INTRODUCTION

The changes that have come about in the global political and economic scenario, following the disintegration of the Soviet Union and East European socialist states, have been so profound that their implications for the Third World\(^1\) are far-reaching. These changes have brought forth critical responses from state and non-state actors. Evidently, the Third World counties have been wrestling with the challenges emerging from the global political and economic system. Howsoever bewildering these changes may be, countries like India have responded positively to the challenges presented by the post-cold war international system. The case of India is more glaring in that it has, for more than four decades, sustaining a coherent foreign policy, advancing an anti-imperialist position, on the one hand, and self-reliant Third World development agenda, on the other. The change of India’s foreign policy orientation is perceptible since the 1980s when India became committed to economic liberalisation and globalisation even undermining the welfare agenda of the Indian State.

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1 The terms ‘Third World’, ‘developing countries’, ‘South’ and ‘postcolonial world’ are used as synonymous. The Third World could be described as a cluster of states and territories in Central and Latin America, Africa, the Middle East, South, East and Southeast Asia. Regardless of their cultural and political identity, those states and regions share common characteristics: most of them have tropical and sub-tropical climates (with the exception of Latin America), the majority of their populations is of non-European origin, their economic situation is characterised by poverty and underdevelopment and their societies are marked by inequality. Besides, most of the Third World states were erstwhile colonies of either European power or Japan. In the post-cold war era, this category of countries includes new states that emerged following the disintegration of the Soviet Union and erstwhile socialist states of East Europe.
The shift of the development paradigm that unfolded during the past one decade or so has its inevitable consequence for India's foreign policy, particularly its Third World orientation. The new paradigm of development as it evolved since 1980s raises critical questions about the sustainability of India's independent foreign policy. The rationale of the Third World collectivity, non-alignment, self-reliance, and anti-imperialism, which have long been distinct characteristics of India's foreign policy, is also placed under critical scrutiny during this time.

The emerging politico-economic strategies under the neoliberal paradigm and the role of the Indian State in sustaining these strategies call for a deeper analysis of their implications for foreign policy. This study attempts to deal with the changing paradigm of India's foreign policy, as it emerged since the 1980s, in a political economy perspective. Here two interrelated themes are presented to analyse the nature and content of the new foreign policy paradigm of India; first, India's relations with, and policy towards, the Third World and, second, the emerging trends in India's relations with the

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2 Neoliberalism, the dominant development paradigm of the contemporary world capitalist system, unfolds itself through the policies and programmes of countries, institutions and political forces. With the emergence of neoliberalism, the welfare agenda of capitalism, which had a standing under Keynesianism, has been thoroughly revised, and the "welfare state" itself is being rolled back. All developed and developing nations are in the process of formulating and implementing these neoliberal policies, envisaging a 'minimal' role for the state in economic life. The state in the neoliberal paradigm is concerned only with 'efficiency' and 'productivity' and questions of 'welfare' and 'social justice' hardly matter. This new political economy paradigm of neoliberalism seeks deregulation of everything that reduces profit, favours privatisation of state-owned enterprises, goods and services, advocates eliminating the concept of 'public good' pressurising the poorest people in a society to seek remedies to their basic problems all by themselves.
capitalist bloc, in particular the United States. However, the entire thrust of this study is on India’s Third World policy in the background of the changing economic paradigm of the Indian State.

