CHAPTER V

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From the foregoing analysis, it is evident that India’s foreign policy is deeply embedded in the political economy of the State. It is discernible from the development paradigm and policies pursued by successive governments in India. The period of investigation further underscores the significance of political economy in understanding foreign policy. However, in analysing the foreign policy within the historic specificity of the Indian State, one comes across many critical questions – pertaining to the nature of the State, the development of capitalism to economic policies and development strategies. The global political and economic setting also comes in the way of understanding India’s foreign policy. These questions need to be recapitulated for comprehending the political economy of India’s foreign policy.

The study has attempted to bring out the crucial factors that facilitated the development of capitalism in India during the colonial and postcolonial phases. These, in fact, constitute the essential elements in the making of independent India’s foreign and economic policies. Conspicuously, significant changes were under way in the Indian economy after World War I, which enabled the Indian industrial class to establish a considerably large independent economic base. However, the growth of an industrial capitalist class in India was
neither rapid nor uniform. Consequently, the nature of capitalist development in India was different from that of the advanced capitalist countries.

Even while the Indian capitalist class struggled against imperialism for control over the domestic market, they also negotiated the transfer of power in which many structural linkages with world capitalist economy remained undisturbed. However, the Indian capitalist class was able to significantly increase its hold over the Indian economy vis-à-vis foreign capital during 1914-47. Even before independence, the Indian capitalist class had clearly recognised a crucial and critical role for the State in the capitalist development as was evident from the Bombay Plan of 1944 which underlined the necessity of active participation of the State in promoting industry. State ownership and State management of key sectors were accepted by the Plan. A similar strategy of economic development was also evolved within the Indian National Congress, which envisaged planned development as a critical factor. After independence, the ruling Congress inherited this plan and strategy, which became the cornerstone of India’s economic and industrial polices.

Evidently, the nature of the Indian State, as it has historically evolved, is a crucial factor in shaping the economic and foreign policies in the post-independent era. However, scholars differ on questions concerning the nature of State and its development dynamics.
A.G. Frank, Immanuel Wallerstein, Samir Amin, Hamza Alavi, et al. offer rich insights as to how countries like India should be placed in a wider context of the world capitalist system. Hamza Alavi, however, underlined the fundamental structural differences between the postcolonial and colonial situation whereby, instead of native capital being subordinated to imperialism, there was a postcolonial convergence of interests. The debate on the mode of production in India had also thrown open many critical questions about the nature of the Indian State. Many argued that the capitalist and pre-capitalist modes of production co-existed in India because of the weakness of the dominant proprietary class in the Indian social formation. Pranab Bardhan considers the industrial bourgeoisie as the dominant proprietary class and the principal beneficiary of State policies in India. This class, under the leadership of the top business houses, supported the government policy of encouraging import-substituting industrialisation, quantitative trade restrictions providing automatically protected domestic markets, and of running a large public sector providing capital goods. Budhadev Bhattacharya asserts that the transfer of political power was from the imperialist rulers to the newly constituted ruling party representing the interests of the Indian capitalist class as a whole and mediating and reconciling between the functions of this class.

The question whether the Indian State had a relative autonomy vis-à-vis the world capitalist system was addressed by many. Achin Vanaik
describes that the autonomy of the Indian State was a striking and unique fact. There was no major capitalist country in the Third World which had a more powerful State than India’s or an indigenous bourgeoisie with more autonomy from foreign capital. There was widespread agreement that the two dominant classes of the Indian social formation were the agrarian bourgeoisie – or rich capitalist farmer class – and the industrial bourgeoisie led by the big capital. Aditya and Mridula also contend that the Indian State had an autonomous nature.

Influenced by the formulations of Michael Kalecki, K.N.Raj maintained that India was ruled by “an intermediate regime” in which the lower middle class and the rich peasantry performed the role of the ruling class. Both Kalecki and Raj shared the notion that in several postcolonial states certain conditions made the petite bourgeoisie or the intermediate classes somewhat autonomous from the big bourgeoisie and the feudal landlords. Srikant Dutt went a step further by characterising the Indian State as “sub-imperialist.” He argued that because of its policies, India could not be said to be totally beholden to a Western imperialist centre. Though India was not able to transcend its dependent status, its autonomy had influenced the conduct of India’s external relations. According to him, the Indian capitalist class had never been a pure comprador class: rather it was a genuine national bourgeoisie. Srikant Dutt’s position seemed to have lost its substance since the late 1980s, when the ‘relative autonomy’ of
the State started eroding and the functioning of the State capitalism has been increasingly under the direction and control of global capitalism.

