Indian nationalism and sovereignty the BJP cannot be anywhere but in the vanguard so they have actually passed an economic resolution condemning what they describe as 'a new type of colonial aggression' in which 'rich countries have used their economic and political muscle to ride roughshod over the interests of poor countries which will keep the Indian consumer as well as the Indian manufacturer perpetually at the receiving end of powerful multinational corporations'.

The most relevant of these is did the Government have a choice? The short answer to that is 'no'. It had no choice because thanks to years and years of stupid policies we have been left with very little international economic clout. All these MPs, who are now so angry, so vocal about GATT, slept while successive Governments in Delhi followed economic policies of dubious theoretical merit and almost no practi-

cal use. We got ourselves into such a mess, in fact, that we had to go and beg for foreign money.

Somnath Chatterji rages against GATT being 'anti-people' but where has he been, all these years, when the policies of our own Governments have ensured that the vast majority of Indians remain illiterate? Was it not anti-national to spend only the Budget's small change on education? Narasimha Rao recently announced that by the year 2000 India will spend six per cent of its Budget on education. We needed six per cent yesterday, 20 years ago, we need at least 10 per cent tomorrow if we are not going to enter the 21st century as the world's most illiterate country. Has anyone protested? No. There has not been the smallest squeak out of the Opposition.

Jaipal Reddy is worried about signing the 'death warrant of the Indian economy' but has not noticed that it was signed, long back, when we decided that the Soviet Union was to be our model of economic development. Has there been a single debate in Parliament about the lessons that India can learn from the Soviet Collapse? Not one. Because, the average Indian MP has been bred on the theory, learned at Nehruji's revered feet, that criticism of the Soviet Union is synonymous with blasphemy.

If, today, we are not as much of an international basket case as our former friend, philosopher and guide, it is due to the enterprise of the Indian people, not the Government policies".

Diverse Views on Final Agreement

The President of the Associated Chambers of Commerce and Industry of India (Assocham), Mr. G.H.Singhania, welcomes the successful conclusion of the largest ever trade pact, which would lead to the expansion of the world economy by more than US\$ 200 billion a year. India is likely to benefit by around US\$ 5-6 billion, he said.

Mr. Singhania hopes that measures such as the options available to the US to unilaterally apply provisions like Super 301 or non-tariff restrictions on commodity flows will cease to operate. India has also to be on guard in respect of new non-tariff barriers such as physio-sanitary standards, ISO-9000 requirements and environmental prescriptions.

Under the MFA, Mr. Singhania thinks, India will be placed under a disadvantage due to the back-loading in the deal as it will be 10 years before this agreement is phased out.

This, he added, might lead to India losing its competitive edge. Mr Singhania hopes that the rights of Indian farmers regarding preservation, sale and free exchange of

seeds would remain unaffected and safeguards to this effect find specific mention in the final Draft Accord.

Mr. Singhanian stated that care should be taken by the government to ensure that patent holders do not use their monopoly to cause steep increases in prices of drugs because of India acceding to the TRIPS under GATT.

He further added that a distinct gain for India would be in the proposed agreement on trade in services. India can earn at least \$ 1.2 billion in remittance flow from export of skill-intensive services.

The amount could then increase to a minimum of \$5 billion a year in the next four years.

Prof.S.L.Rao, director-general of the National Council of Applied Economic Research (NCAER) thinks that the GATT framework agreement liberalising trade in goods and services provides, "a good counter-balance to developing regional trade groupings" which might, otherwise, be inward-looking and create trade-distorting consequences.

Dr. Arjun Sengupta, (member-secretary) Planning Commission, and a former Indian ambassador to the EEC at Brussels, describes the Dunkel package wrap-up as "a milestone in international economic and trade development".

Dr. V.R.Panchamukhi, director, Research and Information System (RIS) for non-aligned countries, and a renowned trade

matters expert, states that very fact that the protracted negotiations have ended successfully is a matter of great relief. Prof. Rao said "we seemed to have got as much as we could have expected", especially in agriculture and market access to Indian products".

Janata Party President Subramaniam Swamy welcomed the Centre's acceptance of the Dunkel proposals on multilateral trade. According to him the proposals would boost India's agricultural exports, particularly vegetables, fruits, sugar and flowers. It would also help enhance the textile, computer software and labour exports, he said.

Those opposing the Dunkel proposal do not seem to have gone through the draft completely, he said.

The prices of advanced drugs might, however, go up as the Indian manufacturers have to pay royalty for them, he said.

According to a former Commerce Secretary, Mr. A.V.Ganesan, the outcome of the Uruguay Round has been fairly positive for Indian especially in the areas of agriculture, textiles, intellectual property rights and services.

Agriculture. It is a "misconception to believe that all new seeds and plant varieties would have to be given protec-

tion here, because of the climatic-specific nature of those".

Drugs. "In any case according to the provisions of the new accord, Indian drug manufacturers are free to 'copy' up to 1998. It is only after 2002 that we have to set in motion a product system".

A.V.Rajwade favours India signing the Agreement. "Multilateral and growing free trade is as powerful engine of economic growth as any and it would be suicidal for India, to even consider withdrawing from GATT.

Given that withdrawal from GATT was not a feasible alternative, the question is whether we could have improved upon the terms. The first point to be noted is that we are a puny nation in trade terms: Our international trade is less than half a per cent of the world's and this limits our bargaining capacity.

As for the other major issue of intellectual property rights, last week's agreement is far better than what China had to agree to in a bilateral forum. Our big gains, apart from the phased withdrawal of the MFA will come in services exports (\$1.2 billion in 1995-96 to European Union, US and Canada) and agricultural exports.

With the lowering of subsidies by the US and European Union, and free trade in agricultural produce, we should

benefit. No wonder the convener of Shetkari Sangathan, Mr. Sharad Joshi, has welcomed the provisions so strongly.

Professional breast-beaters apart, we have hardly come out badly in last week's agreement. One also wonders how many of the critics of the agreement have actually read the proposals, and understood their implications and those of the alternative courses of action.

It is foolish to expect that such a complex series of negotiations can ever lead to an agreement fully satisfactory to all the signatories, let alone all the politicians in all the signatory nations".

In the opinion of Dr. Swaminathan, the renowned agricultural scientist, "It's a unipolar world and that leaves us with little or no choice. But within the constraints, we should fix our goals clearly and strive to attain them". He felt sorry that unlike the western negotiators did not.

"What we need is not just economic growth but job-led economic growth", the chairman of the M.S. Swaminathan Foundation said.

Dr. Malcolm Adiseshiah, chairman of the Madras Institute of Development Studies states that there were some "very negative" features in the Dunkel Draft like the ones relating to seeds patenting, the use of the bio-resources of the Third World by the MNCs and their being brought back for

sale to the Third World as patented, high priced commodities. "Neem taken from India is now being brought back as patented products", Dr. Adiseshiah pointed out.

India had got a raw deal in textiles too, as the quota system would go on for the next ten years. "But the reduction in tariffs should boost exports and we had better vigorously promote our export industries", Dr. Adiseshiah thinks. He, however, has apprehension about the corresponding lowering of Indian custody.

On the assurances given by the Union Ministers that India would not have to give up its present subsidies and pricing policies, Dr. Adiseshiah feels that these would have to be taken with a pinch of salt. "They say that between now and the ratification of the draft a year later, further concessions would be secured, but the west would not yield an inch".

In the views of the former Union Food Minister C. Subramaniam the advantages of going along with the rest of the world were more than not going along, "I do not buy the theory that the hike in the price of inputs like seeds would necessarily hurt the Indian farmer. The vast increase in his productivity would more than make up for the highest cost of inputs", Mr. Subramaniam states.

On the apprehension of Indian academics that Indian research institutions would be no match for the MNCs in research on the contrary was that Indian scientists could match those in the west. "In the beginning of the green revolution, we began with Mexican varieties, but later, we developed our own very successful high yielding varieties", he recalled.

"It is time we shed our inferiority complex and chalked out programmes for research with international cooperation", Mr. Subramaniam remarked.

According to Malcolm Subhan from Brussels, India and Pakistan stands boosted Uruguay Round outcome on December 15, 1993 at Geneva. "Indian sources here claim that it will be to the country's advantage to allow imports of quality fabrics, for processing into garments. But they also point out that the deal the Europeans were seeking was very one-sided.

The fact is that both India and Pakistan wanted changes to the draft textile agreement which the former GATT director-general, Mr. Arthur Dunkel, put together. They saw this agreement as favouring the developed countries.

Under the Dunkel draft, the latter were allowed to decide unilaterally just which textile and clothing items they would re-integrate into GATT. Worse the majority of

products would be re-integrated only at the end of a 10 year period.

Under the agreement reached in Geneva on December 15, the Dunkel draft remains virtually unchanged as regards its "economic provisions" - those dealing with the re-integration into GATT over three stages, growth rates for items which remain subject to restrictions during each stage.

Such changes as have been made are mainly 'technical'. Stage I, obviously will not begin in 1993, nor Stage II in 1996. Neither will full integration take place on January 1, 2003, but around January 2005, assuming implementation of the full Uruguay Round package begins on January 1, 1995. Thus, the transitional period will last 12 years, not 10".

Assessing the impact of the Uruguay Round, Mr. Prem Shankar Jha observed, "The time has come to start assessing the gains that can come India's way from the Uruguay Round. Gains can take two forms : of minimising adverse impacts resulting from the surrender of economic autonomy, and of maximising trade and foreign investment inflows, thereby increasing production, employment and income. In a vast multilateral exercise at policy harmonisation, the first is as important as the other. In this respect India has come off relatively lightly.

