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INDIA IN THE  
EMERGING  
WORLD ORDER

**A STATUS QUO POWER  
OR A REVISIONIST FORCE?**

**DEEPSHIKHA SHAHI**



# India in the Emerging World Order: A status quo power or a revisionist force?

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Any author vested with the responsibility of appraising India's position and potential role in the emerging world order could spend a considerable time pondering an appropriate title – 'The Rise of India as a Status Quo Power'; 'India as a Reformist Force in the Emerging World'; 'India in the Emerging World: A Potential Bridge between the North and the South'; and so on. The dilemma surrounding the selection of an appropriate title in fact reflects a deeper confusion pertaining to India's newly acquired image of a 'rising power' and the ability of its foreign policy to live up to that image.

This chapter sets out to trace the changing contours of India's foreign policy by throwing light on: (i) the historical and sociological compulsions shaping India's strategic trends and the evolution of India's model of neoliberalism; (ii) the expression of India's strategic trends in its changing equations with the powers of the North (especially the US and the former Soviet Union, and now Russia) and the South (especially Brazil, South Africa and China); (iii) the impact of India's currently evolving synergy with the South (IBSA, BASIC, BRICS) on India's relationship with the North (G8+5, G20); (iv) the conflictual and cooperative tendencies within India's strategies at intra-subregional (India-SAARC), inter-subregional (India-ASEAN) and inter-regional (India-Mercosur; India-AU; India-SADC etc.) levels; and (v) the comparative importance of the mutually contradictory forces of nationally-based TNCs and civil society movements in determining India's foreign policy. After grasping India's foreign policy stance in the contemporary neoliberal world, the chapter then evaluates the probability of India becoming a beacon for an alternative in a post-neoliberal world order.

## INDIA'S FOREIGN POLICY: HISTORICAL AND SOCIOLOGICAL ROOTS

The foreign policy formulated by India after its independence from British colonial rule in 1947 was largely influenced by the ideals of Gandhian and Nehruvian philosophies—*swaraj* (self-rule), *ahimsa* (non-violence) and *panchsheel* (the five principles of sovereign equality, territorial integrity, non-alignment with power blocs during the Cold War period, non-interference in the internal affairs of other states, and peaceful coexistence/cooperation for mutual benefit). India's foreign policy, wherein 'morality' seemed to play a more prominent role than the use of force, was driven by two objectives: safeguarding hard-won sovereignty, and uplifting the underdeveloped economy. The commitment to the UN system, the initiation of the Non-Aligned Movement (NAM) with an emphasis on 'third world solidarity', and the adoption of a 'mixed economy'—based on the combination of private and public sectors—were tools for attaining these objectives.

While the Gandhian faith in non-violence was constantly reiterated, India's first Prime Minister, Jawaharlal Nehru, declared in 1956:

I am not aware of our government having ever said that they have adopted the doctrine of *ahimsa* to our activities. They may respect it, they may honour the doctrine, but as a government it is patent that we do not consider ourselves capable of adopting the doctrine of *ahimsa*.<sup>1</sup>

Despite claiming to follow the principle of peaceful-coexistence, India witnessed major wars and skirmishes with Pakistan and China over territorial disputes. The principle of non-alignment did not prevent Nehru from seeking military aid from the US and Great Britain during the brief Sino-Indian border war

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in 1962, or from concluding the Indo-Soviet Treaty of Peace, Friendship and Cooperation in 1971, which ensured the transfer of a huge quantity of Soviet weapons that facilitated India's military intervention in East Pakistan (subsequently Bangladesh) the same year. Nehru's 'socialist' orientation brought India strategically closer to the USSR during the Cold War period.<sup>2</sup>

Nehruvian foreign policy also had a tremendous impact on shaping the dynamics of regional politics in south Asia. In 1946, Nehru stated:

In Asia it seems inevitable that two or three huge federations will develop... India is going to be the centre of a very big federation (...) From the point of view of all these possible developments of the future, it is very desirable for us to gain contacts with countries all over Asia.<sup>3</sup>

In 1961, Nehru observed the rise of a new Asian worldview. He noted:

The emergence of the independent nations in Asia naturally leads to what might be called an Asian way of looking at the world. I do not say that there is one Asian way, because Asia is a big continent, offering different viewpoints. However, it is a new angle, and is a change from the Europe-centred or any other view of the world.<sup>4</sup>

The Asian Relations Conference held at New Delhi in 1947 promoted the concept of a South Asian Community. Despite an early start in regional thinking, the volatile political scene in the south Asian region obstructed the institutionalised existence of any regional forum for a long period. After a series of meticulous discussions, it was only in 1985 that the Charter of the South Asian Association for Regional Cooperation (SAARC) was formally adopted by seven south Asian states—Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. Due to tumultuous domestic political conditions, Afghanistan's formal entry into SAARC became possible only in 2007.

The initiative for forming SAARC was taken by the President of Bangladesh, Zia-ur-Rahman, and was immediately endorsed by Bhutan, Nepal, Sri Lanka and the Maldives. However, both Pakistan and India displayed reluctance, though for different reasons. Pakistan was wary of India's potential to use SAARC in the service of its own hegemonic designs. Pakistan had specific fears of Indian future domination of trade and commercial links, especially if these were promoted in the industrial infrastructure and in regional trade. Considering the protracted history of bilateral disputes in the region, India had apprehensions that the SAARC might be used by its neighbours to 'gang up' against it. An attempt by Bangladesh to bring in Nepal as a party to the central issue of sharing the Ganges River's waters with India was seen as heading in this direction. Consequently India's reaction to the Bangladesh proposal was marked by caution. India's Foreign Minister insisted on confining regional cooperation to certain areas, and voiced two important pre-conditions for regional cooperation in south Asia: the exclusion of bilateral issues from deliberative discussions, and unanimity as the basis of all decisions.<sup>5</sup>

The formal incorporation of these two pre-conditions in the SAARC Charter affirmed India's normative hegemony in the south Asian region.<sup>6</sup> They also clarified that the institutional form of regional cooperation in south Asia would be an inter-governmental one, not a supra-national one. The inter-governmental institutional form ensured that the functioning of SAARC would safeguard the sovereignty of the SAARC member states rather than override their sovereignty in the interest of the south Asian region.

India's foreign policy remained heavily influenced by the mixed economy model adopted by Nehru during the Cold War. However, the post-Cold War period presented a transformed political context both at the global and the domestic levels. At the global level, the collapse of the socialist bloc led to an embrace of neoliberal capitalism as the triumphant ideology. At the domestic level, the 'Congress System'<sup>7</sup>—a de facto one-party system where the Congress party dominated Indian politics—had come to an end even earlier, and various regional political parties backed by diverse and hitherto suppressed social forces (both conservative and progressive) started playing a more crucial role.<sup>8</sup> Indian democracy entered into the 'third electoral system'<sup>9</sup> whereby the pattern of the determinants and outcomes of electoral choice underwent a sea change. In the first and the second electoral systems, which prevailed during 1952-1967 and 1967-1989

respectively, Indian voters had the choice to vote either for or against the dominant Congress Party. However, the proliferation of regional parties in the post-1989 period offered alternative choices to Indian voters and heralded the era of coalition politics, thereby fundamentally transforming the terrain of Indian politics. The shifts in the electoral choices were largely anchored in the process of social change marked by the gradual awakening of the marginalised segments/castes of Indian society.<sup>10</sup> Different caste-groups began to align or realign themselves with various national and regional political parties, thereby having a distinct impact on the coalition government of the day.

