The New Geo-Economics of a “Rising” India: State Transformation and the Recasting of Foreign Policy

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ABSTRACT With a focus on India, and drawing on critical scholarship on geo-politics and geo-economics and “relational” state theories, this article examines the ways in which ideational and material processes of state transformation have shaped India’s international engagement in different periods. Prior to 1991, geo-political social forms linked to a national developmentalist state project shaped India’s engagement with global and regional multilateralism and the nature of this engagement fluctuated according to shifts in the legitimacy and viability of this state project. The erosion of the developmentalist state project from the 1970s laid the path for a deeper shift in the national social order in the 1990s with the recasting of statehood wherein India’s future was thought to be best secured through policies of economic openness, growth and competitiveness. This shift in India’s state project has given rise to new forms of global and regional engagement that are distinct to older forms of international engagement and reflect and further processes of state transformation in India. This is illustrated through a case study on energy policy.

KEY WORDS: India, state transformation, foreign policy, geo-economics, energy security

Discussions of the impact of India’s rise on the world order typically focus on whether India will become a “responsible stakeholder,” whether it is capable or willing to undertake global leadership or if it will challenge the current Western-dominated multilateral system (Dormandy 2007). This analysis usually rests on an examination of elite foreign policy debates, its negotiating behaviour in institutions such as the World Trade Organisation and the United Nations, its contribution to the “global commons” and its policy convergence with the United States (US) (Mohan 2010; Sagar 2009; Narlikar 2010; Schaffer 2009). Often it is concluded that India is a classic “Westphalian” state that is unwilling to contribute to current forms of global governance (Fidler and Ganguly 2010; Crossette 2010). Acharya (2011, 851) argues, for instance, that India (along with other Asian powers like China and Japan) “seem to be more concerned with developing and legitimising their national power aspirations (using the traditional notions and means of international relations) than with contributing to global governance.” However, India is not a unitary, monolithic actor that has generic “national power aspirations” which can be conflated with the rising powers preceding it, and what gets overlooked in these accounts...
is the changing nature of the Indian state in a transformed global political economy. What
is needed for understanding the global implications of the “rise of India,” therefore, is a
framework that can account for how the internal changes in interests, institutions and
policy priorities that have facilitated India’s economic growth and are leading to changes
in statehood are impacting on its international behaviour and, conversely, how global
factors are impacting on internal change and state transformation in India.

In this article, I seek to develop such a framework by examining how the internal
changes in ideas and state-building practices, which underpin processes of state transfor-
mation and are affected by both domestic and international factors, are shaping India’s
international behaviour. As Jayasuriya (2010) argues, systems of global and regional
governance are the products of particular historical, political and social contexts. The
global “constitutional social settlement” that gave rise to post-war forms of multilateralism
was the outcome of the contending social and political forces produced by the Cold War
competition between capitalist and socialist state forms and internal conflict, such as that
between labour and capital. This post-war system was the product of what Cowen and
Smith (2009, 23) call, a “geopolitical social” – an “assemblage of territory, economy and
social forms that was both a foundation and effect of modern geopolitics.” The above
accounts of India’s approach to global governance, and its “Westphalian” bias, remain
premised on the continued centrality of a geo-political social with its emphasis on
alliances and post-war forms of multilateralism. Yet, the relevance of the post-war social
settlement has diminished with the end of the Cold War, heightened global economic
integration and the emergence of “geo-economic social forms” which “sees geo-political
forms recalibrated by market logics” that place an emphasis on being competitive in a
globalised economy (Cowen and Smith 2009, 24–25). Hence, understanding what forms
of regional and global governance and politics will emerge in this era will depend in large
part on grasping the processes of state transformation that are leading to the shift from a
geo-political social to a geo-economic social in rising powers like India and China, in
particular.

The first part of this article lays out a conceptual framework for understanding how
geo-political social forms are recalibrated into geo-economic social forms through a
process of ideational change that has material foundations and material effects. In
theorising this process of state transformation I draw on the “relational” conceptions of
the state associated with J.P. Nettl and Bob Jessop as well as critical approaches to geo-
politics and geo-economics. The second part of the article examines India’s post-inde-
pendence “settlement” and the domestic and international state-building practices that
underpinned it. The third part of the article charts the transformations in statehood from
the 1990s that have produced a shift from a “geo-political social” to a “geo-economic
social” and illustrates the consequences of this shift for both domestic politics and India’s
international engagement with a case study on energy policy.

State Transformation, Geo-Politics and Geo-Economics

Geo-politics, as Cowen and Smith (2009, 26) note, was “much more than an arm of
foreign policy and international relations; it was part and parcel to the making of national
social order.” The recalibration of geo-political social forms into geo-economic social
forms, therefore, entails the transformation of both national and global orders (Cowen and
Smith 2009, 30). However, precisely why and how geo-political social forms are being
transformed into geo-economic social forms, and the role that the state plays in this process, is left under-theorised by Cowen and Smith in their empirical discussion of how American efforts to resolve problems related to its national military, such as the efficient production of military hardware, gave rise to new geo-economic forms, like the establishment of globalised systems of production, thereby leading to the displacement of domestic systems of production and the erosion of the geo-political social form (Cowen and Smith 2009, 33).

