



Understanding India as a Rising Power:

An Open Economy and Interdependence* Framework

BY ASEEMA SINHA

India’s global priorities have changed and it seeks power and status and acts more actively at regional and global levels. This article offers an open economy and inter-dependence framework that pays equal attention to the changing nature of the global order but also how internal constituencies within

India favour a more engaged and activist agenda.

On August 18, 2016, Venezuela’s Foreign Minister, Delcy Rodríguez, visited India on a strange assignment. Venezuela’s foreign minister’s brief was to convince India’s Prime Minister, Narendra Modi, to

attend the Nonalignment summit. She did not succeed although India’s Vice President – Hamid Ansari – did attend the summit. India was the founding member of the nonalignment movement and took strong ownership of the movement in the post-war period. In contrast, recently, S. Jaishankar, India’s foreign secretary, is reported to have said: “Blocs and alliances are less relevant today and the world is moving towards a loosely arranged order.”¹ Pushpesh Pant, former Professor of International Relations at the Jawaharlal Nehru University reflected on India’s decision not to send the PM in a larger historical context: “We have been aligned with the Americans post-globalisation. And it’s not just happened under Modi. Even the UPA (United Progressive Alliance) did it. They staked their government over the nuclear deal. India’s engagement with the US has been a continuous process; in fact, we can even say PM Modi is reaping the harvests of previous regimes.”² How do we understand



these decisions by many Indian leaders to eschew leadership of the developing world? What are the global and domestic sources for this change in India's behaviour to seek closeness with the United States and adopt a more distant attitude towards the NAM (Non-aligned movement)?

In the cold war era, India was largely bypassed by larger powers and was happy to be isolated. It boasted of its ability to say no to the US and spoke of carving a new third way. At that time, India was an active nonalignment member. Now, India, acknowledged by many, is a rising power. Its actions at the global level speak of a slow but sure confidence in its economic prowess, and ability to engage with established powers. Now, Indian negotiators negotiate more strongly in global institutions such as the IAEA (International Atomic Energy Agency), the WTO (World Trade Organization), and seek to change the rules of the game of the IMF (International Monetary Fund). As an Indian negotiator said to me: "In the old days, India was a free-rider, now it's a negotiator."³ India engages with global players on a case-to-case basis and is hesitant to take the leadership of the developing world without a careful analysis of its changing alliances with countries such as the US, or China. India's changing behaviour needs to be understood in the context of larger global changes but also by understanding how India's domestic priorities have shifted and become more externally oriented.

India's rising global ambitions and actions have been accompanied by changes at the systemic level and greater activism of other emerging powers such as China. The decline of the Former Soviet Union and Russia has led to a powerful United States alongside with other powers such as the EU, and Japan but also the BRICs: Brazil, India, China and Russia. The G-7 has been replaced by the G-20, which is a larger grouping. These changes in the larger global

environment have created more space for regional powers such as India to make claims to a larger global role and argue for increased voice and status. This is most evident in the IMF reform proposed by emerging powers in 2010. In 2010 the IMF started a comprehensive "quota reform" ultimately shifting approximately 6.41% of the quota shares to the Emerging powers. These quota increases were implemented January 26, 2016.⁴ China's SDR share increased from 3.8% to 6.41% placing it as the 3rd top IMF member. India's SDR quota is now 2.76%. Brazil's share has increased to 2.32%, and Russia is now 2.71% – placing all the BRICs nations within the top 10 IMF members, in terms of SDR shares.⁵ The US's share is 17.45%, still retaining its position as the largest member.⁶

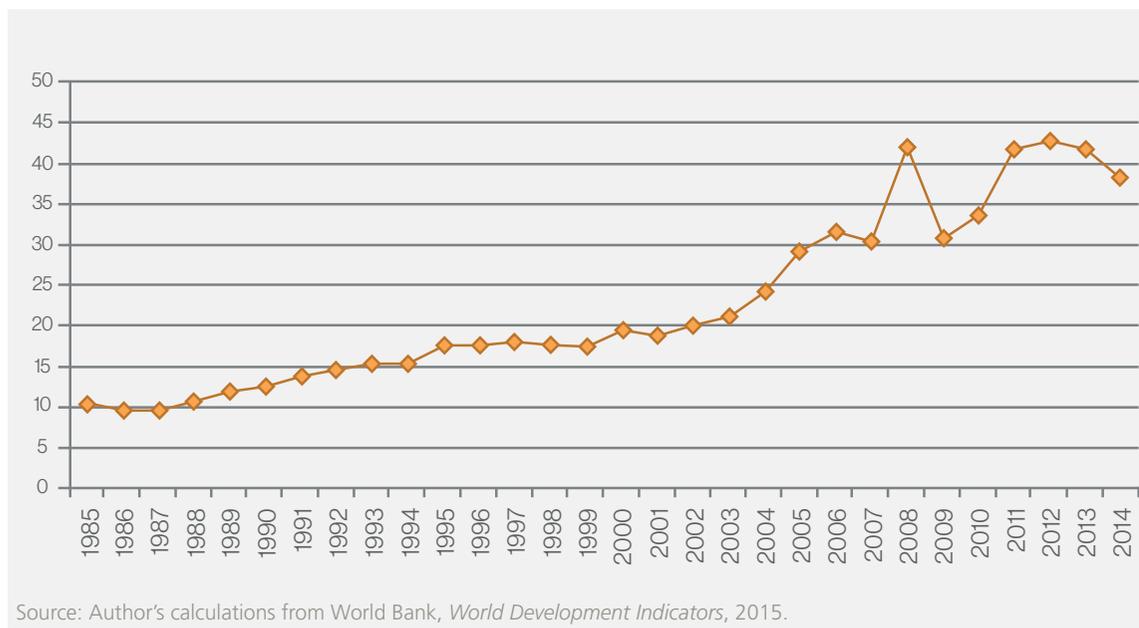
While emerging powers have become more active at the global level, and the structure of the global system has also become more open and accommodating to the rise of these powers, we also need to explore the domestic changes within countries like India. India's rise has deeper sources and causes. My research shows that globalisation has begun to shape India in powerful ways. Recently, I published a book titled, *Globalizing India*. Some of its findings help us understand these developments. I summarise the main findings of this book below.

