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**THE POWER OF NARRATIVE IN MANAGING
GLOBALIZATION IN INDIA**

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The Power of Narrative in Managing Globalization in India

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Although India's general election in 2004 was contested on a variety of issues, it was won and lost on the question of globalization. The election results underscored in particular the problem of managing the unequal benefits of economic globalization. The trajectory of BJP's policies of economic openness had targeted the trading and financial elite as the primary beneficiaries, and was rejected by the majority of Indian voters, who perceived themselves still many steps and years removed from the trickling down of wealth. To be sure, contemporary economic openness in most countries since the 1980s has reflected, by nature, a bias toward the trading and financial elite, creating difficulties for democracies. In the absence of a welfare state and transfer payments, democratic policymakers have tried to mitigate the bias in two ways. They have attempted to get the broader populace to become directly or indirectly involved with trade. Alternatively, policymakers have tried to construct plausible justifications for their policy and hoped to convince constituencies that austerity and uneven distribution of benefits are temporary, and necessary for attaining a higher objective.

The first approach has been more successful in smaller countries, like Sri Lanka, but impossible in India, which boasts a diverse economy and an electorate size of 671 million. Even two years into India's embrace of globalization, the Finance Minister Manmohan Singh (now Prime Minister) admitted: "Given the democratic nature of our

political system, it's a miracle we have got this far."¹ The regular term of a government in India is five years, but India changed government six times between 1991 and 2004. Evidently, governing a large, globalizing economy has been a turbulent affair, and in that light, the fall of BJP in 2004 was not an extraordinary event. Yet successive Indian governments, regardless of party, have affirmed that reversal of outward orientation is "ruled out." BJP also displayed this type of conviction and persistence with its economic program, but it failed to employ a persuasive narrative in its support.

This article argues that use of an enabling narrative is crucial for managing globalization successfully. Policy statements, speeches, publications, debate, academic and professional training, historiography—all of these entail rhetorical exercises that cumulate into creating an environment to either support or discourage cross-platform consensus on openness, or on any other significant policy stance for that matter. A well-planned narrative allows the state to harness the political power of rhetoric, interpretation, emotion, and imagination to reach out to constituencies and elicit support for its policies. In a democracy, an elite-focused economic platform and withdrawal of public welfare payments cannot be successfully undertaken without a powerful enabling narrative, unless the incumbent is willing to risk its tenure in office. Especially in situations where economic costs are widely apparent but benefits seem either diffused or concentrated only in certain segments of the population, a plausible story that is able to link past plight to current situation and future potential can go a long way to convince the skeptics, both within and outside the government, that openness is the right way to go.

¹ Interview with Manmohan Singh, *Financial Times*, 30 September 1993.

Although BJP did not lack conviction, its narrative to endorse its open-economy platform parted in important ways from those employed by past governments, and failed to resonate with the electorate. The government employed two catch phrases to motivate citizens toward its economic program. The first one, proclaimed early in its tenure, was “Feel Good.” This was adopted to shake Indians off the depression in global demand that ensued after the US stock market collapsed in 2000. “Feel Good” was obviously targeted at Indian businesses, and ministers’ speeches were peppered with the slogan. The second one, “India Shining,” was adopted later in the tenure, after international trade picked up and economic indicators had begun to show that Indian businesses were feeling somewhat better, if not wholly good. Posters and advertisements went up to convince citizens of India’s current ascent. Many of these, however, showcased an increasingly consumerist Indian upper-middle class. Policymakers probably intended to convey the possibility of upward mobility in a society that had a painful history of caste barriers. Instead, what both of these narratives did for the electorate is identify clearly the primary beneficiaries of BJP’s economic policy. The results were reflected in the election.

Despite this political setback, economic openness in India will continue. This is not because Manmohan Singh, the Finance Minister who initiated the path to globalization back in 1991, is now the Prime Minister. The basis for continuity is no longer embodied in a person or even a party; it is rooted in the strategic belief-system of India’s policymaking circle. A review of the crucial economic policy statements of successive Indian governments shows that economic openness is no longer approached as an experiment by a particular government. It is equated with some of the most fundamental goals of the state.

Consider an extreme example: a state's commitment to protecting territorial integrity. This commitment is so deep-rooted in the modern state that it does not waver significantly with changes in government. Thus secessionist sentiments, including those in India, are usually treated with coercive measures regardless of costs or implications, and the norm of territorial integrity supersedes norms of tolerating dissent or norms of human rights. This commitment is justified by both principles about the basis of the state and historical narratives about the unity of the nation. Similarly, the commitment to free expression is firm in India, and is part of its *raison d'état*. Singapore, on the other hand, is committed to economic openness but only dabbles in free expression. It has established a Speakers' Corner, where the state is "signaling" that free expression will be allowed, within limits.² This level of commitment is easily withdrawn, and is susceptible to changes in leadership and the balance of power between government and ordinary citizens.

Over time, successful employment of a narrative to support the project of opening up the economy will result in openness being internalized as a core value that the state is committed to maintaining. The debates then will be increasingly at the margins, about tactics and specific policy measures, rather than the philosophy and the fundamental existence of openness. This is what early reformist policymakers have been successful in establishing in India, which is why they can confidently proclaim that the reversal of openness is ruled out. The narrative that these maverick policymakers constructed and marketed cast a broad net. Culling material from India's history, speeches, political

² As Prime Minister Lee Hsien Loong said about the Speakers' Corner in his National Day 2004 Speech: "I mean, free expression as long as you don't get into race and religion and don't start a riot. It's a signal – speak, speak your voice, be heard, take responsibility for your views and opinions." See Singapore Government, "National Day Rally 2004 Speech," 22 August 2004, <<http://www.gov.sg/nd/ND04.htm>>.

writings, and other documentary sources, they promoted what can be termed *nationalist globalism*. This narrative, which my article intends to explore, contributed to sustaining open-door policies by enabling the state to portray economic openness as compatible with both indigenous values and the Indian state's international goals.

