
Ideological conflict in Indian Foreign Policy: Socialism versus Capitalism

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Abstract

The research paper briefly illustrates how the foreign policies of the Indian government are inclined more towards a Capitalist approach rather than a Socialist approach. In the early times it was believed that India being a mixed economy would be more inclined to socialist policies internally and externally but as there has been change in various governments and the change in the world market, the country's foreign policies have been seen to be more driven towards a capitalistic approach. As foreign policies differ from government to government and is also influenced by individual party ideologies about the growth of the nation hence this paper would be centralized to the past two year working of the Modi government in the aspects of foreign affairs. Limiting the scope to one government would lead to a better analysis of the inclination of the foreign policy. This research aims to build a connecting bridge between the internal and external policies of the government and their effects and how it is driving the national foreign policy more towards capitalism. Further in this paper there is a brief about the major parties that have succeeded in forming a government in the country and their party ideologies as to where should the foreign policies be directed in order to bring out the best social, economic development in the country. after taking a glimpse at the different parties and their roles and how they effect the foreign policy making of the nation we will have a look at the observation and analysis of the current government and their policies and plans of actions which has lead the country a step forward to capitalism.

Introduction

Sir Raghuram Rajan and Lugui Zinglas has explained in his book that “ free markets are perhaps the most beneficial economic institution available to the mankind which often rest on the fragile political institution”. India is a free economy and follows the system of multiparty government wherein there is freedom to contest elections for every party and whosoever wins by a popular choice gets to form the government. As there has been many parties that has been in power in India its foreign policies have been fluctuating from socialism to capitalism and vice versa according to the party ideology of foreign affairs and development of the Nation.

A cumulative study of the foreign affairs as socialist or capitalist is not practically possible so here in this paper we would restrict the ambit of research to the past two year working of the current government which is being lead by our Prime Minister Mr. Narendra Modi.

Idea of socialism and capitalism

Socialism is the political idea that is based on the belief that all people are equal and that money and property should be equally divided. It is a social system which has a range of economic and social systems characterized by social ownership and workers self-management as the means of production.¹

Whereas, capitalism is the economic system in which businesses are run and owned for profit by individuals and not by the state. It is an economic system truly based on private ownership of the means of production and their operation for profit.²

The Indian Mixed Economy

India follows a concept of mixed economy where elements of capitalist free market and controlled socialist markets are combined to form an ideal market condition for the survival of all. Taking a glance back at the Indian conditions of the pre- independence era, India was not in a state to become a complete capitalist economy and did not have sufficient funds to declare itself as a socialist economy, though in the later years as the concept of liberalisation, Privatisation and Globalisation had crept in, it became more of a mixed economy.³

History of the Indian foreign policy

The government of India maintained foreign relations even in the pre independence era, it has semi diplomatic relations with the other British settlements, in which missions were sent from one nation to the other. After gaining independence India had joined the commonwealth nations and began to make a move towards decolonialization by strongly supporting other nations in becoming independent.

During the cold war India adopted a foreign policy of alignment with any of the super bloc, however India developed close ties with the Soviet union and received extensive military support from it. As the cold war ended there were severe changes in the foreign policies of India along with all the nations of the world. The country now seeks to strengthen its foreign relations with the other nations like U.S.A, Japan, Israel, etc. India also forged close ties with the member states of the association of south-east Asian nations, the African Nations and the Arab league.⁴

India is a country that follows a multiparty political system, every political party has its own ideologies and opinions as to what is the best for the development of the nation and so the foreign policy of different governments that come through are driven towards a whole new aspect. Some think the growth of the nation is possible only if there is channelization of foreign

¹ Enrich forum 1961, Marx concept of Socialism, <http://www.marxists.org/archive/forum/works/1961/man/ch06.htm>

² Dictionary.cambridge.org, <http://www.google.co.in/amp/s/dictionary.cambridge.org/amp/english/capitalism>

³ India Brand Equity Foundation, <http://www.ibef.org/economy/indian-economy-overview>

⁴ A brief history of the Indian Foreign policy – Gateway house, <http://www.gatewayhouse.in>.

aid towards socialist activities in the nation via investing in the public sector, whereas according to some other political party it may involve rigorous growth in the capitalist industries.

The first party that lead India after independence was the Indian national congress which introduced the concept of foreign relations and its importance for the welfare of a country like India. The foreign policy position of the congresses party has been a long and evolutionary process, it is not a result of any reactionary process. Congress party's foreign policy was formulated during the pre independence period.

The leaders like Mahatma Gandhi and Jawaharlal Nehru were the ones who brought in the tenents of foreign policy in India for shaping the world view of the nation. The non alignment movement was the first foreign diplomacy performed by India, the party also believed that to have good foreign affairs the party should get a seat in the UN. After initial foreign affairs management of the Indian national congress, the Bhartiya Janta party came into role. The Bhartiya Janta party is the evolved version of Bhartiya Janta Sangh whose opinion of the foreign policy was guided by the self-interest of the nation. The Bhartiya Janta party gave primer importance to national security by the way of giving realization.⁵

The Indian foreign policy

India's foreign policy is fundamentally based on the principles of peaceful coexistence, friendship and cooperation among all the countries of the world irrespective of their political systems. The foreign policy of India is made to promote international peace, security and maintaining friendly relationships with all the nations of the world.

