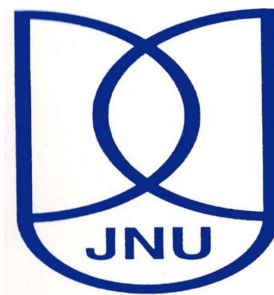


**GLOBALIZATION AND INDIA:
A CRITICAL GEOPOLITICAL ANALYSIS**



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Date: 12 July, 2018

DECLARATION

I declare that the dissertation entitled "Globalization and India: A Critical Geopolitical Analysis" submitted by me for award of the degree of Master of Philosophy of Jawaharlal Nehru University is my own work. The dissertation has not been submitted for any other degree of this University or any other University.


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TO PAPA, MUMMY AND MUCKY...

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CHAPTER 1

INTRODUCTION

Contemporary world's advances in the direction of integration have received tremendous momentum through the phenomenon of globalization. The post-1989 phase of globalization i.e. after the cessation of Cold War is also changing the established notions of liberal and democratic polity. The autonomy of the state is being increasingly compromised in favor of market forces (Sheth, 1995). The incisive penetration and resultant interference of global and corporate power structures into the day to day governance of the developing countries today has reached an alarming level, which if ignored, bodes catastrophe for the liberal democratic system of government, especially in the developing countries.

Changes in income distribution, large scale migration of skilled workforce from developing to developed countries, free flow of capital have usually been attributed to globalization (in the form of trade liberalization) and to a skill-biased technology. A growing consensus among the scholars indicates that this has led to a reduced relative demand for unskilled labor and increased demand for skilled workers. The resultant inequality in the society has become the primary reason for social stress. This creates acrimony among the various sections of society.

Being well aware of this challenge, there is a rise of new social movements in India. They are very much active at the grassroots levels and are in the process of resisting biased global power penetration. Not only are they utilizing the new political vacuum largely opened up due to the retreat of state from socio-economic milieu which were supposed to be a prime responsibility of state. Hence, by initiating a politics of struggle over the local issues related their immediate socio-political and cultural environment, they are expressing a creative vision of democracy that stands for democratic rights of the citizens. Their politics is aimed at establishing direct access and control

of the people over their immediate environment- economic, social and cultural (Sheth, 1995) so as to reclaim the spaces left by the state. To be able to do that, they are seeking to transcend old dichotomies- i.e. between state and society, between global and local, between political and social- and open up the new possibilities for democracy. Hence, the ever growing impacts of ‘globalization’ and de-territorializing tendencies of the new informational technology systems are seemingly at the heart of contemporary geopolitics.

Wallerstein’s ‘world-system’ theory conceptualizes a “capitalist world-system”. It is a transnational unity that is united by ever-increasing exchange (being facilitated by Information Technology systems), but at the same time is divided into three parts- a core, a semi-periphery and a periphery. The raw materials are extracted by the core at depressed prices. The periphery is exploited by having to sell raw materials to the core at depressed prices. And, in turn, buy finished goods at a premium. The core undoubtedly dominates the world economy. The semi-periphery is made up of the nations in between which in some respect are exploitative like the core while in many other respects get exploited. Wallerstein’s world-system theory has become a theoretical baseline. It emphasizes the role of developed and industrialized countries in dominating the rest of the world. These countries use their economic clout to create a “dependency” of sorts.

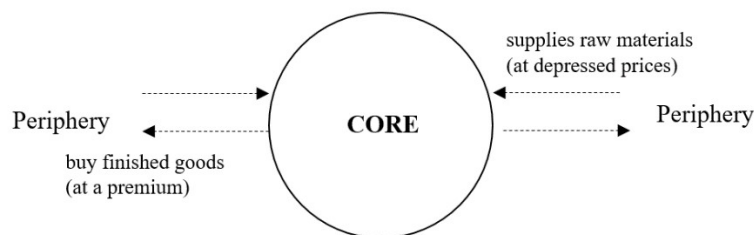


Fig 1. Wallerstein's World System Theory

In able to understand the present phase of globalization, there is an urgent need to revisit dependency theory. Though it was evolved in Latin America during 1960s, it finds its resonance till this day. There is no doubt about the fact that globalization as a process creates dependency. Its clear that the dependency created today is not of the nature that was produced during the second half of 20th century, but has resulted in considerable confusion in the working of contemporary international system. Scholars of international relations and geopolitics today argue that dependency reveals a contrasting form of world system. It is a contrast between dominance and dependence among the capitalist countries. Hence, there is an urgent need to assimilate dependency theory into the present interpretation of development and globalization.