The key emotive appeals of the narrative are the following: (i) an assertion of the grandeur of India's civilisation, (ii) a lament at its recent power position, (iii) an urgency to raise the state's visibility and role in world affairs, and (iv) a sense of multidimensional competition against the state's key external rival. In reviewing these claims and beliefs, I pay attention to delineating their historical sources. The narrative is powerful because it draws from some of the most respected names and crucial events in Indian intellectual and political chronicle. In its recent application to promoting economic openness, therefore, it could be presented as a storyline congruent with the historical and ideological mainstays of the state itself, constructing a sense of continuity rather than a jarring break from the past. It has been able to connect past plight to current condition and future potential to capture policy support so that the idea of economic openness became dissociated from a particular government, and entrenched as part of the state's permanent goals.

'Fate has marked us for big things': the roots of the narrative

The root of India's nationalist globalism is a belief in the grandeur and international influence of the Indian civilisation, a creed embedded in the imaginations and convictions of the early nationalist elite. The nationalist project in India was spearheaded by a small elite to whom the British eventually transferred power. Thanks to their formal Western education, most of them were familiar with post-enlightenment

ideas about the modern state and international relations. Their exposure to the West, combined with ideational and ideological currents of the time, made the nationalist elite globalist in its outlook. They viewed India as a vast, resourceful country, an ancient civilisation occupying a prominent geopolitical space. This notion of grandeur, of being or becoming a great power, was an integral part of their anti-colonial nationalist project. In spite of all the attendant problems of postcolonial development, this belief has remained innate in the Indian policymaking elite. Even India's failings were grand-scale, observed Jawaharlal Nehru in his famous speech on the eve of independence.

In the mindset of the early nationalists, reaching out for regional and possibly global influence was inevitable. Nationalist historiography explored myths, folklore, rituals, art, architecture, warfare, and oral and written accounts, and crafted the image of an internationally influential civilisation, whose religious and cultural marks extended from Persia in the west to Indonesia in the east. Nationalist orators and writers pointed to the early influence of India on surrounding kingdoms through the spread of Hinduism and Buddhism, and began to talk about the prospect of a 'Greater India', based on civilisational kinship. Thanks to the printing press, tales extolling this glorious past, current subjugation, and unified destiny were distributed widely to an enthusiastic audience.³ The emigration of a large number of Indian workers to other British colonies in Southeast Asia, Southern and Eastern Africa, the Caribbean, and the Pacific also gave India a concrete presence worldwide.

Ideologically this narrative stood opposed to foreign imperialism, and became imbued with powerful doctrines about peace and nonviolence. The globalism it espoused

³ For more on the contribution of the press, see Partha Chatterjee, *The Nation and Its Fragments: Colonial and Postcolonial Histories* (Princeton: Princeton University Press, 1993).

was normative: It was based on ideas about how the world *should be*, and called upon both domestic policymakers and other postcolonial countries to work together to achieve it. It was also progressive, with a strong sense that the current state of affairs is not good enough. Its international ramification included support for self-determination, pacifism, non-alignment, and cooperative means for resolving international conflicts. These were considered indigenous values, to be reflected in foreign relations, and disseminated to counter other more confrontational and imperialist norms.

Politics of the Indian National Congress (INC), which was the organizational leader of the nationalist struggle, reflected these ideational and ideological currents. These norms were boosted by the devastating experience of the First World War and the rise of Wilsonian principles of stronger, institutionalized cooperation. Although the spread of these ideas generated considerable debate, isolationism as a concept did not gain wide currency within India's intellectual elite. India's post-colonial economic policy became strongly protectionist, but the intent of the nationalist elite was to shun economic dependence, not foster isolation. International interconnectedness seemed inevitable, and a strong foreign policy seemed essential. Theories of capitalism as well as Marxism had begun to highlight, for different reasons, the interconnections among nations and economic players. As a result, it was natural among prominent Indian intellectuals and activists, like Rabindranath Tagore, Bal Gangadhar Tilak, Mahatma Gandhi, Rammohan Roy and Netaji Subhas Chandra Bose, to espouse cosmopolitan views, even while they advocated a breaching of colonial ties and represented quite different political camps.

Jawaharlal Nehru, educated in the West and well-versed in prevalent currents of internationalism, was at the centre of both the nationalist project and the Congress. Under

his dominance of India's external relations, globalism became a major objective of the independence struggle. Independence, for him, was 'an opportunity to establish India as a presence on the world stage' (Khilnani 1997: 178). In his view, the image and pain of colonial subjection could be shed eventually by transforming India into a prominent actor in international politics with a splendid, cosmopolitan past and an independent voice. He wrote in 1939:

A free India, with her vast resources, can be a great service to the world and to humanity. India will always make a difference to the world; fate has marked us for big things. When we fall, we fall low; when we rise, inevitably we play our part in the world drama (quoted in Nayar 1979: 123).