Obviously, the State became the principal instrument in the post independent period to mobilise domestic resources, foreign aid and loans, and to provide the necessary guarantee to foreign capital, to retain their investments and make new investments in the domestic economy. This reflected the Keynesian approach to the role of the State in the capitalist development. The successive governments in India held the concept of mixed economy in high esteem so as to legitimise the welfare agenda of capitalism. An analysis of India’s Industrial Policy Resolutions of 1948 and 1956 would reveal that the State had agreed to intervene in where, for various reasons, the private sector could not carry out the task alone. Paresh Chattopadhyay says that the State intervention was meant primarily to create conditions for the rapid development of capitalism and secondarily to prevent excessive concentration and monopoly of economic power.

However, within two decades of independence, private foreign capital came to play an important part in the organised sector of the Indian economy, though many economists would say that the Indian attitude to foreign capital was characterised by ambivalence. The initial attitude was an intrinsic hostility to foreign capital particularly to foreign private investment, which slowly began to be tempered by the
recognition of its need for closing the balance of payments gap and removing other structural bottlenecks. The foreign exchange crisis of 1956-57 forced the government to make changes in the attitude towards foreign capital. The need for and the actual manner of securing foreign assistance made the economy so dependent on the big monopolists from the western capitalist countries that the very national independence was under challenge. According to some scholars, the policy of import substitution industrialisation amounted to a policy of protecting inefficient and monopolist producers. In the meantime, Indian monopoly bourgeoisie began to collaborate with multinational corporations for technology and capital and also for getting an edge in the internal and external markets.

The intra-bourgeoisie conflicts and differences surfaced in the aftermath of the crises of the sixties, of which India's war with China in 1962, the India-Pakistan war in 1965, and the agricultural crisis occasioned by the severe drought of 1965-67 were the most far-reaching and serious. These were further compounded by the industrial crisis, though it was clearly more than a mere industrial crisis. The retrogression in the rate of growth of the Indian economy began from the mid-sixties and reached alarming proportions by the early seventies.

However, the pressures resulting from the oil crisis of 1973-74 set the stage for economic liberalisation in India. When the government
decided to borrow from the IMF to cover the external deficit, the IMF seized the opportunity to ensure a decisive change in India’s economic policies. The IMF began to insist that India should liberalise imports and stimulate exports by further depreciating the rupee. It also recommended stringent monetary and fiscal policies, incentives for investment, ban on strikes and wage freeze. The stabilisation programme under the IMF loan reversed the trend towards self-reliance. Meanwhile, the development of monopoly capitalism created many contradictions in the Indian society, between different sections of the dominant classes, and most strikingly between the urban bourgeoisie as a whole and the class of capitalist farmers, in the process of formation of certain regions. According to A.G. Frank, the institutionalisation of economic, political, and military repression under Indira Gandhi’s emergency rule was designed to further favour Indian and foreign monopoly capital without solving the country’s structural problems. Measures introduced during this time such as tax reductions and liberalisation of trade policies were most encouraging for profitable business, both Indian and foreign.

The 1980s witnessed major decisions, which greatly changed the political economy of the Indian State, reoriented industrial production, altered class alignments and prepared the ground for a far-reaching transition. During this new phase of liberalisation, the Indian economy experienced a dramatic and fundamental shift in order to enable the Indian capitalist class to make up domestic market by seeking
external markets. Throughout the eighties, the Indian economy experienced a deepening integration with world economy and, ever since, it became susceptible to international economic fluctuations over which it could exercise no control whatsoever.