With the alteration in electoral outcomes, the internal composition of Indian strategists also changed. Indian strategists—chiefly consisting of temporarily elected political elites and permanently selected but comparatively less powerful bureaucratic elites—could no longer stay solely committed to the socialist temperament of Nehru or the agenda of the Congress Party if they wanted to maintain their influence. Therefore, since the 1990s, the challenge for the new Indian strategists has been to reinterpret Nehru's ideas to suit the transformed political context. The new Indian strategists could neither condemn Nehru nor formally reject Nehru's ideas, for that would have invited serious political trouble.<sup>11</sup> Yet they had to continually reinterpret and refashion India's foreign policy to adapt it in accordance with the requirements of India's transformed domestic politics, particularly following the balance of payments crisis in 1991.

After independence, India adopted a mixed economy with a major role for the state in industrial production and an emphasis on an import substitution strategy. This policy helped to lay the foundation for industrialisation and technological change, but compared to its East Asian neighbours India's national income growth remained low at about 3-4 per cent per annum for several decades. The export-oriented Asian countries grew much faster during this period by taking advantage of the post-war expansion in international trade and investment flows.<sup>12</sup> The 1991 balance of payments crisis left India heavily burdened with international debt that it found difficult to repay, and therefore needed financial assistance from international organizations such as the IMF. However, as a pre-condition to the loan, the IMF demanded the implementation of a structural adjustment programme (SAP) designed to liberalise the Indian economy. Starting around 1991, some far-reaching changes in policy were made in India that came to be known as the New Economic Policy (NEP). The adoption of the neoliberal NEP paved the way for the integration of the Indian economy into a globalised economy. The Indian government decided that the time had come for Indian producers to compete with producers around the globe. It felt that competition would improve the performance of Indian producers since they would have to improve their quality. This decision was supported by powerful Indian corporate houses and international financial organisations.

A turning point in Indian coalition politics came with the Bharatiya Janata Party's recent emphatic win in 2014 Elections. It is believed that the victory of the right-wing Bharatiya Janata Party under the leadership of Narendra Modi has destroyed the myth of coalition politics, thereby gifting India its first single-party government in past 30 years. However, the newly elected BJP government is largely seen as perfect mascot for the changes that have transformed India since the early 1990s: the liberalisation of the country's economy.

Today, Indian strategists—that is, those who have the influence and power to shape India's overall strategy and foreign policy—generally follow and emulate the neoliberal model of economic development. The strategic discourse in today's India broadly occurs at two levels of state and civil society. The two-way circulation of the discourse between state and civil society passes through various mediations provided by the politicians, bureaucrats (including active and retired diplomats and senior echelons of the military), university- and research institute-based scholars, student unions, the media (including policy oriented journalists and film-makers), key corporate houses and business groups, and social activists (including leaders of various social movements). However, not all the wide-ranging views have a direct impact on the strategists, even if government structures such as the Indian Foreign Service have started to remove barriers that blocked entry by academicians and prevented civil servants from moving into academic institutions. This has changed recently, for example with the formation of the National Security Advisory Board with its separate and functional secretariat, and growing interactions between Indian strategists and academicians.<sup>13</sup> Nevertheless

despite a diverse range of views, including critical perspectives put forward by the Indian academicians and activists, the Indian strategists have continued to follow the neoliberal model of development.

Over the last two decades, all the major political parties in India—cutting across the spectrum from the left to the right—have converged to a similar worldview. While differentiated mostly by rhetoric, they subscribe to the view that the NEP—which endorses the processes of globalisation, market-based liberalisation and corporate-led industrialisation—is necessary to achieve the economic development and political empowerment of India.<sup>14</sup> However, Indian strategists have taken a cautious and regulated path to capital account liberalisation, and this strategy has served to reduce the economy’s vulnerability to crises. As Joseph Stiglitz commented in the *Times of India*, “your policy makers, particularly the Reserve Bank of India, are already doing a great job. I wish the U.S. Federal Reserve displayed the same understanding of the role of regulation that the RBI has done, at least so far”.<sup>15</sup> Elsewhere he remarked that:

India was one of the countries that resisted the wholesale deregulation movement that the United States had been exporting(...) [India] did it against political pressure(...) and now I think the financial markets are thankful that they did resist those pressures. The result is that India’s financial markets are in better shape than they would have been if they had engaged in the kind of wholesale deregulation that the United States engaged in.<sup>16</sup>

In contrast to the appreciative statements of Stiglitz, Jim O’ Neill—the Goldman Sachs economist who coined the acronym BRIC—labels India as the “greatest mystery” among the BRICS and criticises India’s leadership for failing to implement reforms and “deliberately avoiding FDI”. This phrase might resonate with many because of the ferocious political row over the government’s decision to open India’s retail sector to global supermarkets such as Wal-Mart and Tesco.<sup>17</sup> In India there are diverse views on the issue of capital account liberalisation (CAL). While the Percy Mistry Committee Report (2007) and the Raghuram Rajan Committee Report (2008) advocate ‘thin institutionalisation’ by supporting the idea of loosening capital control and encouraging capital account convertibility, Y.V. Reddy, former governor of the Reserve Bank of India, in his book *India and the Global Financial Crisis* calls for ‘thick institutionalisation’ because, he says, capital account convertibility brings real threats to financial stability especially in countries with weak regulatory mechanisms and underdeveloped financial markets. Indian strategists are unanimously concerned about the dangers emanating from the volatility aspect of short-term capital flows, often led by the foreign institutional investors (FIIs), which destabilises stock markets and the exchange rate of the domestic currency. While the debate on CAL continues on paper, by now, in practice the capital account has become quite open since the adoption of the NEP in 1991; reversing this is politically unlikely. Furthermore, the remaining capital controls are rapidly becoming ineffective.<sup>18</sup>

Despite this, some commentators such as Gurcharan Das<sup>19</sup> hold an optimistic view of India’s unique model of development. He observes:

Rather than adopting the classic Asian strategy—exporting labor-intensive, low-priced manufactured goods to the West—India has relied on its domestic market more than exports, consumption more than investment, services more than industry, and high-tech more than low-skilled manufacturing. This approach has meant that the Indian economy has been mostly insulated from global downturns, showing a degree of stability that is as impressive as the rate of its expansion.

[This] consumption-driven model is also more people-friendly than other development strategies. As a result, inequality has increased much less in India than in other developing nations. (Its Gini index, a measure of income inequality on a scale of zero to 100, is 33, compared to 41 for the United States, 45 for China, and 59 for Brazil.) Moreover, 30 to 40 per cent of GDP growth is due to rising productivity—a true sign of an economy’s health and progress—rather than to increases in the amount of capital or labor.<sup>20</sup>

Though India’s record might appear comparatively impressive according to the Gini index, the dark side of the Indian neoliberal path to high growth cannot be overlooked. Economist Utsa Patnaik writes:

Two decades after neoliberal economic reforms started in India as part of the agenda of imperialist globalisation, the condition of the masses of the labouring poor is worse in every part of the country except where some positive intervention has taken place to stabilise livelihoods. The richest minority at the top of the income pyramid is far richer than ever before, better off even than advanced country middle classes for they command extremely cheap services from the mass of the labouring poor whose bargaining position is lowered owing to rising unemployment and the resulting constant addition to the reserve army of labour.