Over the decade following independence, Nehru and his contemporaries revealed in India's potential for grandeur, as evident in numerous speeches and debates in the Parliament and in subsequent policy statements. In a famous debate on foreign policy in the Constituent Assembly in 1947, Nehru remarked:

India is a great country, great in her resources, great in manpower, great in her potential, in every way. I have little doubt that free India on every plane will play a big part on the world stage, even on the narrowest plane of material power (Nehru 1961: 13).

Parliamentary proceedings around that time were peppered with such proclamations about India's power potential and globalist future. India's globalism became a faith: because of its past and its potential, India was bound to play a global role in politics and economics. India's non-aligned stance during the Cold War was also informed by this

logic. As Baldev Raj Nayar points out, “[g]iven the perception of India’s potential, a satellite role was clearly unacceptable” (Nayar 1979: 122).

It has been often noted that India’s stance on world affairs has been too idealist or utopian. It is true that India saw itself unique in the world in pioneering a type of foreign policymaking that promoted normative values. What is important to recognize, however, is that the value-orientation was not utopian; it was instrumental. It was the means to achieve a distinct, independent voice. Like the way India’s nationalism, based on non-violent civil disobedience, gave the country respect and renown, its globalism, based on pacifism, nonalignment, cooperation, and democratic self-determination, was to propel India into global prominence. Considered timeless, these values could not be discarded from policymaking, for they constituted the persona of India’s great, ancient civilisation.

Globalism and ‘hegemonic rivalry’

The second principal element of India’s globalist narrative is the idea of a long-term strategic rivalry with China for regional hegemony. Nehru and his contemporaries realised that the existence of another large neighboring civilisation, China, raised the possibility of conflict in the future. The sense of rivalry has evoked feelings of both enmity and envy in Indian policymakers. Although its roots are in British colonial policy and convictions, its present shape is influenced by the experience of a war with China in 1959-62 and the growth of nuclear insecurity since the seventies.

Indian strategists initially envisioned China as an Asian compatriot forging an independent, non-aligned path of the kind India championed. As China began to question the legitimacy of the mutual border, which was an ambiguous colonial artifact to begin with, Indian policy circles began to entertain a discourse of hegemonic competition

against China. China mounted a full-scale invasion along India's northeastern frontier in October 1962. It routed the Indian army and occupied about 14,000 square miles of what used to be Indian terrain. This experience firmly rooted in Nehru and other policymakers a belief that China was seeking Asian leadership at India's expense, if not by physical domination then certainly by forcing 'a mental surrender' (Hoffman 1990: 217).

Such feelings permeated in wider strategic circles as well. Although India lost a large piece of territory, Indian policymakers did not interpret the loss as a dent on India's potential for great power status. Instead, they looked forward and emphasised the need to practice realism, backed by adequate material strength. This was necessary to engage China effectively (Dixit 1998: Chap. 4). In *India and the China Crisis*, a detailed study of decision-making during the war, Steven Hoffman contends that India's misgivings that China would become an assertive rival were now confirmed and transformed into 'a coherent and long-lasting belief system' (Hoffman 1990: 215). India's only major mistake, in this belief-system, was that of an oversight: not having a strong defence—a lapse unpardonable for a state claiming regional hegemony. This was a crucial lesson for the Indian state: "the country's role pretensions were inconsistent with its capabilities" (Nayar 1979: 140-141).

India's ensuing program for a coherent strategic and competitive vision was a direct outgrowth of the war with China. It implanted an acute sense of insecurity about China's rising military budget and expanding sphere of influence. Although strategists knew that technological and power projection capabilities were commensurate with India's globalist aspirations, the war ensconced an urgency to aggrandise material power. Not just the staunch nationalists, but a wider spectrum of political interests found

common ground in the belief that China posed a real threat to India's future, militarily, politically, and economically. The election manifestoes of all Indian political parties between 1967 and 1972 included an aggressive competitive stance against China (Tharoor 1982: 228-229).

The line of actual control between India and China, established in 1962, has remained to date in an undeclared state of war. India accepted China's ceasefire line as de facto, not de jure. Because of the uncertainty of the border and insecurity about increasing Chinese assertions in Southeast Asia, territorial competition and security continued to be the centrepiece of India's China strategy through Indira Gandhi's leadership in the seventies (Tharoor 1982). Compared to her father, Nehru, Indira adopted a stronger approach toward China, due to Indira's belief in realpolitik, rising insurgency in the border areas, China's support of Pakistan, and most importantly, India's growing defence capabilities.

The combustion of globalist ambitions and exigencies arising out of rivalry with China and its allies gave a powerful thrust to India's program for big science and prestige weaponry. Just two years after the war, China conducted its first nuclear test at Lop Nor in October 1964. This immediately raised the stakes for India to develop a deterrent.

Mino Masani expressed the fears of many of India's political leaders at that time:

The Chinese explosion cannot be ignored; it cannot be written off; it cannot be played down; it is of major significance. We are the country for which it has the most immediate importance (quoted in Ganguly 1999: 152-153).