Deputy Director General of GATT on the Impact of Uruguay Round on India

Initiating a discussion on the Uruguay Round on December 27, 1993 Mr. Anwarul Hoda, GATT Deputy Director General said that India would gain in a number of sectors like agriculture, clothing, textiles, services and market access from the Agreement. He pointed out that on textiles and clothing, India along with Pakistan had prevented a higher transition period from phase-out of the Multi-fibre Arrangement (MFA) despite opposition from developed countries and a number of developing countries. In agriculture, India had assured itself through the incorporation of specific clauses that it would not be required to change its policies on food stocking and the public distribution system. On services the movement of skilled personnel has been brought under multilateral purview. India has also ensured that the Agreements on goods, services and Trade-Related Intellectual Property Rights have been kept separate for purposes of cross-retaliation. On India's insistence, in quantitative restrictions, special and differential treatment has been assured for countries with balance of payment problems. The Deputy General pointed out that the provisions relating to anti-dumping have been strengthened and a new multilateral dispute settlement mechanism has made it relatively more diffi-

cult for countries like the USA to initiate unilateral action under its domestic Section 301 Laws. Mr. Hoda observed that real benefit to agriculture would come from the volume reduction in export subsidies which could make the agricultural exports of a number of developing countries competitive. It is expected that the reduction agreed to in tariff levels in the case of chemicals and pharmaceuticals would also help in the growth of India's exports. The US tariffs on chemicals are likely to come down from a level of 20 per cent to about 6.2 per cent. Duty on pharmaceuticals might be progressively brought down to zero.

For obtaining the best results from the Agreement, India must make its textile industry more competitive by the end of the phased out period of the MFA to ensure that its products would be rendered cheaper against competition like China, Pakistan and Indonesia.

CHAPTER - V

**QUESTION OF RESHAPING OF INDIA'S
FOREIGN POLICY**

The general policy problem, I wish to write is whether or not it is useful or desirable for India to reshape or to entertain the notion of setting an ad-hoc committee for reshaping of India's foreign policy. Since my answer to this question is positive, I pose the issue of what should be done in the alternative. So, I will attempt to answer these two questions.

What are the existing conditions that are draining India to pursue, reshaping of its foreign policy?

First, in the bipolar world that came into being shortly after India gained independence, Jawaharlal Nehru's foreign policy was guided by seeking the diplomatic space between the 'Big Two', while giving an ideological bent to the North-South equation. It collapsed with the Soviet disintegration.

Nehru's other pillar of shaping an Asian identity through a close India-China relationship collapsed in the Autumn of 1962- as yet, not so cordial. Present Prime Minister P.V.Narsimha Rao is of the view (as can be seen from his policy) that India must normalize relations with China pending the settlement of border problem by negotiations; as

a result the two together can at least moderate western domination (Specifically vs Hegemonism) of the international system and its functioning in favour of the rest of the third world. 'Right' in international relations, there are no permanent friends and enemies but only permanent interests; but still, China cannot be trusted especially when our entire defence preparations (for ex:-development of missile & Nuclear preparation) are directed to counter Chinese defence arrangement. Besides, the Historical experience never permits so. Even if it works on an adhoc basis, it can't bring peace to us, rather a savage war will rages right in the heart of us. So, even the second pillar of Nehru can't be revitalised.

Secondly, from the days of Janta rule and Indira-Rajiv reign, India has always been in the forefront of regional co-operation through SAARC. This association has also not been successful because of Pakistani commissions and omissions. But as before, India maintains its co-operation at bilateral levels with all of the members states, on the basis of equality and mutual benefits- which is not much successful. It needs to be strengthened multilaterally (through SAARC), which is only possible if Pakistan is

cornered or, if itself chooses to get side-lined or, if not, it is dropped out of this regional organisation (SAARC). Both situations don't seem possible.

Thirdly, the collapse of the political and Economic relationship and the growing communication gap between Delhi and Moscow, after December 1991. This has made India lost a reliable friend (inside and outside United Nation) and a dependable traditional source of supply for its defence requirements, and energy and heavy industrialization needs. It is no longer unusual to find Russian spokesmen often making contradictory statements inside and outside the United Nations even on issues vital to India, like Kashmir, NPT and sale of defence equipments and high technology; So much so that President Yeltsin's remarks on Kashmir during his visit to Delhi are open to different interpretations. The top apparatus of Russian foreign office, has little times or inclination for diversion from the west & Russia's close Asian neighbours, China and Japan. Besides, the officially patronized print and electronic media in Moscow has not only ignored India but it has also turned cool, if not always hostile.

Likewise, the other republics of CIS appear to prefer pure bilateralism and that too, oriented on trade and commerce, and no more; necessitating the need to reshape India's foreign policy.

Fourthly, on the international context, these were some radical changes -the end of the cold war, the disintegration of the former USSR, the closure of the Warsaw Pact, the disappearance of a 40 year old bipolar world and the ending of many old international conflicts, the emergence of the US as the sole super power (resulting in "Unipolarism") and the incipient multipolar world with a united Germany and the economic giant of Japan (slowly flexing its political muscles), the possibility of emergence of Islamic fundamentalism, the sudden, unexpected, influx of new membership of the United Nations to 182 (from the old nearly frozen membership of 168) and a partial revival of the world organisation (largely, the Security Council) from the ill-effects of the cold war, the great weakening of the NAM and the consequent wide loss of faith in Non-alignment -and so on, demanding changes in our foreign policy.

Fifthly, at domestic front, a major decision of the present Govt. to liberalise Govt. regulated domestic economy and integrating it with the global economic structure, is bound to effect our foreign economic policy-more so, because of loss of reliable partner and friend like USSR and increasing hegemonism of USA, which can't be fully trusted by India.

So, what should we do so that neither, we are brow-beaten by USA nor our national interest gets jeopardised.

The demand of the hour is the immediate setting up of an ad-hoc committee, by our central Govt., to closely monitor and to give report on Post-Soviet compulsions. If, there exists a grave situations (as it exists) and failure of our foreign policy in checking them, the committee must pose suggestions, in light of Post-Soviet compulsions, how to reshape our foreign policy.

In the light of the issues developed in the earlier part of the dissertation and by observing the existing conditions (as discussed above), our foreign policy needs to be reshaped. When I talk of reshaping, it doesn't mean giving up old cherished ideals and all principles of our foreign policy, but a time for readjustment i.e. for a

dynamic Indian foreign policy. The doctrinairness in our policy to be given up in favour of an adhoc solutions of a practical nature to meet specific problems and situations, as and when they arise. We should drop special relationship syndrome (as we have in case of USSR (Old) or Asian Identity) and try to have no permanent friends or enemies, but rather remain steadfast to permanent Indian interest as determined from time to time. We should not be afraid of Pro-USA or Anti-USA. If the circumstances were reversed, we could equally be Pro-Pakistan and Pro-China. It should be law of public policy that we should follow and not a mere expedient dictated by accidental circumstances or likes or dislikes, or any other sentiment. This judicious and pragmatic attitude may fetch us rich dividends in our role in world affairs.

Now, what should we alternatively do in order to check present crisis/compulsions, arising out of Soviet collapse.

First, we should pursue our non-aligned foreign policy, but at the same time keep our option open for alignment. The decisions regarding changes to be taken by consensus, in order to prevent explosions, tomorrow. We should avoid over-reaction and confrontation, seeking to adjust bilateral disagreements, through traditional diplomatic method.

Secondly, we should not get provoked into a confrontationsist stance, nor get browbeaten by US hegemonism. We

should seek a certain degree of equanimity in Indo-American relations in mutual interests.

Thirdly, we should put behind special relationship syndrome and treat Russia, only as more equal than the equals in a good working tit-for-tat relationship with hope, and not optimism.

Fourthly, the new Asian states in the region (CIS) need to be dealt with separately and individually and none of them must be viewed from the eyes of Moscow. These states must be encouraged in playing a more active role inside the CIS as it should be in India's interest to see the CIS not only stabilised (in order to check the growing Pan-Islamic movement in between their Southern border and the border of India) but also to have a strong Asian personality. A strong Asian content in the CIS may somewhat balance its overt tilt to European states in the CIS.

Fifthly, in the absence of reliable friend (like USSR) in and outside UN, we either have to establish a special relation with UK or France (Permanent member in Security Council) (not possible to establish special relation with US and China because of their apathy towards us) or try to get accepted as permanent member of the Security Council. If, both not feasible, then we should try to get veto abolished and UN democratised for a just world-order. Even if we not

klick here too, then we should not delay in going Nuclear-a power to reckon with.

Sixthly, Rao's dream of shaping an Asian identity by joining hands with China is bound to be shattered because of China's unpredictability and hostility towards us. In spite of trying these, we should try to form a loose federation of Economic and social co-operation for Latin America, Africa and Asian (ESCLAAA) countries. If the member countries can develop even a modicum of understanding in some form of multilateral co-operation. It will be advantageous to all concerned. Besides, they together will be able to moderate western domination of the international system and its functioning in favour of the third world.