The “relational” conceptions of the state associated with J.P. Nettl and Bob Jessop, however, provide a way towards a more general explanation linking domestic and international transformations. Given their focus on ideas and discourses of legitimation, moreover, they link the ideational and the material in a way that differentiates their understanding of state transformation from that of scholars like Sørensen (2004) and Cerny (1997). For Nettl (1968), the state is conceptualised as consisting of four separate but interrelated “summating,” “institutional,” “international” and “socio-cultural” dimensions which take different forms and configurations in relation to one another in different historical contexts. While the summating, institutional and international dimensions are political and economic sites of state-building, the socio-cultural dimension refers to “the existence of a cultural disposition to allot recognition to the conceptual existence of a state at all” and thus consists of foundational ideas about the state’s legitimacy (Nettl 1968, 566). Likewise, for Jessop (2003, 7473) the state is constituted of “state projects” which define a state’s “internal unity and modus operandi (modes of policy-making, and so on)”; a “power bloc, supporting classes or other social forces and alliances”; and a “set of discourses which define the illusory community whose interests and social cohesion are to be managed by the state within the framework of a given historic bloc and hegemonic project.” This “historic bloc and hegemonic project” provides “political, intellectual and moral guidelines for the conduct of state policy.” Hence, despite their differences, for both Nettl and Jessop state practices are underpinned by ideas and discourses about what constitutes legitimate statehood and how it should be achieved. Drawing on Nettl and Jessop, I argue here for a conception of state transformation in which perceived failures and shortcomings in practices of state-building in the political, economic and international dimensions of statehood lead policymakers to revise the “political, intellectual and moral guidelines” of state-building. This, in turn, gives rise to new state-building practices and results in the emergence of new state projects. Thus, the adoption of policies of economic liberalisation in a number of states has been the result of perceived governance failures associated with the developmentalist state-building strategies associated with a geo-political social. The result has been the emergence of new state projects associated with geo-economic social forms with an emphasis on markets and global economic competitiveness.

Using this framework it becomes possible to understand why India turned to policies of economic growth and competitiveness in the 1990s, thereby shifting the national social order from a geo-political social to a geo-economic social, and how this shift, and the economic restructuring that underpins it, has impacted on India’s international engagement. While there is a burgeoning literature on the impact of economic reforms on domestic politics, there is comparatively less which directly addresses the consequences of India’s economic restructuring on its foreign policy (see, for instance, Jenkins 1999; Wyatt 2005). One exception to this is the work of Baru (2007; 2012), who draws on Luttwak and his understanding of geo-economics, to analyse contemporary Indian foreign
policies. For Luttwak (1998, 126), geo-economics is a term that describes inter-state rivalry and conflict conducted through the methods of commerce and is therefore simply an economically driven form of geo-politics: “states, as spatial entities structured to jealously delimit their own territories, will not disappear but reorient themselves toward geo-economics in order to compensate for their decaying geo-political roles.” Luttwak’s understanding of geo-economics has been critiqued by several authors who question his historical framework, given that instances of geo-economically driven policy-making can be found in other historical periods, and given his “statist and intentionalist conceptualisation [of geo-economics] as deliberate, state-led policy making” which leaves him “unable to theorise the transnational stretching of governance wrought by geo-economics” and the very different sorts of actors and spatial entities that economic restructuring has created (Cowen and Smith 2009, 38–39; Sparke 1998, 69; Sparke and Lawson 2003, 317).

In drawing on Luttwak’s theorisation of geo-economics, Baru’s account suffers from the same weaknesses. For Baru (2007, 330), like Luttwak, in the Cold War period, geo-economics and globalisation has cast “a shadow on geopolitics and the role of political ideology in international relations.” Baru (2012, 47) defines geo-economics in two ways, “as the relationship between economic policy and changes in national power and geopolitics” and the “economic consequences of trends in geopolitics and national power,” but focuses his analysis on the former definition. He identifies four factors, “knowledge power, agrarian transformation, an active middle class and fiscal capacity” as the major determinants “of a country’s geo-economic and geopolitical power in the long-term” and much of his work is devoted to highlighting the changes India needs to make in order to consolidate these economic factors (Baru 2012, 55). However, it is not the economic gains from these internal changes alone that will determine “India’s global profile and power” but the “impact of growth on global competitiveness and integration with the global economy and the sectoral composition of that growth,” and this is because “social and economic backwardness” are India’s biggest security challenges since this feeds “cross-border terrorism in the north-western region bordering Pakistan” and “holds the Indian economy back from competing globally” (Baru 2007, 34–35). In this way, Baru neatly ties together internal and external security with notions of economic competitiveness and economic growth but he does so by largely leaving the territorial state of Cold War geopolitics untouched and unchanged and without situating the rise of geo-economics within a broader context of state transformation and the emergence of new state projects.

In contrast, in this article I take a critical approach to geo-economics which, following Sparke (2000, 12) and Sparke and Lawson (2003, 316), uses geo-economics as “a name for more generalised struggles over positionality in the global economy” and treats geo-economic discourses, such as that promoted by strategic analysts like Baru and Indian officials, as practices of representation that have real-world political consequences, “both in the sense of favoring the particular political interests of entrepreneurial elites as well as in the sense of forcing through new political arrangements, regulations, and deregulations on the ground.” As Sparke (2007, 340) notes, rather than constituting distinct, geo-strategic periods, “geopolitics and geo-economics are better understood as geostrategic discourses” and the two can coexist in any given period. I show below that geo-economic discourses have come to the fore in India as a result of the emergence of a state project in which the summating, institutional and international dimensions of state-building now reflect the prioritisation of economic growth and global competitiveness. Before elaborating on the emergence of the geo-economic social and its implications, however, it is
necessary to first trace the contours of the geo-political social order which emerged in 1947.

