

Aid: Old Morality and New Realities

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The Indian government has tried to signal a change in its status from 'aid-taker' to 'aid-giver' by announcing that it would stop taking bilateral aid from a number of small countries like Denmark, Netherlands, Norway, etc. Many of these countries are not only relatively small, even if some of them like the Netherlands give more aid than, say, the US, but had the temerity to either question the nuclear tests carried out by India in 1998 or the more recent anti-Muslim pogrom in Gujarat. Along with forsaking this 'tied aid', the Indian government simultaneously announced that it was creating an India Development Initiative Fund (IDIF) for giving aid to less developed countries.

The basic purpose of this change in policy is political, to support India's claims for a new status in international affairs, including a permanent seat in the Security Council. But it is also necessary to pay attention to the economics of this move. The IDIF will be used to give loans for projects in less developed countries that will be used exclusively for contracts given to Indian companies and Indian consultants. Why is the same amount of money not used to, say, upgrade India's own poor infrastructure? Or used for expenditures in the poorer parts of India, as in those parts of Orissa, UP or Bihar where human development indices rank among the lowest in the world? Such projects would provide much needed employment in these areas and build up their human capabilities and productive infrastructure.

But these regions, and many other areas in the arid and semi-arid regions, supply the very cheap labour that fuels a large part of Indian competitiveness. So long as India continues a dual development policy with a mass of cheap labour, even if it is of low productivity, on the one hand, and some islands of hi-tech labour, on the other hand, the continued poor condition

of these labour supply reserves remains essential to Indian competitiveness as a whole; witness the reluctance to take any action to eliminate child labour.

Various combinations of political alliances simultaneously enable these poor to participate in the glories of Hindutva, just as they celebrated India's nuclear status. Politically the poor can be kept in thrall by the vicarious thrills of Indian expansionism, while economically they remain neglected.

Thus, rather than use all available Indian capital and expertise to develop the vast labour supply regions, it is better for capital that some of it be exported, while also providing employment for surplus Indian skilled human power in these lands. At the same time, there is political gain in the international arena from giving aid to the less developed countries, with more support being gathered for India's claim to a permanent seat in the Security Council.

Giving 'tied aid' is a time-honoured tactic of expansionist capital. Tied aid leads to non-competitive award of contracts. It used to be common in discussions on aid to assume that costs in tied aid would be at least 20 per cent higher than in market contracts. Further, in international contracts the comparison would be with the rates of other foreign corporations. Thus Indian corporations that get into this business would not only make the profits they would have made with similar contracts in India, but would earn a super-profit from the mechanics of tied aid.

There is no little irony in the fact that the Indian finance minister can decry tied aid for the 'pain' it inflicted on India and simultaneously propose a scheme of tied aid for India's dealings with even poorer countries. Imperialists and expansionists have never been known for moral consistency. It certainly signals a certain kind of coming of age of the Indian state that it now indulges in the same double standards.

The Times of India editorial of June 5 blatantly espoused the adoption of such moral double standards when it praised the scheme to use IDIF aid to secure contracts for Indian corporations and Indian consultants and likely objections from some recipient countries to 'big brother', saying "...isn't it time we all acquired new mindsets to deal with the new realities?" New mindsets are needed to do to others what used to be done to us; but old morality will do to call a spade a spade and say that India's 'tied aid' scheme is meant to earn super profits from the less developed countries to whom it will be given. It will be no surprise if, in days to come, instead of being regarded as saviours, the Indian corporations and consultants come to be regarded as the latest incarnation of uglies – 'ugly Indians'.

Those who profit from the tied aid will certainly support the government of India's scheme. More so, all those who dream of an expansionist India taking its place among the big powers of the world, even a recreation of a so-called Aryavarta. But there is still a morality, even in business and politics. And just because morality doesn't necessarily win the day, that doesn't mean it ceases to exist. A mindset that ignores questions of justice, on the other hand, is essential to an expansionist project. And that new mindset is being created in India by various political formations and the mass media.

Leaving morality aside, the very ignoring of the continued existence of poverty in India, with the largest number of the world's poor and illiterate, will have its inevitable economic, social and political consequences. Already the middle and upper classes in Delhi live within walled colonies. And as the fabled Indian IT industry begins to falter in its rate of growth, down from 50 per cent two years ago to about 25 per cent now, commentators point to the weak Indian market as something the IT industry cannot fall back upon.

At yet another level, Delhi's refusal of aid from countries that criticise various of its policies is an arrogance that refuses the right of anyone to question its policies and practices. In an age when Pinochet can be detained in the UK, even if temporarily, for crimes committed while he was military dictator in Chile, and when various new international courts are being set up, this arrogance comes not from a belief in the correctness of policies and actions, but in the ethnocentric refusal to concede to anyone else the right to question them, an attitude in which India is now rivalled only by the US and China. **EPW**