Meanwhile, the world capitalist system itself had been undergoing a deep crisis from the sixties onwards. The stagnation and inflation in the world economy which became intense in the 1970s resulted in unprecedented fall in agricultural and industrial production and rise in unemployment and prices. In fact, the first causality of this crisis was Keynesianism itself and the foundations of welfare capitalism. The US-led capitalist countries sought to put the burden of this mounting crisis on the shoulders of Afro-Asian-Latin American countries, which culminated in an ever-increasing global appropriation by international capital using the multilateral institutions like the IMF, World Bank and General Agreement on Tariff and Trade (GATT), which subsequently became the WTO.

In the 1980s and 1990s, India’s monopoly capitalists, who supported the autonomous capitalist development in the immediate postcolonial period, became vigorous supporters of liberalisation and globalisation. The business houses began to identify themselves with the global economy rather than with the national priorities and interests. The tendency has been towards increased concentration of ownership, and the big business families, in partnership with foreign capital, have
been entering into a variety of areas previously reserved for small-scale industry. Apart from the big bourgeoisie, the capitalist farmers and landlords of the rural areas, the urban middle-class, the bureaucrats and professional elite whose personal benefits flowing from globalisation provided the social base for economic reforms.

By the beginning of the eighties, India was steadily moving into a debt trap as a result of an irreversible balance of payment crisis. The loan from the IMF in 1981 was a decisive turn in India’s economic transformation. In essence, the economy was pushed into a vicious circle of trade and imports. With the advent of Rajiv Gandhi in the mid-eighties and with the proclamation of a new economic policy regime, slogans like ‘self-reliance’ and ‘import-substitution’ were to be replaced by catchwords of ‘export-orientation,’ ‘technological upgradation,’ ‘efficiency’ and ‘modernisation.’ What followed were acute fiscal and balance of payments crisis, inflationary pressures, and deceleration in productive economic activities, including employment.

The New Economic Policy announced in 1991 and the subsequent import-export policies were fully in accordance with the trade liberalisation prescriptions of the IMF-World Bank combine. During this time, globalisation got further momentum through the successful completion of the Uruguay Round GATT negotiations, which resulted in the Marrakesh Agreement (1994), and the formation of WTO.
Obviously, the WTO seeks to ensure the hegemony of global capital. 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 obsolete. 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 class which became increasingly dependent on global capital more than ever before. This raises several questions about the sustainability of India’s autonomy, sovereignty and independent decision-making in the face of the pressures being brought upon by advanced capitalist countries.

India’s global engagements, in particular its Third World policy is placed within this overall setting of the political economy of the Indian State and its development dynamics. As illustrated in Chapter II, the countries of the Third World generally share a set of historically determined socio-economic features. It is also necessary to recognise that there has been a real qualitative divide between the Third World and the Northern countries of the developed world and that the root of this qualitative divide is the difference in their national historical experiences of the capitalist development and industrialisation. Thus, the social and economic landscape of the Third World, in all its
aspects, has been conditioned by the cumulative effect of colonialism, imperialism and Western domination.

The post-war international system was characterised by increasing hostility between the two ideologically opposite blocs led by the United States and the Soviet Union, and each determined to see the world shaped according to its ideological convictions. In this situation, the countries which became independent from colonialism felt isolated, both politically and economically. The very imbalance and structural inequality in the world economy made them so vulnerable to the pulls and pressures of the advanced capitalist countries. It was against this background of underdevelopment and structural inequality in the world economy that Third World countries began to articulate their interests.

The Third World countries made their initial moves to work out a common platform and joint efforts in defending their interests. This culminated in the launching of the Non-aligned Movement (NAM), which marked the beginning of a new phase in relations between the Third World countries. They began to press for a fundamental restructuring of the international economic order through the United Nations Conference on Trade and Development (UNCTAD), the Group of 77, the United Nations and the NAM. Concerted efforts along these lines were stimulated by the growing dissatisfaction of the Third World countries with their position in the world economy - the common difficulties with export and adverse conditions for trade, which
continued to reduce the purchasing power, the ever-increasing outflow of profits made by foreign capital from the exploitation of their natural resources coupled with a limited influx of capital for developmental programmes, the continued attempts by the West to attach various economic and political strings to credits and loans.

