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Globalization

India, the World and Globalization on the fence

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Globalization can be viewed much like a tide. It has its crests and troughs, with the world economic scene as the ocean. A brief study of history will showcase the most basic of human emotions- greed- the most significant driver of human events. The pursuit of money has been the cause of war and trade, and in these tumultuous times of both war on terror and worldwide trade, the new global economy plays both cause and effect. In many cases the effects are so ambivalent that it is difficult to choose what is best for a country and India is no different in this regard. India stands at the crossroads of a new millennium and it is up to her leaders to decide its new path, which may best be determined by an overview of its socio-economic history. A few years ago, an international coalition was formed to ensure the global hegemony which with the “collapse of the Soviet Union; eliminated the most organized military, economic and ideological challenge to the unfettered expansion of postwar globalization of the United States’ ‘power elite’ through the world capitalist market.”¹ In the past, globalization has always been under the purview of a dominant power setting down the rules. In the absence of a single hegemonic power there was enough space for diversity in the process of globalization. In this new post cold war era, the existence of a single hegemonic power means that its impact is of a globally homogenizing level. Thus the strategy and model that the Third World has been forced to follow in the last 15 years, has been that of the export-led growth strategy advocated by Western development agencies. As a success story, it is a one-size fits all solution which many Third World countries have found too
tight a fit. In “The Lexus And The Olive Tree”, Dr. Friedman has described this sure fire method to success as the Golden Straitjacket which when purchased at the right size ensures a country’s long term prosperity. In the short term however the countries feel the pinch and many who were accustomed to a more sedentary lifestyle often threw off the Golden Straitjacket in favor of a more nationalist approach. Countries that followed this path include Malaysia and Indonesia. The path followed by India has been one of reluctance to place this Golden Straitjacket over herself. Having been forced into the world scene by invading forces, the opinions formed seem to have developed itself into a cultural memory which can best be explained by an overview of its socio-economic history.

During the 1800’s, Britain, as the hegemonic power of the time, pursued a rigid “Divide and Rule” policy which depended on the local British commanders using all means at their disposal to fracture communities and to take advantage of any divisions in society. This policy resulted in the rise of communalism in India and also contributed to the racial as well as tribal tensions in Africa, the Middle East and South East Asia thus prompting unceasing conflict in many of these regions which, without a sufficiently strong empire to control it has degenerated into war. The East India Company was formed on 31 December, 1600 and was awarded monopoly privileges on all trade with the East Indies. This trade revitalized the British economy to such an extent that the East India company expended considerable resources to expand their operations from that of a trading venture to a ruling enterprise. Their lack of men was compensated for by encouraging disaffected people in society to work against each other, thus giving the
British a foothold in India. By hiring mercenary armies of Indians they conquered much of India and ruled as a part of the East India company holdings till 1860 when the British Empire took over the position of lord and monarch. The British monarchy was forced to do so when Indian soldiers in the British army mutinied due to lack of concern for their religious beliefs. During this time, trade was never once halted for any reason and before long the Indian markets were opened to an export/import led economy. The Indian markets went from a self regulated industry to foreign market reliance in everything from food to clothes. This era can be described as the first wave of globalization.

Unfortunately the policies of this period of time whilst ensuring a technology transfer to India set the tone for inter-religious and inter-cultural relations during the post-colonial period. At a time of profound need for nationalism, the turning of religion against religion, community against community and culture against culture severely set India back. The concept of “Unity in Diversity” was not implemented till the time of Mahatma Gandhi, who eventually led India to freedom. Thus the Kashmir dispute and the ethnic conflicts in Sri Lanka as well as in most other countries of South Asia are historically rooted in the distortions of the colonial process of globalization and the cold war, still surviving beyond its end in Europe. These territorial and ethnic based conflicts have taken a toll on the economy of India, the severity of which cannot be justified without some background.