Since there is an unequal relationship- political, military, and economic, between a dependent country and the dominant external power, the form and structure of dependent country is shaped more by the needs and requirements of the external economy than by its own domestic needs. The domestic political and economic decisions are not only guided by the interaction with a more powerful country which is generally an industrial superpower, but is also shaped by the process of subjugation. Hence, there comes a situation where it becomes impossible for the dependent countries to maintain and function independently without the existence and the support of the external factors.

In this light, the present work attempts to analyze the dynamics of globalization and its impact on India's socio-economic and cultural milieu from a critical geopolitics perspective. This study aims at understanding the processes of construction of ideas and behaviors that influence the intellectuals and institutions of statecraft in an increasingly interdependent and integrated world

driven by international trade and investment, aided by innovations of information technology and faster means of communications.

REVIEW OF LITERATURE

Critical geopolitics

Critical geopolitics is a critique on Classical (or Traditional or Cold War) geopolitics. It draws significantly from the post-modern understanding of international system. It relies on a tri-fold understanding of space i.e. Absolute space, Relative space and Relational space (Harvey, 1972; Lefebvre, 1991). It believes in multiple conceptions of space (Agnew & Corbridge, 1989). Critiquing traditional/classical geopolitics because one cannot understand the whole world by looking at only narrow nationalistic prism or by creating classification based on his/her own world view, critical geopolitics argues that representation of geographical space itself is very political in nature.

Critical geopolitics “engages the geographical representations and practices that produce the spaces of world politics” (Agnew, 1999). Geopolitics in itself isn’t a neutral subject and there isn’t something called “an objective practice of surveying global space”- the conventional Cold War understanding of the concept. This researcher starts from the premise that geopolitics in itself is a form of geography and politics. Geopolitics has a its contextuality. It is implicated in the ongoing social reproduction of power and political economy. This is called critical geopolitics (Dalby, 1991; O’ Tuathail, 1996).

Klaus Dodds (2005) enlists two most important elements of critical geopolitics, which are - Discourses and Representational practices. M. Foucault, a French philosopher, talks about “discursive formations” which encapsulate language, statements and context which “mean

different things to different people and in different contexts” (Dodds, 2005). His primary focus is on the relationship between material and discursive practices. Words have different meanings to different people situated in different contexts. Statements aren’t value neutral. Who is saying and how the statement is being said are important aspects that must be looked into critically. Discourses must fit into an existing wider pattern of statements, symbols and understandings. Representational practices like maps, documents, media reports, newspaper reports, cinema, etc are an important element of it.

Gerard Toal and Simon Dalby (1998) discuss the basic tenets of geopolitics. First, geopolitics has a broad cultural background. It includes national symbols and popular mythologies. Second, it is concerned with boundary drawing practices. This consists of non-territorial boundaries which creates a distinction between ‘us’ and ‘them’ within a community. Third, Geopolitics isn’t a singularity but a plurality. It values differentiation of understanding, interpretations and construction of ideas. Toal and Dalby discuss the difference between Practical, Formal and Popular Geopolitics. Practical geopolitics includes diplomacy. Formal geopolitics is practiced by academia and think tanks. Cinema, novels and cartoons encapsulate Popular geopolitics. Fourth, the study of geopolitics can never be politically neutral because all our knowledge is ‘situated’ knowledge. All geopolitical reasoning is situated, contextual and embodied in nature. Fifth, while conceptualizing geopolitics as an arena of ‘situated reasoning’ a critical perspective also “seeks to theorize its broader socio-spatial and techno-territorial circumstances of development” (Toal and Dalby, 1998).

Critical geopolitics centers around four key issues:

- 1) Space- This includes social construction of space (by various geopolitical actors and their ideas).