Seventhly, As Economic reform in India is dependent on western aid and investment; and on loan of IMF, World Bank, etc. (dominated by west): it is desirable for India to maintain good relations with the west. We should try to increase co-operation in between Europe and Asia through promoting Eurasian identity by forming Economic and Social co-operation for Europe and Asia (ESCEA), on the line of ESCAP (Economic & Social commission for Asia & Pacific, formed in 1959). It will provide India an opportunity to interact with the member-countries and will further enhance the scope of increasing bilateral & multilateral relationships with them.

Eightly, India's role as a peacekeeper in Indian Sub-continent should be replaced by a policy of friendliness towards neighbouring Countries to be adopted, a "geographical imperative" for as much the neighbours as for India.

The failure of SAARC because of Pakistani commissions and omissions and because of no chances of its revitalisation, the regional co-operation in South Asia needs to be promoted through formation of organisation of Social & Economic Co-operation of friendly neighbouring countries with headquarter at Delhi, so that a close bond can be developed, by chalking out and implementing common strategies and plans.

Ninthly, If liberalisation is the only way to come out of or to check current Account deficit, Trade deficit, decline in foreign exchange reserves & debt as envisaged by our Finance Minister, India must vigorously pursue liberalisation. And, if necessary to go for full liberalisation, for the sake of national interest, India must not hesitate to do so.

Besides, India did well by signing GATT in order to gain in a no. of sectors like agriculture, clothing, textiles, services and market access. Now, it should be India's effort to take a more positive view of the approaching regime and carve out a higher percentage of global trade, on the basis of comparative strength.

India also did well by joining hands with developing countries, at Marrakesh, to thwart western attempts to introduce social clauses into what is essentially a treaty on trade practices.

The west will pursue its objectives at the WTO preparatory committee deliberations, and the third world (especially India) will have to be vigilant. Even within the framework of the Final Act agreements, both the government and economic Lobbies of India would be called upon to display extreme alertness.

Besides, India must take the position of "development first" in order to get rid-of, from the concentration of wealth and means of production in few hands-envisaged in article 38 & 39 (a) & (b) of constitution¹) and endorsed the "safety net" provisions during the period of painful economic adjustment, before going for total integration in trade.

Another question which need to be addressed is whether economic and social planning which finds a mention in the Concurrent List of the Seventh Schedule should be done by the Centre alone. While the Chief Ministers of States may have been consulted, is it not mandatory to take the State

1. Article 38 & 39 (a) & (b) directing state to promote the welfare of the people, subserve ownership and control of material resources to the common good, and to evolve an economic system which does not lead to the concentration of wealth & means of production.

legislatures also into confidence? Should the Panchyat Raj Institutions (including those which have yet to come into existence after the implementation of the 72nd amendment to the Constitution) also be taken into confidence?

In other words, the relevant provisions of the Constitution require of the State to follow certain procedures in a federal setup. An informed citizenry and a national consensus are of greater value in a democracy than efficiency or competition.

So, GATT needs to be rectified/passed, not only by centre, but by all the states and if possible also by Panchayat Raj Institutions.

Tenthly, any regional approach to non-proliferation is to be opposed. But, at the same time, we should try to work out full-proof plans and strategies for world disarmament and world peace. We should fully support, a non-discriminatory comprehensive ban on all nuclear tests and manufacturing, testing, stock-piling and use of nuclear weapons.

Eleventhly, we should oppose technological apartheid, practised by DCs, treating third world countries like scheduled caste. We should work for democratic international law, so that high sophisticated technology can be transferred to LDCs. We should boost up indigenous technological research and development programmes, to make ourselves able

to offer the kind of appropriate technology and economic inputs to these third-world countries.

Twelfthly, India's Nuclear Programme² should be further expediated for development, like, the generation of electricity, development of nuclear applications in research, agriculture, industry, medicine and other areas.

We must also earn foreign exchange reserve by exporting research reactors and heavy water subject to course of international safeguards. Besides, we must go for public and joint ventures in this field, so that our Nuclear power plants can generate their own resources and thus are not dependent on overseas financial institutions.

Thirteenthly, The collapse of the Soviet Union has created serious disruption in the source of military equipment. Seeing the lack of significant opening up of military equipment from the west, we need to establish higher level of self-reliance, by establishing industrial base to support much of our demand of military machines.

So, I fully agree with the view of Air Commodore (Retd.) Jasjit Singh that now the time has come when we must give serious thought to our defence needs in a longer run

2. Refer Appendix 'H' for development of India's Nuclear Programme.

rather than try to live from one budget to another³. Here, he says that these are two macrostrategic options. The first option could be defence based on conventional deterrence with a minimum of 3 percent of GDP invested in defence during the ten years (1994-2003) period, along with retention of the nuclear option. The Second would be defence based on a visible nuclear deterrent and 2.5 or less share of GDP spent on defence, for coming 20 years (1994-2013).

So, Govt. Should either make 3% of GDP invested in defence for the coming years (1994-2003) period, along with retentions of nuclear option or, if the money assigned to defence during the remaining years of this decade remains at the present levels, without restructuring the defence forces, the only option available would to weaponise the nuclear option.

We should also need to put defence research and development at the highest priority. The aim should be to devote a minimum of 0.25 percent of the GDP on Defence Research and Developments every year for the next five years, increasing thereafter to 0.35% - 0.45% of the GDP.

Fourteenthly, We must develop rockets and own capability in launch vehicles (an integral part of the Indian space

3. Refer Appendix 'I' for detail on "Need to assess defence planning".

programme⁴), showing & asserting our status in the world as a power to reckon with and sending signal to the west that we can't be browbeaten by MTCR or any west-sponsored ban.

Seeing, Saudi Arabia, Iran, Russia & China having missiles capable of targeting India while Pakistani leaders keep on threatening a nuclear strike against us at the slightest provocation (Pakistan already has deployed Hatif II/-11-advanced solid fuel nuclear-mode missiles with its army), we should not bent down to any pressure (Washington keeps on pressing India not to deploy the Prithvi missile) and deploy the Prithvi Missile equipped with Nuclear fission along the border of Pakistan and China emboldening our traditional land-oriented strategy. This traditional land-oriented strategy must be supported by a blue water

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4. India has been working successfully to develop polar satellite launch vehicle (PSLV), which is used for thrusting into the orbit satellites weighing about one tonne. India further wants to develop 'Geo-synchronous' Satellite launch vehicle (GSLV), which is used for launching heavier two or more than two tones Satellite into bigger orbit. With the success of these systems, India is trying to enter the lucrative market that is emerging too fast.

Inspite of Russia's refusal to supply cryogenic engine, India is expected to go ahead of its plan to launch INSAT 2L, 2C and 2E in 1995, 1996 and 1997 respectively. India has already developed small one-tonne cryogenic system to gain experience in the new hi-tech system but concerted efforts are to be made to manufacture such an engine for a rocket launcher, which has become need of the hour.

Source : Hindustan Times, April 2, 1994

navy, sophisticated submarines & carriers, regular naval exercises; with a full-proof 'Air-Cover', all along the border. Besides this, we should also deploy Agni, induct both Prithvi & Agni in the armoury of the Indian military forces and go for development of inter-continental ballistic missile (we already have successfully performed, first stage solid propulsion technology in PSLV⁵, which can be used for development of inter-continental ballistic missile).

Finally, it does appear that a better and purposeful foreign policy can be adopted by our government. Now, it is the task of India's political leadership and diplomacy to find their way in the new domestic and international context. Certainly, much depends on this.

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5. India's dream of having its own satellite launch vehicle has received a temporary setback when PSLV, which was launched on September 20, 1993 from Sriharikota (SHAR), failed to put the India Remote Sensing Satellite into specified orbit. Apart from failure PSLV has given some successes to ISRO scientists which will be used in future for development of GSLV. Four stage propulsion was used in PSLV. The first and third stages had solid fuel while the other two stages had liquid fuel. First stage of PSLV used home made propellant HTBR (Hydroxy Terminated Poly Butadiene) and oxidiser Ammonium Perchlorate due to ban on import of PBAN, solid fuel used for ASLV. The successful performance of first stage solid propulsion technology is very important as it is to be used for development of inter-continental ballistic missile.

Source : Hindustan Times, September 21, 1993)

CONCLUSION

I have tried to trace the shaping of India's foreign policy in a changing framework i.e. in a changing pattern of world-order; the perceptions about world developments, the pulls and tugs of history & geography, the interplay of strategy, economics & aspirations, the cut & thrust of the international situation, the subtle interaction between domestic, regional & international balance of forces, and the zig-zag of relations with countries or regions crucial to India.

The nexus between national interests and foreign policy is a running thread in the evolution of foreign policy, whether of India or of any other country. This should not lead us to believe that ideas play no role. Ideas and even ideals have their place and there is no need to snigger at them. Unprincipled pursuit of what might be considered immediate, narrow national interests can often be counter-productive. When you are functioning in a milieu, in which some 183 countries in the world are simultaneously trying to advance their interests, you must strive for the best possible harmonization under any given circumstances.

In the dissertation, in the final analysis, foreign policy is anchored to perceived national interests. It has

been made free of doctrinairness of our old policy, because foreign policy is not the enactment of a morality play. It generally stumbles through, and then is significantly influenced by a country's experience. Certainly, it is India's actual experience that has determined or will determine whatever relations are better or should be better with one country and somewhat different with another, more friendly with one power and less friendly with another. The actual state of relations with various countries is largely the function & consequence of experience.