Post-Independence Settlement and the Geo-Political Social

India’s post-independence national social order was the product of three interrelated factors: the colonial encounter, a critique of the imperial geo-politics that underpinned the colonial state and the emerging Cold War. Under the leadership of Jawaharlal Nehru and his Indian National Congress party, the Indian state’s legitimacy was tied to discourses about self-reliance, economic development, protecting individual rights, internationalism, responsible governance and democratic accountability. At the domestic level, this gave rise to a state project based on a unified but multi-ethnic and multi-religious social democracy with a centrally planned economy, a federal political structure with independent institutions, a free press and civil society and a separation of powers. The establishment of a system of parliamentary democracy, secularism, universal suffrage and the guaranteed protection of fundamental rights were all introduced to ensure the creation of a liberal state that was accountable to the people, unlike the British colonial state. For Nehru, and other nationalists, British India’s economic and political governance served the purposes of empire but led to the “ruralisation” and “deindustrialisation” of India and the drain of its wealth to Britain (Goswami 2004, 715). An independent India would therefore have to pursue not just the creation of a constitutional government but active social transformation through policies of redistribution and the production of an Indian economic space based on modernisation, government control of industrialisation, limited reliance on foreign aid and food imports, a focus on domestic savings and the establishment of labour-capital relations within a social democratic framework with class compromise mediated by the state (Muppidi 2004, 45–47; Alamgir 2009, 20; Chibber 2005).

Also key to the making of the national social order was a post-colonial geo-politics based on solidarity with other post-imperial and post-colonial countries and an internationalism that entailed working towards a world community in which limitations would be placed on state sovereignty in order to ameliorate any prospects of neo-colonialism by powerful states. Nehru’s critique of colonial rule recognised Western modernity’s deep imbrication with colonialism and located the problem not in modernity itself but in its Western manifestation (Nehru 1982, 554–555). The virulent nationalisms that emerged in the early to mid-twentieth century in Europe were seen as the product of the rise of industrial capitalism in Western Europe and these nationalisms, in turn, gave rise to modern imperialism (Nehru 1996, 399–402). Hence, while a selective appropriation of Western modernity was called for, a rejection and critique of certain features, such as “realist” geo-politics, was necessary:

the self-interest of the “realist” is far too limited by past myths and dogmas, and regards ideas and social forms, suited to one age, as immutable and as unchanging parts of human nature and society, forgetting that there is nothing so changeable as human nature and society…war is considered a biological necessity, empire and expansion as the prerogatives of a dynamic and progressive people, the profit motive as the central fact dominating human relations, and ethnocentrism, a belief in racial superiority, becomes an article of faith (Nehru 1982, 540–541).
Nehru and others in the Indian leadership viewed the climate of the emerging Cold War as replicating the geo-politics that led to imperialism and the World Wars. Nehru’s critique of geo-politics in his *Discovery of India* is in a section entitled “Realism and Geopolitics. World Conquest or World Association. The USA and the USSR” and he argued in the Congress Party’s Quit India Resolution of 1942 that the United Nations (UN) should be developed into a post-sovereign state global body which could:

- ensure the freedom of its constituent nations, the prevention of aggression and exploitation by one nation over another, the protection of national minorities, the advancement of all backward areas and peoples, and the pooling of the world’s resources for the common good of all (Gandhi 1942, 453).

India’s post-colonial geo-politics involved sustained involvement with peacekeeping and the establishment of norms of human rights, anti-racism and anti-colonialism at the UN (Bhagavan 2008; Bullion 1997). India’s policy of nonalignment was seen as being a way for India to play a significant role in ameliorating Cold War tensions for “there is just a possibility…that at a moment of crisis our peaceful and friendly efforts might make a difference and avert that crisis” (Nehru 1961, 47). In particular, the countries of Africa and Asia were to be partners in global reform, conflict resolution, and the fostering of interdependence, for they shared a common experience of having been subjected to colonial rule and exploitation and for that reason had drawn “mentally, you might say psychologically and morally, nearer to one another” (Nehru 1999, 559). India was also an active participant at the 1944 Bretton Woods Conference where it attempted and, on occasion, succeeded in shaping the Articles of Agreement of the World Bank and the International Monetary Fund to benefit “developing” countries, taking advantage of the Cold War competition between the US and the Soviet Union to do so. India’s success as a democratic state was viewed as a key priority for the World Bank and its Western members and the bank consequently played a key role in underwriting the import substitution model that underpinned the developmentalist state project (Kirk 2011, 39). In these ways, India contributed to a post-war system of multilateral institutions that aspired to the creation of a global order based on inclusiveness, formal equality and the promotion of global liberal norms and the role of international law and deliberation in the resolution of international conflict. This global order, in turn, reinforced the national developmentalist state project that underpinned India’s post-independence settlement.

The “Long 1970s” and the Erosion of the Nehruvian Consensus

By the 1970s however, the “Nehruvian consensus” had begun to erode as a confluence of global and internal changes made the programmes of national developmentalism economically and politically unsustainable. India’s 1962 war with China, for instance, led to a heightened focus on borders and territorial nationalism. The handling of the issue of Kashmir in the UN, moreover, was perceived as biased towards Pakistan due to the influence of Britain and the US and subsequently lowered the stature of the organisation in the eyes of Indian policymakers. The dramatic walk-out of the External Affairs Minister, Swaran Singh, from the UN Security Council debates over the 1965 India-Pakistan war was an incident that, according to a senior Indian diplomat, was “a
cautiously calculated, deliberately planned gesture meant to drive it home to all concerned that the United Nations does not matter as much as it did earlier” (Rana 1970).