The three issues which most concern the masses today are, the increasing levels of unemployment as high GDP growth fails to translate into increasing jobs; the high rate of inflation in prices of basic necessities which is eroding their already low purchasing power; and in rural areas, the attempt to take over their lands and resources by corporate entities, usually actively aided by governments.<sup>21</sup>

Even the IMF Report for the 2013 Article IV Consultation notes the problems, although it identifies the main culprit as ‘weak growth’:

The domestic implications of India’s slower growth could be far-reaching, though potential international spillovers are likely limited. Scant data on employment notwithstanding, lower medium-term growth might not generate sufficient jobs to absorb labor market entrants. Weaker growth also entails a slower reduction in poverty. IMF research suggests that 35 million more people would remain below the \$1.25/day line compared to a scenario in which growth returns to the 2004–09 average.<sup>22</sup>

Though these observations clearly show the problems inherent in the NEP, the Indian strategists continue to subscribe to the neoliberal principles underlying their economic policies. They seek to overcome these problems by introducing reforms in the existing policies rather than by challenging the fundamental principles of the existing neoliberal world.

In addition to India’s adoption of NEP, the thrust of India’s foreign policy strategies in recent years can be summarised as following three trajectories:

1. While India continues with its commitment to the UN system and other multilateral forums, it has sought to capitalise on the growing political and economic strength of some developing countries with a view to advancing its own national interests. For example, in the lead-up to the 2003 WTO ministerial in Cancun, Mexico, India and Brazil united to fight the US and EU on their agriculture subsidies, as a strategic counterweight to what was being demanded of developing countries on issues such as investment, services and market access for non-agricultural goods.
2. India chose to abandon all pretences of socialism and to ally itself with the US, with the intention of being part of the collective exercise of global power. Indian strategists want a permanent seat at the UN Security Council and see closer ties to the US and EU as key to this. Besides the permanent membership of the Security Council, Indian strategists believe that the acquisition of an independent nuclear capability is instrumental in obtaining ‘major power status’.<sup>23</sup>
3. India began to explore alternative venues of multilateralism offered by regional organisations, either by joining or creating blocs (G4, G8+5, G20, G77, BASIC, BRICS, IBSA), or by forging closer economic and strategic links with other blocs (EU, ASEAN). In doing so, India broke out of the claustrophobic confines of south Asia and designed its foreign policy in accordance with the concept of ‘extended neighbourhood’.<sup>24</sup> India’s Foreign Secretary Shiv Shankar Menon stated in 2007 that “as we move beyond southern Asia to India’s extended neighbourhood (...) from the broader perspective, we regard our security as lying in a neighbourhood of widening concentric circles”.<sup>25</sup>

Though Indian strategists do not announce new foreign policy doctrines, in recent years they have worked incessantly to elevate India’s regional and international standing and to increase its power. New Delhi has made concerted efforts to reshape its immediate neighbourhood, find a *modus vivendi* with China and

Pakistan (its two regional rivals), and assert itself in the 'near abroad' which includes parts of Africa, the Persian Gulf, central and southeast Asia, and the Indian Ocean.<sup>26</sup> Simultaneously, it has expanded relations with existing major powers, especially the US. Against the backdrop of the increasingly doubtful hegemonic status of the US in global politics and the continuing decline in the economic strength of other Western European powers in the post-recession world, India has sought to develop stronger ties with the emerging economies of the South. In doing so, India is reviving its age-old rhetoric on reducing the economic disparities between North and South. However, the priority attached to protecting sovereignty and boosting economic growth marks a 'historical continuity', despite occasional fluctuations in established strategic trends.

## INDIA'S SHIFTING EQUATIONS WITH THE NORTH AND THE SOUTH

The interplay between the historical and sociological roots of India's foreign policy, major international events and local perspectives on regional cooperation, continue to determine India's specific position in contemporary global politics. While the intimacy with the USSR during the Cold War widened the distance between India and the US, the post-Cold War period—especially the post-9/11 period—paved the way for a renewed understanding between the two countries. India's relations with the US became closer in three phases, periodised broadly as follows: 1991-1998; 1998-2004; and 2004 onwards.<sup>27</sup>

The liberalisation of the Indian economy and the adoption of the NEP in 1991 helped India win credibility in the eyes of the US. Notwithstanding US criticism in the aftermath of nuclear tests conducted by India in 1998, their support to India during the India-Pakistan Kargil war in 1999 was a sign of the strengthening bonds between the countries.<sup>28</sup> India gave a warm embrace to the US-led 'war on terror' in Afghanistan in 2001, and did not criticise the US invasion of Iraq in 2003 despite the contrary Indian public opinion. Especially after the terrorist attacks on the Indian Parliament in 2003, and in Mumbai in 2008, close cooperation in the field of counter-terrorism has become key to the Indo-US strategic partnership.<sup>29</sup> The passage of the Indo-US nuclear deal in 2008 laid the foundation for a robust strategic partnership in the twenty-first century. Although the Indo-US nuclear deal was widely considered as India's move to appease the US by many Indians—across the political spectrum—the then Prime Minister, Manmohan Singh, defended India's growing closeness with the US by stating that:

The United States is a global power. Their interests will not always converge with India's interests (...)  
But there are opportunities, there are occasions where our interests will converge. And I believe it is the duty of any government of India to take advantage of all those opportunities which widen the development options that become available.<sup>30</sup>

In continuation with the drive to revitalise Indo-US links, the newly elected Indian Prime Minister Narendra Modi has pushed for improving US ties during a meeting with Senator John McCain in New Delhi in July 2014, as the two countries seek to patch up their differences and boost their economic relationship.<sup>31</sup>

With regard to military matters, India continues to remain dependent on the US and the other Western powers. Since June 2011, British Prime Minister David Cameron and Presidents Barack Obama of the US, Nicolas Sarkozy of France and Dmitri Medvedev of Russia have all visited New Delhi to lobby for sales to India by their countries' arms-makers. India, which wielded the world's tenth largest military budget at \$32 billion in 2011, has failed in a decade-long campaign to reduce its dependence on foreign suppliers, who provide about 70 per cent of India's armaments.<sup>32</sup> And the market is likely to grow: according to a report by the Confederation of Indian Industry and Deloitte Touche Tohmatsu India, it is estimated that India will spend nearly \$220 billion by 2017 as part of an "ambitious military modernization plan".<sup>33</sup> At present, foreign companies can only invest 26 per cent in Indian defence projects without committing to technology transfer, which has put off many investors. However, the newly elected government of Narendra Modi has expressed the willingness to increase the cap to 49 per cent. India's Department of Industrial Policy and

Promotion has circulated a discussion document that proposes allowing up to 100 per cent foreign direct investment (FDI) in defence production.<sup>34</sup>

The deepening Indo-US relations have also affected India's stance on the Israel-Palestine issue. In the past, India was a major supporter of Palestinian anti-colonial anti-occupation struggles, but in recent years India has forged strong links with Israel, many believe at the behest of the US. The more India aspires to acquire the status of a 'major power', the more willing it seems to define its strategy within a US-aligned and neoliberal framework.