It is India's own experience which is the eventual determinant, the final arbiter. For example, our experience says (according to me), we should drop special relationship Syndrome (as we have in case of USSR (old) or Asian Identity) and try to have no permanent friends or enemies, but rather remain steadfast to permanent Indian interest as determined from time to time. We should not be afraid of Pro-USA or Anti-USA. If the circumstances were reversed, we could equally be pro-Pakistan and pro-China. It should be law of public policy that we should follow and not a mere expedient dictated by accidental circumstances or likes or dislikes, or any other sentiment. This judicious & pragmatic attitude may fetch us rich dividends in our role in world-affairs.

One may fear that there may be no sacrosanctity of consistency or stability in foreign policy. But it's baseless because the general contours & principles is not going to change. It will continue to retain the impression of stability and stolidity. But at the same time, we should not be afraid of learning from our mistakes.

India which has fallen into the mire of inertia because of Soviet disintegration accompanied by unbalanced trade & low stagnant GDP/GNP Growth, etc. is trying to shake it off and become more active. But it should not be done at the cost of earlier initiative opportunities. A big country like India should be able to retain some initiative in her hands and display a certain measure of dynamism in dealing with developments around her borders and in the world, and not just be doomed to a mere reactive foreign policy. To the extent, India can pursue vigorously such a policy, with increased sophistication, she can more successfully meet the mounting challenges in a harsher and relatively colder world.

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APPENDICES

APPENDIX 'A'

India's Nuclear Explosion

The explosion of India's first nuclear device on 18 May 1974, coming in the wake of these rising difficulties, therefore, not only deflected attention from these problems but also boosted the nation's morale. It also gave rise to many questions and doubts concerning India's nuclear policy and then implications that this might have on its foreign policy and also its claims of not wanting to be a "power" of any kind.

Statements made by leaders and government officials at various national and international forums repeatedly emphasized the peaceful purposes of this experiment in an attempt to check doubts or criticisms regarding India's intentions. The explosion, it was pointed out, formed an integral part of India's policy of "carrying out research and development into all meaningful applications of nuclear energy for economic development" and was an important step in the country's search for an alternative source of energy. Further, a distinction was made between a nuclear country and a nuclear weapons country:

There is a difference between a nuclear country and a nuclear weapons country; we don't have any bombs. We don't intend to use this knowledge or this power for any other than peaceful purposes. Our neighbours need have no fear. Quite honestly, we view the explosion as an extension of our work of research and keeping abreast of developments in science and technology, we have not viewed it in the light of strengthening or creating fear or any of those emotions.

Besides, as stressed by the Chairman of the Atomic Energy Commission and Leader of the Indian delegation to the 18th session of the General Conference of International Atomic Energy Agency at Vienna on 18 September 1974, India had not violated any agreement, bilateral or multilateral, nor any agreement involving the IAEA or the partial test ban treaty.

Not all nations, however, were willing to give India the benefit of doubt. Disapproval was directed at India's seeming irresponsibility and power ambition. The explosion was viewed as an extravagant act on the part of India at the expense of what was felt its more imperative need for economic development. It was believed that funds which could have been used for developmental purposes had been unduly diverted for a project which was not essential to India's needs. In an interview to the American Broadcasting Corporation Television Mrs. Gandhi clearly set the record straight - deflating the argument that the explosion had been carried out "at the cost of some very valuable and vital food in the mouths of some 560 million people," she revealed that the cost of it was "about 3 million rupees"-a small fraction in the country's outlay in development. The figure worked out by the International Atomic Energy Agency apparently had been about the same. No new budgetary provision had been made for it, was added, neither was any foreign exchange or foreign help involved.

At the very core of all criticisms, however, lay the apprehension of the outcome of such an exercise. Despite all assurances, India's sincerity was questioned by many. Not only was it feared that this explosion would lead to indiscriminate nuclear tests by many other nations, it was also suspected that India's foreign policy would now tend to take on a more belligerent approach. For, even if a developing nation, India could not be regarded as a small power. Now, with nuclear technology at its disposal, India could prove a powerful threat as well, so it was thought.

Commenting on the reactions of different countries, Mrs. Gandhi told the Lok Sabha that while developing nations had, by and large, welcomed the experiment, advanced nations with some exceptions had not shown equal understanding. She said that while the United States had expressed satisfaction that India had not violated any agreements set down by the International Atomic Energy safeguards system it had nevertheless reiterated that its policy was against nuclear proliferation. The Soviet Union, she continued, had noted India's experiment as an attempt to keep India's technological development on a level with world technology on the peaceful uses of nuclear energy. The French Atomic Energy Commission had sent a congratulatory message on the success of the experiment, whilst China had reported the event

without comment. Japan on the other hand had expressed its regret.

More acerbic were the reactions from Canada, a major collaborator of India's nuclear research programme. While expressing concern that India was setting the wrong example in worldwide efforts to prevent nuclear explosion technology, it had felt slighted that India had gone ahead with the experiment without its knowledge. Probably, what had been disconcerting to many Canadians was the fact that a year before, Mrs. Gandhi, during her Canadian tour, had told a select gathering at Toronto on 20 June 1973 that "we do not seek conventional military strength. We are not interested in becoming a power-major or minor. And certainly not a nuclear power" Mrs. Gandhi's intention here was simply to reassure her audience that India was not interested in competing for military power and certainly not in obtaining nuclear power for military superiority and to also reiterate India's dislike of being labelled a "power" of any sort. Her declaration taken out of context, however, could be misleading.

India, therefore, regretted the Canadian reaction. Speaking in the Lok Sabha on 22 July 1974, Mrs. Gandhi said:

I have repeatedly reaffirmed our policy of using nuclear energy for peaceful purposes and have specifically stated that we have no intention of developing nuclear weapons...Our Atomic Energy Commission has been reviewing the progress in this technology from the theoretical and experimental angles. This intention was not kept secret and was made known to the world. If differences of interpretation have arisen between the Government of Canada and the Government of India, it is the Government of India's hope that they will be satisfactorily resolved in the discussions which are underway between the representatives of the two countries.

Pakistan's apprehensions, however, may well be understood, despite explanations and reassurances by the Indian Government. Prime Minister Mrs. Gandhi herself had ad-

dressed a letter, dated 22 May 1974, to Prime Minister Bhutto of Pakistan. She gave the assurance that,

We remain fully committed to our traditional policy of developing nuclear resources entirely for peaceful purposes. The recent underground nuclear experiment conducted by our scientists in non way alters this policy...Every country has the right to develop technology for various economic uses of nuclear energy. Every country has the right to develop its natural resources and this is specially so at a time when the world crisis in raw materials and energy resources has demonstrated that the tapping of all forms of energy resources has demonstrated that the tapping of all forms of energy resources is essential to our survival. India had advanced sufficiently in nuclear research to develop its nuclear technology for the utilization of its indigenous resources for peaceful and economic purposes....

There are no political or foreign policy implications of this test. We remain committed to settle our differences with Pakistan peacefully through bilateral negotiations in accordance with the Simla Agreement.

As indicated by Bhutto's reply, dated 6 June 1974, however, Pakistan was not going to readily accept that economic compulsions had motivated the Indian nuclear explosion. Bhutto argued that "the testing of a nuclear device is not different from the detonation of a nuclear weapon". Further, he charged that the Indian explosion had been carried out at a time when India was rapidly developing its defence capabilities. Besides, assurances could be changed or ignored in subsequent years, but "the acquisition of a capability, which has direct and immediate military consequences, becomes a permanent factor to be reckoned with." He suggested instead that the nuclear weapon powers should jointly or individually undertake to protect a non-nuclear-weapon state against any nuclear threat and also that a nuclear state wishing to forsake the development of nuclear weapons should be allowed to do so only under one or more binding agreements between itself and one or more nuclear weapon state.

India, however, held that it was unable to comprehend Pakistan's repeated talk of Indian unclear blackmail. It had in fact stated its willingness to share its nuclear technology with Pakistan, as with other countries, provided "proper conditions for understanding and trust" were created. Pakistan's conditions for making the development of nuclear power could also not be considered seriously. For, India had not been willing to accept two features of nuclear activity on points of principle. One was the safeguards proposed by the International Atomic Energy Agency (IAEA) on India's nuclear activity and the other was the nuclear non-proliferation treaty. According to India, both were discriminatory in character, as the right of external powers to impose control on a domestic programme were questionable, especially when those powers, and many others besides, were not willing to accept such checks on themselves. Talking to newsmen at a luncheon hosted by the Foreign Correspondents Association of South Asia on 15 June 1974, in New Delhi, Mrs. Gandhi had emphasized:

We are against the non-proliferation treaty merely because we thought that it is discriminatory and unequal. Now, if there is an agreement which applies equally to everybody, then, naturally we have to think about it, but here what is happening is that a few nations are exempt from non-application and they are allowed to stockpile nuclear weapons whereas other nations, who do not want to make war, are not even allowed experiments for peaceful purposes.

On the same day in Vienna, at a meeting of the International Atomic Energy Agency, the Indian Representative had assured the gathering regarding safeguards that, "we shall certainly consider this possibility when all the member states of the Agency, and indeed others too outside the Agency, voluntarily place all their nuclear activities, civil and military, under the Agency's safeguards.