Profile of the Theme

The basic characteristics of India’s foreign policy, as evolved during the early decades of independence, have been embedded in the historic specificity of the Indian State and in the politico-economic setting of the post-war international system. Here two major points deserve particular attention. First, the nature of the Indian State which assumed its present form through the colonial and postcolonial experiences. The fact that the very same leadership of the nationalist movement, which fought against colonialism and imperialism for more than four decades, assumed political power after independence raises critical questions about the nature and composition of the ruling class and the development paradigm sustained by the Indian State over years. Second, the nature of the international correlation of forces in the post-war global order, which had been characterised by various contradictions – mainly between imperialism and socialism, on the one hand, and between imperialism and postcolonial world, on the other. In fact, the very nature of the Indian State as well as the global architecture of power have undergone profound changes since the disintegration of the Soviet Union and the socialist bloc.
Evidently, the foreign policy goals and strategies of India have been embedded in its political economy and mode of development, though constant variables like geopolitics play their own role in the making of foreign policy. For the internal economic development, India adopted a mixed economy model that helped sustain national capitalist development. The Nehruvian development model, as it came to be called, in fact, represented the Keynesian paradigm of welfare capitalism, and invested the state capital in the key sectors, which the monopoly capitalism could not manage at that time. The development of the key sectors gave necessary infrastructure to the industrial class in the private sector to undertake profit making enterprises in the country. Thus, the postcolonial Indian State had to take up the initiative to the development of capitalism in the country.

Among the postcolonial states, India had a relatively strong and independent capitalist class. Under the influence of this class, the Indian State initiated a new path of foreign policy which was different from the path of the two dominant blocs in the bipolar world and proclaimed for the unity of the Third World. The unity of the Third World had been an influential instrument in the hands of the Indian State to bargain with the other blocs. Successive governments in India understood that an independent position in international relations would help them in significant ways and sustain their interests. The relevance of non-alignment may be viewed in this background of India’s search for autonomy in international relations and quest for
development within the Keynesian welfare paradigm. The main ideological attraction of non-alignment was that it endorsed cultural and racial equality of peoples and called for the kind of reform (however limited it was) of the world capitalist system which, if implemented, would give a greater share of the global surpluses to the national capitalist classes of a number of Third World countries. The relatively independent capitalist class of India could foresee this factor in pursuit of an autonomous foreign policy. Successive governments tried to follow this line till the early 1980s.

However, the development paradigm followed by the Nehru government and sustained by successive governments in India—characterised internally as import-substitution and externally as non-alignment—underwent significant changes since the early 1980s. It is mainly due to the conceptual change of development effected through economic liberalisation which came as a fallout of the decline of Keynesianism in global economy and the consequent monetarist/neoliberal policies of the advanced capitalist countries. During this period, the Indian State had come under severe pressure to abandon the theory of self-sustained growth, autonomous development and welfarism, which Keynesianism had long approved. Obviously, the crisis of the world capitalist system has been promptly shifted to the countries in the Third World through Structural Adjustment Programmes (SAP) and conditionalities attached to loans and aid programmes of various multilateral lending institutions. India
too has been susceptible to the pressures and dictates of the advanced capitalist countries and global agencies. Explicit dimension of this can be found in the pressures to initiate liberalisation in the Indian economy since the early 1980s. The liberalisation of imports of a wide range of commodities, especially capital goods, the relaxation of industrial licensing, the weakening of the role of the public sector, the greater access to the Indian market allowed to foreign capital and the easing of restrictions on the inflow of foreign technology are the manifestations of the new economic policy initiated in India since 1980s. The new policy package, whose principal elements have been free market play, privatisation and the opening up of the economy to foreign capital and trade, has been introduced as a solution to the financial and balance of payment crisis that had resulted from the policies of liberalisation pursued in the 1980s.

In addition to the pressures of the advanced capitalist countries, a powerful section of the Indian society has been striving to bring about shifts in official economic and social policies in line with the neoliberal development paradigm of the rich countries and their multinationals as promoted through the international financial/trade institutions such as the World Bank, International Monetary Fund (IMF) and the World Trade Organisation (WTO). Thus, economic liberalisation has been a prelude to the further integration of the Indian economy with the world capitalist system. A new momentum to this process came with the disintegration of the Soviet Union and the socialist bloc,
followed by efforts towards globalisation under the tutelage of transnational capital and various monetary/financial regimes. This apparently would have a bearing on India’s foreign policy and its long-standing position on the structural imbalances in the world economy, the unfavourable terms of trade, technology transfer, the inevitability of democratising international financial institutions, New International Economic Order (NIEO) etc. In fact, a significant feature of India’s Third World policy is the political economy mode of approaching such Third World issues. However, the continuity in foreign policy, in particular India’s Third World orientation and thrust, seems to have been disrupted with the onward thrust of liberalisation, privatisation and globalisation. It is against this backdrop of changes in the realm of domestic and international political economy that this study tries to analyse the emerging trends in India’s foreign policy. It focuses specifically on India’s new paradigm of economic development and its fallout on its Third World policy. India’s Third World policy is a critical realm on the external front where considerable rethinking/restructuring has been under way.