- 2) Identity- It believes identity isn't pre-given, but is constantly being re-negotiated. Spatial construction of social identity, therefore, differing between 'us' and 'them'.
- 3) Vision- It opposes the simplified and detached vision of globe that Classical geopolitics argues in support of. It is against the creation of a more or less homogenous space.
- 4) Statecraft- It believes that the intellectuals of statecraft (eg. think tanks, government bodies, universities, etc) are intrinsically embedded in the "wider structures of the modern state" (Toal and Dalby, 1998).

Globalization

Globalization is the buzz word of the decade (Kellner, 1998). It is a fact of life today (Nayar, 2006). Contemporary globalization and trans-nationalization of production process is quite distinctive compared to the 19th century globalization (that was quite shallow). With the triumph of market over the State, the nature of economic integration has altered significantly. Weak states have today become order takers and not order makers (Nayar, 2006).

Globalization constitutes a very special kind of manifestation of inter-cultural encounters and reciprocities. It attempts to expand the nature, speed, scope and extent of these interactions- social, political and economic- across the boundaries. With the increased incidence of interactions and resultant interconnectedness across the globe, emergence of the cultural diaspora takes place. This brings about intense cultural, social and economic interactions through societal boundaries (Kellner, 1998).

Those who support the process of globalization argue that free trade will be liberating. They say that it will improve the economic lives of all the sections of people in all countries by providing them with opportunities which were not there earlier. Some also argue that globalization will lead

to an increase in capital flows which would in turn improve economic well-being. Despite this even ardent supporters of free trade argument expressed concerns over the instability of international capital flows.

On the other hand critics of globalization argue that trade without international labor standards will result in inequalities and disparities. Globalization will strike hardest the less skilled workers of the developed countries and create a race to the bottom in labor standards in developing countries. In the years since its inception, globalization has proven a mixed bag for both its supporters and critics. But if viewed as a project to usher in an era of a single market-oriented economic system, globalization has been a success.

Without negating the close connection between globalization and market expansion (Evers, 1995), this researcher would like to stress the social constructionist view derived from the German phenomenological tradition. Globalization refers to a particular way of constructing reality. It takes into consideration all aspects of life- economic, social, spatial, etc. and clubs it together under one world-wide perspective. The increased interconnectedness, technology systems, knowledge integration and the expansion of world-wide networks have made this new perspective possible (Evers, 2000). Each project for understanding globalization raises more questions than it answers. Hence, globalization has a unique way of increasing our knowledge about what we don't know.

Many political thinkers are concerned with the effects of globalization on the well-being of society. Supporters of globalization have claimed that socio-political and economic liberalization has enabled numerous people to come out from poverty. They argue that open markets result in an increased employment and productivity, raising standards of living and enhanced well-being of the people living in developing countries (Friedman 2012, O'Neil 2013).

On the other hand those critical of the neoliberal policies argue that it has resulted in the widest gap between the rich and the poor in history of mankind. The unprecedented wealth for the rich and poverty and destitution for millions of the global poor globalization functions as a biased phenomenon (Nikiforuk 2007, Pogge 2002). Summing up, they say that globalization has benefitted the world's wealthiest people only (citizens of the global North and elites in developing countries) without substantially bringing any change in the lives of a large majority of world's population.

Globalization and India

The proponents of globalization argue that liberal democracy is the only suitable form of governance both for managing the modern state and for mediating the forces of rapid economic and cultural change occurring in all the sections of the world today (Fukuyama, 1992). In this process of political and economic globalization, however, the Third World societies continue to remain at the receiving end as before. In fact, their maneuverability is being further reduced in the changed context. Options for the receiving societies i.e. the developing countries are no longer thought of in terms of opting out from this process; the best they can do is to adapt to it (Sheth, 1995).

Quite a few of these receiving societies of today have indeed had a great civilizational past and highly evolved and complex forms of governance. But, today, adopting and working of the institutions of modern representative democracy has been quite a different story in these societies. These societies, for different historical reasons- colonization, westernization and modernization- have not been able to develop political institutions of democracy. Consequently, they are now pushed to choose forms of democracy evolved elsewhere. Put simply, while democracy has a

potential for wider acceptance in different parts of the world, it is being culturally parochialized and politically hegemonized.

Indian society has entered a qualitatively new phase of its development since the introduction of economic reforms in early 1990s. The current phase of global capitalist development is bound to generate several new cultural challenges for us. This is both due to substantial changes in the social structure of the society and also its processes.