In the early years after independence, India’s efforts in the economic and foreign spheres were concentrated, in the main, on overcoming the difficulties arising from partition and the division of the international system into two irreconcilable opposite camps. It was quite difficult for India to pursue an independent capitalist path in the early years of independence because of its structural links with world capitalism and its dependence on the imperialist economic structure. Nehru government initiated a new path of foreign policy by proclaiming the unity of the Third World. This was an influential instrument in the hands of the Indian State to bargain with the two blocs. India also understood that an independent position would sustain not only its interests but the interests of all the Third World states. Hence, the relevance of non-aligned strategy both as a foreign policy instrument as well as a framework of interaction with the capitalist and the socialist states. Way back in the 1950s, India, along with other Third World states, made its first moves to work out a common platform and joint efforts in defending their interests.

The policy of non-alignment was thus projected in the context of the difficulties faced by the Indian State internally and on the external
front. From an economic point of view, being aligned neither with the United States, nor with the Soviet Union allowed India the possibility of diversified trade, investment and credit relationships with both powers and their allies. The growth of a mixed economy in the Indian case had both an internal dimension relating to state-society relations within the country and an external aspect of such growth occurring in a world of divergent and rival political forces. Nehru himself had justified non-alignment in terms of the advantages emanating from the positive and cooperative relations with the two superpowers. A non-aligned foreign policy was pushed not only with the aim of increasing India’s political autonomy in the sphere of international relations but also as a means of safeguarding its strategic independence and facilitating the conditions necessary for autonomous capitalist economic development. Though non-alignment served the purpose of legitimising India’s relations with both the capitalist and socialist countries, the fact of India maintaining closer relations with the former cannot be denied in the background of the development of capitalism within the country. India saw the Bandung conference as a new beginning in the emergence of the countries of the Third World who were on the march towards the fulfilment of their independence and of their sense of their role in the world. In subsequent years, India and other Third World countries were developing a common agenda and strategies for their existence and survival.
The major concerns of India's foreign policy during this period were anti-colonialism and anti-racialism, disarmament and world peace, self-reliance and economic development etc. which became the focus of attention in the NAM deliberations and declarations. India's policy postures on disarmament also had a specific Third World orientation, which found its concrete manifestation in its initiatives in the UN, NAM and elsewhere. Notwithstanding India's public commitment to disarmament and arms control and its own declaration that it would not produce nuclear weapons, attempts have been under way to reorient India's defence policy including its intention to develop nuclear weapons for security. This obviously had an impact on India's disarmament posture in the global negotiations involving the nuclear weapon powers and the Third World, particularly in the context of the debates on the Nuclear Non-proliferation Treaty (NPT) and Comprehensive Test Ban Treaty (CTBT).

The world thus 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. So the existing international order, far from constituting a favourable environment for the Third World countries, represented the principal obstacle to the development by keeping the poor countries in a position of dependence and inequality, which was a source of
stagnation. Over the years, the challenge by the Third World to the structures of the world economic system became part of the fight for decolonisation. More precisely, the economic demands were conceived as indispensable conditions for complete decolonisation and thus true development of the Third World.

The role of India was very significant in articulating the Third World interests, 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. Over the years, it became clear that without drastic change in the rules of the game, the relative and absolute position of the developing economies could only worsen. Indian representatives played a leading role in persuading the United Nations to designate the sixties as the First Development Decade and to undertake preparatory measures for setting up the United Nations Conference on Trade and Development (UNCTAD). India was one of the dominant powers in the Group which had been initiating all basic documents concerning restructuring of international economic relations which outlined the fundamental principles of the struggle of the Third World for decolonisation.
In the UN General Assembly, India played a leading role in advancing the cause of the New International Economic Order. The programme of the NIEO, as charted out by the UN General Assembly in 1974, contained a number of fundamental concepts spearheaded against oppression and exploitation. This applied, first and foremost, to the principles of self-determination of the peoples and the sovereign equality of status, full sovereignty of states over their natural resources and all forms of economic activity, equal participation of all countries in the solution of global economic problems etc. India, in association with the other Third World countries, had also made some genuine attempts to terminate their submission to an inequitable communication order by championing the cause of a New International Information Order (NIIO).