The changed nature of India’s engagement with organisations of global governance was also the product of the erosion of the post-independence settlement. The period between the mid-1960s and 1970s was one of political upheaval and economic stagnation. While India experienced steady, if modest, industrial and economic growth during the Nehru era, the benefits of this growth were not evenly spread, which contributed to the erosion of support for the Congress Party. The compromise envisaged between labour and capital in 1947 had unravelled by 1950 with the national Congress leadership focussing instead on a development policy premised on a partnership between the state and business with labour accommodated within this system (Chibber 2005). While this move increased the power of the state with respect to labour, Chibber (2003) argues that its compromise with capital left it unable to impose the sort of disciplinary state apparatus necessary for the creation of a developmentalist state that could implement redistributive economic policies. The power of the central government was further undermined by the rise of regional political parties. Sinha (2005, 78–79) has argued that while in the Nehruvian period a mixture of bargaining with, and patronage of, regional units of the Congress Party maintained the viability of a federal political system with a centrally planned economy, the power vacuum created by Nehru’s death and the food crisis in 1965–66 heightened efforts by regional governments to dominate economic policy-making. Aside from intra-party competition, the centre’s dominance was also undermined by the loss of electoral majorities in several state legislatures after the devaluation of the rupee in 1966, on the advice of the World Bank.

By the mid-1960s the World Bank and donor countries had become critical of India’s economic policies and recommended a number of policy reforms related to the modernisation of agriculture, the liberalisation of private and foreign investment and currency devaluation. The government was eventually persuaded to accept a package of policy reforms from the World Bank, including the devaluation of the rupee, in exchange for the Bank’s push for an increase in development assistance from donor countries. However, while there was some support for economic reform among some officials, there was little broad-based support, with India’s Prime Minister Indira Gandhi remaining ambivalent. Following an electoral backlash against the government after its currency devaluation in 1966, which was carried out amid claims of surrender to imperialist pressure and US manipulations, the government largely abandoned the reform programme, launched an expansion of the public sector, nationalised the major banks and introduced a new set of licensing requirements for industry (Kirk 2011, 19–21). The emergence of “populist” welfare programmes in the 1970s represented a significant change in the dominant model of “development,” away from the notion of industrial growth with redistribution towards an emphasis on redistribution in its own right (Gupta 1998, 69). Through her “populist” politics, Indira Gandhi sought to create a new hegemonic coalition by incorporating the poor into the existing state-controlled programme of import-substituting industrialisation. The consequence of this, together with the adoption of “Green Revolution” agricultural policies – which included the use of high-yielding seed varieties, irrigation and an increased use of chemical fertilisers, and worked to empower a class of surplus-producing farmers in the northern Indian states of Punjab, Haryana and western Uttar Pradesh – was the rise of what Gupta (1998, 74–75) has called “oppositional populism.” This led to the emergence of farmers’ movements, and eventually political parties, which advanced critiques of the “urban bias” in the dominant development regime (Gupta 1998, 74–75).
Other, more coercive, tactics were also employed by Indira Gandhi in a bid to consolidate her authority, including the subordination of regional identities and the stoking of religious divisions within regional communities for electoral gain and by taking sides in disputes within and between religious communities for the same purpose. A number of regional governments, including those in West Bengal, Punjab and Kashmir were subjected to arbitrary dismissal or the repeated invocation of “President’s Rule,” a legacy of the British colonial administration, to run states directly from Delhi and suspend state legislatures in the name of re-establishing stability. The personalisation of political power under Indira Gandhi also meant weakening public institutions, such as the already weak Planning Commission and channelling economic resources to special interest groups. These actions further undermined the national developmentalist state project by strengthening the legitimacy of regional political formations, furthering the deterioration of the bureaucracy and public enterprises, diminishing support for the private sector, and resulting in a decline in public investment in agriculture, infrastructure, public sector industries, health and education and an overall stagnation in industrial growth (Kohli 2004, 270–277).

It was in this political climate of domestic and international flux that non-alignment and Afro-Asianism became less about promoting conflict resolution and dialogue and more about addressing the procedural and substantive justice claims of the “Third World” that had thus far been left unresolved in the post-war global constitutional settlement. India helped to establish the United Nations Conference on Trade and Development (UNCTAD) and the Group of 77 at UNCTAD’s first session in 1964 and Indian diplomats were active in the drafting documents calling for a New International Economic Order (NIEO) in 1974. According to India’s then-Prime Minister, Indira Gandhi, the call for an NIEO was based on the premise that “[t]he gap between the developed and the developing countries continues to widen in a system which was established at a time when most of the developing countries did not even exist as independent States and which perpetuates inequality” (quoted in Mansingh 1984, 364–365). It demanded, among other things, restitutions and compensation for foreign occupation and colonial and racial domination, the preferential strengthening of economic co-operation among the countries of the “Third World” and full permanent sovereignty over economic activities. Nonetheless, by continuing to actively participate in post-war multilateral institutions, India contributed to giving this global constitutional order continued relevance and legitimacy. Indeed, in its multilateral interventions, India tried to mediate between the opposing positions of the advanced capitalist states, the Third World and the Communist bloc and usually refrained from supporting resolutions explicitly designed simply to censure one side or the other. Moreover, it usually presented itself as a mediator and facilitator of dialogue and cooperation on issues such as UN financing and the desire by African states, in the face of resistance from the Western bloc, for an arms embargo against apartheid South Africa (Kochnek 1980, 59–62; Rana 1970, 72–73; Mansingh 1984, 368).