Historically, India has had great political and cultural affinity with the Third World because of its experiences under colonial and postcolonial conditions. It was within the structural constraints of the domestic and international economy that India’s Third World policy evolved. In act, the post-war international system saw a gradual awakening of the Third World to the exogenous nature of underdevelopment or, in other
words, to the links which existed between underdevelopment and the operation of the international economic system, in particular the conditions imposed as Third World countries in the course of international trade. The world economic system, conceived and created by the industrialised nations, functioned primarily for the benefit of those nations by essentially meeting their requirements. It represented the principal obstacle to development by keeping the poor countries in a position of dependence and inequality, which was a source of stagnation. In a world economic system over which the Third World countries had no control, they could not exercise true economic sovereignty and without this, the political sovereignty they had gained would be meaningless.

The awareness that the obstacles to development were inherent in the very structure of the international system thus gradually added impetus to the challenge to the international order and the demand for profound structural changes. The international division of labour constituted one of the central points of this challenge to the international order by the Third World countries. In view of their low level of industrialisation, they played only a limited part in world trade and they were primarily oriented towards the basic commodities sector. This situation was perpetuated, and even strengthened, by the existence of tariff and non-tariff customs barriers which hit hard against products imported by the industrialised countries as soon as they involved a certain element of manufacturing, thus competing with
the industries of those countries. The transfer of technology and the provision of financial resources operated in a manner which was far from favourable to the industrialisation of the Third World, something which was indispensable for the changing of this vertical international division of labour.

The Third World countries felt particularly unhappy about their position in the international division of labour. In fact, the terms of trade were considered unfavourable to basic commodities and there was a feeling that these terms were becoming even worse in the course of time. The income, which the Third World countries were also to obtain from their production, was extremely insecure. There was a great deal of fluctuation in the prices of raw materials and, consequently, there was great instability of income for many of the countries who produced them so that they found themselves incapable of guaranteeing finance for an economic policy involving major development projects. The challenge by the Third World to the structures of the world economic system thus became part of a fight for decolonisation. More precisely, the economic demands were conceived as indispensable conditions for complete decolonisation and development of the Third World. India's options and strategies after 1947, in this perspective, seemed to be conducive for a good international bargain.
The dynamics of India’s foreign policy, as unfolded through its national self-assertion in a world dominated by two antagonistic blocs and the structures of the world economic system, had a profound impact on the politics and foreign policies of most of the newly independent states. India, however, did not seek a complete break with world capitalism, but envisaged greater manoeuvrability and flexibility within the limitations imposed by the circumstances of the world economic system. Most of the Third World states had also shared this policy of sustaining manoeuvrability in international transactions. Though rhetorics like socialist path of development and mixed economy tended to obscure the development dynamics at home, India pursued a new line of foreign policy, which was distinctly different from the policies of the two dominant blocs, and proclaimed for the unity and solidarity of the Third World.

Over the years, India had been able to articulate the Third World interests in the most effective way. The role of India was very significant in mobilising the Third World, particularly its efforts in the democratisation of the international political and economic order. Its contribution during the fifties and the sixties to the movement for change in international economic relationship had been very critical. Planned development at home and diversified economic relations abroad had set in a practical model for newly independent nations to give economic content to their national freedom. India’s experience and skills had been deployed as and when necessary to join with
others in analysing problems, evolving new concepts, putting forward practical proposals, negotiating compromises and pressing for concrete action. Thus, India was successful in putting forth a united front on major issues of restructuring world economic relations in spite of substantial difficulties and contradictions. In the UN, India was in the forefront in advancing the cause of a New International Economic Order (NIEO), which constituted a coherent programme of the Third World countries. In subsequent years, India made genuine efforts to sustain the momentum of North-South and South-South dialogues. It is these initiatives and Third World collective mobilisation that had broken down since the late 1980s.