(Taken from, A. APPADORAI & M.S. RAJAN, "INDIA'S FOREIGN POLICY AND RELATIONS", South Asian Publishers, 1985, Page 576-580)

APPENDIX 'B'

INDO-SOVIET TREATY, 1971

The explosive developments in the subcontinent in 1971 brought India to central focus again in the Soviet view. Following the possibility of a split between East and West Pakistan, the Soviet Union seemed to have visualized India's position as a major power in the region. Moreover, the impressive victory of Mrs. Gandhi at the polls early in 1971 reinforced the views that India had emerged as a strong and cohesive power. Considering the Soviet Union's interest in the region and growing concern in the Indian Ocean area, the emerging friendship between Pakistan, China and the United States served to highlight the isolation of the Soviet Union and India in the region. It also brought out the uncertainty of Pakistan as a reliable friend

It was therefore not unexpected that an appreciation of the Indian point of view became evident as events in East Pakistan unfolded. Addressing a letter to President Yahya Khan of Pakistan on 2 April 1971, President Podgorny appealed for "the most urgent measures to stop the bloodshed and repression against the population of East Pakistan" and seek a "peaceful political settlement." "...Such a step would be in the interests of not only the entire people of Pakistan but also in the interests of preserving peace in the area.

Between 6-8 June 1971, the External Affairs Minister, Swaran Singh paid an unofficial visit to Moscow, where consultations were held on the crisis in East Pakistan. A Joint Statement issued at the end of the visit expressed the conviction that "Soviet-Indian relations would further strengthen and develop in the interests of both countries, and in the cause of strengthening peace in Asia and in the whole world." The Indian Foreign Minister expressed his appreciation of the Soviet understanding of the difficulties created by the East Pakistan situation as disclosed in President Podgorny's letter of 2 April to the Pakistan

President. Considering the seriousness of the situation, it was agreed to keep each other in continuous touch.

This visit, however, was more than countered by the secret mission of Henry Kissinger to China, through Pakistan early in July. This move, coupled with the deteriorating situation in the area, must have provided the urgency and immediacy for India and the Soviet Union to enter into the Treaty of Peace, Friendship and Cooperation on 9 August.

Consisting of 12 Articles, the Treaty, in the main, dealt with the promotion of friendship, peace and security -- not only bilaterally but universally -- based on mutual respect for each other's sovereign entity, and despite ideological differences. The Treaty also provided for the expansion of economic, scientific and technological cooperation which would be mutually advantageous. What did give rise to controversy, however, were Articles VIII to X, particularly Article IX.

Article VIII and X were somewhat similar in that both sought assurances from either party in engaging directly or indirectly in hostile activities against each other. Article VIII embodied the "solemn declaration" that neither party would participate in any military alliance, directed against the other, nor would the territory of either be permitted to be used to "inflict military damage" on the other. Article X likewise contained the declaration that each party would refrain from entering into any obligation with other states, which might be incompatible with the Treaty or cause military damage to the other Party. Article IX, however, specifically stated that "in the event of either party being subjected to an attack or threat thereof, the High Contracting Parties shall immediately enter into consultations in order to remove such threat or to take appropriate effective measures to ensure peace and security of their countries." It was this Article, in addition to the Treaty being valid for a 20-year period (from August 1971) and renewable every 5 years, which gave rise to the suspicion that the Treaty was in reality a defence pact between the two countries. Moreover, it was feared that India had completely reversed its policy of nonalignment and also compromised its sovereign status.

Official statements therefore sought to clarify and set at rest any doubts as the intentions of the Treaty. In

presenting a copy of the Treaty to the Lok Sabha, Swaran Singh made a clear and full explanation of the Government stand. The Government, he said, believed that the Treaty would "provide a stabilizing factor in favour of peace, security and development, not only of our two countries, but the region as a whole." Not being aimed at any third country, it was hoped that it would provide "a pattern for similar treaties between India and other countries in the region" and that such treaties would "stabilize peace and strengthen their independence and sovereignty." Emphasizing two aspects of the Treaty, he said that it was a treaty of peace and a treaty of non-aggression. On the one hand, it was expected to strengthen the pursuit of non alignment, rather than weaken or end it; on the other, it provided for "credible assurance" that in the event of an attack or a threat from third party, both countries would enter into immediate consultations to take appropriate measures to effectively counter such an attack. This Agreement would therefore act as a "deterrent" to any power which had aggressive designs on either country. In essence, he continued, the Treaty was one of "peace against war." Referring to a rapidly changing world situation, he said India's dynamic policy of nonalignment could also adapt itself to these changes. This view was firmly reiterated by Mrs. Gandhi at a mass rally held in New Delhi, who said that in spite of changing situations, the fundamental aspects of nonalignment would always remain.

(Taken from , A. APPADORAI & M.S. RAJAN, "INDIA'S FOREIGN POLICY AND RELATIONS", South Asian Publishers, 1985, Page 280 to 282).

APPENDIX 'C'

MERGER OF SIKKIM

The former Himalayan Kingdom of Sikkim, hitherto enjoying a "protectorate" status also came within the line of control. On 16 May 1975 it was formally merged with the Indian Union as its 22nd State, when the President gave his assent to the Constitution (Thirty-eight Amendment) Bill which had been passed by Parliament. This development was the culmination of a long-drawn popular movement, which had become more articulate since early 1973, to end the prevailing monarchical system and introduce a more democratic political and administrative machinery. Taking into consideration the special political status that Sikkim held, coupled with the strategic position in which the state was situated, the Indian Government, had in fact prior to this development, taken elaborate steps to bring about an acceptable solution between the Chogyal and the people. Thus on 8 May 1973 an Agreement was reached whereby a more democratic set-up under the Chogyal was envisaged. Administrative reforms were to be introduced and close political and economic links to be forged with the Indian Union, which would largely have the final say in all matters of importance.

Subsequently, the first general elections to the 42-member Assembly was held in April 1974 and the new Assembly met on 10 May. A constitutional adviser was deputed by India to assist in drawing up a constitution which was passed by the Sikkim National Assembly on 28 June 1974. It provided for more powers to the Legislative and the Council of Ministers and made the Chogyal a titular head. A separate resolution sought representation of the people of Sikkim in the Indian parliament, to which the Chogyal's formal assent was given on 4 July. On 4 September, the Lok Sabha, by its overwhelming vote for the Constitution 36th (Amendment) Bill decided to "associate" Sikkim with the Indian Union, thereby enabling representatives of Sikkim direct election, on adult franchise, to the Indian Parliament. Having an "associate" status, however, the representatives would be barred from election the President and Vice-President.

This step was at once flayed by critics at home and abroad, who either saw it as a "dangerous innovation" or as a covert attempt by India to expand its territories. The status of "associate state" seemed at one ambiguous and presented doubtful implications. The Indian Government had, however, taken great care to explain its stand regarding the developments in Sikkim. The External Affairs Minister repudiated all charges of annexation. In placing the Bill before the House, he said it consisted of a "constitutional amendment associating Sikkim with India under the terms and conditions set out in a new Tenth Schedule." This amendment, he explained,

is designed to meet a new situation in which the democratic leaders of Sikkim wish to establish a nexus with the larger and vital democratic institutions of India, while, at the same time, preserving Sikkim's identity....

India has the responsibility to look after many matters...their (Sikkimese) external relations, defence and several other functions...Their desire is to be associated at the higher policy-making level, i.e. the Parliament, so that in the conduct of those relations also they should have their voice.

To those who expressed the fear that other states having "fissiparous tendencies" would soon clamour for a similar status, the Minister commented that these fears were ill-founded as no other state enjoyed Sikkim's position of protectorate state. Referring to criticisms of India's action he felt sure that,

the angry and premature reactions that have emanated from certain quarters will no longer hold ground when the real situation is appreciated by the countries in our neighbourhood. This is a decision which we have taken in the interest of the people of Sikkim and India. This friendship between India and Sikkim will never be used to the detriment of any other country or to the international community.

Despite these reassurances, however, anti-Indian protests were expressed, particularly by the northern neighbour states. In Nepal, which had watched the events in Sikkim with apprehension, the Foreign Minister, G.B.Karki, in a speech in the Rashtriya Panchayat (Parliament) on 11 August had said that "It is our irrevocable policy that there should be no outside interference in the internal affairs of any nation." On 3 September, students staged a protest demonstration in Kathmandu, condemning Indian "colonialism" in Sikkim. Further demonstrations the following day led to attacks on Indian-owned property and Indian citizens. The Indian Ambassador and key aid officials were recalled home in October, in protest against the demonstrations and failure of timely intervention by the Nepalese police. The following month, King Birendra noted that no useful purpose could be served by continuing protest, but he was unwilling to retract Nepal's disapproval of developments in Sikkim. Instead, he said Nepal would now try to reduce its reliance on India by diversifying trade and aid. Although Indian officials returned to Kathmandu, India's continuing displeasure with Nepal was seen in the failure of the Indian President to attend King Birendra's Coronation on 24 February 1975. India was represented by the Vice-President.

Bhutan's decision on 4 September not to replace its present Indian advisers when their terms expired was by no means seen as a matter of coincidence. For Pakistan, India's action was seen as a clear case in justifying its heavy expenditure on armaments. Speaking in an interview to the Washington Post on 10 September, President Bhutto maintained that India's "swallowing up" of Sikkim had given new credibility to Pakistan demands for US military assistance. He hoped that US decision-makers would see that actions spoke for themselves.