Internal shifts in state-building practices and in the nature of the Cold War also helped to shape the contours of India’s regional relationships. In particular, the paranoia and insecurity that characterised domestic politics also became a feature of foreign policy. When declaring the start of a period of authoritarian rule in 1977, for instance, Indira Gandhi (1977, 2) argued that the “conspiracy” against her threatened India’s unity, stability and economic improvement and that this was “bound to encourage dangers from outside.” The late 1970s was a period of aggressive Cold War interventionism in
the south by the Soviet Union and the US during their attempt at détente, following the achievement of nuclear parity and heightened challenges to their internal social systems by the end of the 1960s (Cox 1990, 30, 34). The relocation of Cold War conflict through “proxy wars” in the Third World was a part of the attempt by both the US and the Soviet Union to continue “on the cheap” the conflict that shaped their domestic systems, international relationships and global status (Cox 1990, 34). According to Indira Gandhi’s advisor, P. N. Dhar (2000, 254), her poor relationship with Richard Nixon and revelations of the CIA’s involvement in the overthrow of Salvador Allende in Chile had made her increasingly apprehensive about US intentions in India. Subsequently, as Gupta (1990, 712) argues, policymakers “fancied external threats to the country from all corners. Relations with China were uneasy; Pakistan, despite Benazir Bhutto’s democratically elected government, remained the chief adversary; even smaller neighbours were suspected of harbouring anti-India designs” and this “climate of psychological insecurity” aided “the ascendency of the hawks in the formulation of neighbourhood policies.” While territorial aggrandisement did not become a feature of foreign policy, the idea of having India recognised as the preeminent regional leader did take hold and India’s overt and covert military and political involvement in Sri Lanka’s civil war is exemplary of this shift (Krishna 1999).

Indira Gandhi’s successor as prime minister, Rajiv Gandhi, was more interested in overhauling the bureaucracy of the developmentalist state and revamping India’s image as a “highly efficient, managerially competent and apolitical problem solver”; however, his methods included a failed attempt to mediate a peace agreement in Sri Lanka and grandiose displays of military technology, such as Exercise Brasstacks, on the India-Pakistan border, which inadvertently sparked a regional conflagration, and for which he seemed to have “no larger political or strategic objective in mind, although some believed that he wished to strike a heroic posture and impress the neighbours” (Krishna 1999, 130; Bajpai et al. 1995, 27). The newly established regional organisation, the South Asian Association for Regional Cooperation (SAARC), was a part of Rajiv Gandhi’s plans to both assert India’s leadership in the region and establish a system of what the SAARC Charter called “collective self-reliance” through increased trade and technical cooperation in the region, which drew inspiration from regional arrangements in Europe and the Asia-Pacific, but in a form which would revitalise, rather than undermine, the national developmentalist state project in India (SAARC 1985). The latter aim, however, quickly became beholden to the former, and SAARC, as a forum for economic cooperation, made little headway.

From Geo-Politics to Geo-Economics: Economic Restructuring and State Transformation

The erosion of the national social settlement in the 1970s paved the way for the emergence of a new state project in the 1990s. In the 1980s, under both Indira and Rajiv Gandhi, and as a part of the attempt to overhaul the developmentalist state, greater attention was paid to economic growth and pro-business policies such as the reduction of corporate taxes and, in 1991, a balance-of-payments crisis was used as the impetus for a much broader programme of economic liberalisation. While the proximate causes of the decision to liberalise in the 1990s were linked to external factors, such as the impact of the Gulf War, which resulted in increased oil prices and a fall in remittances from Indian workers in the Middle East, as well as slow growth in exports and decreased investor confidence, the demise of India’s post-independence developmentalist state project had
deeper roots. Some scholars have emphasised the role of international factors in this shift. Kapur (2010, 364) has argued for instance that the exposure of Indian policymakers to reformist ideas through international migration for study and work, particularly in international financial institutions (IFIs), contributed to the shift in ideas about development in India as “[r]eturning and circulatory elites are imbedded in specific international ‘epistemic communities’ that are a source of new ideas.” However, as Alamgir (2009, 6) notes, aside from the difficulty of determining the exact processes by which learning, socialisation and diffusion take place, a focus on international migration puts “the source of the ideas in the West” and implies that “Indian policy would change as the West changes.” Given the significant time lag between ideas about economic liberalisation taking hold in the West and in India, an explanation that places too much emphasis on migration of policy ideas appears flawed.

Pressure from international organisations has also been cited as playing a role in India’s initial turn to open economy policies; however, there is convincing evidence to the contrary (see Patnaik 2007). Kirk (2011, Ch. 1), for instance, has argued that throughout their history, India has maintained the upper hand in its relationship with the World Bank. Even though it accepted conditionalities as a part of a structural adjustment loan in 1991, India’s rapid economic recovery lessened its material need for the bank’s resources, which meant that it could resist the bank’s attempts to influence the shape of its liberalisation programme. Indeed, Kirk (2011, Ch. 2) argues that the Indian government used the bank’s engagement with sub-national state governments, over which the central government had even less political influence by the 1990s, to push state-level reforms that were in line with its own reform agenda. In other words, internal political and economic shifts in the 1980s and 1990s led to a greater alignment between India and the IFIs, but not in a way that left the central Indian government in a subordinate position.

Rather, the shift in domestic preferences was the product of a shift in ideas about state-building. Indira Gandhi’s populist economic policies and attempts to centralise political power did little to alleviate poverty or to arrest the decline of the Congress Party’s hegemony, but they had a lasting impact on the legitimacy of import-substituting industrialisation as the basis of India’s economy. The perceived crisis of the national developmentalist state in the 1980s precipitated heightened anxieties about India’s backwardness and its appropriate role in the world and these anxieties were reinforced by the rise of the economies of East Asia and China in the 1980s and 1990s. In the early 1990s, policymakers repeatedly invoked the East Asian experience, which served as a stark contrast to India’s economic fortunes, to legitimise the shift to open economy policies. The shift towards the recognition of East Asia as an economic model occurred gradually. In the 1960s and 1970s the model was rejected as inappropriate given India’s size and social and economic complexity. By the 1980s, as some pro-business reforms were implemented, East Asia’s superior industrial growth rates were recognised against the “Hindu rate of growth” of 3% to 3.5%; however, the Indian economy was still seen as too large and complex for the implementation of an East Asian-style export-oriented industrialisation model by many policymakers (Alamgir 2009, 98). Nonetheless, this position was an increasingly contested one and the balance-of-payments crisis in 1991 provided the impetus for pro-reform policymakers to reinforce the contrast with East Asia and press the need for reforms. According to one such policymaker, Jairam Ramesh, “1990 has seen the rediscovery of East Asia by India. In the eighties, the East Asian model was rejected because it was seen as underwritten by the US and Japan. In the 90s it
became evident just how wide the gap [between India and East Asia] has become” (quoted in Alamgir 2009, 100). That such ideas were increasingly being accepted into mainstream policy-making is evident in the references to East Asia in the government’s Economic Survey reports from the early 1990s. The report of 1992 for instance, argued that:

The prosperity achieved by many developing countries in Asia…can be explained by neither their natural resources nor their domination of other countries. It is explained by sustained efforts at improving the quality of human resources, by policies that encourage investment and place a premium on efficiency, and a sustained thrust toward international competitiveness (quoted in Alamgir 2009, 101).

Two decades on, economic development defined in terms of growth and competitiveness rather than state-led industrialisation and modernisation, is at the centre of India’s domestic policy as well as its foreign relations. According to India’s National Security Advisor Shivshankar Menon (2011b), for instance:

I proceed from the assumption that our primary task now and for the foreseeable future is to transform and improve the life of the unacceptably large number of our compatriots who live in poverty, with disease, hunger and illiteracy as their companions in life. This is our overriding priority, and must be the goal of our internal and external security policies. Our quest is the transformation of India, nothing less and nothing more. If we have consistently sought to avoid external entanglements or outside restraints on our freedom of choice and action it is because we have been acutely conscious of this overriding priority and wanted nothing else to come in the way of its pursuit. This was and remains the essence of the policy of non-alignment…In other words, India would only be a responsible power if our choices bettered the lot of our people…There are several significant corollaries to this simple sounding proposition. It is certainly not a recipe for turning our backs on the world and trying for pure autonomy. We tried that for a while and it led to a growth rate of 3.5%. Instead it implies the active pursuit of our interests in the world, always bearing in mind our goal.

He went on in this speech to highlight five priorities for India’s international engagement: working towards a peaceful periphery in South Asia; securing access to essential resources in Asia and Africa; creating an enabling international environment for India’s economic growth; establishing domestic and regional infrastructure to facilitate trade and cooperation; and consolidating a defence capability “to protect India’s ability to continue its own transformation” (Menon 2011b). Menon’s geo-economic discourse works to consolidate existing socio-cultural discourses about what constitutes legitimate statehood by placing economic development at the centre of the Indian state’s agenda like previous governments. However, the speech reveals that the way in which “development” is to be achieved is now firmly tied to policies of economic openness and high growth rates. As a result of this shift a new set of foreign policy priorities have emerged, which suggest a significant recalibration of understandings of security, space and the role and nature of the state.
From National Energy Policy to Regionalised Energy Security

Menon’s reference to securing access to essential resources, for instance, reflects heightened concerns about shortfalls in energy production and changes in ideas about energy governance since the 1990s towards what Dubash (2011, 71) calls the “pragmatic hybrid” of a state-led market approach. In the post-independence period in which geo-political social forms were predominant, the Nehruvian government fashioned a national energy policy which allowed the coal and oil sectors to remain under private control while ownership and development in the electricity sector was to be dominated by the public sector. By the 1970s, as the Nehruvian consensus began to erode, corruption, low production and standards and the rise of “populist” politics led to the nationalisation of the oil and coal sectors and the State Electricity Boards increasingly losing their autonomy. The energy sector, in general, increasingly became delinked from global prices, with pricing determined instead by political considerations associated with subsidies for particular constituencies. The shift to open economy policies in the 1990s, however, led to the attempt to add a market-based production system alongside the state-controlled distribution system to deal with deficits, corruption and a lack of transparency and accountability in the energy sectors. With the encouragement of multilateral banks, the government sought to encourage foreign and domestic private sector investment through various incentives while leaving in place the problematic system of subsidies, inadequate infrastructure and non-transparency. The failures of this approach were exemplified in the Enron-sponsored Dabhol power plant project that set up an unsustainable cost structure with the financially insolvent Maharashtra State Electricity Board (Joseph 2010). Subsequently, the Indian government’s focus on markets and private participation in the energy sector has diminished, with emphasis shifting towards a “pragmatic hybrid” with the state taking a bigger role in shaping the direction of the sector even while it continues to promote the idea of market reform (Dubash 2011, 71). This approach reflects the consolidation of a broader “post-developmentalist” state project in the 2000s, which is anchored in a geo-economic social. This state project seeks to satisfy the Indian state’s legitimacy claims which, as noted above, are associated with the achievement of self-reliance, economic development, internationalism, responsible governance and democratic accountability, through an emphasis on sustained economic growth through slow and gradual state-controlled liberalisation, an alliance between the state and business, and the continued provision of welfare programmes for the poor, such as the public distribution system for food and rural employment guarantees.