In the 1990s globalisation got further momentum through the successful completion of the Uruguay Round GATT (General Agreement on Tariffs and Trade) negotiations, which resulted in the Marrakesh Agreement (1994), and the formation of the WTO (1995). Obviously, the WTO seeks to ensure the legitimacy of the global capital and its market expanse. Yet, India decided to become a member of this trade regime. India’s accession to the WTO made several policy changes inevitable in the realm of trade, investment, service, industry and agriculture. The new commitments and obligations that India has been called upon to undertake in this post-accession period made the welfare agenda of the Indian State irrelevant. This was a crucial phase of an ideological shift from a liberal to a neoliberal agenda of development. The transition from Keynesianism to the new political
economy of neoliberalism fully brought to light not only the vulnerability of the Indian State but also the complex character of the Indian ruling authority which became increasingly dependent on global capital more than ever before. This raises several questions about the sustainability of autonomy, sovereignty and independent decision making of the Indian State in the context of the pressures being brought upon by the advanced capitalist countries.

India’s Third World policy should be viewed in this context when the interests and objectives of the developing countries were neglected in the world economic transactions and negotiations. It may be noted that even after several rounds of multilateral trade negotiations in the GATT, the Third World countries continued to face many problems with the industrialised countries. When the Uruguay Round was launched, more than half of the Third World countries had become dependent on the developed countries and the IMF and the World Bank, on their behalf.

The Third World countries like India have apparently become incapable of dealing with such issues. The Non-aligned Movement (NAM) and the Group of 77 had already ceased to be forums for effective joint action. A major reason for this could be that though the Third World had recognised the need for solidarity in North-South negotiations, individual Third World countries were not able to sustain that solidarity in the face of the temptation to seek remedies for pressing national situations; with diverse national priorities,
individual countries were incapable of withstanding the pressures selectively exerted upon them by the advanced capitalist countries. Moreover, inadequate appreciation of the long-term implications of matters under negotiations led some of them to break ranks with other countries of the Third World without realising that this would affect the long-term interests of all, including their own.

**Focus of the Study**

The study examines the political economy of India’s foreign policy as unfolded in the 1980s and 1990s in the specific context of the economic liberalisation initiated as part of the SAP under pressures of the international lending institutions. The study keeps in perspective the evolving nature of the Indian State and its development dynamics over the last five decades. The change of India’s development paradigm from Keynesianism (welfare capitalism or mixed economy) to neoliberalism is placed at the backdrop of the study. It will try to analyse whether the economic policy measures introduced in India in the 1980s and 1990s would have any bearing on its foreign policy, particularly India’s Third World orientation and long-proclaimed commitment. The study raises a set of interrelated questions having relevance for the period of investigation. They are:

1. How far has the historic specificity of the Indian State, including its political economy, been a factor in the foreign policy orientation of India?
2. What are the basic parameters of India’s Third World policy in the evolving international environment?

3. Has India’s Third World policy exhibited the dynamics of ‘change and continuity’ in the context of economic liberalisation and globalisation as unfolded since 1980s?

4. How far has the economic liberalisation under the New Economic Policy contributed to undermining India’s long-standing position on non-alignment and its Third World solidarity vis-à-vis the global economic system?

5. Is globalisation a critical factor in determining India’s Third World policy, particularly in the context of India’s search for new allies and regional groupings?

6. What has been the impact of the neoliberal economic policies introduced in India on its crucial foreign policy agenda?

7. Has India been able to sustain the interests of the Third World in the Uruguay Round negotiations under the GATT leading to the formation of the WTO?

8. What has been the nature of India’s changing relationship with the United States and its fallout on India’s Third World policy?

9. Are there any policy deviations suggesting India’s retreat on global economic issues having relevance for the Third World?