The most scathing criticism by far, however, came from China & Pakistan. On 13 September 1974, Peking People's Daily accused India of harbouring expansionist and aggressive ambitions which it said was by no means limited to annexing Sikkim. India, it said, "regarding itself as a sub-superpower, it dreams of lording it over south Asia." A statement issued by the Chinese Foreign Ministry said that "the Chinese Government solemnly states that it absolutely does not recognize India's illegal annexation of Sikkim."

At the United Nations General Assembly, China accused India of annexing Sikkim. To which India replied:

It goes without saying that India has not annexed Sikkim. The plain fact is that Sikkim is outside the territory of the Union of India...It is natural and free political evolution of the people of Sikkim in the direction of internal democracy and closer links with neighbouring India. This is entirely in accordance with the wishes of the people of Sikkim as expressed in their elections.

The final merger of Sikkim to the Indian Union was therefore received with mixed reactions. While many earlier critics saw the step as inevitable and a logical conclusion to an anomalous situation, to others it seemed to confirm India's expansionist tendencies, despite claims to the contrary. As explained by the External Affairs Minister, however, the Chogyal's inability to be reconciled to the new circumstances proved the ultimate factor in deciding India's actions. The Minister said, not only did the Chogyal seem determined to obstruct the functioning of the new democratically elected government but his actions over the last few months were directed to deliberately creating a "crisis situation" in the state. Such a situation which held potential threat to the stability of this area could not be countenanced and had to be forestalled.

Again, China emerged as India's most severe critic. Apparently having forgotten its own forceful annexation of Tibet in 1959, and its respect for India's position in Sikkim as expressed by Chou En-lai in 1960 the merger of Sikkim with the Indian Union presented it with an opportunity to sow seeds of suspicion about India's "expansionist ambitions" to its own advantage, amongst the neighbouring countries. On 29 April 1975, the Chinese Government issued a statement accusing India of illegally annexing Sikkim. Earlier, on 20 April 1975, at a banquet hosted by Prime Minister Z.A. Bhutto at Islamabad, Vice Premier Li Hsien-nien said that his government was ready to develop good neighborly relations with all South Asian countries on the basis of the Five Principles of peaceful coexistence. At the same time, he said his government would continue to render "resolute support" to the people of Sikkim and other peoples in South Asia in their struggle against hegemony

and expansionism. he also reiterated his country's support for Pakistan's proposal for a nuclear-free zone in South Asia, the Kashmir struggle for self-determination, Nepal being declared a zone of peace and the Sri Lanka proposal for the Indian Ocean to become a zone of peace.

While China's representations may have been motivated, those of countries such as Pakistan and Nepal were also not completely free of motivated gains. Pakistan, of course, felt that its case to obtain increased arms supply from the United States had been strengthened. What it had quietly ignored was its own performance- although it could argue that these actions had been carried out as a precaution against Indian "expansionist designs." On 22 August 1972, Bhutto had brought Gilgit and Baltistan. two autonomous districts in the north of Azad Kashmir, administered by tribal chiefs, under the direct administration Pakistan. More recently, on 24 September 1974, the principality of Hunza, also in the north of Azad Kashmir, which since 1846 had been under the suzerainty of Kashmir, was quietly annexed by Pakistan. These developments had not gone without notice or comment by India, but had raised no similar hue and cry in neighbouring countries. In August 1975, when Pakistan set up a Council for Pakistan Occupied Kashmir which for the first time institutionalized its control over Pakistan occupied Kashmir, the Indian Government in an exchange of notes made its disapproval quite clear. Pakistan's action, it said, was not only contrary to the Simla Agreement but also constituted a material and unilateral alteration in the situation in the Pakistan-occupied territories of Jammu and Kashmir and could not be considered a mere administrative arrangement.-- Needless to say, these developments plunged Indo-Pakistani relations to a new low and brought to a halt, temporarily, the processes of normalization o envisaged in the Simla Agreement.

In the case of Nepal, its sense of insecurity was aroused by events taking place in its immediate neighbourhood heightened by numerous terrorist activities in 1973-74 which were attributed to supporters of the banned Nepali Congress whose leaders lived in exile in India Regrading these activities, India had given adequate assurances that it was not giving any encouragement to the exiles, and in fact had forbidden their entrance within 50 miles of the Nepalese border. Notwithstanding these assurances, Nepal had sought to utilize its fears by gaining wider economic

and political support, particularly from China. By 1974, China, which had expressed a desire to extend further economic and technical cooperation, had replaced the United States as Nepali's second largest source of foreign aid, although India still accounted for more than half of the total foreign aid. China's support for Nepal's proposal to keep it a zone of peace also, although more of a gesture, was of mutual benefit.

If Nepal still had some options to tap to preserve its interests, Bhutan, which had more reason to feel insecure as a result of developments in Sikkim, had little. Yet, its displeasure had been registered and its imposition of strict regulations on Tibetan refugees, rehabilitated in the country, at this time, may not have been motivated totally from internal security interests,-- but it might also have been a small gesture to please China.

(Taken from, A.APPADORAI & M.S.RAJAN, "INDIA'S FOREIGN POLICY AND RELATIONS", South Asian Publishers, 1985, pp.582-586).

APPENDIX 'D'

RAJIV-JAYEWARDENE PACT OF JULY 1987

An accord was signed between President J.R.Jayewardene and Prime Minister Rajiv Gandhi on 29 July 1987. In terms of this accord they agreed that (i) Tamil majority northern and eastern provinces would be merged to ensure distinct Tamil nationality without disturbing the integrity of Sri Lanka; (ii) A referendum would be held before 31 December 1988 to enable the people of eastern provinces to decide whether they would like to maintain links with the northern province or constitute a separate administrative unit with its own provincial governor and council; (iii) to hold election to Provincial Councils of north and east before 31 December 1987; (iv) emergency in eastern and northern provinces shall be lifted by 15 August 1987; (v) all hostilities in island would cease within 48 hours and all arms surrendered by militant groups; (vi) general amnesty would be granted to political and other prisoners detained under the Prevention of Terrorism Act and other emergency laws; (vii) President of Sri Lanka would have discretion in invite an Indian peace-keeping contingent to guarantee and enforce cessation of hostilities in Jaffna and India agreed to provide such military assistance; (viii) India shall ensure that its territory is not used for activities prejudicial to the unity and integrity of Sri Lanka; (ix) Sri Lanka would not make available Trincomalee or any other port of military use to other counties. The pact was regarded as a significant step for ending conflict relations between the two countries, and paved the way for greater co-operation between the two. In pursuance of this agreement India rendered every possible help to Sri Lanka in the containment of terrorism in the island country and even provided peace-keeping forces for this purpose.

APPENDIX 'E'

Turkey and Pakistan in Central Asian States

Turkey granted \$1 billion of aid and trade credit to Central Asian states in 1992. This is in addition to \$650m in soft loans for food and medical supplies and \$ 600m in commercial credits and investment guarantees. It has already concluded more than 40 bilateral agreements with these states. With Turkmenistan it is seeking to help build a pipeline for marketing its natural gas in Europe after the Ashkhabad summit of ECO, held in May 1992. It has, along with Pakistan and Iran, constituted a committee for the revival of the old Silk Route with a view to improving the existing railway and road networks within the region and eventually to connect them with Europe. However, Turkey is hampered by two factors. The one is the absence of a common border except with Georgia and Armenia, and the other is the traditional preoccupation of the Turkish elite with European, and not Turkic, culture.

Mutual exchanges of high level visits between Pakistan and Central Asian states have become a regular feature. Pakistan has signed more than 30 agreements with these states dealing with trade, economic cooperation, communication and infrastructural development, and scientific, technical and cultural exchanges (The Nation, Lahore, 22.2.1993).

However, it does appear, as of now, that the main thrust of Pak activities in the region is d multilateralism, with Turkey, in particular forums as ECO. The turmoil in Afghanistan posed logistic problems for Pakistan in fo attractive proposal of making Karachi as a outlet for the land-locked Central Asian Stat

(Source : ZAFAR IMAM, "CIS AND INDIA: PROBLEMS OF RELATIONSHIP" a paper presented at a seminar on "Reform, conflict & change in C Nehru University, New Delhi, November 1993.)

APPENDIX 'F'

A Note on India's Economic Relations with the CIS

A. Russia

a) Trade* (In Crore Rupees)

Year	Export	Import	Technical Credit**
1990-91	4,902	2,350	1,750
1991-92	4,040	1,796	750
1992-93 (First three quarters)	1,182 (1,182)	5,449	2,000 (December '92)

** Surplus on India's trade account.

* A 5-year trade agreement was signed on May 4, 1992 with India's technical credit ceiling fixed at \$285m annually.

Source : Statistics of the Foreign Trade of India by Countries, Calcutta, 1992, pp.276, 179, 1637 and Hindu, 14.1.1992 & Statesmen, 18.9.1991.

b) General Comments : Apart from Soviet debt (Rs.311,620m) payment agreement, three commercial agreements were signed during President Yeltsin's visit and these have provided a mechanism for trade between the two countries. However, as the above trade figures show, a huge trade deficit has accumulated in India's accounts in 1992-93.

B. Uzbekistan, Kazakhstan, Kirgistan and Turkmenistan

During Prime Minister Rao's visit to Uzbekistan in June 1993, a new trade agreement was signed with Rs.10 crore technical credit from India. Another \$10m credit is in the pipeline for funding Indian projects and exports of consumer goods. Already 13 joint ventures have been established in Uzbekistan.