It is within this post-developmentalist state project that the discourse of “energy security” emerged in the 2000s. The Indian government’s India Hydrocarbon Vision 2025 report of 2000, for example, sets out plans “[t]o assure energy security by achieving self-reliance through increased indigenous production and investment in equity oil abroad” and laid out a number of aims, including enhancing quality of life, building a “globally competitive” hydrocarbon industry based on “free market” principles and ensuring “oil security for the country keeping in view strategic and defence considerations” (Ministry of Petroleum and Natural Gas 2000). To meet these objectives, India’s Planning Commission developed an Integrated Energy Policy (IEP) in 2006, the Ministry of External Affairs (MEA) established an Energy Security Unit in 2007 and the Ministry of Petroleum and Natural Gas (MPNG) set up an International Cooperation Division. Dubash (2011, 71, 74) argues that the Planning Commission’s emphasis on meeting the
“lifeline energy needs of all households” and internal policy reforms to “increase efficiency, reduce requirements and augment the domestic energy resource base” constitutes an inward-looking “human security” approach that diverges from the MEA’s outward-looking “mercantilist” approach, which highlights energy supplies for the economic and commercial activities that underpin economic growth (Planning Commission 2006, xxiv). However, the contribution of energy security to the growth and competitiveness of the Indian economy and the need to diversify supply sources, including through imports and the purchase of equity oil, coal and gas from other countries, are also mentioned in the IEP, and “human security” concerns can be found in MEA statements on energy security: “The fact is we are grappling with the serious problem of 300 million people having no access to commercial energy... Energy security is practically a matter of life and death for many” (Mathai 2012). Moreover, the distinction between human security and state-centric approaches has been problematised by a number of scholars who have pointed out the ease with which state officials have appropriated notions of human security to consolidate the authority and legitimacy of the state and have integrated human security agendas into economic models of growth and competitiveness (Neufeld 2004; Grayson 2010). Hence, both approaches fall within a broader geo-economic discourse related to India’s position in the global economy. Nonetheless, the different emphases in the approaches by the MEA and the Planning Commission suggest that the specific form of this geo-economic discourse, and more broadly the nature of the state project that has given rise to it, remains contested by different interests within the state.

The geo-economic imperatives driving India’s “energy diplomacy” through new domestic institutional structures like the Energy Security Unit and the International Cooperation division of the MPNG, transforms the Indian state into a geo-economic agent which works on behalf of commercial interests, including private companies, such as Reliance Industries Limited, Essar Energy and Jindal Petroleum Limited and public companies like ONGC Videsh Limited, Oil India Limited, Indian Oil Corporation Limited, Gas Authority of India Limited and Gujarat State Petronet Cooperation (GSPC) (Madan 2010). The international activities of GSPC, which has interests in Australia, Indonesia, Yemen and Egypt, and the internationalisation of sub-national actors like the government of Gujarat, in general, is the product of state transformations resulting from the shift from a geo-political to a geo-economic social. Specifically, the adoption of policies aimed at economic liberalisation, the dismantling of the centrally planned economy and declines in public investment have diminished the centre’s financial influence and have helped to consolidate the regionalised multi-party system that emerged following the demise of the congress-dominated party system. All of these factors have contributed to the rise of national coalition governments in which regional state parties play a central role and have helped to reshape India’s “command economy” into a “federal market economy” with the central government acting as “regulator and fiscal disciplinarian,” and it might be added, as an international facilitator for the regional entrepreneurial elite (Rudolph and Rudolph 2001, 1542–1543).

As well as being tasked with supporting the international engagement of relevant government ministries “through appropriate and sustained diplomatic interventions,” the Energy Security Unit has been given “the responsibility of supporting the efforts of our corporate entities, both in public and private sectors, in acquiring energy assets overseas, in transfer of new and emerging technologies to India and in building strategic partnerships with foreign companies” (Ministry of External Affairs 2008, xiii). The International
Cooperation division has also been given the task of supporting India’s public oil companies “to adopt a global vision in their pursuit of raw materials and raw material-producing assets abroad, and to vigorously pursue acquisition of oil and gas assets overseas” (Ministry of Petroleum and Natural Gas, 2013). This support includes bilateral diplomacy with hydrocarbon rich countries and multilateral engagement in bodies such as the International Energy Forum and the International Energy Agency.

Dubash (2011, 75) argues that this commercial or “mercantile” approach as he terms it, risks leading India down a “neo-colonial” path of defending private capital’s foreign interests, whereas a “market approach” would entail more focus and reformist engagement with the global institutions that govern oil and energy markets as well as a foreign policy realignment towards major Western oil importers. He notes that while India is currently pursuing both “mercantile” and market approaches, the stronger engagement with global energy governance that the latter approach entails has not been forthcoming. I would suggest however, that making a stark distinction between a nationalist “mercantile” approach and a multilateral market approach overlooks the fact that energy security has emerged as a foreign policy issue as a result of a broader shift towards a geo-economic social in which the state itself is increasingly regionalised and globalised.

For instance, the importance of commercial maritime trade in resources for the Indian government’s objectives for energy security has resulted in a focus on securing sea-lanes and maritime governance. Indeed, in this sense, anti-piracy operations have become a key part of India’s energy governance. The Coast Guard has been India’s nodal agency in the Regional Co-operation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (ReCAAP), the main anti-piracy initiative in Asia. The ReCAAP emerged out of a Japanese initiative at an Association of South East Asian Nations (ASEAN) summit in 1999 to address piracy in Southeast Asia and in the Straits of Malacca, in particular. The agreement was finalised in 2004 with the 10 ASEAN states plus China, Japan, South Korea, Bangladesh, Sri Lanka and India as members and came into force in 2006 with its ratification by 14 countries, including India. The agreement aimed to coordinate surveillance and enforcement for piracy through an agency – such as the navy, coast guard, port authority or customs – designated as the “focal point” of information sharing with the ReCAAP Information Sharing Centre. Ho (2009, 433) has argued that the designation of “focal points” has “jump-started” inter-agency cooperation within member countries with often fragmented processes of maritime governance, while He (2009) suggests that the use of domestic agencies, such as the Coast Guard, in coordination efforts rather than a reliance on naval forces, which invokes “geo-political fears” of military alliances, power projection and territorial expansion, has been key to the success of anti-piracy operations in Asia. Anti-piracy efforts in Asia can thus be seen as an incipient form of “regulatory regionalism,” which “refers to the emergence of a regional frontier or boundary within the organisation of the national policy and political institutions” (Jayasuriya 2008, 24). This type of regional cooperation buttresses the discourse of “geo-economic hope” that currently animates India’s foreign policy and seeks to transform geo-graphical space through the expansion of capital. As Rao (2011) has put it, “India has a vision of the Indian Ocean region unshackled from historical divisions and bound together in collective pursuit of peace, and prosperity” and the ReCAAP is seen as a model organisation for such regional cooperation.