Yet, despite the hype surrounding the 'progress' in Indo-US relations, India cannot afford to marginalise Russia, as it is the only trusted partner with whom India has had a close political, military and economic partnership for decades. The USSR/Russia contributed to developing India's strengths and capabilities in the nuclear, defence, space and heavy industry sectors when no other country was willing to support India's efforts to modernise. Even today, space exploration and civil nuclear energy are seen as areas of importance. India's participation in forums such as the Shanghai Cooperation Organisation (SCO), Russia-India-China Strategic Triangle (RIC) and Brazil-Russia-India-China-South Africa Strategic Group (BRICS) has opened up new possibilities for Indo-Russian cooperation in the areas of environmental and disaster management, in pharmaceuticals, metallurgy, biotechnology and tourism.<sup>35</sup> While the Indo-US closeness in recent years has not obstructed the revived tempo of Indo-Russian ties, it has ensured that the Indo-Russian relationship is not insulated from US influence. India has become a centre of attraction for both Russia and the US.<sup>36</sup>

While India's relations with the powers of the North have significantly improved, its stance as a 'sovereignty hawk'<sup>37</sup> has been largely responsible for the slow progress in regional integration in south Asia. The implementation of the South Asian Free Trade Area (SAFTA) in 2006, and the entry of Afghanistan as the eighth member in 2007, has breathed new life into SAARC, reviving hopes for an improvement in the economic conditions of the south Asian countries.<sup>38</sup> Yet the historical hurdles to its smooth functioning persist. These include: a suspicious political environment because of the fragile democratic conditions and India's dominant position in south Asia; the conflictual relationship between India and Pakistan; and the lack of complementarities among the south Asian economies and their increasing reliance on the developed economies of the West. After 26 years of SAARC's existence, none of the south Asian states has been able to drive the process of 'economic integration' with much vigour, nor has the organisational framework of SAARC been able to breed 'political trust' in the region. In order to bridge the gap between the promise and the real accomplishments of SAARC, the member states would have to peacefully settle long-standing political disputes—especially the India-Pakistan Kashmir dispute<sup>39</sup>—and re-define their concept of sovereignty to create a larger space for supra-nationalism. The closer Indo-US ties are likely to further enhance the 'big brother syndrome' traditionally associated with India's hegemonic position in the south Asian region.

Meanwhile, India's relations with the Association of Southeast Asian Nations (ASEAN) are advancing.<sup>40</sup> In order to join the race in forming preferential trade agreements and to counter China's growing influence in southeast Asia, India adopted the 'Look East Policy' in 1991. As a result, the 1990s saw increased contact between India and the ASEAN countries, as well as concrete measures to cooperate and integrate in political and economic spheres. Within a decade (between 1992-2002), their collaboration has developed from a sectoral-dialogue partnership into a summit-level interaction. India signed a Free Trade Agreement (FTA) with the ASEAN countries in 2009. Under the India-ASEAN FTA, ASEAN countries and India will remove import tariffs on more than 80 per cent of traded products between 2013 and 2016.<sup>41</sup> However, economist Amita Batra has questioned whether the India-ASEAN agreement is the appropriate vehicle to take the process of developing India's comparatively backward regions forward.<sup>42</sup>

Behind India's desire to strengthen ties with ASEAN is concern about China's increasing presence in south-east Asia.<sup>43</sup> China has supplied arms to all of India's neighbours, and has offered significant assistance to Pakistan's nuclear programme in the past. This is alarming for India as the Chinese 'control' over India's bordering states could threaten India's security.<sup>44</sup>



While Indo-ASEAN ties are showing signs of progress, the Sino-Indian relationship remains characterised by the term ‘co-opetition’<sup>45</sup>. India and China have emerged as two economies in competition with each other in the Asian region and beyond (for example the Sino-Indian rivalry over land acquisition in Africa, and India’s concern over China’s growing interest in the Indian Ocean). Yet at the same time, they cooperate in various forums (for example while negotiating terms with the developed world in the WTO, and on issues like climate change within the framework of BASIC). Though there has been a dramatic increase in bilateral trade between India and China, which rose from \$1.7 billion in 1997-98 to reach a record \$74 billion in 2011—when China became India’s largest trading partner—, the balance of trade remains heavily skewed in favour of China; India’s trade deficit with China reached \$31.4 billion in 2013 out of a total bilateral trade of \$65.4 billion, with Indian exports totalling \$17 billion.<sup>46</sup> Though India and China have set an ambitious bilateral trade target of \$100 billion by 2015,<sup>47</sup> their relations remain fraught with suspicion because of their troubled history, marked by the 1962 border war and the unresolved Tibetan issue.<sup>48</sup> The new defence strategy of the US, which attempts to strike a long-term strategic partnership with India and identifies China as a security threat,<sup>49</sup> is also likely to have a destabilising impact on Sino-Indian relations.

While India is moving cautiously towards strengthening links with China, it is discovering new grounds for stronger bonds with Brazil and South Africa. India’s active involvement in three recently-formed multilateral forums of the South—IBSA, BRICS and BASIC—is testament to this. India, Brazil and South Africa—who all consider themselves leaders in their respective regions, and representatives of developing countries from the South—share common reformist aspirations in world politics. These include advocating for greater visible representation of the South in the UN Security Council, greater voting power in the international financial institutions—the International Monetary Fund (IMF) and World Bank—and pushing for the achievement of the Millennium Development Goals (MDGs).<sup>50</sup> These reforms are viewed as instrumental in India acquiring ‘major power’ status.

The India, Brazil, South Africa (IBSA) ‘three-pillar approach’ (reforming global governance, technical cooperation and strengthening economic ties) provides India with a forum for consultation and coordination on significant political issues: fostering trilateral cooperation through sixteen working groups operating in diverse areas such as trade, investment, health, media, and information technology; enabling the facilitation of poverty reduction projects in other developing countries through the IBSA fund established in 2004 and managed by the United Nations Development Programme (UNDP).<sup>51</sup> India’s then External Affairs Minister, S.M. Krishna, met Brazil’s then President Lula da Silva ahead of the fourth IBSA summit held in Brasilia in 2010, and stressed the need for accelerating connectivity between the three emerging economies. Krishna emphasized India’s abiding commitment to IBSA, which symbolised the spirit of South-South cooperation.<sup>52</sup> India’s former Prime Minister, Manmohan Singh, had labelled IBSA as a “strong moral force in today’s unsettled world”.<sup>53</sup> Highlighting IBSA’s vast potential to expand the trilateral trade cooperation, he stated: “Intra-IBSA trade is now close to 20 billion US dollars. I am therefore confident that we will be able to cross the target of 25 billion US dollars by 2015”.<sup>54</sup> He nonetheless went on to admit that much needed to be done to address the present deficits of intra-IBSA linkages in terms of transport and other related infrastructure, calling for the need to focus on greater investments in infrastructure, human capital, education and inclusive growth.

Apart from IBSA, BRIC (now BRICS with South Africa joining in 2010) offers an additional platform for India’s intensifying engagement with the other emerging economies. Formalised with the first meeting of the foreign ministers of Brazil, Russia<sup>55</sup>, India and China in New York in September 2006, the grouping has evolved a number of mechanisms for consultation and cooperation in numerous sectors. The agenda of BRICS meetings has considerably widened over the years to include global challenges such as international terrorism, weapons of mass destruction, climate change, food and energy security, MDGs, and the international economic and financial situation. At the second BRIC Summit held at Brasilia in 2010, the former Indian Prime Minister, Manmohan Singh stated:

We are four large countries with abundant resources, large populations and diverse societies. We together account for almost one-fifth of the world’s GDP. We aspire for rapid growth for ourselves and

for an external environment that is conducive to our development goals. The people of our countries expect us to work together so as to bring the benefits of inclusive social and economic development to them(...) BRIC countries are uniquely placed to contribute to reforming the architecture of global governance(...) Energy and food security are two specific areas where we can work together.<sup>56</sup>

India hosted the fourth BRICS Summit in New Delhi on March 29, 2012. Determined to end the hegemony of rich Western nations in shaping global economic policies, two agreements—the *Master Agreement on Extending Credit Facility in Local Currencies*, and *BRICS Multilateral Letter of Credit Confirmation Facility Agreement*—were signed by the development banks from BRICS countries. Such intra-BRICS initiatives are being perceived as a step towards replacing the dollar as the main unit of trade between BRICS countries. According to officials, this will not only contribute to enhanced trade and investments among the BRICS countries but would also facilitate economic growth in difficult economic times. India's former Prime Minister said, "the agreements signed by development banks of BRICS countries would boost trade by offering credit in local currency".<sup>57</sup> Developing countries, he said, need access to capital, particularly in infrastructure and development in order to revive the global economy. He declared that the BRICS countries had therefore agreed to examine a proposal to set up a South-South Development Bank, funded and managed by BRICS and other developing countries.<sup>58</sup> John Mashaka, financial analyst at Wells Fargo Capital Markets, commented:

