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Indian Experience of Globalization: An Ongoing Search for Reconciliation between Dynamics of Market and Principles of Social Justice

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Abstract: Though India was a bit late in accepting the overtures of globalization, today it seems to have woken up to the process of globalization in a substantial measure. Liberalization initiative has brought about a change in the role of the Indian state and this has led to the problem of inequality and uneven development. Moreover, on the socio-economic plane the process of globalization has also inflicted some damages. This essay deals with these problems in some detail. At the same time, it also tries to highlight the benefits of globalization for Indian economy. A study of the advantages and disadvantages of the process of globalization puts forward the argument that rather than rejecting globalization efforts should be made to adopt an inclusive model of development that can extract maximum benefit from the process of globalization for the least well off. Globalization can only succeed if reconciliation can be struck between the principles of market and the demands of social justice in India.

Keywords: globalization, state, economy, market, development, justice, liberalization

Introduction

The whole world today seems to have reconciled with the fact that globalization is a reigning current of history that gives us little room to maneuver and few choices to make. However, it is still difficult to capture it in exact words and perhaps that's why there exists a plethora of definitions for globalization. But one can only discern its characteristics. In the initial stages globalization was perceived largely and often solely as an economic phenomena but now it has come to be accepted that this phenomena has profound and, at times, unfathomable impact not just on markets and trade but also on communities, national governments and its citizens, constitutional aspirations, environment, labour and on almost anything and everything one can conceive of.

Exploring the Idea behind Globalization

Globalization can be conceptually defined as a transition from 'International' to 'Global' brought about by continuous rethinking of social boundaries and the gradual reshaping of political, economic, and cultural fault-lines often capitulated in the expression 'end of geography'. The term 'International' here denotes events and phenomena which occur outside the national borders but don't necessarily have worldwide impact. In this framework, states are extremely important as they are the constituent parts of the international system, and define and control national boundaries. On the other hand, the concept of 'Global' overcoming the barriers of national boundaries deals with all phenomena, the impact of which is not confined to a particular region and is felt by a large number of people throughout the globe. The impact of international events occurring outside the national borders are today affecting people all over the world and therefore, turning into global issues. In this respect, "globalization reflects a widespread perception that the world is rapidly being moulded into a shared social space by economic and technological forces and that developments in one region of the world can have profound consequences for the life chances of individuals or communities on the other side of the globe" (Held et al. 1999, 1). It is in this context that Anthony Giddens has defined globalization as "the intensification of world-wide social relations which link distant localities in such a way that local happenings are shaped by happenings many miles away and vice-versa" (Giddens 1990, 64). The implication of this process is the

declining hold of the state over events occurring within their own jurisdiction under the impact of multiple actors arriving on the scene. Consequently, the states can no longer be regarded as the only dominant structural elements of international politics. Keohane and Nye (1977) have pointed out that in the contemporary world of “Complex Interdependence” international politics consists not only of inter-state relations but also of transnational relations based on multiplicity of social channels, which implies that non-state actors such as MNCs and international organizations (IOs) are today much more important than states. Since MNCs and IOs are driven by economic logic dictated by market, economic issues and market fundamentals have taken precedence over issues of military security the centrality of which established the predominance of the institution of nation-state. Under such circumstances the role of the state is undergoing a transformation. The most tenable explanation of this transformation has been presented following the ‘End of History’ thesis of Francis Fukuyama. With the fall of the Soviet Union, global capitalism has emerged as a virtually unchallenged mode of production and democracy has won over its dangerous red enemy. As a result, inter-state system which generally believes in preserving political and economic differences based on the doctrine of nationalism has given way to a global system premised on a global civil society and a uniquely globalized market, influencing factors of production, consumption, communication and life-style across the territorial boundaries of the sovereign states. Thus, the new ideology of globalization seeks to legitimize the hegemony of the global market over state sovereignty. In this context, Rosencrance (1986), a noted liberal thinker has stated that in the contemporary world the trading state is fast displacing the military state.

