

India's Economic Relations with Super Powers

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Abstract

After independence India refused to join either of the power blocs due to its geographical and strategic compulsions but had very close ties with Soviet Union throughout the cold war period. Soviet Union provided not only huge financial aid to develop India's economy but also supported India's stand on various international issues especially on Kashmir issue. On the other hand India had not very cordial relations with USA because of its support to Pakistan. Demise of Soviet Union changed the whole world scenario and it couldn't provide such financial assistance and support for India because of its decline internal contradiction. So in this changed scenario India had to search a viable economic partner and who could support India on International issues. During 1990s the European markets got integrated in form of European Union and became the fastest growing economy of the world and other hand India's economy was growing fast due economic reforms launched by Indian government. So in the situation both attracted and emerged as natural partners.

Keywords: *USSR, Non-Alignment, Capitalism, Communism, FTA, Globalization, Liberalization, Privatization*

After the Second World War the whole world was divided into two blocs on the basis of ideology. The capitalist bloc was headed by United States of America and Communist bloc by Soviet Union. Landmark feature of post Second World War was decolonization and due to this many new nations came on the world map. The world politics was so much influenced by this division that the newly emerged states either joined the capitalist bloc or communist bloc

headed by former Soviet Union. India also got independence during this period in 1947 and like other newly emerged nations India had also two options, either join capitalist bloc or communist bloc but India didn't choose either of the options due to major reasons. First reason was geographical and strategic compulsions because on the one side of boarder China was India's neighbor who was in communist bloc and on the other side Pakistan who was in capitalist bloc that's why India opted the path of Non-alignment policy. Second reason was that India's size and population forced not to join any of bloc because one bloc couldn't meet the needs of such a vast economy. So India had to get help from both blocs for the development of its vast economy.

India got free from the clutches of British imperialism after a long struggle and at time of its independence the cold war between the two super powers was gaining momentum; India adopted the path of democracy and became the world largest democratic nation in the world. USA represented the democratic world and before the emergence of India it was largest democratic nation. So it was strongly expected that India will join the bloc of democratic nations headed by USA because India and USA shared the ideals of similar political culture in form of democratic values. The two countries, though quite different from each other in their geographical setting, race, culture and habits, cherished common ideals but despite these similarities of common political culture there were some fundamental differences between the two. USA represented the capitalist world having market economy but India was newly independent nation with having poverty, illiteracy, lack of infrastructure, lack of industrialization and was totally underdeveloped economy. So in such horrible state of affairs, India leadership decided to develop its economy with socialistic means and the first Prime Minister of India Jawahar Lal Nehru adopted the socialistic means of society as path of development which was more nearer to Soviet path of development rather going for capitalist and market oriented society. This was the fundamental difference which separated path of India from USA that's why India didn't join the US camp despite the common political culture. But instead of following Cold War power politics, India decided to follow an independent foreign policy without aligning itself with any of the two power blocs. Another major reason not to join US camp was that India got out from jaws of imperialism after a long

struggle and had apprehension that joining US camp will again push India into clutches of imperialism. This fear forced India to remain aloof from either of the camps. This newly independent foreign policy became known as the policy of 'Non-Alignment'.

Even similar political values of democratic culture couldn't bring two together. On the other hand India's tilt towards for Soviet Union was open secret in world politics. India's traditional enemy Pakistan was military ally of US camp and this alignment brought India closer to Soviet Union. Kashmir was bone of contention between India and Pakistan and Soviet helped India on Kashmir issue by using veto power on Kashmir issue in Security Council and USA helped Pakistan on the same issue. Another major cause of closer ties between India and Soviet Union was that later provided huge financial aid to India for its economic development because Soviet Union had soft corner for developing countries and India was one of them, on the other hand USA provided loans on its terms and conditions for financial assistance to developing countries, that's why the tilt towards Soviet Union was natural. So it is estrangement rather than engagement that seems to have defined relations between India and the USA through much of the last century. India, after adopting a policy of non-alignment tried to avoid alignment with either of the two super powers, moved closer to the Soviet Union. India came so close to Soviet Union that it made military pacts with Soviet Union by the end of the 1960s. Although India had also concluded defense pact with USA but with a apprehension that USA also provided the same weapons or more sophisticated weapons to Pakistan being as the military ally of Pakistan. So India had to rely on Soviet Union for more sophisticated weapons and Moscow had become New Delhi's principal source of sophisticated military equipment. Although India was the founding member of Non-Alignment Movement despite that India developed a closer relationship with the Soviet Union during the Cold War. Such relationship of India with USA and USSR continued till the end of cold war.