In the wake of this explosion, Lal Bahadur Shastri, India's prime minister, tried to obtain security guarantees from other big powers. When that failed, as admitted in the

parliament in 1965, he authorised India's SNEP (subterranean nuclear explosion project) program. The project culminated in India's so-called 'peaceful' explosion of 1974. Since then Indian strategic analysts have been repeatedly urging for the development of not just prototype but proven nuclear capability, especially since the 1980s when it became clearer that China had been transferring to Pakistan technologies related to nuclear weapons development. These were major triggers for India's second round of explosions in May, 1998 (Ganguly 1999: 170) and for Defence Minister George Fernandes's public identification that China, not Pakistan, was India's 'threat number one' (See for example *The New York Times*, 5 May 1998, 12 May 1998, 15 May 1998). In view of India's feeling of long-standing rivalry with China, highlighted in strategic writings, policy discourse, and news commentaries, Pratap Mehta remarked after the 1998 tests: 'the surprise is not that these [nuclear] tests occurred but that it took so long for them to occur' (Mehta 1998: 17).

'India's due': from rights to capabilities

Historically India's bid for global prominence had been based on an assertion of rights, not capabilities. Nehru and his contemporary strategists claimed great power status because India, in their view, *deserved* it as an ancient civilisation, the world's largest country in population, and the largest democracy. This perception, that status is India's due, remained strong especially from the fifties to the eighties. It is not that India's early strategists thought entirely that such normative claims would be enough to attain the rank India deserved. They also saw the normative route to global status more feasible than one based on capabilities because of India's economic weaknesses.

After the 1962 war and China's nuclear tests, the Indian state has tried to strengthen its pursuit of globalism by emphasising a more visible, independent international role. This effort has ranged from leadership in the Non-Aligned Movement to organising developing countries in different international forums, such as UNCTAD, Group of 77, and the New International Economic Order. India has been trying to raise its capacity as a regional donor, creditor, and mediator. It has been keen to obtain permanent membership in the UN Security Council. Indian diplomats have pointed out that its population was larger than all the permanent members combined, except China. Moreover, as member it would be a representative of the Third World in global decisionmaking. Indian diplomats also argued that China's inherent status was never questioned by the great powers; only the legitimacy of the regime representing China was periodically under doubt. If China were to have such status, so should India.

Overall, Indian statesmen have been disappointed for the lack of attention from traditional powers, including the United States: 'Everyone in Washington ignores India' (Sieff 1998: 38). The disappointment grew at a time when US policies began to overlook China's political lapses in consideration of its growing military and economic power. C. Raja Mohan, a strategic columnist, asked in 1995: 'Why cannot we be like the Chinese? The effective combination of defiance and dealmaking has been the hallmark of the Chinese approach to the United States'. Raja Mohan urged India to develop economic might as well as declared nuclear capability to achieve the kind of power China enjoyed (quoted in Perkovich 1999: 363).

This, then, was the direction toward which India's globalist discourse was gradually heading since 1962. Aspiration for a global role combined with a perception of

neglect pushed the state into emphasising the development of technology-intensive prestige weapons and strategic forces capable of power projection. This desire for power projection, like other quests in India's strategic trajectory, has evolved historically. British strategy for India during colonial rule in the twentieth century had been defensive, since Britain by that time had become a status quo power interested in preservation rather than expansion. India inherited that strategic temperament (Tanham 1992: Chap. 2). But the need for power projection was increasingly felt from the sixties onwards. Indian policymakers have assured the public that prestige weapons with the capacity to project offensive power would concretely demonstrate India's capabilities.

The shifts from a normative to a material path to globalism have not altered the sense of destiny and due in Indian strategic thinking. In the changing mindset of Indian policymakers, India's globalism was still deserved historically, but it was to be achieved through a demonstration of capabilities rather than an assertion of rights. This sense of a material urgency for achieving greatness rhetorically fueled and justified expenses that would otherwise seem wasteful for one of the poorest countries in the world. It gave deeper significance to the notion of hegemonic rivalry, and portrayed as necessities apparent luxuries like atomic weapons, missile technology, aircraft carriers, nuclear submarines, and a comprehensive space program. The narrative of grandeur and competition, already compelling, became even more so, once injected with appeals about neglect and lost glory and later, a confident discourse on capabilities.

Enmity and envy: competing economically with China

Since the nineties, Indian administrations have exploited all of these elements of the globalist narrative—civilisational grandeur, strategic and hegemonic rivalry with

China, and the need to assert material capabilities—to support their project of opening up India's economy. The project began, rather tenuously, in March 1991, when a new government came to power. Taking India's balance of payments crisis as justification, the government announced sweeping changes in economic policy, beginning with an almost 20 percent devaluation of the rupee. The policies pursued since then have included several rounds of tariff reduction and currency devaluation, which have been standard ingredients for initial economic openness in many developing countries. India's trade policies have included gradual reduction in the subsidies and tax incentives for export diversification, abolition of licensing, export processing zones, liberal foreign currency retention system. Toward the middle of the nineties, policymakers began to give greater attention to regulatory institutions, such as supervisory authorities over capital and financial markets, and legal instruments to facilitate cross-national mergers and acquisitions. There is evidence that much of the policy-set, especially on trade and investment, used cues from the Chinese experience with open-door policies (Alamgir 1999).

What is interesting for our purposes is an examination of the narrative used to rationalise the policies. The first round of currency devaluation in 1991 occasioned separate statements by the Finance Minister, Dr. Manmohan Singh, and the Governor of the central bank, R. Venkitaramanan. They both explained the devaluation by pointing to competitive pressures from China in the export market (*The Hindu*, July 4, 1991). Next January the Commerce Minister declared that exports needed to be boosted, in light of stiff competition from China as well as other Asian countries. He cautioned Indian industry that policymakers 'will have to think more radically' (*The Hindu*, January 4,

1991). The *Economic Survey 1991-92*, one of the major policy statements published by the government, built on to this urgency about a potential competitive loss against rivals. It argued that gaining strength and self-reliance have been the hallmarks of economic policy in India since independence, but added:

Self-reliance does not mean isolation. We live in a world of great variety—of people, resources, of knowledge and behaviour. It is there for us to cooperate with, trade with, learn from, and contribute to. It is there for us to measure ourselves against (Government of India 1992: 27).