10. Is there any realm of autonomy for India’s foreign policy where the interests of India and other Third World countries intersect?
The study seeks to address these questions by focusing on (i) the political economy and the development dynamics of the Indian State;(ii) the economic policies under successive governments;(iv) the basic thrust of India’s Third World policy;(v) the pressures and dictates of the domestic and international economy;(vi) the nature and impact of the economic restructuring in the 1980s and 1990s;(vii) implications of neoliberal policy options for foreign policy;(viii) the critical issues of the Third World which India championed;(ix) the new and emerging areas of India’s Third World policy as envisaged through the paradigm of economic interactions with the regional groupings.

**Hypotheses**

The study is premised on the following assumptions:

1. There are exogenous and endogenous factors in India’s foreign policy. While the historic specificity of the Indian State seems to have been a critical endogenous variable, the development dynamics of the global economy and India’s linkages with it provide exogenous component of foreign policy.

2. India’s foreign policy priorities in the 1980s and 1990s appear to have been set by considerations of political economy.

3. The neoliberal policies pursued by successive governments in India have a vital bearing on India’s Third World policy.

4. There are ostensible discontinuities and deviations in India’s position on global economic issues having relevance for the
Third World. This is apparently evident in India's policy responses to the GATT negotiations at the Uruguay Round.

5. The propensity of the Indian State for liberalisation and globalisation seems to have helped initiate new collective ventures on the external front. The craving for partnership with regional groupings in the Third World highlights the political economy scenario of India's foreign policy in the 1990s.

**Chapter Scheme**

The study is divided into five chapters, besides an introduction setting the conceptual framework. The first chapter deals with the political economy of the Indian State. It offers a survey of the debates on the development of capitalism in India, the nature of class composition and alliances, the development model that successive governments followed and the changing dimension of India's economic policy.

The second chapter analyses the historical setting of India's Third World policy. It elaborates the critical issues of India's foreign policy in the post-independence period and the distinct characteristics of India's solidarity with and commitment to the Third World. Besides analysing the political economy of non-alignment, the chapter highlights the significant initiatives of India towards evolving a Third World agenda in the realm of global political economy. It also keeps in perspective the dominant Third World political issues such as national
liberation, fight against racism, the Palestine question, concerns for development, disarmament etc.

The third chapter provides a comprehensive framework of India’s Third World policy in the 1980s. Analysing the emerging trends in a political economy framework, the chapter proceeds to elucidate the fallout of the global economic crisis on India and other Third World countries. The impact of the economic liberalisation initiated in the 1980s on India’s economy and foreign policy is discussed here. It also brings out India’s initiatives and interventions on behalf of the Third World during the decade.

The fourth chapter analyses India’s Third World policy in a wider setting of the developments within the country and abroad. Placing the new paradigm of India’s foreign policy in the larger framework of the neoliberal concerns of the Indian State, the chapter seeks to offer a critical reading of India’s Third World policy and its implications for the long-sustained autonomous sphere. It discusses in detail the nature and impact of liberalisation and globalisation on India’s Third World policy. The chapter keeps in perspective the change and continuity in India’s position on global economic issues that impinge on India’s consistent campaign against hegemony and structural imbalances in the world economy. It unfolds the changing dimension of India’s stand on trade and economic relations as manifested through its role and interventions in the GATT negotiations and WTO.
The fifth chapter brings together the major findings and arguments of the study.

**Methodology**

The study has been carried out in a historical-analytical framework anchored in a political economy mode. The political economy framework offers a necessary theoretical construct to explain foreign policy and relations, which take shape in the process of the evolution of the state and society. The task of political economy is to go into economic processes, bring to light their essence and then explain concrete forms of their manifestation in the realm of foreign policy. It investigates economic laws governing the development dynamics at different phases of a state’s progress. The foreign policy of India, in general, and India’s Third World policy, in particular, is placed within this framework of the State and society. Arguments are marshalled along these lines based on primary and secondary sources. The documents and reports of the Government of India, Reserve Bank of India as well as of various international agencies such as the UN, World Bank, IMF, UNDP, etc. provide necessary inputs for the study.