Politically and ideologically, the Janata government, which, unlike its predecessors, made no claim to leftism nor had been obsessed with socialism, was well placed to bring about an alteration in the inclination of India’s foreign economic policy towards the West without fundamentally changing its posture of equidistance between the two power blocs of the world led by superpowers. The foreign policy focus of the Janata government was divided between the major industrial powers, on the one hand, and India’s neighbours, on the other. It did not extend to the Third World as a whole to any significant degree.

It may be noted that, over years, India sought to develop cooperative relationships with the Third World through joint ventures. A
significant aspect of Indian joint ventures was that Indian State capitalist system sought “to avoid being seen as exploitative” and adopted the formula legitimised by UNCTAD of “Co-operation amongst the developing counties.” Joint ventures, in fact, helped the expansion of Indian capital into foreign Third World markets, utilised idol capital and skills and finally made gains for the Indian State. In the 1960s, many joint enterprises were set up in countries, which were in close geographical proximity, and the fields of collaboration were primarily those in which India had acquired experience and strength.

India’s foreign policy went through a critical phase in the 1980s, following the introduction of economic liberalisation. During the decade, India came under the pressure of global financial institutions such as the IMF and the World Bank. The inevitable outcome of this was that India had to reorient its foreign economy policy. This obviously had a bearing on India’s Third World policy. As outlined in Chapter III, the decade of 1980s saw significant changes in the global economy. The global economic crisis that emerged since 1970s led to persisting demands for a free market play, pointing to the bureaucratic inefficiency and fiscal extravaganza of the Keynesian state. A transition of the dominant macro-economic paradigm could be discernible at this time - from the Keynesian mode to a monetarist and neoclassical type. The New Right in the West became the votary of the transition, which later came to be called neoliberalism. Since the early 1980s, the Reagan and Thatcher governments took the lead in
directing the IMF and World Bank to encourage financial deregulation, trade liberalisation and privatisation of public sector in the Third World through the Structural Adjustment Programme (SAP), the purpose of which was obviously to put them on the track of global capitalist development. Through the rigid implementation of structural adjustment policies, these global financial institutions ensured that the Third World countries that were seeking IMF and World Bank loans become faithful adherents to the philosophy of monetarism. An immediate result of the SAP has been the worsening crisis of debt in the Third World. More importantly, the economic liberalisation pushed the Third World into a state of further marginalisation and poverty.

In India, the liberalisation process was well under way throughout the 1980s. Its main features were deregulation of industries, decontrol of prices, liberalisation of imports, tax reductions and increase in deficit spending. The new economic policy regime, emerged with the IMF loan in 1981 and subsequent policy initiatives, got momentum in 1985 following an extensive re-examination by several official committees. These committees provided the necessary background papers for the new economic regime. The New Economic Policy announced in 1986 and the new industrial policies of Rajiv and V.P. Singh governments undermined major public sector industries as well as indigenous cottage and small-scale industries. This paved the way for the large-scale entry of MNCs into even those sectors which were denied to them previously.
The decade of the eighties saw India's worsening balance of payments position. A crucial factor behind this deterioration of the external balances of the country was the foreign dependent import-pushed industrialisation oriented towards the consumer boom of this period. India's external debt was little less than $20 billion in 1980, reached $40 billion in 1985 and shot up to $82 billion in 1990, giving the country the dubious distinction of being one of the top debtor nations in the world. It also meant that 40 per cent of export earnings had to be donated entirely to the servicing of the debt. The increase in the expenditure of defence imports also led to widening the trade deficit. In the period, India emerged as world's largest importer of defence equipments.

India's foreign policy options and strategies in the 1980s were determined by a variety of factors, ranging from the pressures of the domestic and global economy, the emerging perspectives of the ruling elites to the regional and international power configurations. While elements of continuity can be discernable in certain sectors of foreign policy, there were obvious signs of change in India's attitude and perspectives on various issues of regional and global concerns. However, India initiated several measures to mobilise the support of the Third World in the 1980s. In marked contrast to India's approach to non-alignment, during the early and mid-seventies, the Indira Gandhi government embarked on a policy clearly designed to give
India’s role as the leader of the non-aligned movement a face-lift. During this time, the Third World countries lacked effective leadership and dynamism in taking up their critical issues across the international fora. India’s role must be viewed within this general atmosphere of leadership crisis and internal bickering of the Third World countries.