The Finance Minister's subsequent speeches asserted that India had attained the capability to raise international engagement, and must begin to do so. Through the next few years the government continued to employ a narrative urging constituencies to realise a sense of loss, to engage in competition and international benchmarking, toward eventual empowerment and regional hegemony. Disputing apologists of the slow growth rate of India, Finance Minister Manmohan Singh noted:

[T]he world-is-in-a-recession attitude has created in our country a disastrous mindset ... If the world is in a recession, why are the Chinese exports booming? In 1973 our level of exports was the same as that of the Chinese. Where are the Chinese today, and where are the Indians? (*India Today*, March 31, 1993).

The words of P. Chidambaram, India's Commerce Minister in the same administration, then Finance Minister in the late nineties and again in the current government, reflect this viewpoint:

I speak for generations of young Indians. We are not happy. We are not proud that smaller countries have outgrown India, but India can become a giant economy in ten years (cited in *Toronto Star*, April 6, 1995).

Such feeling of relative loss along with despair about India's position as a great power comes across in official government publications as well as in formal and informal interviews of policymakers. As a key justification of openness, the *Economic Survey 1991-1992* pointed out the success of East Asia. Policy documents kept on emphasising the need to emulate East Asia's, and particularly, China's economic success (see for example, Government of India 1997: 21).

In addition to government assessments and proclamations, a number of studies that came out in the early nineties (Suri 1992; Paul 1992; Cable, 1995 for instance) also identified a loss of India's competitive position to China and other Asian countries. China's stellar performance in the nineties, coupled with its relative gains over India in crucial markets, began to give policymakers, analysts, and many academic researchers a sense of both enmity and envy. Jairam Ramesh, for instance, noted tersely, 'One visit to East Asia is enough to show just where India is' (cited in *India Today*, May 24, 1999). Achin Vanaik, at the other end of the political spectrum, wrote in his Marxist analysis of India's political economy in the eighties:

[T]he Chinese road to socialism, for all its detours, hiatuses, political drawbacks and indeed, its highly 'unsocialist' features, has nevertheless had a far more impressive record than the Indian road to capitalism (Vanaik 1990: 50).

In the end, evidence about China's performance, combined with the globalist narrative that the government successfully re-popularised in India, damaged the

alternative belief that openness and export-led growth are suited mostly to special cases and hence not easily applicable to India. The growth rates of China not only matched the earlier growth spurts of the East Asian countries but also proved sustainable for a giant country. As Jean Drèze and Amartya Sen pointed out:

China's choice of market-oriented reform and of a policy of integration with the world economy has given those policies a much wider hearing in India than they could have conceivably had on the basis of what had happened in countries that are much smaller and perceived to be quite dissimilar to India: Hong Kong, Taiwan, Singapore, even South Korea. From revolutionary inspiration to reformist passion, China has got India's ear again and again (Drèze and Sen 1995: 58).

More recently, China's successful handling of the Asian Financial Crisis (1997-98) increased Indian policymakers' confidence in the Chinese model. Indian policymakers were impressed by China's refusal to implement austerity measures as suggested by the International Monetary Fund, and by the fact that China was not affected as deeply as Japan and Korea, which were thought to be strong Asian economies. Indian strategists observed that China's successful coping with the Asian crisis had increased its bargaining power against the United States, which, to them, was a concrete indication of how economic strength can have positive externalities for negotiation in other areas. Some thinkers urged the state to study closely how China coped with the crisis and how others faltered (see for example Sanjaya Baru in *Business Standard*, December 4, 1998). From different fronts the pressure to accelerate openness, raise international visibility, and emulate China kept on mounting. C. Raja Mohan, a well-

known strategic analyst and columnist, for instance, has been writing, indeed lamenting, about the prospect of a competitive loss:

China thinks big; India thinks small. What a difference it has made in just one generation! By adopting a bold strategy, China has raced past the timid India on the economic front in just one generation.⁴

What such analysts referred to as “bold” moves are national strategies to increase economic and political visibility in the world. This has been part of the discourse on India’s bid for a global role, and intended to add a sense of shame and urgency for Indian policymakers. In turn, policymakers also kept up the pace of economic reforms and reached out to the public with the same narrative. Regaining economic strength in general, and in particular vis-à-vis China, had become a matter of national prestige. By 2000, additional Special Economic Zones (SEZs) were approved, and each major approval was accompanied by speeches referring to the Chinese experience. The Export-Import (Exim) Policy of 2000-2001 saw not only a full use of such SEZs, but positive externalities from them along the Chinese model. In the speech introducing the Exim Policy, Commerce and Industry Minister Murasoli Maran noted:

My recent visit to the various provinces of the People’s Republic of China has been an eye opener to me. The enormous interest evinced by the various functionaries like Mayors of cities and of the provinces in matters like GDP, foreign investment and export contributions of their cities, etc. is an exciting

⁴ C. Raja Mohan, “Thinking Big, Thinking Small,” *The Hindu*, 3 June 2000.

example that we can emulate. I am proposing a major step of establishing, as in China, Special Economic Zones in different parts of the country.”⁵