Globalization and the Changing Role of the Indian State

In the context of this overall global transformation and the changing role of the institution of capitalist state, the Indian scenario needs to be understood. In post-independent India, the Indian model of nation-building and development was based on the Nehruvian goal of ‘socialist pattern of society’ that called for the establishment of a welfare state and mixed economy. The decades after India attained independence witnessed an economic environment which was characterized by various restrictions viz. import tariffs, export taxes, government

approvals, restricted FDI, License Raj, etc. More so, even the nation's first Prime Minister Jawaharlal Nehru quoted: "Never talk to me about profit, it is a dirty word" (Das 2002, 167). Till the early 1990s the task of industrialization was mainly left to the government and public sector occupied the 'commanding heights' of the economy. The state was the biggest producer and investor as all the largest firms were all in the public sector. The fact that the state enjoyed a unique position in Indian economy has been highlighted by a number of economists. Private capital was never in position to challenge the autonomy of the state. It was dependent on the state for finance and licenses. On the one hand, private capitalism was protected from the rigors of competition by government-licensed production, protectionist trade policies and import-substitution strategy; and on the other hand, it had depended on the government owned banks and long term lending institutions in the absence of private finance capital (Rudolph and Rudolph 1987). Under such circumstances, even leftist economists like Pranab Bardhan (1985) came to the conclusion that the state enjoyed relative autonomy in post-colonial India. According to Bardhan, there were of course a dominant class coalition comprising three main proprietary classes – big capitalists, rich farmers and the professionals in the public sector; but the state, despite furthering their demands, never lost its autonomy to any of the constituent part of the dominant coalition. Rather, it played the role of a mediator when the interests of these classes were in conflict. This relative autonomy of the state made it easier to push through measures which were in the interests of the general public. Today, the relative autonomy of the state in India is under retreat along with the simultaneous retreat of the state as a producer and investor. With India functioning within the multifaceted cosmopolitan impacts conveniently coalesced into the broad term called 'globalization' like other nations, the nation also experienced a compelling urge to integrate economically with the world. India is a founding-member of General Agreement on Tariffs and Trade (GATT) and its successor, the World Trade Organization. In India, the forces of contemporary Globalization made inroads with the economic reforms of 1991 (also popularly known as Liberalization, Privatization and Globalization, i.e. LPG model). Liberalization of trade, openness to foreign trade, investment and capital flows which were ushered in as a result of Economic Reforms of

1991 hastened the pace of globalization in India. The traditional welfare state has been considerably rolled back to accommodate market forces. Industrial licensing has also been removed for all except a select list of hazardous and environmentally sensitive industries, and the number of industries reserved solely for the public sector has progressively come down. With the economy becoming more and more open and less and less amenable to state control and market occupying a key position, social development initiatives are being crippled in utter disregard of the crucial development role of the state. State is no longer seen as the natural agency of development and a progressive instrument of social transformation. The economic obligations of the state in the spheres of education and health are being progressively abandoned by the government with continuous cutbacks in social sector expenditure. Because of the state's withdrawal from social sector, the living conditions of the vast masses of the people have deteriorated sharply.

Indian Economy in the Age of Globalization

So, as India opened up itself and, most importantly, its markets to the world under the aegis of globalization, numerous and often justifiable concerns were raised over the impact of “economic globalization” in particular on the Indian citizens. The most dominant opposition regarding opening up of Indian markets or rather against “market-driven” economy was the questionable “morality” of the markets in promoting social well-being of citizens because unlike the position of an individual as a citizen under a Constitution, in the markets, an individual is merely a client or a consumer. This has led to a situation where “the costs associated with informational imperfectness is pervasive in the Indian economy – right from the activity of a poor illiterate person trying to acquire and use a ration card to the functioning of the capital markets” (Patibanda 1997, 32).

However, the space ceded by the state to the economy has helped the latter to grow and break out of the so-called Hindu rate of growth of 2 to 3 percent. In the post-liberalization stage, India has moved to a much higher growth trajectory. The 1990s saw an average growth of 6 percent and industrial growth rate registered a continuous rise. The high growth rate has been correlated with investment and saving rate. The investment rate averaged 34.5 percent between 2003-04 and 2011-12,

much higher than before. The saving rate which was at around 23 percent in the 1990s exceeded 30 percent for the first time in 2004-05 and has remained above that level ever since (Ministry of Finance 2012).