India has faced an increasingly frustrating battle with terrorists in their various guises for the last 50 years. The world chooses to notice only one area of trouble in the land of India which is the disputed region of Kashmir. However, long before the Kashmir
situation reached the levels of the present day massacre, India has had problems with Tamil separatists down South and the Naxalite movements in the North-East parts of the country. In fact, India has lost two Prime Ministers to assassination, definitely an act of terrorism, namely Indira Gandhi and her son, Rajiv Gandhi. Kashmir has gained special significance as it involves borderland security between old enemies Pakistan and India, which in the light of events of 1998 i.e the nuclear tests by both countries, has given this minor border skirmish a whole new flashpoint for nuclear war. Since 1989, fighting involving Indian military, Kashmiri separatists, pro-Pakistan groups and foreign Islamist militants have led to at least 35,000 deaths and many more casualties.4

These troubles have contributed to the increase in the defense budget of India at the cost of socio-economic improvements that can be made. In addition to the Kashmir problem, pro-Pakistani groups with links to the Pakistan Secret Service have been operating throughout the country working to undermine law and order. In Mumbai, acknowledged as the financial capital of India, a Muslim gang led by Dawood Ibrahim, is rumored to maintain links with Pakistan’s Inter-Services Intelligence.5 It has also been linked with aiding in the coordination of the bomb blasts in Mumbai over the last few years, the most recent being August 25th, 2003.6 The most disastrous aspect of this alliance between the gangs of Mumbai and Pakistan’s Secret Service is that many of the members have sold their allegiance to India away owing to their avariciousness. The idea of nationalism has withered away in this brave new world. In addition to these gangs, there are many acknowledged terrorist groups and outlawed organizations like the Lashkar e-Toiba and the Students Islamic Movement of India which have been linked to
attacks and infiltration within the country. On 13\textsuperscript{th} December, 2001, scarcely two months after the tragedy at the World Trade Center, New York, there was a deplorable attack on the nation’s seat of power, the Parliament House. Five Jaish e-Muhammad terrorists, all Pakistani nationals attempted to storm the Indian Parliament during the Winter Session of the House, scaring the architects of policy to further increase military spending at the cost of economic improvement or to meet the fundamental needs of the Indian people.

India has believed from its inception on a policy of \textit{self-reliance} in opposition to the norm. In 1956 India embarked on an ambitious Five Year Plan to carry forward infrastructural reforms of the industry in both agricultural and industry, gearing itself towards the production of skilled technical workers as a human resource and for the self-sufficiency of the agricultural sector so as not to rely on foreign imports. Unlike China and other Plan based economies, this growth was at the cost of military build-up. However this Plan was derided by the World Bank and the United States refused aid to the public sector in India which sparked off a furor in the Indian public over the perceived Western influences. Over the next 20 years, after a Sino-Indian and a Pakistan war and after periodic foreign exchange crises, the constant pressure from abroad paid off and Indira Gandhi came to the post of Prime Minister in 1966. Her first policy on entering office was to devalue the Indian currency in an attempt to increase exports thus following the strategy outlined by the World Bank 20 years before. However popular resentment to the perceived capitulation to Western influence led her to jettison her Finance Minister as the scapegoat.
“She also split the Congress Party, established her authority over India’s democratic politics, which in the prevalent political culture, involved a dose of populist nationalism. She even defied the United States by intervening militarily in the disintegration of Pakistan, an American ally, and helping in the creation of Bangladesh after the war of 1971.”  

By 1974, the formation of overarching constitutional authority undermined a lot of democratic authority in the country and in 1975, the declaration of a State of Emergency cemented Indira Gandhi’s power base. “With the press censored, opposition leaders arrested, and freedom of speech denied, the economic policy of the Emergency regime shifted to boost exports, liberalize imports, and encourage foreign investments.”  

Despite the blatant disregard to human rights and the suppression of freedom, the western countries turned a blind eye due to the greater amounts of foreign exchange rolling in. Driven by trade, democracy was left behind in the dirt. Even after the rescinding of the emergency, future governments were forced to maintain these practices of providing greater incentives to export, import liberalization, and foreign investment, all sharply in contrast to the policies followed by earlier regimes.