How has globalisation changed and shaped India? India was a slow reformer and started economic reforms later than usual. In 1990, Indian leaders and diverse actors – not only politicians, and civil servants but also media elites and societal actors – were hesitant about open borders and global trade. A strong consensus in favour of self-reliance and worries about import competition and dangers of the outside world kept India largely closed and inward looking. India trade in goods (merchandise trade) as a share of the GDP was a minuscule 12.7% in 1990. By now (2016), trade in goods and services constitutes almost half of GDP and India's exporting basket has changed significantly. India now exports engineering goods, chemicals and pharmaceuticals, and has revived its textile and garment industries. Figure 1 on the next page shows this remarkable change.

How did this change in India's activities and priorities happen? India's growth story is now being written by a wide variety of non-state and state actors and many of these diverse actors have

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FIGURE 1. Merchandise Trade as % GDP



begun to act at the global level or be more active supporters of globalisation within India. Indian MNCs have interests tied to export markets and they may lobby and work at the EU or in Geneva at WTO or WIPO (World Intellectual Property Organization). Interestingly India's global growth story has been pursued with vigor by political actors such as Narasimha Rao, Atal Bihari Vajpayee, and now Narendra Modi but also regional and national politicians such as Kashiram Rana, Arun Jaitley, Arun Shourie, Jairam Ramesh, Yashwant Sinha, Digvijaya Singh, Piyush Goyal and many others. While the role of technocrats and economists has been well-recognised, recent research reveals the power of political actors in leading the way towards a more open-economy strategic calculus by politicians of varied stripes.⁷ Transformation amongst India's political actors is the story beneath the story that we must pay attention to.

Indian state and private actors have begun to shape India's global integration in powerful ways, modifying the terms of globalisation, and seeking as much autonomy as possible. Indian actors vigorously seek greater global reach and power in economic forums across the world. Yet, some of India's strengths have been activated and mobilised in response to global effects. It is important

to bridge an analysis of global forces with a deep, fine-grained study of different Indian sectors, actors and state agents.

What does globalisation do? Global forces empower exporters and create new coalitions within a domestic context. They also create new political and economic interests, with stronger ties to the global economy. Where globalisation acts as a constraint, it does so within global markets. There, global rules of the game impose standards and sanctions, which may reveal new information, but also provide hard incentives for business firms to discipline themselves and upgrade. So, global effects should not be viewed as unilateral, or static or deterministic. The external forces of globalisation can no longer be conceptualised only as pressure or threats. The power of globalisation is based not on coercion, but rather on Indian consent and Indian ambitions, which have been awakened by global interactions.

This idea is different from the dominant consensus running through comparative politics and particularly within the study of Indian political economy, which stresses the homegrown character of India's reform trajectory. Scholars of India believe that domestic debates and pressures should be analysed independently of global interactions. I,

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in contrast, argue that domestic and international forces are intertwined and shape India's newfound ambitions and capacities.

Yet, globalisation is not all positive. One possible negative consequence for Indian consumers is that many of India's firms' economic decisions are shaped by their global profits rather than oriented towards the welfare of the citizens. These effects are most visible in the field of health where India is the pharmacy of the world but prices its HIV/AIDS drugs within India at higher than global prices.⁸ So, in this new globalised world the Indian government needs to be even more vigilant and flexible in crafting its national interest and protecting the welfare of its citizens. In order to do so they have to both defend their companies but also bargain with those companies to provide cheaper drugs and goods for the Indian population.

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What are the implications of this analysis for global developments and for how we understand countries like India? Economic changes in the global system intersect with traditional security concerns in a more integral way. But importantly, global institutions such as the International Monetary Fund, the World Bank, the World Trade Organization, and the International Atomic Energy Agency have both geo-political and geo-economic implications. Rising powers such as India are beginning to evolve development-security linked strategies in each of their forums, aiming to enhance their domestic growth and development agendas but also seeking to link their participation in these global forums with their strategic calculations about the role of hegemonic powers such as the US and China. Economic goals and aims have begun to intersect with security concerns and both are played out not only in security arenas at the global level but also within global economic institutions. Studies of economic policies and foreign policies need to study the role of non-state and economic actors as foreign

policy agents. Foreign policy and national interest have become broader and encompasses foreign engagement, security policies, economic policies, and society-to-society interchange. We need to see the world through an interdependence framework* and see India's security actions through an open economy framework. 

Featured image courtesy: *The Atlantic*



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