Like his predecessors from other parties, Maran’s significant policy statements usually did not fail to make a strong point about the possibility of India falling behind China.⁶ By 2001, when the BJP government began withdrawing most of the remaining quantitative restrictions on imports, the discourse about China shifted from export competitiveness and FDI to import competition within the Indian market. China’s strength was documented in manufacturing and light industry. Many observers wrote regularly about the prospect of India being swamped by cheap imports from China, in both consumer and industrial markets.⁷ India began to impose “anti-dumping” duties against China. It also initiated a number of complaints against China in the WTO. Prem Shankar Jha accused the government of making “a mess out of globalization,” stating succinctly, “the threat India faces is very real.”⁸

Jha was prescient. This newer dimension of competition introduced a crucial twist in the management of globalization in India. With China competing in India’s home turf, the focus of policymakers was no longer mostly on external competitiveness. It shifted to raising internal competitiveness, forcing them to seriously engage issues involving labor, agriculture, and services markets. For Murasoli Maran, the Commerce and Industry Minister, raising India’s industrial competitiveness was the only sure way to compete

⁵ Speech delivered by Commerce Minister on releasing the Export-Import Policy 2000-2001, <<http://www.banknetindia.com/banking/eximspeech1.htm>>, Accessed 6 July 2003.

⁶ See “A Bold Approach,” *The Hindu*, 3 April 2000; “India Hopes To Do Better Than China in FDI,” *The Hindu*, 21 June 2002.

⁷ “Chinese Dumping Retards Industrial Growth,” *The Hindu*, 17 November 2000; “Chinese Phenomenon – A Case of Competition or Dumping,” *The Hindu*, 4 January 2001; “Chinese Goods: A Mission Impossible?” *The Hindu*, 7 June 2001; “Chinese Miracle: Lessons for India,” *The Hindu*, 4 October 2001; “Bugbear of Chinese Imports,” *The Hindu*, 18 October 2001.

⁸ Prem Shankar Jha, “Making a Mess of Globalisation,” *The Hindu*, 11 July 2000.

with China in the domestic market in the long term.⁹ The government's support for education and training, automation, improvement in process, and modern managerial practices were welcomed by industry associations, and were not controversial. At the same time, the BJP government ventured to privatize public-sector units (PSUs), with the hope that once private, these firms will be able to compete better and increase overall industrial efficiency in the economy. This move confronted significant opposition from labor unions.

Some commentators had been pointing out that labor market flexibility has been one of the major advantages that Chinese firms enjoy over Indian firms, and that longer-term competitiveness of Indian industry could not be achieved without liberal employment rules.¹⁰ In 2001-2002, the government sought to implement fundamental reforms in the labor market, and wanted especially to remove rigid rules about hiring and firing. This got the government into politically treacherous territory, but in their scramble to garner support, ministers neglected to adapt the narrative of nationalist globalism to back the policy moves. The narrative employed by BJP sounded more doctrinaire than empowering. For instance, the Prime Minister, Atal Behari Vajpayee, often beseeched consensus from opposition parties, but the justification was simply that labor reform was "the only right choice."¹¹ The elaborate Gandhian philosophy about austerity and traditional virtues, which were so adeptly used by previous governments in pushing through economic hardship, were largely missing.

⁹ "Take on the Challenge of Chinese Competition: Maran" *The Hindu*, 15 March 2001.

¹⁰ "Steps Must Be Followed Up: Assocham," *The Hindu*, 1 April 2002. See also Nirupam Bajpai, "India's Unfinished Reform Agenda – II," *The Hindu*, 18 April 2002.

¹¹ "PM Seeks Consensus on Economic Reforms," *The Hindu*, 29 September 2002.

While India was trying to raise manufacturing competitiveness, some studies by the government, industry associations, and private observers, identified two possible sectors in which India had a competitive advantage over China: agriculture and services. The policy imperative was to maintain the lead in these sectors. Chinese agriculture was said to be marked by low productivity, a gradual decrease in arable land, and high tariffs on farm inputs, making its products less competitive internationally.¹² As response, the Commerce Minister introduced Agricultural Special Economic Zones in 2002 in order to promote agricultural exports. In the domestic market, however, BJP followed its doctrinaire prescription: reduce state support for farmers in order to force them to raise efficiency and competitiveness. Over the next year, the government allowed the prices of fertilizer, pesticide, and diesel to rise by reducing its involvement in the market. In addition, BJP focused on “reduction and re-targeting of subsidies” as part of its poverty reduction agenda. While these moves were lauded by international financial institutions for following their standard prescription to ‘get the prices right,’¹³ they were denounced by rural India. The Prime Minister announced: “Barring those who deserve subsidy, we should develop a culture of making all others pay for what they use.”¹⁴ This type of narrative sounded self-assured and made economic sense, but failed to either show historical antecedents or lay out an empowering vision. Faced with high debt and bankruptcy, hundreds of farmers committed suicide in the states of Kerala and Tamil

¹² See, for instance, Raviprasad Narayanan, “Agriculture: China’s Achilles Heel?” *The Hindu*, 28 May 2002.

¹³ For more on such prescriptions, see Joseph Stiglitz, *Globalization and Its Discontents* (New York: W. W. Norton, 2002).

¹⁴ “Subsidies Will Be Reduced, Procedures To Be Pruned: PM,” *The Hindu*, 14 July 2002.