As India sources more of its energy supplies from Africa, combating piracy off the African coast has become a priority. India currently imports slightly more than 20% of its energy resources from Africa.
crude oil from Africa and this is set to increase, given the government’s stated intention to
double its oil and gas imports from West Africa (Oil Review Africa, July 11, 2012). However, unlike piracy in Asia, piracy near Africa is viewed by Indian officials as a “non-
traditional” security issue that is the result of African countries “not developing as rapidly” (Menon 2011a). As such, India’s efforts to foster “South-South development cooperation” have become entwined with its desire to secure its energy imports. India has
taken a multi-level approach to dealing with piracy off the coast of Somalia and in the
Gulf of Guinea with the involvement of international organisations, the countries of
Western and Eastern Africa and regional and sub-regional organisations. For instance,
the Indian Coast Guard and Navy have expanded their activities to include bilateral and
tri-lateral coordination and surveillance with Kenya, Madagascar and the Seychelles, and
the Indian Navy also participates in a coordinated naval patrol off the Gulf of Aden with
China, Japan and South Korea (News Track India, November, 1 2012; Deccan Herald,
July 12, 2012). In addition, India contributes financially to the African Union Mission for
Somalia and the Indian Navy has contributed to the UN’s taskforce in Somalia (Ministry
of External Affairs 2012).

Further, India signed a Memorandum of Understanding with the East African
Community in 2003 and the Indian Ministry of Finance, through its Multilateral
Institutions Division, has partnered with the African Development Bank (AfDB) and
New Partnerships for African Development (NEPAD) to facilitate an East African rail-
ways enhancement project to further the development of East Africa’s trade infrastructure
and reduce the cost of goods and services, thereby contributing to economic growth
(African Development Bank Group, June 11, 2012). The emphasis on reciprocity in these
South–South development initiatives does differentiate them from the North–South foreign aid regime. However the multi-level entanglement of international organisations like
the World Bank with regional entities like the AfDB and NEPAD, which are tasked with
implementing the former’s developmentalist agenda at the regional level, and southern
states, like India, raises questions about the extent to which South–South development cooperation does in fact challenge the dominant “development paradigm,” as some have suggested (Six 2009; Mawdsley 2011).

Nonetheless, the salient point here is that India’s approach to energy security, and the
concerns about piracy that have accompanied it, have given rise to forms of international
cooperation that are distinct to older forms of multilateralism. Furthermore, these types of
multilateral cooperation both reflect and further processes of state transformation in India
by regionalising national and sub-national agencies and institutions through the establish-
ment of a new state project grounded in geo-economic social forms.

Conclusion

This article has argued that understanding a “rising” India’s impact on global order
requires an understanding of the ideational and material processes of state transformation
that have underpinned its “rise.” Before 1991, geo-political social forms linked to a
national developmentalist state project shaped India’s international engagement and the
nature of this engagement fluctuated according to shifts in the legitimacy and viability of
this state project. Until the 1960s, India sought to contribute to the post-war constitutional
order, and the multilateral institutions that underpinned it, which aimed to ameliorate Cold
War competition between socialist and capitalist states and integrate post-colonial and
post-imperial states into the global order. From the 1970s, as domestic and global shifts made the national developmentalist state project more politically and economically unsustainable, India’s global and regional engagement began to change, with greater emphasis on contesting the inertia in integrating post-colonial states into the global order on an equal basis and countering perceived regional challenges to India’s statehood. These efforts were a part of the broader attempt by Indian leaders to reassert a hegemonic national state project.

Despite these efforts, the erosion of the developmentalist state project from the 1970s laid the path for a deeper shift in the national social order from the 1990s with the recasting of statehood within a geo-economic social, wherein India’s future was thought to be best secured through policies of economic openness, growth and competitiveness, rather than through geo-political social forms of central planning and endogenous economic development. This shift in India’s state project has given rise to new forms of global and regional engagement that have served to further processes of state transformation in India. This point was illustrated through an examination of India’s changing approach to energy policy, which since the 2000s has been framed in terms of discourse of “energy security” and has given rise to new regional governance arrangements in order to secure the supply of resources. This has involved the regionalisation of domestic institutions, sub-national governments and state agencies as well as new forms of multilateral cooperation in Asia and Africa. Hence, by examining contemporary India’s international engagement in a way that is attentive to processes of state transformation and its international dimensions, this article has provided a different perspective from which to analyse the “rise of India.” The task for future research in this area is to further investigate the internationalisation of the Indian state and the contested processes of state transformation that underpin it.

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Note

1 Sparke (2007, 340) has argued that whereas “geopolitical discourses lead to fear-filled fascination with foreign threats…geo-economic discourses compensate and console by offering a hope of transcending the divisions and correcting the failures…the level playing field of global free-market capitalism is envisioned as inexorably expanding and including all.”

References

the+US+India+Energy+Dialogue+Meeting+in+Washington+DC.


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