1984 was a year for change; Indira Gandhi’s assassination sparked off a wave of sympathy for her party and contributed to a large electoral mandate in favor of her son, Rajiv Gandhi. His political base was the personification of the modern Indian man, which consisted of high profile corporate technocrats and computer savvy individuals, all dedicated to the Western vision of modern India. His assassination paved the way for the eventual liberalization of India with a succession of weak coalition governments unable
to affect massive policy changes. As a result of this, there has been no fundamental shift in the views of globalization in India and the implementation is still based on laws passed in the cold war period or at latest the immediate post cold war period. Thus the emphasis is still on certain amount of regulation present in industries, which violates the very principles of liberalization and contravenes WTO standards and NAFTA Trade agreements. In 1991, India finally accepted a number of reforms as conditional ties for an IMF and World Bank bailout which surprisingly enough, did not produce as much public unrest as any such suggestion in 1956 would have. Even though it was not directly related to the Indian political economic situation, we find on the world scene that just as it did in India, the world has shifted away from a socialist economy and there has been a natural ascendance of issues like democracy, human rights, gender justice, environment and ecology.

The impact of globalization on India has been markedly increased in the last 10 years. With the collapse of the Soviet Union, the glories of socialist economy have lost their luster and India has jumped half-heartedly on the capitalist bandwagon. Before the reforms implemented in 1991, the rate of economic growth was a very steady, if a bit low at 3 percent. However by the mid-1990’s, the rate of economic growth shot up to 7.5% annually, agricultural growth remained high and social obligations like literacy, mortality and longevity rates were improved. However, contrary to popular expectations, this high rate of growth has increased the number of poor people, and also to the widening of the regional disparity reminiscent of the colonial era. At the height of the socialist influences in the Indian economy circa 1970, poverty declined at the rate of 2 % annually
but between 1991 and 1997 there was an overall reduction of only 2%. Given these figures, and with the knowledge that India had 34.1% of the population below the poverty line, a figure that stood at a high 52% in 1947, it paints a rather bleak figure for reforms. It has been pointed out that the reforms seem to have benefited highly industrial states in India like Gujarat, Maharashtra and Tamil Nadu but the more rural states like Bihar have suffered economic decline. This is in contrast to pre-reform growth rates where Bihar in fact experienced reduced poverty and agricultural boom. The concept of self-sufficiency has not held up under the terms of the new economy and there has been a lot of direct foreign substitution through imports for many of the goods not previously available. The patent regime of the WTO has encouraged multinational corporations to patent traditional and typical Indian goods like Neem, Haldi and Basmati rice which has not endeared globalization to many Indians. I.K. Gujral, former Indian prime minister once said that there were two ways to make a man feel homeless. One way was to steal his home away; another is to make his home look like everybody else’s. Many Indians are feeling homeless in the new economy.

The reforms that were implemented in 1991 backfired in terms of foreign investment. The Venture Capitalist plan was to move into “fast moving Consumer Goods” and not into infrastructure. Political instability led to these critical concepts being placed on the backburner with the opposition leaders crying “We want computer chips, not potato chips!” However things have changed drastically since 1997. Even though India has had a coalition government, there has been a consensus on economic matters. Doors have been opened for direct foreign investment in all industries other than
the core ones of defense, petroleum and natural gas. The Government is slowly decreasing its investment in the public sector, famously known as “disinvestment”. In this manner infrastructure is forced to grow competitive to adapt to the world, and there has been a noticeable increase in good services of transportation, communication, electrical supply and a highly skilled technical workforce. These decisions have led India to the top of a new tour de force in the world today and as a leader of the “Labor Revolution” which can be evidenced by the increase in outsourcing and developing sent to India.

India’s current political and economic affairs do not lend itself to any assurance over the future. The nuclear testing in 1998 downgraded the investment grade of India and it is still struggling in the face of sanctions. Also due to the many communal and border problems that India has faced in the last 56 years it cannot afford to protect its economy and herself militarily. The current stance has been much like straddling the fence. We have seen the benefits as well as the disadvantages of liberalization. It is in my opinion that India should dip wholly into the global pool and not test its toes as it does now. Only can a completely free market in India and the stiff competition it accompanies arouse Indian industry to a point that her economy will be in a position to compete with others on a global scale.
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