The post-globalized changes occurring in Indian society could be categorized into 2 main headings: first, those which concerns the substantive structures of culture and its relationship with social institutions; and second, those which refer to the processes of change in culture, especially engendered by the forces of globalization, telecommunication revolution and the emergence of market economy in a qualitative new form. The structural issues of change refer to the a) impact of globalization upon local culture, b) the nature of cultural identities at the local, regional and national levels and the extent of their inner resilience to withstand the forces of globalization, c) the emerging popular culture in India and its impact of different segments of Indian society. The other substantive issues relate to the processes like nation building, language as a marker of cultural identity, growth of ethnicity, changes in community structure, changes in leisure activities, etc.

RESEARCH METHODOLOGY

Mixed methods research, established around 2000 is also referred to as the “third methodological movement” (Venkatesh, et al, 2013). Mixed method is a combination of quantitative and qualitative methods. It is a third major approach to methods that is driven by a desire to end factionalism methods. It is widely used for a variety of purposes like complementarity and triangulation. This method allows us to gather more information and use the best practices of both- qualitative and quantitative methods. Quantitative method though effective in demonstrating correlations between variables, but is weak in illuminating causal processes. Qualitative method though gives a sound theoretical base, lacks sufficient empirical data to support the theory.

Mixed methods research evolved in response to these observed limitations of both quantitative and qualitative designs and is hence a more complex yet comprehensive method. A review of literature revealed that it has been gaining acceptance among researchers because of its potential to offer more robust research. It offers richer insights into the phenomenon being studied and allows the capture of information that might be missed by either of the two research designs. It enhances the body of knowledge and generates more questions of interest for future studies that can handle a wider range of research questions.

The research will use the qualitative method to contextualize and historicize the problem linked with globalization and what role does it have on India and vice versa. Empirical data will be used in the second part of my research to substantiate and support my argument.

RESEARCH OBJECTIVE

- 1) To analyze the dynamics of globalization and its impact on India's socio-economic and cultural milieu from a critical geopolitical perspective.

RESEARCH QUESTION

- 1) Is globalization unduly biased in favor of developed countries?
- 2) How is globalization altering the existing power structures in terms of rising inequalities?
- 3) Has globalization been beneficial for India?

HYPOTHESIS

A globalized world has both- benefits and challenges. Balancing the economic growth with social equity has been emerging as top challenge for governments all around the world. Increased flows (of factors of production-mainly capital) aided with new means of information communication technology has created a new sets of challenges for the global community to deal with.

In terms of India, although globalization has been beneficial for India's economic growth, it has also resulted in an increased social, political and cultural inequality between the rich and poorer sections of population which has been a cause of social and cultural turmoil in India.

CHAPTER 2

THE PHENOMENON OF GLOBALIZATION

Globalization is a product of the "Second Great Age of Capitalism", a phrase used for the first time by David D. Hale (Gilpin R., 2002). Since the emergence of international economy in the seventeenth and eighteenth century, the world economic and political system is faced by its most profound transformation. Globalization has come to be understood as changing rapid pace of economic integration like homogenization of prices, products, wages, rates of interest and profits along with a combination of new set of political and social values (Gilpin R., 2002). There is probably no disagreement over the claim that globalization is driven by capitalism. But, there is significant debate among various scholars and analysts on the influence that globalization has had on various activities governing the world. The need to understand globalization is because of the manner in which the process and results of globalization are changing the way we live our lives on a personal basis and they are changing the institutions which are collectively used to give form and predictability to the economic, social, and political relationships (Langhorne R.,2001). However, the impact of globalization has not been similar across the globe. Since Globalization has come to be linked with capitalism the larger question that has emerged is concerning the difference between the current stage of integration with earlier attempts of the capitalistic system to integrate.

In order to understand the diverse views on globalization it is important to mention the circumstances which resulted in the present phase of globalization and how it is different from the earlier attempts of integration. The most important transition took place in the 20th century in the immediate aftermath of the Second World War. Following the Second World War emerged a prosperous economic and political system constructed by the institutional framework of the

Bretton Woods, Marshall Aid, NATO, and European integration. The major economic powers agreed that trade and other economic activities should be regulated by binding rules and that states were not to interfere in determining international economic outcomes. Nevertheless, the state played a very important role during this phase and national governments held the reins of economic policy. The individual states were permitted to pursue economic stabilization and social welfare policies and Bretton Woods system underlined individual nations freedom to pursue economic growth and full employment. The state followed a pattern of social welfare schemes and the economic enterprises were not given a free hand in deciding the rules of production and distribution.