India's proposal for a BRICS bank was long overdue(...) It is a way the emerging nations are trying to pull out of the western dominated World Bank and the IMF(...) Basically India, China and perhaps Russia are trying to show off their economic clout; they are trying to demonstrate to the west that they can do without them. Above all they need freedom from western financial influence.<sup>59</sup>

The proposed development bank was officially launched during the July 2014 BRICS Summit at Fortaleza in Brazil. Though the Modi Government was pitching for the headquarters of the proposed BRICS bank to be based in India as well as for its first president to be an Indian citizen, Shanghai was selected as the venue for bank's headquarters with a provision for a rotating five-year presidency among BRICS members. While the selection of Shanghai rather than Mumbai as the venue for the bank's headquarters is being seen as the defeat of the Modi government, it is believed that the grant of the bank's presidency to India for the first five years could partly make up for this defeat. The Indian Prime Minister, Narendra Modi, declared that the setting up of BRICS bank was a significant step for inclusive global economic growth.<sup>60</sup>

Despite consistent emphasis by India on the notion of 'inclusive growth' in both IBSA and BRICS, the very logic of neoliberalism obstructs the equitable distribution of income across all sections of Indian society. Against this backdrop, the overall increase in GDP through enhanced intra-IBSA or intra-BRICS trade is not likely to address India's sharp income disparities between regions and classes. Though India's aspiration to introduce reforms in the existing global financial structure is implicitly marked with an intention to collectively exercise a greater say in world affairs and is explicitly justified in the name of 'high growth', its adherence to the ideological framework of the existing multilateral economic institutions prevents it from providing any alternative economic and social model that could be beneficial for the poor masses.

While IBSA and BRICS primarily focus on the socio-economic dimensions of development<sup>61</sup>, the BASIC countries—a geopolitical alliance between Brazil, South Africa, India and China—emerged out of the United Nations Framework Convention on Climate Change (UNFCCC) talks and exclusively deal with the environmental aspects of inclusive growth.

At the 2009 Conference of Parties (COP-15) in Copenhagen, the BASIC countries committed themselves to define a common position on emissions reduction and the climate finance needed by developing countries to make an energy transition. According to media reports, they planned a possible united walk-out if their minimum position was not met by the North.<sup>62</sup> Ultimately, the Copenhagen Summit failed to deliver a comprehensive and legally-binding emissions reduction treaty, and the BASIC countries were proponents of the Copenhagen Accord, a controversial text which effectively shifted the climate negotiations from a legally-binding framework to one based on voluntary commitments.

India proposed cutting carbon intensity (that is, the amount of carbon dioxide released per unit GDP) by 20-25 per cent by 2020 from the 2005 levels, and promised to do more if industrialised countries supported these efforts through the transfer of technology and climate finance. India did not agree to any emissions peaking year or international monitoring of its domestic emissions reduction actions, except in those projects that had international assistance. During his meeting with the Environment Ministers of BASIC countries, India's former Prime Minister, Manmohan Singh declared that the "equal per capita rights to the atmospheric space should be the goal of future negotiations on climate change".<sup>63</sup> However, the principle of equity was diluted by India at the Cancun COP in 2010, when India agreed to the concept of equitable access to sustainable development in place of equitable access to atmospheric space.<sup>64</sup>

Trying to recover the lost ground at the Durban Climate Conference in 2011, India's former Environment Minister Jayanthi Natarajan emphasised that the industrial countries should move first in cutting fossil fuel emissions, saying that "India, China, Brazil and South Africa are not major polluters. They are emerging market economies that have a small footprint in the context of historical emissions (...) they should not be asked to move first on reducing greenhouse gas emissions".<sup>65</sup>

Some of the academicians and activists argue that India could still do more, noting that the advanced developing countries associated with BASIC are different from the rest of the more than 150 developing countries whose combined carbon emissions constitute just three-quarters of the total emissions from the four BASIC countries.<sup>66</sup>

## **INDIA'S EVOLVING RELATIONS WITH THE SOUTH: IMPLICATIONS FOR INDIA'S RELATIONS WITH THE NORTH (G8+5, G20)**

India's growing collaboration with the emerging economies of South, as manifest in the activities of IBSA, BRICS and BASIC, is an instance of Southern economies using each other as 'force multipliers' to increase their collective bargaining position in institutions of global governance hitherto dominated by the North. As a result of this collaboration, India and its African and Latin American partners are assuming a range of pivotal activities and strategic relationships in the realms of foreign policy, global trade and international security. Indeed, it could be argued that the countries of the South are becoming more influential than those of the North in setting the dynamics of contemporary international relations, at least in some regions and on certain issues.<sup>67</sup>

However, India's strategic collaboration with the South has never been driven by a desire to subvert its relations with the North, or to bring about fundamental changes in international political governance or economic policy. This becomes evident on two grounds: first, India does not seek to replace the Bretton Woods institutions rooted in the North but only advocates certain desirable 'reforms' therein; second, India aims at utilising the multilateral forums of the South—IBSA, BRICS and BASIC—for smoothing the lines of communication and recalibrating the power balance between the North and the South. As Manmohan Singh, the former Indian Prime Minister said:

[BRICS need to] expand the capital base of the World Bank and other Multilateral Development Banks to enable these institutions to perform their appropriate role in financing infrastructure development(...) As members of the G20, we must together ensure that appropriate solutions are found to help Europe help itself and to ensure policy coordination that can revive global growth<sup>68</sup>(...) We call for a quick achievement of the targets for the reform of the International Monetary Fund agreed to at previous G20 Summits.<sup>69</sup>

The fact that India is a member of both the G20 and the G77 highlights the tensions and contradictions that it faces in attempting to play the power game yet at the same time claiming to speak for the South. It is not always clear to which 'club' it wants to belong. As international relations scholar Daniel Flemes writes:

The functional leadership of IBSA/G3 is most evident in the WTO negotiations(...) Leading the G21 coalition of developing countries in the Doha Round, India, Brazil and South Africa demanded the establishment of global market conditions that would allow the developing countries to benefit from their comparative advantages in agriculture, industry and services(...)

But the G3 has not always spoken on behalf of the global South: it is true that the WTO conference in Cancun failed because the industrialised countries were not willing to reduce their agricultural subsidies to a sufficient extent, but the G3 was also not representing net food importers, like most least developed countries (LDCs), which are not interested in the reduction of agricultural subsidies in Europe and the US that keep prices low (...)

And while the WTO negotiations hardly progressed in terms of content, Brazil and India were able to improve their positions in the international trade hierarchy. At the 2004 WTO conference in Geneva they were invited to form the G5 preparation group together with the EU, the USA and Australia(...) And at the 2007 G8 Summit in Germany, Brazil, India and South Africa (with China and Mexico) were invited to formalise their dialogue with the elitist club of the richest industrialised countries through the so-called Heiligendamm process.<sup>70</sup>

The 'exclusive' benefits enjoyed by the emerging economies have raised doubts about their obligation towards the other developing countries. Despite India's clear verbal commitment towards the upliftment of the South<sup>71</sup>, its membership (along with other emerging economies and the developed countries of the North) of G8+5 and G20 has generated 'uncertainty' with regard to its actual intent to transform the existing world order in favour of the larger developing world organized as G77.