Indira Gandhi’s successor Rajiv Gandhi also sustained this Third World orientation of India’s foreign policy. But his initiatives and interventions were subsequently overshadowed by the domestic economic reforms. Rajiv Gandhi was fully committed to a policy of rapid industrialisation, technological development and widespread modernisation of agricultural production, wherever possible. He initiated several economic measures that amounted to undermining India’s moral standing in the global arena in exchange for its economy becoming more deeply enmeshed than ever before in the global capitalist system. Even while championing the cause of the Third World, India was under structural compulsion to opt for western aid and technology. However, in spite of the efforts by countries like India, there was no progress towards evolving a more equitable and efficient international economic order. North-South negotiations on the NIEO collapsed. The multilateral trade regime suffered further deterioration.

Yet, India pursued its efforts in various multilateral forums to sustain the struggle for establishing a NIEO. Prime Minister Rajiv Gandhi said
that the economic prospects of Asian countries were so closely tied in with the international economic environment that maladjustments in the world economic order had seriously impeded domestic affairs. The external debt crisis, protectionism and continuing depressed commodity prices, stagnation in resource flows and adverse external environment were some of them. The stalemate in international economic negotiations in the UN fora continued throughout the decade. The major advanced capitalist countries, however, consulted and reached agreements on far-reaching issues among themselves, without the involvement of the Third World countries. Under these circumstances, India's efforts were limited to preventing any erosion of fundamental positions of developing countries. India continued to actively foster cooperation with the other Third World countries, by offering technical and economic assistance under the Indian Technical and Economic Cooperation (ITEC) Programme administered by the Ministry of External Affairs. India also established a separate Southern Africa unit in its Ministry of External Affairs (MEA) in order to coordinate Indian role in the AFRICA Fund, as well as to oversee bilateral relations with countries of the region.

Thus, by the end of 1980s, India's policy towards the Third World, in particular its position on global economic order had come under the challenge of economic liberalisation measures. This began to manifest not only in the realm of India's Third World policy, but in the emerging pattern of its relations with the advanced capitalist countries. The
economic and strategic ties between India and the United States qualitatively improved following the liberalisation in the 1980s. The trend was more visible during the period of Rajiv Gandhi. Various developments at this time, including the high level political and official exchanges, indicated the emerging pattern of India's business and security relations with the US.

The sweeping changes in Soviet Union and East Europe obviously influenced the very structure and pattern of international system, and they had a deep impact on countries in the Third World. In the post cold war scenario, the United States emerged as the "only country with the military, diplomatic, political and economic assets to be a decisive player in any conflict in whatever part of the world it chooses to involve itself." The United States began to chart out its role and responsibilities in the emerging international system. While its economic pre-eminence was being ensured through the GATT negotiations, the US laid down a detailed strategy to ensure that it would remain the world's only superpower in the post-cold war era.

This was the scenario of global power configuration which countries like India had to encounter in the 1990s. Even as the global scenario was extremely uncomfortable, the economic situation in India turned out to be equally disturbing which had a significant impact on India's foreign policy. As elaborated in previous chapters, India had been driven into a serious debt trap in the early 1990s, which culminated in a major economic crisis unprecedented in its dimension. The new
government under the leadership of P.V. Narasimha Rao unleashed a wave of economic reforms in the wake of the severe balance of payment crisis. One of the first moves of the government was to approach the IMF and what followed was another spell of IMF conditionalities and stringent measures. The introduction of SAP turned out to be a clear departure from the earlier policy of import substitution industrialisation. In the 1990s, the Indian State has been retreating from the socio-economic sphere, most dramatically since the implementation of the reforms under the NEP. This was the time when international agencies such as the World Bank and the IMF became the chief propagators of the market ideology.