The role of trade is vital to understanding the process of Globalization. In fact, even the World Commission on the Social Dimension of Globalization recognizes trade liberalization as a key characteristic of Globalization. Globalization has connected markets around the world so much so that trade has now become integral to economic prosperity of a nation. Since 1991 the government in terms of the agreements arrived at with the WTO (World Trade Organization) has introduced a series of reform measures in the trade sector to help the integration of Indian economy with the world economy. Import quotas have been removed; tariffs have come down slowly but surely; currency has been gradually devalued. By replacing FERA (Foreign Exchange Regulation Act), 1973 with FEMA (Foreign Exchange Management Act) in 1998, foreign investment regime has considerably been liberalized and various restrictions on external financial transactions have been eased out. Foreign investment has been welcomed with open arms; public sector units have been disinvested over the years and some have been fully sold to private corporations. Competition and influx of foreign capital have been introduced in traditional public sector dominated areas of infrastructure like power, telecommunications and airlines by allowing private participation in these areas. Thus, India's policies became more positive allowing foreign capital to participate in the process of India's growth and thus paving a way for the integration of Indian economy into the globalized world economy. In India, the Foreign Trade Policy (FTP) is usually announced in advance and usually it is for a five year period. The ongoing trade policy was announced in 2009 and is for the period 2009-14. The present trade policy as announced by the Ministry of Commerce and Industry is aimed at enhancing the nation's exports by adopting multi-pronged strategies for market diversification like "Market Focus Scheme" of the Government of India which aims at identifying and targeting non-traditional and emerging markets in Asia, Africa and Latin America. Today, the stable policy conditions in India provide a conducive environment for foreign investment (Ministry of Commerce and

Industry 2014). Another such initiative is Market Linked Focus Product Scheme (MLFPS). This would have the effect of including 12 new markets for the first time. Another notable feature of India's Trade Policy is SEZ, i.e. Special Economic Zones which were envisaged for facilitating export promotion. These SEZs have not only facilitated foreign trade but they have also been instrumental in providing employment to lakhs of individuals. India today supports and favours a multilateral trading system which the WTO facilitates. In a Press Release on 13th November, 2014, the Minister of State for Commerce and Industry at New Delhi quoted: "The WTO is in the best interest of developing countries, especially the poorest, most marginalized ones among them and we are determined to work to strengthen this institution... The principles of non-discrimination, predictability, transparency, and most importantly, the commitment to development underlying the multilateral trading system are too valuable to lose." Thus, India's Trade Policy and India's attitude towards WTO are reflective of India's commitment to integrate globally through trade.

The retreat of the state and the influx of foreign investment have created white collar employment opportunities for the skilled and educated strata of society, namely the rich and the middle classes. But Globalization has created a deep fault line between workers who have social and cultural capital to flourish in global markets and those who lack the same. The growth in the manufacturing sector has remained disappointingly sluggish with little generation of employment in this sector which can only revive the fortune of the under-skilled, non-elite population. This has snowballed into a situation where there is a tremendous mismatch between the growth of employment and growth of the economy, resulting in 'jobless growth'. But the fortunes of the market have remained extremely promising due to the increasing rate of consumption of the middle classes who number 350 million and offer a substantial market to the products while the vast majority of the people are struggling to be a part of the "India Shining" story. In today's India there are indeed shining islands of affluence but they exist amidst a dark sea of immense poverty.

Despite many flaws of economic globalization, it has brought about a positive 'revolution of rising expectations', the spirit of which have

swayed the younger generation of the poorest of the poor. This has led to a situation where every entitlement loving Indian is claiming his pie of the cake. The rags to riches stories are becoming more and more common with some kind of a strong trickle-down effect; and drives for innovation are running through the veins of the economy. Therefore, with further trickling down of economic benefits and an expected thrust in the labour-intensive manufacturing sector following the Chinese model globalization, it is expected to secure for the Indians a growth experience which is far more equitable besides being rewarding and meritocratic. But it goes without saying that the rights of citizens as customers and consumers cannot be left at the mercy of the markets. So, for free markets to work better, states must also work better (Klitgaard 1991). It is a known truth that no country today can exist in isolation; so, it is inevitable to respond to the forces of the process of globalization but it is equally true that no nation, including India can abandon its welfare state role. India witnessed a huge growth in service sector but agricultural sector and manufacturing sector have not been able to keep up the surge witnessed in the former. Pro-globalizers attract our attention to the positive side of globalization by pointing towards declining poverty rates in India, which is true but only partly because the other side of the globalization story has been the limping agricultural and textile sectors which have not benefitted from the process of globalization like the service and IT sectors. India still has a large rural population composed of small poor farmers with limited access to infrastructure and few employment alternatives.