In the immediate aftermath of the BASIC Summit in 2010, concerns were expressed that the four 'advanced developing countries' had broken ranks with the G77 and struck out on their own.<sup>72</sup> A few Indian scholars argue that the growing potential of the emerging economies of the South can help form a bridge between the G20 and G77, whereas others consider the expansion of the G8 into the G20 as an attempt by the US to dilute the influence of these groupings. Commenting on the confusion emanating from India's simultaneous membership of various multilateral forums guided by divergent interests of the North as well as the South, Kamal Mitra Chenoy, a Professor at the School of International Studies at Jawaharlal Nehru University, said:

India will be doing an awkward balancing act between these divergent groupings (...) It is not clear how high a priority India will accord to each of the different groupings and reconcile divergent mutual interests (...) One can only hope that India does not fall between two or three different stools (...) A mishap could derail the larger developing-country agenda on trade and reform of the global economic order.<sup>73</sup>

Another worrying factor is the tendency towards fragmentation within IBSA, BRICS and BASIC, originating from certain clashing nationalistic agendas of the member countries. Sreeram Chaulia, of the Jindal School of International Affairs, writes:

BRICS states were caught flat-footed by the West on the question of intervention in Libya. This year, BRICS are split right down the middle on the Syrian crisis, with Russia and China vetoing a Western resolution in the Security Council while South Africa and India voted in favour. Unity of IBSA that negates BRICS weakens both groupings.<sup>74</sup>

Furthermore, there are reservations about the fate of IBSA due to the incorporation of South Africa in the BRIC club and the Chinese demand for BRICS to be amalgamated with the IBSA dialogue forum. After instigating the extension of BRIC membership to South Africa, China lobbied India to dissolve IBSA, arguing there would be unnecessary overlap with BRICS. India understands that the Chinese want IBSA to be closed down because Beijing has no direct role to play in it. However, India wants a diplomatic/strategic space for itself, where it does not have to be in the company of its dominant giant neighbour. India also looks at IBSA as a counterweight to China's ambitions in Africa.<sup>75</sup>

Analysing the divisiveness within the framework of BASIC, journalist and commentator Praful Bidwai writes:

On climate change, the BRICS countries have very little in common. Russia belongs to the Annex I category of countries which have binding obligations to reduce greenhouse gas emissions. The others don't. But Russia has huge surplus emissions allowances. So these obligations don't mean much. The other four formed the BASIC grouping in late 2009 mainly to avert binding commitments. But BASIC got considerably weakened at the last climate summit, at Durban [in 2011]. China and India opposed obligations in principle. Brazil and South Africa were willing to accept them under conditions such as monetary compensation for preventing deforestation.<sup>76</sup>

Saliem Fakir, an analyst for the South African Civil Society Information Service (SACSIS) observes:

The very pursuit of external foreign interests by the emerging economies depends on what deal they carve amongst themselves as nations and how they resolve their domestic internal tensions; notably the chasm between the externally focused cosmopolitan elite and the internally subjected poor who carry the yoke of demands for cheap labour.<sup>77</sup>

In the light of the events questioning the integrity of the emerging economies of the South, India's relations with Latin American and African regions can probably be better explained by examining the points of conflict and cooperation in India's 'inter-regional' strategies.

## **INDIA'S INTER-REGIONAL STRATEGIES: MAPPING THE CONFLICTUAL AND COOPERATIVE TRENDS**

Has India been able to balance its national and regional priorities with the exigencies of inter-regional cooperation? Do India's national, regional and inter-regional commitments contradict each other? Ambassador Arun Kumar Singh, Deputy Chief at the Indian Embassy in Washington, argues: "In the case of India, conflicts of interest between national and collective priorities are rare(...) What IBSA has been doing by way of South-South cooperation is very much a part of what India has been trying to attempt for decades".<sup>78</sup> Though this assertion appears somewhat justified in the context of India's historical solidarity with post-colonial Latin American, African and Asian countries through the NAM (between 1950s and 1980s) and the demand for New International Economic Order (between 1970s and 1980s), currently India's specific interactions with Latin America and Africa are faced with peculiar challenges and opportunities.

In 2011, the UN Economic Commission on Latin America and the Caribbean (ECLAC) released its first report on India and India-LAC links. The ECLAC report states that: "The region's trade with India was negligible until the beginning of the past decade. Since then, trade with the Asian country has burgeoned".<sup>79</sup> Though India has signed a preferential trade agreement with Mercosur (Argentina, Brazil, Paraguay, Uruguay, and Venezuela),<sup>80</sup> the Brazil-India connection remains at the centre of Indo-LAC relations. Indian companies have already invested some \$1.5 billion in Brazil, and Brazilian companies \$600 million in India. Brazil has what India lacks: a large and fertile land mass with abundant water that can significantly increase the production of food.<sup>81</sup> While Brazil is becoming a fossil-fuel energy powerhouse after discovering enormous oil fields off its coast, India imports 70 per cent of its oil needs. On the other hand, India's IT and IT-enabled services industry have played a major role in India's outward expansion in Latin America. Tata Consultancy Services (TCS) has established a presence in eight of the larger Latin American countries; Wipro and Evalueserve, among others, are also there.<sup>82</sup> According to official records, Indian investments in Brazil have increased in recent years, particularly in the field of information technology, biotechnology and pharmaceuticals. The volume of bilateral trade passed \$10 billion in 2011-12, a 34 per cent increase over the previous year. According to Deepak Bhojwani, a consultant on Latin America and a former Indian consul general in Sao Paulo, the balance of trade is tilted in India's favour.<sup>83</sup>

Apart from trade, India and Brazil have the ‘possibility’ to learn from each other’s poverty-alleviation projects—Bolsa Familia in Brazil and Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGA) in India. India can also learn from Latin American inter-state political processes. As Brazil and Argentina have successfully moved from a position of rivalry and tense relations to a gradual and balanced political and diplomatic proximity<sup>84</sup>, India could draw lessons in order to consolidate peaceful relations with its neighbours, especially Pakistan and China.

Another priority area for India in the twenty-first century is Africa. During the Second India-Africa Forum Summit held at Addis Ababa in 2011, the then Indian Prime Minister, Manmohan Singh, called Africa the “new growth pole” in the world.<sup>85</sup> According to Niranjana Desai, the former High Commissioner to Uganda, Africa is strategically and geopolitically significant for India.<sup>86</sup> The East African seaboard, from the Horn of Africa to South Africa, falls within India’s strategic maritime “neighbourhood”. Therefore, there is a geostrategic incentive for collaboration between India and Africa to maintain the Indian Ocean as a peaceful zone to encourage trade and enhance mutual security concerns. Besides, Africa is becoming an increasingly important source of oil, minerals and other raw materials for the growing needs of the quickly expanding Indian economy.

India’s partnership with Africa is based on skills-transfer, capacity building and trade and investment at three levels—pan-African (AU), regional (SADC, ECOWAS etc.) and bilateral (South Africa, Egypt, Nigeria, Libya, Kenya etc.).<sup>87</sup> At the Pan-African level, India has promised to cooperate with Africans in the spheres of food processing, integrated textiles, weather forecasting, life and earth sciences, agriculture and rural development. At the regional level, India is helping to establish institutions such as soil, water and tissue testing laboratories, regional farm sciences centres, seed production-cum-demonstration centres and material-testing labs for infrastructure development. At the bilateral level, India and various African countries will jointly establish institutes for English-language training, information technology, entrepreneurship development and vocational training.