The ideological conflict between socialism and capitalism in the Indian foreign policy has been in question of thought since ages. Every political party has its own ideology or opinion about the development and growth of the nation. One political party may be of the opinion that development of the small scale industries may result in efficient working or development of the nation while the other may think that the development of huge economic firms may result in better development of the country. herein as we are looking towards the inclination of the foreign policy of the nation towards sorcialism or capitalism we would be considereing the past three years of the ruling government. All the policies made oin the field of foreign affairs by the Indian Prime Minister Narendra Modi are basically capitalism driven and which is going to be discusses in this paper as below;

The foreign direct investment push

While the overall trade performance has been weak, Modi's government has pushed for increase in FDI as a remedy to all India's macro economic woes. With an objective to increasethis form of investment, the mak in India programme launched in September 2014, has resulted in a

⁵ Id, pg-42

number of foreign enterprises investing in sectors such as defence manufacturing, automobiles, aviation, media, entertainment, electronic systems, bio technology, food processing and mining.⁶

Over the last two years there has been more than 48 percent growth in FDI equity flows and 37 percent in FDI inflows. This has been made possible by a string of policy measures enacted to ease regulatory and procedural formalities in setting up and running a business. The improvement in ease of doing business has been complimented by an array of policy initiatives as exemplified as skill India, Digital India, Atal Mission for rejuvenation and Urban Transformations to name a few. These have been aimed to lay foundations for the next wave of investment and growth through a massive infrastructure push.

One of the key challenges for the government in the near future will be to ensure that real wages across sectors especially manufacturing grow in correspondence to the growth levels. Lessons from the economic history of East Asian economic countries like Japan and China show that how a state led development in a relationship capitalist set up may lead to the formation of an export led manufacturing bubble in the long run.

The increasing Outward Foreign Direct Investment Trend (OFDI)

India's big businesses as well as medium and small businesses have received continuous support from government controlled finance plans. However, if we observe the domestic industrial performance levels and the business confidence index, performance seems to be quite low due to various external and internal factors.⁷

While India continues to attract foreign investment in into critical sectors, its own business are stagnating in their domestic performance and looking for opportunities invest abroad offshore. This perceptible shift in overseas foreign direct investment and overseas direct investment in the last few years is an interesting trend and can be explained by a delay in the implementation of the key government reforms, weak global commodity prices, low international aggregate demand for Indian goods etc.⁸

While most of the earlier Indian income went to resource rich countries such as Australia, UAE and Sudan earlier, the trend over the last two years points to a big push towards the countries providing higher tax benefits such as Mauritius, Singapore, the Netherlands and the British Virgin islands. Most Indian firms have invested there through mergers and acquisitions, where the expectation is that the company will get access to better technologies and more extensive markets, which will enable them to cater to a global customer base.

⁶ Foreign Affairs, Adnan Abidi , <http://www.google.co.in/amp/s/www.foreignaffairs.com/articles/inida/2018-03-08/modis-foreign-affairs-reolutions%famp>

⁷ id

⁸ Ibid6, Pg-05

The Mirage of Inclusive Growth

The over reliance to FDI as a remedy to all investment and financial woes is largely driven by the neoliberal framework of the 1960s, the Solow model. Economists and policymakers insouciantly use the word inclusive growth in penning down the objectives and rationale for every policy and reform measure across all planning reports and policy documents.

In a paper written in 2012 Indira Hirway provides some useful empirical evidence from South Asia including India in debunking the myths attached with the inclusive theoretical application of neo- liberalists version of economic growth. Hirway explains how inspite of the adoption of pro- market policies in most of the South Asian countries the level of income inequality continues to widen in most of these countries.⁹

Out of the fourteen Asian countries for which data is available, inequalities has increased in eleven countries like Sri Lanka, China, Cambodia, India, Indonesia and Nepal. Malasia and Thailand were the only two countries where inequalities decreased at the margin. In case of India the Gini coefficient (a useful measure to calculate income inequalities) has increased from 0.44 to 0.47 during the last decade.

The issue with the Indian case is primarily with the implementation of Track II reforms where inspite of higher, sustained economic growth levels from early 2000s the level of public spending on education and healthcare has remained drastically low (less than 3 per cent and 2 per cent of the GDP respectively) till now.

In the field of employment and labour, recent trends in global labour markets observed by the scholars indicate a poor performance in generating productive employment with decent work conditions. In India, the unemployment rate increased from 1.96 percent in 1993-94 to 2.2 per cent in 1999-2000, to 2.37 per cent in 2004-05 and to 2.06 per cent in 2009-10.

The evidence in support of FDI causing local level jobs creation, technological development and back end infrastructural development in India is weak(excluding the case of capital goods segment since the early 1990s) . thus policy makers must guard against over dependence on foreign borrowing and investment as a sustainable measure to increasing economic growth.

Conclusion

From the above research and observation it is quite evident that the hypothesis has been proven right as there has been a major development in the foreign policies but majorly as a capitalist policy. The increase in substantive foreign investment is a major achievement and has been achieved through capitalist policies taken up by the government in its past three years of working in the field of foreign policy.

⁹ Ibid6, Pg-12

As we have already seen the OFDI has been increasing which has inturn resulted in the development of foreign direct investment, other than that Modi's foreign policy has resulted in drastic development in the nation. As we see changing markets all over the world it is quite important that our nation's policies shall be such that it fits with the changing and dynamic trading culture of the world, hence from the above research and study we can conclude that India's foreign policy is more inclined towards a capitalist culture since the past three years.