The Socio-Cultural Dimension of Globalization

The socio-cultural impact of globalization has also evoked dissent from the indigenous quarters. Globalization has transformed India, particularly urban India, from a drab proletarian society to a lively new consumer society through a process called 'McDonaldization' of the world that has inculcated strong consumerist and materialistic values in our social-psychology. Karl Marx, half a century ago, made a very penetrating statement that capitalism not only produces the object for the subject but it also produces subjects for the object. Today this analysis seems extremely prophetic. Now-a-days the emphasis is no longer on creating the products that are required by the human beings; rather, it is creating human beings who are capable of consuming

certain products. Human beings have been reduced to the status of products (Yechury 2001). On the other hand, globalization is promoting homogenization of culture with indigenous culture and mode of social behavior reeling under existential dilemma. Multiplexes are coming up in place of the good old movie theatre, tea shops and *Parathagalis* are being replaced by KFC and Dominos, physical sports has been given up for the sake of virtual games, and afternoon *addas* have lost their charms to online social networks. It has also been alleged by the leftist intellectuals that “globalization’s need for homogenization of cultural products globally dovetails with the communal need to homogenize cultural products domestically. Saffronisation of education, rewriting of Indian history and assimilation of non-Hindu religions into the Hindu fold are directed towards this project of creating a homogenized culture which actually suits the agenda of communalism. For the communal forces this is essential to portray that the entire cultural heritage of this country is a monolithic heritage that is derived only from the Hindu religion (Yechury 2001). This is a part of the process of progressive internationalization of our economic life that has made nation-state rooted in the idea of nationalism redundant. Since the conventional nation-state is no-longer capable of generating meaningful collective identities, particularism based on religion and caste has taken its place. Just like religion, caste as an identity has created some kind of a non-territorial modern social partition. Globalization-friendly model of governance with its emphasis on shrinking the state sharply contrasts with the socio-political discourse of the historically disadvantaged sections of Indian society whose interest dictate that the state should play a positive role for their uplift and stop leaving them to the mercy of the market. As the state is increasingly retreating under the influence of globalization-friendly upper castes, the capture of state power riding on the political particularism of caste has become an imperative for the socially marginalized in India. Moreover, due to unequal growth caused by globalization “sometimes a particular religious group, or a particular linguistic community which is alleged to be more prosperous than the others is singled out as being responsible for the economic predicament of the rest of the population” resulting in widespread communal discord in the society (Patnaik 2000, 153). It is often pointed out that communal tendencies are by products of “fragmented and uneven capitalist

development.” Economic well-being despite stunning economic growth has been a far cry for the overwhelming majority of the population and this has led various groups to treat each other as competitors in the scare market for jobs and other economic concessions. Therefore, the Hindus and the Muslims have found themselves to be “interlocked in a competition for survival and advancement, magnified against the backdrop of underdevelopment. On the brute fact of economic competition is superimposed cultural antipathy, religious animosity, linguistic prejudices and above all memories of partition” (Hasan, 1991, 74-75). Thus, the Indian society is getting more divisive with caste and religion raising their ugly head.

However, often the cosmopolitan nature of the Indian culture is ignored by the cultural critics of globalization who fail to understand the globalist dimension of Indian cultural tradition. Sri Aurobindo (1950), whose ideas belonged to the dominant Indian philosophic tradition of Vedanta, argued that the ultimate goal is the realization of the brotherhood of mankind through the formation of a world union, the edifice of which will be constituted by the inner spiritual experience of oneness of every human being. State for him is only a necessary stage in the process of social evolution. It represents collective ego of all people living within the jurisdiction of the artificial boundaries erected by the states. Every nation seeks to impose its domination on the others making wars a natural outcome. Therefore, the state is not the greatest and most ideal social organization. All states should come together and join into a confederation. The future society will be a society of complex oneness. It will be a world society in which present nations will be intrinsic parts of the whole. The national societies would continue to exist as cultural units but their physical boundaries will be obliterated and they would work for the eventual evaporation of artificial distinctions to implement the vision of the unity of mankind. Such union would not be dominated by pride, ego and selfishness of some nations but would be governed by humanity and spiritualism. A natural psychological and spiritual unity or oneness would rise among the people of the whole world. The great Indian poet, Rabindranath Tagore (1917) long ago spoke in favour of unity of the whole humankind and denounced nation-state as an embodiment of selfish exclusiveness and moral perversion. He paid great tributes to the