This phase of international economic system in effect provided for a compromise between the rigid standards of the late 19th century under which the governments had little ability to manage their own economies and the monetary anarchy of the 1930s, when governments had too much license to engage in competitions and other destructive practices. The governing institutions of the Bretton Woods system were the International Monetary Fund (IMF) to maintain the world monetary reserves and the General Agreement on Trade and Tariffs (GATT) to look into the international trade practices. The Bretton Woods system had certain inherent weaknesses, which eventually perpetuated in its decline in 1973. For example, agriculture which was a significant part of the international trade and economy had been excluded from the GATT rules. Similarly, the Bretton Woods system soon seemed inadequate and inefficient to handle the emerging concerns of international economy like Trade-In-Services, Foreign Direct Investment, and Intellectual Property Rights. The increasing importance of the Multinational Corporations and foreign direct investment profoundly transformed the international economy bringing trade and investment more tightly linked.

The end of Cold War and the decreased need for close cooperation among the United States, Western Europe, and Japan significantly weakened the political bonds that held the international economy together (Gilpin R., 2002). As a consequence the Bretton Woods system which was largely based on rule-based international economic system, collapsed in 1973 distinctly turning to denote the beginning of a period of growing financial volatility, slower rates of economic growth, higher rates of inflation and growing unemployment. The post war era of rapid economic growth ended and a decade long economic turmoil began.

After 1973 for another twenty years most of the countries faced sluggish economic growth rates. The other major event that contributed to the end of the postwar era of rapid economic growth was the 1973 oil crisis. In response to the Yom Kippur War, the Arab members of the Organization of Petroleum Exporting Countries (OPEC) initiated an oil boycott and thus forced a significant increase in the world price of oil. The oil crisis resulted in recessionary and inflationary pressures.

In order to overcome the problems of 1970's and 1980's, the western policy makers started promoting policies congenial to holders of money and capital. The process can be traced to the policies of United States and the transformation of agencies such as the OECD, World Bank and WTO. Thus new trading regimes were institutionalized. There was a substantial revamping of the IMF to meet the requirements of the current demands of the international economic system. In the 1980s American President, Ronald Reagan and British Prime Minister, Margaret Thatcher preached the free market ideology (Joseph E. Stiglitz, 2002).

These were the preliminary steps to the present phase of globalization. These measures which primarily meant deregulation of market, withdrawal of state, rapid communication mechanisms, were transported to developing countries through the institutionalized trading regimes like the IMF and GATT. The Washington Consensus, an understanding between the IMF, World Bank and U.S.

Treasury advocating the "Right Policies" for the developing countries was also based on fiscal austerity, privatization, and market liberalization. In the years that followed there was a striking rise of private flows through Foreign Direct Investments (FDI) to the developing countries (Obstfeld and Taylor L., 2003). The failure or the problems faced by social democratic countries all over the world and fall of the Soviet Russia eventually led to the deregulation of market and the importance of new-liberal policies, which aided in the coming of globalization. A series of political decisions, influenced by the pressure imposed by the US, the World Bank, the IMF and the new offshore financial centers, made the developing countries liberalize their financial markets since 1970s (Patomaki H., 2001).

Thus globalization is a result of a combination of economic and political changes both deliberate and accidental that occurred in the 1970s and was carried on more rapidly in the 1980s. It is difficult to point out just one particular aspect of the changes in the world economy which contributed to the emergence of globalization. In other words, globalization is the outcome of a combination of factors and different scholars have given importance to various causes in the emergence of the current phase of global integration.

Scholars like Richard Langhorne have attributed the advancement in technology to have resulted in globalization. According to him the physical barriers to world-wide communication have broken down and emergence of information technology has led to global economic patterns (Langhorne R., 2001). But according to Aseem Prakash and Jeffery A. Hart apart from technological advancements, markets and market supporting governance are important in fostering and dissemination of technological innovations and accelerating globalization processes (Hart J.A. and Prakash A., 1999). Another set of arguments focus on the domestic, political, and economic actors

as key driving forces behind such policy changes. According to these explanations the main actors are domestic with substantial export interests, multinational enterprises, and financial traders.