Likewise, a trade protocol was signed with Kazakhstan during Prime Minister Rao's visit in June 1993; it has provided for an annual turnover of \$70m each way. India has also agreed to provide a \$10m credit to Kazakhstan for capital goods and joint ventures. With Kirgistan several commercial agreements were signed in March 1992 during President Akaev's visit to Delhi (see for details, Hindustan Times, 7.6.1993). A token technical credit was also provided for Turkmenistan during the visit of Turkmen President to Delhi in winter 1992.

(Source : ZAFAR IMAM, "CIS AND INDIA: PROBLEM AND PERSPECTIVE OF RELATIONSHIP" a paper presented at an international seminar on "Reform, conflict & change in CIS", Jawaharlal Nehru University, New Delhi, November 1993.)

APPENDIX 'G'

Commerce Secretary on D.D. Proposal

- Q: Is India going to sign the Dunkel Draft?
A: We don't have a choice, do we? The alternative, to opt out of GATT, is unimaginable.
- Q: Will India accept it as it is or with modifications?
A: We have suggested several modifications to suit our national interest, and many of them have been accepted.
- Q: When do you think the agreement will be signed?
A: In about a year, I should think. The Round is expected to conclude by December 1993.
- Q: Is India making common cause with the US against EC on certain issues. Like Agriculture?
A: No, it is India's policy to treat everyone equally. There is no question of acting in concert with one against others.
- Q: Is India going to accept the TRIPs part of the Dunkel Draft as it is ?
A: Look, before I answer that, I want to say that a completely wrong impression has been fostered that India does not respect intellectual property right. This is simply not true, and in some areas, we are ahead even of the West. Also, the Dunkel Draft covers seven areas under TRIPs (trade related intellectual property rights), and out of these in six areas, there is no dispute.

For instance, where norms and standards are concerned in respect of integrated circuits, India is already a signatory to the Washington Convention which lays down the norms and standards. So we don't oppose IPRs.

Far from it, the way the opponents of the Dunkel Draft have gone about it, the world thinks we don't care a hoot about IPRs. That, I think, is really unfortunate,

because the reverse is true. Where software is concerned, we are ahead of even the US in protecting it. We also give national treatment in copyrights, trademarks etc. But these strengths have been obscured by the agitators.

Q: But they do have a point, don't they?

A: Up to a point, yes, but you know, most of them have got their facts wrong. An don't forget, many developing countries, even China, have accepted the Dunkel Draft as a basis for their own IPR laws, even on patents for drugs and chemicals. Such differences as remain are marginal, and no one is very bothered.

But in India we are getting emotional, mostly without reason. Now when we ask the others to support us, they say, look, as far as norms and standards are concerned, we have already accepted the Dunkel norms and standards, so please stop bothering us. But they add that they will support us where the transitional period is concerned. This is the reality on the ground in Geneva.

Q: So what does that mean?

A: We have to accept the same norms and standards. It is in our interest in the long run. It will help attract investment and technology, including in the pharmaceuticals sector.

Q: Product patents as well?

A: Yes, the adoption of the TRIPs agreement will require that, but not immediately. India has managed to get an additional five years of transitional period, so we need to adopt those norms and standards only ten years after the agreement is signed. That is by 2005 we will have to adopt product patents.

Q: And the duration of the patents?

A: Twenty years, in all branches of technology.

Q: What about the issue of importation vs the working of patents?

A: Our stand has always been that this issue has not been resolved even in the Paris Convention. It has been going on for several years. Our case is that it all depends on the context. In certain cases, importation

may amount to working the patent, while in other it may not. so we have been saying that the issue needs be addressed, one way or the other, in the text agreement.

For example, consider a situation where a pharmaceutical is being imported but in extremely small quantities. In such a situation, patent or not, not one would set up production facilities because the project would not be feasible. So we have to situate the question in the context of the demand for a product.

In such a case, the question whether importation amounts to a working of the patent or not, is totally irrelevant. Even if you licensed an Indian company to manufacture that product, it is not going to do so because it is not viable. This holds good for all items for which demand is small. It clearly makes sense to import it then.

Q: But what if demand is not small?

A: Yes, suppose that in spite of a large demand and a commercially viable proposition, a patent-holder does not set up production facilities, and suppose that this leads to higher prices. Then we must have the freedom to issue compulsory licence for its manufacture in India. We explained all this to the Americans.

We told them that the provision that patent rights shall be available without discrimination between locally produced products and imported ones, we said that there should be a footnote which says this should be read in harmony with Article 5 of the Paris Convention, which allows compulsory licensing in the situation described above.

Q: And what was the response?

A: Oh, they hummed and hawed, and said as far as you are concerned, you may be right but we don't want this interpretation to be understood as patents having to be worked in all the 100-ad countries of the world. Their objection was that a compulsory licence should not be given solely because a patent is not worked.

They said that according to the Dunkel text, it will be give on the merits of the individual case. This is the exact wording. So they said that if you

give a compulsory licence on merits and this is consistent with Dunkel then you don't need a separate footnote. We said that look, that's all very well, but we don't want a dispute later on whether the decision on merits was right or wrong. We don't want a dispute of that sort. But they stuck to their stand. That is where the matter rests now.

Q: What happens now?

A: We will pursue it in Geneva. We are not giving up our demand for a footnote. As I said, we don't want disputes later on.

Q: What about drug prices?

A: There is a lot of exaggeration here. The Indian Drugs Manufacturers' Association says that if we accept the Dunkel provisions, drug prices will go up by 5 to 10 times. There is no hard evidence to prove this.

First, the number of drugs under patents at any point of time will not exceed 10 to 15 per cent of India's domestic pharmaceutical market. Even in the US only a handful of new drugs come into the market each year and we don't need all of them. So it is not as if the entire universe of drugs which we require will be under patents.

Second, there are always alternatives from the previous generation. So, third, the new product cannot be priced very much higher than the older ones. The market will ensure reasonable prices, except where alternatives are not available. This could happen if, say, a new drug is discovered for AIDS.

Q: What then?

A: Well, we are not helpless. We can go for compulsory licensing, or for price control or use other provisions of Dunkel. Also don't forget, the nature of the technology involved is important, too. If it is easily copiable, it will be in the interest of the patent holder to licence as many people as possible. So this will reduce prices, too.

Q: Tell us about the plant protection provisions of Dunkel. Is the controversy over farmers' rights, researchers' rights, patenting of seeds etc. based on facts?

A: Not really. Facts have become a casualty in the entire debate. The first point is that the Dunkel Draft does not require seeds to be patented. What it says is that so far as protection of plant varieties is concerned, every country should provide an effective sui generis system of protection if it does not want to provide for patenting of seeds. It also provides for a combination of the two.

Where we are concerned, we are not going to allow the patenting of seeds. But we will provide for a sui generis system of protection. We have a transition period of five years for this, and we will ensure that the rights of farmers and researchers are fully protected. And this means that the farmer will be free to retain and use seeds. Please get this right. Non-commercial exchange will not be restricted.

So the fears that our farmers will not be able to retain or exchange seeds and that they will have to buy their seeds every year at exorbitant prices are completely unfounded.

Q: Do you have any specific model for protecting plant varieties? And what does 'effective' mean?

A: We don't have any specific model in mind. The Dunkel text nowhere requires that. But we have to go by the UPOV conventions. There have been four such conventions, in 1961, 1971 and 1978. Now there is the latest 1991 convention. But we don't have to follow it. We can have our own version.

Q: But if you don't follow the 1991 version, will it be regarded as effective?

A: Please get this clear as well : Effective protection does not mean, I repeat, does not mean the standards followed in the 1991 convention. There is not an iota of doubt on that. That is one thing. The other is that the 1991 UPOV itself says that developing countries can adopt the 1978 convention, which is not as stringent as

the 1991 one, and still come on the 1991 convention by December 1995. This is a special provision.

Q: You still haven't said what 'effective' means?

A: It will be judged by the number of species covered. The 1978 convention says you must cover at least 5 species to begin with and go up to 24 after 8 years. It also says that the period of protection must be 15 years for ordinary varieties and 18 for wines and trees. the plant breeder is given the sole and exclusive right for commercial production.

Q: Can the farmer sell any seeds at all?

A: No, The basic right conferred on the breeder is productin for commercial marketing. that is, the farmer can use the protected seed for his own purpose, and that includes retention for non-commercial exchange in small quantities in the village community.

But he cannot buy the seeds, grow it as a seed and sell it as a seed. That is commercial production, and it is forbidden. But please bear in mind: all the UPOV conventions protect the farmers' and the researchers' interests. The protection is embedded in them. Even so, in order to allay fears, we have asked for a footnote to the relevant chapter and we have been assured by both the EC and the US that they will have no problem with recognising farmers' and researchers' rights.

Q: By when does India have to get its plant protection legislation in place?

A: The transition period is five years for developing countries.

Q: How is India likely to benefit from this?

A: Well, ICAR (Indian Council of Agricultural Research) is very please because it is convinced that it can make money now. today, they are starved for funds. This is the point you see. It is not just the foreign firms but Indian establishment will also benefit. It is a good thing for Indian agriculture.

Q: What about patenting of naturally occurring genes and micro-organisms?

A: We will not agree to it. We tabled a footnote saying that these shall not be patentable. It is not a case of invention but discovery, you see.

Q: What about the patenting of things which use a particular discovery?

A: We have no objection to that. It is only the gene sequence, for example, which we say must not be patented. Other uses of it may emerge later on and if it gets patented future applications may be affected.

Q: What is the response?