Several Indian pharmaceutical and healthcare companies such as Ranbaxy, Cipla, and Emcure, and IT firms like TCS, HCL, NIIT and Aptech have launched operations in Africa. Indian corporate houses like Dabur and Tata Coffee have ventured into the agricultural sector in Africa, while Indian public sector companies like Bharat Heavy Electronics Limited (BHEL)—as well as private sector firms like Tata and Kalpatru Power Lines—are making inroads in power and energy sector across Africa.

Of course many of these projects may, in themselves, be beneficial for the countries involved but there should be no doubt that India’s interests are being well-served by engaging in these strategic sectors, always with an eye on its competition with China. It is no coincidence that India is also part of the land-grab in Africa, acquiring access to huge tracts of land in Cameroon, Ethiopia, Madagascar, Mozambique and Sudan for the purpose of growing food for export back to India. (See Land Chapter for discussion of land grabbing and investment.)

Abdullah Verachia, of Johannesburg-based consultancy Frontier Advisory, says that “India sees South Africa as an investment gateway into the rest of Africa”. On a visit to Mumbai in April 2011, South Africa’s deputy minister of Trade and Industry, Elizabeth Thabethe, said bilateral trade was expected to reach \$15 billion by the end of that year, up from an original estimate of 10 billion dollars.<sup>88</sup> A high-level international conference, that took place as the first concrete activity following the IBSA-ILO Declaration of Intent signed in November 2010, recognised the progress made by countries of the South in developing solutions to the challenges of poverty and decent work opportunities, in particular, India’s MGNREGA and South Africa’s Expanded Public Works Programme (EPWP).<sup>89</sup>

These opportunities, however, present new challenges. It has been suggested that if the India-Latin America (and the Caribbean) ties are to develop further, the density of their mutual exchanges needs to be increased, and a few trade agreements need to be taken to the next level. This implies institutionalising them, making them part of the regular agenda of government and the private sector.<sup>90</sup> In a similar vein,

the ECLAC report suggests a number of steps, including developing joint strategies for trade and investment promotion; working together on infrastructure; competitiveness and innovation; and launching a series of policy dialogues on inter-regional cooperation. However, it is crucial to ensure that the benefits of the free trade agreements and other joint ventures also become accessible to the lower reaches of their societies. It is also noteworthy that India is not alone in attempting to intensify links with Africa. India faces rivalry from other countries that are vying to develop closer links with Africa—such as China, Brazil, Malaysia, Turkey, Japan, EU and the US. The mutual rivalry between the emerging powers of the South originates from their prioritising national interests over and above the unified interest of the South.

Of course corporate interests are behind the drive to expand commercial and trade links. Influenced by industry groups such as the Confederation of Indian Industries (a major policy setter for India along with FICCI, etc.) and private business interests, India's new strategists have ensured that commercial interests are effectively folded into India's foreign policy and trade and investment strategy more than ever before.<sup>91</sup>

However, the intervention of civil society can occasionally challenge the formation of a corporate-dominated consensus on Indian foreign policy issues. It is significant to analyse the comparative importance of nationally-based transnational corporations (TNCs) and civil society actors in shaping India's foreign policy.

## **ROLE IN SHAPING INDIA'S FOREIGN POLICY: NATIONALLY-BASED TNCs VERSUS CIVIL SOCIETY MOVEMENTS**

Under the patronage of the liberalised Indian state, the new-found strength and vibrancy of sections of the Indian services and manufacturing sector has led Indian firms and the government of India to develop a mission plan to support growth and become internationally competitive.<sup>92</sup> Consequently, a large number of Indian enterprises are forming growing networks of overseas operations. They include pharmaceutical companies (such as Ajanta Pharma, Ranbaxy, Mastek) and engineering companies (L&T, Voltas, Usha, Beltron, Asian Paints, Essel Packaging) among others.

Lately, Indian enterprises have also started using overseas acquisition as a way of establishing a foreign presence. The motives of the acquisitions are often similar to those of greenfield entries (for example building marketing networks in foreign markets), but they are also strategic with a view to filling gaps in their capabilities, or obtaining access to technologies, brands, natural resources and other assets.<sup>93</sup>

These are therefore generally concentrated in the spheres of the competitive advantages of Indian companies. For instance, Ranbaxy acquired RPG Aventis in France; Dr Reddy's Labs acquired Beetapharm in Germany; Cadila acquired the generics business of Alpharma in France; Asian Paints acquired Berger International, thus obtaining a foothold in countries across the world; Tata Steel set up an affiliate in South Africa and acquired NatSteel in Singapore; Tata Tea acquired Tetley of the United Kingdom - one of the world's biggest tea companies - thus gaining the control of a full value-chain in tea processing; and Titan Industries has set up a network of foreign affiliates in Europe and Asia to conduct its overseas business and build its brand internationally.<sup>94</sup>

Exploiting the benefits and new opportunities flowing from India's new liberalisation approach, Indian companies are also acquiring stakes abroad to broaden their access to resources. These include ONGC Videsh's investments in acquisitions of oil-related equity abroad; the Aditya Birla Group's acquisition of two copper mines in Australia; and Reliance Group's acquisition of telecoms infrastructure provider Flag Telecom. India was listed as one of the top 10 manufacturers of the world in 2010, according to the United Nations Industrial Development Organization (UNIDO). India has overtaken Brazil in the production of motor vehicles, and now ranks second among developing countries after Mexico. Apart from China, India tops the list of developing countries in the production of textiles, chemical products, basic metals, general machinery and equipment, and electrical machinery.<sup>95</sup>

However, the benefits of manufacturing and value-addition by Indian TNCs are not equally distributed across the diverse segments of Indian society. The rural population involved in the agricultural sector remains worst affected by the neoliberal structural adjustment programmes of the Indian government. The failure of TNCs to deliver on neoliberal promises (that is, to facilitate the ‘trickling down’ of profits to the majority) has given birth to new social movements. Since the appearance of the ‘neoliberal consensus’ in the post-Cold War period, the connection between global and local exclusion has become decidedly more prominent. In 1999, sociologist Manuel Castells wrote:

The global economy is characterized by a fundamental asymmetry between countries, in terms of their levels of integration, their competitive potential, and share of benefits from economic growth(...) the consequence of this is the increased segmentation of the world population(...) leading to increased inequality and social exclusion.<sup>96</sup>

The symptom of this increased segmentation and exclusion is quite apparent in India. The ruling government wants India to be a great power to give its ‘elite’ greater access to a globalising world, but does not appear to have much interest in empowering the ‘common people’.<sup>97</sup> For instance, the poor farmers who constitute a considerable section of the Indian population and are comparatively less integrated within corporate-led neoliberal development policies, bear the brunt of social exclusion. The farmer suicides in Maharashtra, Gujarat, Andhra Pradesh, Karnataka, Madhya Pradesh and Chhattisgarh are glaring examples of the hardships faced by Indian farmers due to the pursuance of the neoliberal path of prioritising high economic growth above all else. According to the National Crime Records Bureau (NCRB) data from 2009, more than 216,000 farmers have killed themselves since 1997.<sup>98</sup>

Though the various social movements in India—such as Narmada Bachao Andolan, farmers’ organisations, anti-mining and anti-nuclear campaigns, Naxalite/Maoist movements, anti-corruption movements—fight against different forms of social exclusion at the state level, they do not necessarily present a direct challenge to the legitimacy of the Indian state. As the eminent social movement scholar Rajni Kothari observed, despite receiving poor treatment from the state, many of the social movements in India still turn to the state for services and resources. Thus, it is not always the political order they wish to change, as much as their position in that order.<sup>99</sup>

An exception to this trend was the political initiatives taken by the Aam Aadmi Party (AAP)—a political party that emerged from the anti-corruption movement and took rigorous steps to transform the corrupt political system during its short-lived rule in the Union Territory of Delhi between December 2013 and January 2014. However, the initiatives to change the existing political system by AAP was severely criticised by the opponents as a move towards ‘anarchism’.