The state enterprises have become a major factor in accelerating transnational capital flows in recent years, often through mergers and acquisitions. FDI, as a proportion of world gross product rose from 7.8% in 1967 to 14% in 1988 and to 21.4 % in 1996. Overall world FDI flows more than tripled between 1988 and 1998, from US\$ 192 billion to US\$ 610 billion, and the share of FDI to GDP is generally rising in both developed and developing countries (World Bank, 2008). The value of cross border mergers and acquisitions rose dramatically from \$25 billion in 1980 to \$350 billion in 1996 (Langhorne R., 2001). This explains a tremendous acceleration of the capital flows, a major share of which is occurring in the developed countries.

Given this acceleration in the international capital flows it is not surprising that many scholars attribute this as the major factor for the emergence of globalization. Important cause for the pace and extent of globalization processes is the increasing legitimacy and spread of market based systems for allocation and exchange both within and between countries.

All of these above mentioned causes have been important in accentuating the current phase of globalization. However two important institutional shifts have been the key to the process of globalization. Establishment of liberal trading and monetary regimes in the late 1940s and abolition of control over movement of foreign capital in the 1970s attributed in the arrival of contemporary globalization. Scholars like Beivart (2002), see global integration since World War II as stemming from politics than from technology. Sameer Amin argues that the multi-speed system had been there throughout the history of capitalism, though it was promoted for exceptional reasons during the post war period when social relations had imposed systematic government interventions (Amin S., 1999).

The coming of giant corporations, an international stock market, and transnational flows of capital, goods & services, technology, and information is certainly not a new development and thus is not specific to this particular era. Therefore the question is- what is specific to this stage of globalization? Robert Gilpin, in his book "The Challenge of Global Capitalism" argues that features of the present phase of globalization, like economic integration, limited nature of state participation, labour globalization, are not new (Gilpin R., 2002).

In fact according to Paul Krugman the world economy in the 1990s was less integrated than in was prior to the World War I. Considering the size of national and international economies, trade, investment, and financial flows were greater in the late 1800s than at the end of 1990s. During the 20th century there certainly has been a great increase in the speed and absolute magnitude of economic flows across national borders; yet the economic impact of globalization for these theorists has been largely confined to the Triad (the United States, Western Europe, and Japan) and to the emerging markets of South Asia. Robert Gilpin primarily wants to suggest that due to the limited nature of globalization, it is essential to be cautious before attributing all the negative or positive adjectives to the phenomenon of globalization. Some of the critics of globalization have pointed out that the newness of the "information revolution" is impressive but similar revolutionary inventions like the emergence of railroads and the telegraph, the automobile, the radio, and the telephone brought about significant integration in the late 19th century. In the year 1913 FDI grew so rapidly that it amounted to nine percent of world output, a proportion which according many analysts of globalization has not been surpassed in the current phase of globalization (Arrighi G.,1999).

But, arguments like these which do not see vital difference between the present and earlier stages of globalization, believing that globalization has only impacted upon a few countries and the rest

have been excluded need to be contested. There is ample evidence to suggest that the transformation within capitalism in the late 1800s is similar to the ones that occurred in 1990s. Similar to the present phase, in the late 1800s as well there were almost no restrictions on the movement of goods, capital, and labor across national boundaries. There was a significant technological development with the invention of steam engine, the railway, and the telegraph. Thus the earlier phase also witnessed a communication revolution due to these inventions as is being experienced today with the information technology revolution. The new forms of industrial organizations which emerged in the 1800s played a significant role in shaping the economy of that age and similar functions though in a much more advanced form are performed in the current phase by the Multinational Corporations (Nayyar , 1998).

Yet the present capitalist programme of global integration needs to be distinguished from the earlier such attempts on the basis of a) the magnitude and extent of the integration and b) the cause, effect and response to the current developments. Globalization in its current form has had an effect on every country of the world whether positively or negatively. Though globalization does have a lot of features which are similar to the earlier stages of capitalism where market was self-regulatory and state intervention was minimal, yet it cannot be dismissed or underplayed as being another form of imperialism or mercantilism. The most significant expansion of the last two decades making the present phase of globalization more intense and wide has been the emergence of world financial markets. Since 1980s says Saskia Sassen (2002) “the total value of financial assets has increased two and half times faster than aggregate GDP of all rich industrial economies. There is a basic assumption that the current phase of global economy is an increasing "time-space compression" in which the sheer velocity of exchanges rapidly multiplies”.