Nadu. The failure to reach out convincingly to rural India was the leading cause for BJP's loss in the 2004 national elections. As the economist Kaushik Basu put it:

In celebrating the success of the Indian economy in the global domain and the praise it has received in the international media, the government forgot that the mass of India remains crushingly poor and, though these poor people do not write newspaper columns and give TV interviews, they have an opinion and a vote.¹⁵

Since late 2002, impending Chinese competition in the services sector has become a key concern for Indian policymakers. In this sector, India with its advantage of the English language, had become both a software power in its own right and an outsourcing hub for a variety of services, such as, programming, data entry, medical transcripts, and call centers. India has also been lobbying, beginning with the Doha Round of world trade negotiations, for removing restrictions on the supply of skilled workers in services. Studies began to find, however, that China was working toward closing this gap. When Bill Gates visited India in 2002, he warned policymakers about becoming complacent about the country's IT lead, and asked them to watch China closely.¹⁶ A 2002 survey by Nasscom, the trade association for IT and related services, stated that China already had a better infrastructure and had begun to lead in the domestic IT market.¹⁷ Pressure to take appropriate measures to maintain India's lead increased over the next two years. A 2004 Morgan Stanley report, called "New Tigers of Asia," saw "the development models of India and China converging" over the next 10-15 years (Xie and Ahya 2004). It

¹⁵ Kaushik Basu, "India's Reforms Need Changes," BBC News Online, 20 May 2004, <http://news.bbc.co.uk/1/hi/world/south_asia/3721217.stm>, accessed 22 May 2004.

¹⁶ "Watch China's Progress: Bill Gates," *The Hindu*, 11 November 2002.

¹⁷ National Association of Software and Service Companies, "Nasscom Reveals China IT Market Findings," 2002, <http://www.nasscom.org/artdisplay.asp?Art_id=127> (accessed 20 August 2004).

predicted, ominously for Indian policymakers, that while India's manufacturing would take that long to attain the same level of competitiveness as China's, China would likely take only five years to catch up to India's dominance in information technology services. Indian newspapers reacted with consternation when they learned of the Chinese leadership's pledge to accelerate proficiency in English and further improve their technology infrastructure in order to compete better in the IT sector.¹⁸ The lament of an editorial in *The Statesman* in mid-2004 is reminiscent of the enmity/envy mood we reviewed earlier in other sectors:

[T]he Chinese are fast catching up in the one area where India has some edge ...

It is depressing to compare the performance of the Chinese with Indian politicians. The Chinese President has said that everyone in China will be speaking English in 20 years. National sentiment is not allowed to come in the way of national interest. In India, political interest obscures everything.¹⁹

'A house with windows open':

Empowerment through the narrative of nationalist globalism

Political interest, nevertheless, converged on the question of globalism. To manage openness, the Indian state has imagined, believed in, subscribed to, and popularised a nationalist/globalist narrative centered on the state's intention of playing a world role by increasing its international visibility and material power. Involving elements of civilisational grandeur, a sense of lost glory, and a perceived historical

¹⁸ See "India Facing Challenge From China In Information Technology," *The Hindu*, 12 July 2004; "China Closing in On India in Software," *Financial Express*, 20 July 2004.

¹⁹ "Software Glitch: Why China May Soon Surpass India," *The Statesman*, 26 July 2004.

rivalry with China, the narrative helped overcome the ideological compunctions Indian policymakers might have had in continuing with outward orientation. The ultimate aim of economic openness, as successful policymakers convinced themselves and their constituencies, was to reverse the loss of competitive position and respect. This prospect of empowerment is what captured mass imaginations. Especially during the period when openness was managed best (1995-2001), prominent ministers hardly ever lost sight of this goal in their speeches, policy documents, interviews, and debates. As Dr. Manmohan Singh stated succinctly, 'India's economic destiny is safe only when India knows how to stand on its own feet, to compete against everyone in the world on an equal footing. That is what we are trying to do'. (cited in *Financial Times*, October 6, 1995) Leaders of the state did not simply use the narrative as a marketing ploy. They themselves believed in it, and shaped policies accordingly. They used it assiduously both at home and abroad. This is why the narrative gained both public popularity and political momentum.

It is no accident that the 1990s have seen the Indian state increasingly assertive in international strategic discourse. As India was able to increase its international economic power, rhetorically and materially, Indian policymakers tried to shift attention from its economic fallouts to its international power potential. Indian diplomats changed their tone for laying out the rationale for India's admittance to the Security Council from a normative to a material basis. Admittance was due not just because it was India's moral right, as argued previously, but because India had become too powerful, economically and militarily, to be neglected. Prime Minister Narasimha Rao echoed this in 1996 when he asserted, 'Our voice is being heard internationally and we are being consulted on every major issue. Our defence might is well known' (*The Hindu*, January 26, 1996).