achievements of the West in the field of literature and art which he described as "titanic in its uniting power, sweeping the height and the depth of the universe" and also noted the presence of towering persons committed to the cause of humanity. However he spotted the malefic dimensions hidden in the apparent beneficence, the rotten tendency of "using all her power of greatness for ends, which are against the infinite and eternal in Man" (Tagore 1917, 39-40). He found that the result of this contradiction was due to the disease of the nation-state. The nation represented the organized self-interest of the people and, therefore, was the "least human and least spiritual" and the greatest vice in the contemporary world. It erected a "civilisation of power" (Tagore 1917, 8) which transformed it into a body ridden with exclusiveness, vanity and pride. All of these found their evil manifestation in the efforts to colonize people of other nations and to subject them to unspeakable suffering and oppression. Therefore, in modern times what has been termed as 'thin-cosmopolitanism' by Linklater and Shapcott (Devtak 2001, 172) in the context of an emerging globalized order is inherent in Indian cultural tradition. The Indian theoretical tradition is completely in tune with some of the modern definitions of globalization which see globalization as "the compression of the world and the intensification of the consciousness of the world as a whole" (Ronald Robertson 1992, 8); and "all those processes by which the peoples of the world are incorporated into a single world society" (Albrow 1990, 9). This means that socio-cultural globalization as an idea is not an alien imposition on Indian culture and a humanist variety of cultural globalization minus political motives can be a positive force in the Indian social and cultural canvas as anticipated by some of the greatest luminaries of India.

Conclusion

It is important to recognize this fact that globalization is the reigning current of history that is irreversible. Recognizing this fact the former French Prime Minister Edward Ballador said "Join the world or become irrelevant." A country of India's potential can't afford to be irrelevant in the global economic and cultural platform. Therefore, in this 'global village' it won't be prudent to reject the current integration drive in the globalizing process. However, we should take sufficient care to ensure that the fruits of globalization reach all sections of the society. In this connection all humanist and economic critiques of

globalization should be welcomed to unearth the undue unfairness in the apparently non-coercive processes of globalization. This would help us to adopt an inclusive model of economic development that accommodates the process of globalization for the benefit of the least well off. Globalization can only succeed if reconciliation can be struck between the principles of market and the demands of social justice in India. Since globalization is an irreversible process, there is an urgent need to find out the “winners” and the “losers” in this process of globalization and to bring the latter in its fold. As production becomes global, big corporations become stateless, we need to fix accountability in this much celebrated borderless world. In the context of Bhopal Gas Tragedy which struck India in 1984, Upendra Baxi (2012) observed that India was borderless for Union Carbide but not for the mass disaster violated Indian humanity. So what we need and which the World Commission on the Social Dimension of Globalization also points out, is a fair globalization, a just globalization which creates opportunities for all, for a small farmer and an IT professional alike, which corrects and facilitates the existing imbalances and which bridges the much resented North-South global divide. Some economists observe that since trade, in principle, produces a net welfare gain for a country, it is not surprising that more open economies generally are more extensive welfare states. India is a welfare State and continues to abide by the welfare principle. As was stated by the Minister of Commerce and Industry at the time of announcing India’s Foreign Trade Policy, “we have remained conscious of the fact that exports is not just an end in itself but means of providing gainful employment to millions of people in the country.” When the Economic Reforms of 1991 were initiated in India, many scholars questioned the “constitutionality” of free markets or rather market economy in India. In this context, it is pertinent to mention the famous dissent of Justice Oliver Wendell Holmes Jr. in *Lochner V. New York* [198 US 45(1905)] in which he said: “A Constitution is not intended to embody a particular economic theory, whether of paternalism and the organic relation of the citizen to the state or of *laissez faire*.” Similarly, the Indian Constitution doesn’t lay down the kind of economy which the government of the day would like to pursue. It, however, talks about social, economic, and political justice

in its preamble which must be kept in mind while striding with forces of globalization.

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