However, the SAP had a counterproductive effect on the Indian economy. In the post-devaluation period, India’s trade deficit widened, caused by a fall in the growth rate of exports and the sharp rise in the import growth rate. The import liberalisation measures released a pent-up demand for import-intensive consumer goods. The continuing deficit in trade balance had major implications for the country’s external debt. Despite the negative trends, including increasing of external debt in the decade, the government claimed that the key debt indicators “have considerably improved over time”.

The impact of the post-cold war environment on the Third World countries like India was so far-reaching that even the basic premises of foreign policy had come under critical scrutiny. A major consequence of the new development paradigm was a rolling back of
Nehruvian ideas and ideals in major ways. The space that India had sustained for itself in the international arena has considerably shrunk. This has been quite evident in India’s responses to the critical issues of the Third World, which emerged in the Uruguay Round GATT negotiations. There was a sudden reversal of India’s position on major issues affecting the Third World. What led to the shift in India’s position was obvious. The change in the Indian stance also reflected the changing power configuration in the international system. In fact, following the collapse of the Soviet Union, India’s position seemed to represent a radical shift.

During this time, India began to show a gradual tilt towards the US, keeping in view the support to borrow from international financial institutions like the IMF and the World Bank to meet the foreign exchange crisis. Not only was India faced with the US insistence that the developing countries participate fully on the basis of ‘reciprocity’ in the trading system, it was also the target of a series of unilateral measures introduced by the US for dealing with some of the major Third World countries. India has also been exposed to intense bilateral pressure of the US for special rights and privileges for its services to operate in India. The bargaining position of India in WTO generally and in the vital services sector has been further impaired.

In the post-accession period, India changed all its domestic laws concerning patent, investment, trade etc. and did not make any
opposition to the developed countries and in the case of their coming to its economy. This capitulation of the Indian State to the advanced capitalist powers created a situation that has not been favourable to the Third World, for realising the long-sustained demand for a new international political and economic order.

Meanwhile India has been making all-round efforts to push up its trade and economic diplomacy in the post-accession period. One of the priority areas of India’s foreign policy during this time has been the economic and trade ties with various regional groupings. Significantly, the countries in these regional groupings (such as the SAARC, ASEAN, IOR-ARC and BIMST-EC) historically belonged to the Third World who had been facing enormous challenges following the introduction of economic restructuring as a result of neoliberal globalisation. India has been exploring the possibilities of a South Asian Preferential Trading Arrangement (SAPTA) and South Asian Free Trade Arrangement (SAFTA). India’s decision taken in 1997 in Male to advance the target date for achieving a Free Trade Area had galvanised the business community.

India’s efforts to improve relations with ASEAN started materialising in the 1990s. India’s ‘look-East policy’ was formulated and initiated during this period. Later, India became a sectoral partner of ASEAN in late 1991 in the core sectors of trade, investment and tourism. Similarly, India considers BIMST-EC, a sub-regional economic
grouping of the countries along the Bay of Bengal and IOR-ARC as important initiatives for regional cooperation.

An important aspect of India’s foreign policy had been its position not to align with any power bloc. India consistently opposed the imperialist policies of the United States and its alliances in various world forums for over decades. But with the introduction of the new economic policy and reforms, a radical change is being brought in India’s relations with the United States. The change represented a clear break with India’s independent, non-aligned foreign policy and heralded new ‘partnership,’ possibly a ‘strategic’ consensus. In the 1990s, a close linkage between the strategic and commercial interests of the US in India has been developing after the collapse of the Soviet Union. The upshot of the economic and strategic ties is that India has been placed under the discipline of what might be called the ‘New World Order’ under the hegemony of the US and assigned a subordinate role in that framework. India was drawn into the US strategic network through a series of agreements, having far-reaching implications for the sovereignty and autonomy of the Indian State.

Though India became sceptical about the outcome of the globalisation in the late 1990s, particularly after the East Asian economic crisis, the pessimism and caution expressed from time to time did not lead to the rejection of neoliberal globalism which India has been vigorously pursuing. However, India sought to keep alive the critical problems the Third World countries have been facing in the era of globalisation,
given the nature of imbalances in the global economy and the unfavourable conditions for free trade. Obviously, the limitations of the Indian State and its dependence on global capitalist structures do not seem to provide sufficient political will and sagacity to take up the issues of the Third World in right earnest.