BJP's tenure was instrumental in raising India's international profile by pursuing an aggressive foreign policy.²⁰ The feeling of empowerment was bolstered after the nuclear explosions, and the political consensus on having a credible strategic weapons arsenal was widespread, as was the threat perception from China. In this respect, BJP's first External Affairs Minister, Jaswant Singh, was the maverick: he did for India's foreign policy what Dr. Manmohan Singh had done for its economic policy a decade earlier, beginning with a turnaround from the status quo and ending with a sense of national empowerment. By 2000, Russia, France and Britain supported India's bid for permanent membership in an expanded UN Security Council. The United States has not yet committed explicit support, but acknowledged that India had a "compelling case." Still, Indian analysts began to appreciate the increased attention from the US. President Bill Clinton concluded a highly successful state visit of India, in which he was critical of Pakistan's support for terrorism against Indian interests. Then India's foreign policy achieved a real coup in October 2004 when the country won China's endorsement for its claim to a permanent seat in the Security Council.²¹

This rise of India's international profile rested squarely on the fruits of its economic policy reforms of the 1990s. Openness bolstered the fundamentals of its formal economy, emerging for instance from the brink of bankruptcy in 1991 with less than \$1 billion in forex reserves to over \$120 billion by late 2004. It is "a problem of plenty," as one observer noted, and the government has been encouraging Indian firms to take advantage of this and acquire assets abroad. Indian "multinationals" acquired 120 firms

²⁰ See, for instance, C. Raja Mohan, "Jaswant Moves Out After a Good Innings at South Block," *The Hindu*, 2 July 2002.

²¹ "China Backs India's Claim To Un Security Council Seat," *Economic Times*, 21 October 2004.

abroad in 2001-2003, and the size of their foreign investments is becoming larger (Ahmed 2004). Both inward and outward foreign investment have been giving India additional visibility worldwide. Thus the nationalist appeal of its open-economy program became stronger as India's international power became more manifest. The narrative of nationalist globalism, which placed India in historical context as well as in the league of great powers in future, served this project well.

Such interconnections between economic, diplomatic, and security logic have been central in sustaining openness. A power with globalist aspirations, Indian military strategists realised in the late seventies and early eighties, cannot be defensive and inward-looking; it must be capable of projecting its military power well beyond its borders. A similar logic has informed India's reformist economic policymakers in the nineties and beyond. From this perspective, inward-looking economic policies were only perpetuating the decline in India's civilisational grandeur. The best way to raise India's visibility as well as its global role, therefore, was to reverse autarky by giving other states an interest in India's future, and India a role in the future of world politics.

China, the "hegemonic" rival, also united Indian policymakers. It provided them with a vivid example of such reversal of fortunes. Moreover, the perception of a relentless economic competition with China, when reported by observers and analysts, has been fuel for India's governments to respond in kind and raise competitiveness. In turn, policymakers have narrated eloquently the prospect of a competitive loss to justify their policies. This is not to argue that India's path to liberalisation faithfully reproduces the Chinese path. From the standpoint of the nationalist-globalist narrative, however, what matters more is the strategic relevance of China's policies to India, rather than the

specific nature of the policy path. Although China's military and political goals have been strategically relevant to India since the 1962 war, its economic policies gained strategic relevance only since the late eighties, when Indian policymakers began to take stock of China's economic progress and to analyse seriously what it might mean for India's prospects for security and leadership. This type of thinking, in effect, tied economic competition to security exigencies.

Strategists, and eventually newspapers, analysts, and academics began to automatically compare India and China along every possible socio-political dimension. By itself the juxtaposition of comparative statistics did not mean much—but once rivalry was imagined, it began to convey a sense of relative loss or gain, of enmity and envy. The perception of China as a hegemonic rival was compelling for India's policymakers precisely because China posed a potential threat across multiple arenas of competition: military, economic, diplomatic, and technological. So when policymakers made a competitive reference to China, businessmen understood, as they also saw such competition in their respective sectors. From producers to consumers and from policymakers to observers, the narrative resonated.

The social construction of nationalist globalism, furthermore, provided much-needed historical and intellectual continuity. When the government encountered resistance, it acknowledged that economic liberalisation would be accompanied by austerity, but that it would be a temporary condition. They promoted austerity as an ancient virtue practiced by leaders of Indian thought, including Mahatma Gandhi.²² But

²² See, for example, the first three post-1991 budget speeches of the Finance Minister.

the other virtue of India's great leaders was said to be globalism and cosmopolitanism. In the budget speech to the Parliament in 1996, the Finance Minister averred:

In an interdependent world, *Swadeshi* [self-reliance] must not be interpreted to mean economic isolation but rather self-reliance in building a prosperous India which interacts as an equal with other countries in the world. We seek to build a new India which, in the words of Gandhiji, will be like a house with windows open on all sides; let ideas from all the cultures and civilisations of the world freely flow in; but we must refuse to be blown off our feet by any one of them (Government of India 1996: 104).

The founders of India's open economy thus interpreted and presented India's history to portray openness as compatible with its indigenous values and fit for a civilisation that once had a powerful presence across the continent.

Just as the narrative has been flexible enough to be applied to diverse policy arenas from the military to the economic, so could it be employed usefully by policymakers from diverse platforms and was relevant to examples and situations from different points in time. BJP, however, has not been able to make full use of its power. BJP's recent rhetoric of "Feel Good" and "India Shining" could not convey a sense of competitive loss and potential gain of historical significance, and failed to convince labor and agriculture to go through the austerity that the government was planning for them. The reason for their hardship was never made clear in terms that would resonate. And unlike their predecessors, BJP could neither make strong connections between austerity and empowerment, nor elevate the importance of international rivalry over domestic political costs. In comparison in the 1990s, during the crucial times of consolidation of

openness, India's political architects used imagery that remained committed to the principal elements of India's globalism, linked back to the thought of early strategists like Nehru. It imparted a spurt of nationalism and a sense of mission into an economically and strategically lethargic India. The ultimate aim of their strategy was quintessentially nationalist: the empowerment of the Indian state. This strong historical and nationalist grounding was pivotal for the success of the narrative in managing globalization.

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