A: Positive, I think, but we have to reformulate our proposal to make it more specific. We will take the help of our scientists.

(Source: N.K. CHOUDHARY, J.C. AGGARWAL, "Dunkel proposals: implications for India & the Third world," Shipra Publication, 1994).

Appendix 'H'

Development of India's Nuclear Programme

While China has two operational nuclear power plants and Pakistan only one India has nine operational nuclear power plants and generating about 1720 mw of power which is about three per cent of total power generation of the country, Dr. Chidambaram said in an exclusive interview.

He said that the country had developed expertise in all stages of the nuclear fuel cycle, and created indigenous capabilities in designing, construction and operation of nuclear power plants, reprocessing of spent fuel, and manufacture of the necessary sophisticated equipment.

Capabilities have been created right from exploration and mining of atomic minerals, preparation of high purity nuclear materials, such as uranium, thorium, zirconium etc, production of fuel elements for reactors, production of heavy water, health and safety instrumentation to nuclear waste management he said.

Dr. Chidambaram said that the prime objective of the atomic energy programme was the development control and use of atomic energy solely for peaceful purposes namely, the generation of electricity and development of nuclear applications in research agriculture, industry, medicine and other areas.

To achieve this objective, efforts were initiated to build up a versatile infrastructure of research facilities, trained scientific and technical manpower, raw material processing centres and the know-how and capability to manufacture nuclear components and electronics equipment to support to atomic energy programme and make India self-reliant, he said.

As a result of these efforts, Dr Chidambaram said that India had broken big powers monopoly in this field and the country was today in a position to export research reactors and heavy water subject to course of international safeguards.

Today nine units of nuclear power with a total capacity of 1720 mw. The work in respect of Rajasthan Atomic Power Projects III and IV and a unit of Kaiga Atomic Power Project in Karnataka, each unit of 220 mw, would be commissioned soon, Dr. Chidambaram said.

He said that the Tarapur Atomic Power Station, Rajasthan Atomic Power Station, Madras Atomic Power Station, Narora Atomic Power Station and Unit I of Kakrapar Atomic Power Project were presently operational. The Second 220 mw unit of Kakrapar Atomic Power Project is expected to achieve critically shortly, he added.

Dr. Chidambaram admitted that India's nuclear programme target to generate 10,000 mw of power by the end of this century has been showed down due to the financial crunch. However, he said that the financial crunch was being faced by all public sector units and the country's nuclear programme was no exception.

The Nuclear Power Corporation was striving to increase its internal resource generation. Today our nuclear power stations could generate an internal surplus of about Rs. 100 crore but with the addition of Rajasthan and Karnataka units our internal resource generation would touch almost Rs. 400 crore by 1997-98, he said.

Dr. Chidambaram was of the view that at same stage we have to go for public and there was a lot of scope for joint ventures in this field. Referring to low operating performance of the nuclear power plants, which are lower than international standards, Dr. Chidambaram said that the difficulties were being faced in integrating the nuclear power station with the grid resulting in low operating performance. These problems were being sorted out.

Referring to safety aspect of nuclear power plants, Dr Chidambaram said that the Atomic Energy Regulatory Board, an independent body oversees and regulates all activities to enforce safety related aspects of atomic power plants. The guidelines followed are in conformity with the international standards, such as those prescribed by the International Commission on Radiological Protection, he asserted.

Dr. Chidambaram said that safety was incorporated in all the phases of a nuclear power project or activity start-

ing from selection of site. Safety, well engineered into the system as per current international standards, was pursued in fabrication of equipment, construction phases and maintained during operation phase, with review by multi-tier committees at different levels. Plan for emergency preparedness have also been implemented, he said.

Recently, the standing committee on energy of the tenth Lok Sabha in its fourth report on "Nuclear plant safety and spent fuel management" which was placed in Parliament last month, has held that the commitment of the Department of Atomic Energy to safety was total.

The committee had found that care for protection to environment is built into the regular procedures for design and operation of all plants. It observed that the Department of Atomic Energy adheres to site safety features including protection against earthquakes and associated phenomena, extreme meteorological phenomena such as cyclones, floods etc and man induced events such as aircraft crash, fire, explosions, and toxic chemical handling.

The committee findings reveal that nuclear industry in the country had established a good record of safety. There have been no fatalities caused by radiation, nor any significant occupational radiation injuries of any kind detrimental to the public or the environment at any of the Indian nuclear facilities.

The committee has noted that India has accorded topmost priority to management of radioactive wastes right from the beginning of Indian nuclear programme. Minimising the generation of radioactive wastes, and to contain and confine them, thus preventing them reaching the biosphere, is the basic philosophy adopted in the entire waste management programme.

On funding of nuclear power plants, the committee noted that there are no avenues for resources from overseas financial institutions, unlike in the conventional power sector. Therefore, it is conventional power sector. Therefore, it is important to have Government support until the operation base grows to a sizeable level to general adequate internal resources.

If the programme slows, down the turnover of scientists and engineers would progressively increase. Later when the country need to revive the programme, it would be a suspensdous task to assemble the infrastructure. Therefore, it is minimum at least a minimum level of sustained growth if the country had to retain the expertise already developed, the committee added.

(Source : Hindustan Times, April 2, 1994.)

APPENDIX 'I'

Need to assess defence planning

The three Ms of defence planning—money, manpower and machines—need to be reassessed on a priority basis to give a basic thrust to the drifting Indian defence policy, a new study says.

"There is little doubt that our defence capability has been eroding at a notable pace during the past seven year....there is a critical need at this stage to give serious thought to our defence needs in a longer term perspective rather than try to live from one budget to another" stresses noted analyst Jasjit Singh in his study "Affordable Credible Defence of India"

The study sketches the Indian security imperative in the next ten years and suggests the macro options that can be adopted for ensuring the country's defence.

According to Air Commodore (Retd.) Jasjit Singh, there are two macro-strategic options, including one based on nuclear weapons, for our defence for the coming 20 years.

The first option could be defence based on conventional deterrence with a minimum of 3 per cent of GDP invested in defence during the ten years (1994-2003) period, along with retention of the nuclear option.

The second would be defence based on visible nuclear deterrent and 2.5 or lesser share of GDP spent on defence.

The relative costs and benefits of the two options would require a detailed study by experts, including the Finance Commission, Planning Commission, and economic experts, and should be undertaken on priority, says the director of the Institute for Defence Studies and Analyses (IDSA).

However, on the face of it, the overall costs in political and economic terms for the country are likely to be much higher if the second option is pursued, he adds.

But, if the money (available and) assigned to defence during the remaining years of this decade remains at the present levels, without restructuring the defence forces, the only option available would be to weaponise the nuclear option, he observes.

According to Commodore Jasjit Singh, the consensus that operated for a quarter century to provide requisite resources for defence, started to break down in the mid-1980s.

In real terms, the defence expenditure has been reducing from 1986-87 onwards when it stood at 4.04 per cent of the GDP. By 1992-93 it had come down to an estimated figure of 2.6 per cent.

The real drop had been aggravated by the fact that the GDP growth averages during these years have been even lower than the preceding years. Also, the value of the rupee against foreign currencies has slumped.

But, since the defence expenditure is reflected in current rupees, without any indication of its real value, an annual increase in defence spending has not only led to a false sense of security, but has reinforced the belief that defence expenditure needs to be further curtailed, he adds.

"The defence expenditure in current rupees increased by an average annual rate of 0.06 per cent from 1986-87 to 1993-94. However, in constant 1981-82 rupees, the defence expenditure declined by an average annual rate of 2.04 per cent during the same period".

The actual drop in the purchasing power of this expenditure is even greater when an allowance is made for the normally higher inflation rate for defence equipment, which is generally five to 15 per cent higher than non-defence inflation, says the IDSA director.

Vital defence elements like weapons and equipment acquisitions, combat stores, spares, ordnance, fuel and other capital costs have been affected by the slump in the

value of the rupee from 11.6 per US dollar in 1986-87 to 31.3 per US dollar in 1993-94.

"The immediate challenge, therefore, is how to arrest this decline, and stabilise expenditure at a level that provides a reasonable assurance of capability into the future." the defence analyst says.

While the first "M" (money) of defence planning has thus been subject to uncertainty, the second "M" (machines) has also been made unpredictable with the traditional-Soviet source of supply no longer as reliable.

It will require unaffordable fiscal resources and time to change over to other-western-sources. Even here, it should be clear that the "other sources" basically imply West Europe only, Commodore Jasjit Singh points out. "It is unrealistic to expect any significant opening up of military equipment (leave alone technology) from the United States, lie adds.

However, a route or US equipment and technology could be found in getting its defence industry linked into our defence industry, Commodore Jasjit Singh says. This may require some adjustments, concessions and even compromise in our force equipment specifications, but in the long term this may be a desirable option, he adds.

While the collapse of the Soviet Union has created serious disruption in the source of military equipment, it has also opened up unprecedented opportunities for India to establish higher levels of self-reliance.

"There should still be significant opportunities to tap into the former Soviet Defence Industry to acquire autonomous manufacturing capabilities, as well as enter into joint development and technology development transfer projects."

There is a need to put defence research and development at the highest priority. The aim should be to devote a minimum of 0.25 per cent of the AGDP on defence R and D Every year for the next five years, increasing thereafter to 0.35-0.45 per cent of the GDP, he says.

(Source : Hindustan Times, Patna, March 26, 1994)