Nevertheless, the advent of neoliberalism has definitely altered the relationship between civil society and the state in India. On the one hand, there is a kind of ‘collaborative’ relationship between the two which is new in form, content and magnitude. The state has opened itself up to work with those organisations that are not totally against its policies. The state invites these organisations to take part in the formulation of state policies, and the implementation of state-driven social development programmes. The state also seeks their support for revitalising participatory institutions of decentralized governance, as well as sub-contracting service delivery to NGOs and other private sector actors at the local level, albeit at the cost of weakening its accountability.

On the other hand, the state deals harshly with social movements opposing state-driven projects of high economic growth. For instance, the special economic zones (SEZs) and mining projects that grab agricultural and forest land, forcing poor people off it, are dealt with heavy-handedly by the state, at times resulting in state-sponsored violence to silence dissent<sup>100</sup>. Popular movements against uranium mining at Domiasiat in Meghalaya, for example, have been repressed. The Ministry of Home Affairs has frequently resorted to police force to deal with the Maoist violence which is the consequence of increased atrocities against scheduled castes and scheduled tribes (especially in the central tribal belt), and widespread tribal



unrest due to the commercialisation of forest resources. The Indian military have also been involved in violent crimes against civilians in Kashmir and the north-east for decades.

Meanwhile, conflicts have emerged between communities, such as the violence against Christian communities in the Indian state of Karnataka, and fierce conflict between indigenous groups and Muslims in Gujarat, Assam, and Pune. It has been argued that organising, preparing and imagining communal violence is endemic to the way democracy, identity and political power functions at the level of neighbourhoods and streets in India.<sup>101</sup>

The anti-NGO report submitted by the national intelligence agency in June 2014 listing dozens of organisations and individuals associated with various social movements has raised the spectre of a general crackdown on these movements. The report states that the funding of several NGOs was “cleverly disguised” as donations for issues like human rights, but instead was invested in stalling developmental projects.<sup>102</sup> Narendra Modi, India’s Prime Minister, has attacked NGOs in his speeches, previously describing foreign-backed protesters as ‘five-star activists’. The activists are fearful that the anti-NGO stance of the Modi government is a kind of witchhunt with longer term implications that could repress all kinds of popular struggles. The instances of state violence have not only widened fissures between state and civil society, they have also fractured civil society from within—those who work with the state, and those who oppose it.<sup>103</sup>

## **CONCLUSION: CAN INDIA BE A BEACON IN A POST-NEOLIBERAL WORLD ORDER?**

Writing on ‘India in 2025—What kind of Superpower?’, Professor Michael Dingman of the University of Maryland argued:

India’s emergence as a superpower will show that it is possible to lift millions of people out of poverty within one generation while embracing pluralism, a free press and a vibrant, multi-party democracy. India has the potential to combine rapid economic growth with fairness towards and inclusion of those at the bottom rungs of the ladder (...) And, finally, India in 2025 is likely to emerge as one of the world’s most entrepreneurial societies.<sup>104</sup>

This optimistic projection creates a ‘powerful’ image of India. However, the boosters tend to overlook the grave social and environmental costs that are incurred in attaining this image. Although the neoliberal path to high growth might boost GDP and create wealth for the elite, the pertinent question is: how can the gains of a few be justified at the cost of the losses of many? This question requires a convincing answer. As the essentially ‘pragmatic’ approach of the Indian strategists keeps them preoccupied with the goal of attaining ‘major power status’, this question of comparative gain and loss is likely to remain implausibly answered at best, and deliberately ignored at worst.

The gains of ‘elites’ at the cost of the losses of ‘common masses’ can never become acceptable in a truly egalitarian society. The continuously widening gap in the economic position of various sections of Indian society as a result of the growing imbalances across various sectors of the Indian economy has been most effectively explained by Achin Vanaik. Although he concedes that in economic terms India is one of the top 10 performing countries, he warns that India’s high growth rate has been led by the services sector, which accounted for 57.8 per cent of GDP in 2010/11, compared with industry’s share of 28 per cent and only 14 per cent for agriculture. As this high growth rate is services-led, its positive impact on most Indians has been much weaker.<sup>105</sup> Sixty per cent of the population of India still depends on agriculture-related activities for its livelihood, while only a small fraction of the population is engaged in the service sector. In India, overall rates of employment generation and poverty reduction have been slow. The three major types of inequality in income and wealth—rural versus urban wealth, income distribution by profits versus wages, between

least and most developed regions—have all worsened. The unique disjunction in the Indian economy is that more than half of the population depends on employment in the agricultural sector while more than half of fixed capital stock (excluding real estate) is in the industrial sector; and more than half of output comes from the services sector. These ‘asymmetries of employment-investment-growth’ imply that, despite achieving consistently high growth rates, development—in the most meaningful sense of the term—has not been achieved. Despite its impressive growth performance, since 1990 India has ranked somewhere between 120 and 135 in the UNDP’s Human Development Index.

Indian social movements that struggle to remove these asymmetries and consolidate egalitarianism are either co-opted or crushed by the Indian state, or remain less effective in the absence of appropriate coordination and organisation. Nonetheless, the recent materialisation of limited state-civil society partnership—wherein the Indian state works along with the NGOs willing to accept its neoliberal framework—is a significant move towards giving Indian capitalism a ‘human face’. NGOs like SEWA that work for the empowerment of Indian women have been able to improve not only the potential of their clients to build better futures for themselves, but also their capacity to survive threats to their livelihoods.<sup>106</sup> In general though, the limited success of social movements in redirecting India’s model of development, in the face of elite intransigence, indicates a low probability of India becoming a beacon of an alternative post-neoliberal world order.

Kamal Mitra Chenoy suggests that the following foreign policy thrusts could enable India to advance alternative economic, social and environmental policies at national, regional and international levels: (i) a sustained and comprehensive challenge to asymmetrical power relations and the replacement of the dominant neoliberal paradigm with more egalitarian and pro-people ideas; (ii) striving for the democratisation of international institutions; (iii) linking up with regional bodies and institutions of the South; (iv) widening discussions on climate crises, financial crises, food sovereignty and human security issues; (v) ensuring that the voices of grassroots communities and civil society movements that contest the ideas of convergence with the North, and work to build alliances with the South, are represented at all international policy levels.<sup>107</sup>

While the tasks of democratising international institutions, associating with regional bodies of the South, and discussing issues pertaining to crises and human security are being pursued seriously by the Indian state, it is essentially being pursued within the confines of the neoliberal paradigm. Consequently, the designing of an alternative and more egalitarian model of development—that seeks to replace the present neoliberal model—is not likely to be undertaken by Indian policy makers in the foreseeable future. Only those voices of the grassroots that do not threaten the neoliberal commitment of the Indian state are likely to find representation in India’s official stance at international forums in the short run. In the long term, though, continuous engagement of Indian civil society with the Indian state on the one hand, and with counterparts in the Global North on the other hand, is both strategically prudent and morally desirable. As India’s strategists continue to seek to extend their ‘neighbourhood’, increased collaboration with North and South—both at the levels of state and civil society—can in fact be instrumental in helping India promote the case of the Global South and accordingly reshape the existing world order.

## Endnotes

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