The demise of Soviet Union shattered the cold war politic and relationship. It was the end of an era of relationship between India and Soviet Union. The decline of Soviet Union was the decline of an ideology and disintegration of an empire in form of USSR. Now Russia was facing its own domestic contradictions and international and national pressures and couldn't

hold the previous position of former USSR. Demise of Soviet Union was only demise and disintegration of Soviet Union as a nation but it had worldwide repercussion. It was the demise of an ideology and forced the nations to review their models of development especially who socialistic path of development. India was also not exception to it and to rethink about its path of development through socialistic means. So in this light India revisited its previous path and launched economic reforms in form of Globalization, liberalization and privatization to integrate its economy with this changed world. Due to internal contradictions Russia couldn't meet the economic requirements of Indian fast growing. So India's trade with Russia has reduced significantly and on the other USA had still hegemonistic and dominant position in new international economic order and it imposes various conditionalities particularly with third world countries, so in this economic environment, India couldn't trade with US on equal footing; certain conditions imposed by US could hamper India's political and economic sovereignty. So in this changed scenario, India had to go for a viable partner who meet the requirements of fast growing economy without reducing India's political and economic sovereignty. In this scenario the most viable trade partner could be European Union because it was fast growing economy like India. So they could be the natural trade partners. Although most of the India's trade was Britain till Independence and the first major interaction with Europe was through European Economic Community (EEC) which was culminated in 1962. India and EEC started to cooperate in various economic areas to boost not only the trade between the two but also cooperated to strengthen the economies of the both. EEC provided special relaxations to boost Indian economy and trade activities in form of reducing the duties on export goods. In 1971 a new economic development came in form of Generalized System of Preferences (GSP). Joint Declaration of Intent (JDI) was another revolutionary step in 1973 to strengthen the relations between the two. JDI of 1973 further culminated into Comprehensive Economic and Commercial Cooperation Agreement (1981). The historic moment in relation between India and Europe was formation European Union where the markets of many European countries were integrated and it became the world largest economy of the world and now potential Indian economy got opportunity to interact with such a huge market and now it could explore

more areas of economic interaction with this largest economy. To materialize these opportunities India and European Union signed the historic agreement on Partnership and Development in 1993. The relationship diversified from trade and industry to scientific research and environmental protection. This agreement was culminated in various institutional and structural arrangements to explore the new avenues between India-EU relationships.

The demise of Soviet Union has changed the whole world scenario and in this situation nations have started to realign their relationships and India is also not exception to it. Emerging India-EU ties has witnessed in change of India's foreign policy and established a basis for new priorities in India's policy towards the EU, USA and Soviet Union. India - EU bilateral tie has started to explore new avenues to strengthen their economic relations and extension of their economic activities. The Partnership and Development Agreement of 1993 is manifestation of deepening of relationship between the two.

The EU's has widened its multilateral relationships by signing Free Trade Agreements at the global level to remove the traditional hindrances like the clause of human rights, social and environmental issues. EU strengthened its multilateral trade commitments by covering new areas of economic activities in addition to trade like investment, trade in services and reducing Non-Tariff barriers. In this new criteria India has emerged the priority nation for European Union.

FTAs signed between EU and India open ample opportunities to extend and strengthen their economic activities to deepen their trade and other related activities especially in goods trade. India's service sector is strong and it wants its access in European market and FTA will enhance India's share in service in European market

During Cold War period India had not cordial relation with USA due to certain constraints. Soviet Union provided huge financial help to grow Indian Economy and several infrastructural industrial projects were launched with the collaboration with it. India had not only good economic ties with Soviet Union but had also had close ties in political and strategic arena and on the other hand USA supported Pakistan strategically and politically

against India but after the demise of Soviet Union, the whole scenario has changed. India lost a trustworthy partner and had to realign in changed circumstances. USA has also has changed its previous hard stand because India has been emerging as fast economy and has the world largest market and USA has been struggling from economic depression. So USA and India have been problematic in the past, but are currently considered comparatively cordial. The USA policymakers identify in the Indian political system shared core values, and this has facilitated increasingly friendly relations between the USA and Indian governments.

In post cold war period the driven force in international relations are economic factors. Now political and strategic relations have come in back seat and economic relations are driving new world order. In this changed scenario USA and India are coming closer. India has opened his huge potential by launching economic reforms. Now India-US relations are based mutual economic interests rather developed-developing relationship. Although a tinge of bitterness came on May 13, 1998 when USA imposed economic sanction in response to India's nuclear test but it was a temporary phase both again came together and again restored their previous economic ties. Both can't neglect each other due to their economic compulsions. The fundamental difference of trade policy between USA and European Union is that the later is more liberal in respect of trade policies and treatment to be given towards developing countries, EU is more flexible than USA, but in terms of trade restrictive measures, it is more protectionist than the United States.

In post cold war period India and USA have been trying their level best to do away with the cold war bitterness to normalize their relationship and exploring new possibilities to strengthen their ties. The nuclear agreement is clear manifestation of these efforts. In addition to their ties both have certain shared political values in terms of commitment for democratic ethos and security for human rights. Both have agreed to fight collectively for world terrorism. Although this closeness never means that USA and India changed their hearts but it is because of sheer economic compulsions for both. USA can't ignore huge market in India and India has to extend its economic activities to the meet requirements of its fast growing economy.

On the other hand EU-India relationship has its own flavor. After the demise of Soviet Union India had to search new economic partner which could not only meet the needs of fast growing economy of India but also could be helpful in other international issues because India couldn't trust so much to USA because of its historical legacy. USA always supported Pakistan during the crisis period. So European Union was the suitable and natural partner for India not only in economic terms but also to support India on various international issues during the time of crisis. Although India and the European Union (EU) share the common democratic values, multicultural and multi-polar world but also divergent view i.e. disagreement on India's nuclear tests and different stand on Doha development round of WTO negotiations, but despite these differences both have merged natural partners in post cold war world. India and EU have realized an urgent need to form trade and economic ties for their mutual benefit.

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