The emergence of information technology and the internet revolution has reduced the space and time among the people across the globe. Moreover, the access to cyberspace from anywhere on the globe allows personal and instantaneous participation in the global stock market, something that could not have been imagined in the previous stages of integration.

Though global exchanges predate the capitalist era to the advocates of globalization, it is only now that the world's needs and desires have been irrevocably homogenized and it is technology which drives consumers relentlessly towards the same common goals. According to Arrighi (1999), the present phase of “financialization” is one where there is a clear preference given by private and institutional investors to liquid rather than fixed capital (Arrighi G., 1999). Moreover, this system is non-territorial in character and all states are constrained to manage their finances according to global criteria. The world economy of the 1920s might have been integrated but at the same time, it remained territorial and separate, and the number of people involved in global economic transactions was also very small.

The large corporations which emerged as a result of the earlier stages of capitalism were a part of the state and were national firms whose activity had extended beyond the frontiers of their own country of origin. In spite of their extended influence they needed the support of their government and did not enjoy the discretions enjoyed by the multinationals of today. But in the current scenario the multinational firms have become powerful enough to develop their own strategies of expansion outside the assumptions of government policies (Amin, 1999). In many cases nation states have to compete for the favor of global corporations rather than the other way around.

Even while promoting private industries, it is the strategic knowledge industries which have been heavily encouraged by the advanced industrial states. The strategic alliance between capitalist states and their Transnational Corporations is not new, but the shift to knowledge industries and

intellectual property rights is characteristic of the new phenomenon of global capitalism and informatics imperialism. The process of globalization has affected even those who are not directly linked with the economic changes that have gripped the world. For example, the controversy over the right to public health after the inaccessibility of drugs by AIDS victims in African countries as a result of globalization of patent laws have vast reaching consequences. Moreover strict copyright laws did not allow researchers in the African continent to have access to the preliminary material for the drugs in order to further their research.

Though the present stage of globalization is a part of the capitalist project, its scope and impact has been immense and wide. It has not only affected all aspects of human life but has brought in new agencies and has resulted in a rapid flow of communication. The elites in the present phase of globalization have also changed. The international corporate elites and their influence of the global economic system were not witnessed in the earlier attempts to integrate the world. The governing political authorities of the powerful countries were often solely responsible for the economic decisions of the world. But today the corporate giants, who have a significant stake in the economic activities of the world, are highly influential. For example, the TRIPs agreement governing the intellectual property rights could materialize due to the influential role played by the corporate lobbies in United States, Europe, and Japan (Petersmann, 2001).

Under the current phase of globalization the idea of development itself has been redefined as "participation in the world market". The phenomenon of global capitalism has brought with it, universal conditions applicable to all states. For example- during the time of debt management, the IMF assumed a de-facto role of banker to the world, determining the conditions by which state could renegotiate their outstanding loans or their debt. These conditions were universally imposed and adopted as states privatized public assets, slashed social budgets, cut wages, elevated national

currencies, and promoted exporting. This type of a trend came to be known as global governance which was quite different from the United Nations system.

The knowledge based economies of today have downgraded the importance of 'things' in the global economy. For example, for a company skills may be more valuable than auto engines or knives and forks. This trend has mainly developed because the dissemination of all forms of knowledge is more or less immediate. Richard Langhorne suggests that while the globalizing economic tendencies of the early 20th century were taking place within a well established and widely accepted social, economic and political order, today's globalization challenges long established ideologies and values and there is no clear guide to the future developments. There is a de-territorialized global stock market created by global communication. The number of individuals involved, particularly as investors has risen sharply and neither the time of the day nor the physical location of an investor matters anymore.

Perhaps the most distinct feature of the present phase of globalization is the change in the pattern of power politics. It is true that every international system throughout history has been hierarchical and composed of dominant and subordinate economies. It is quite idealistic to imagine of an egalitarian global economic system or international system. Nevertheless, the present phase of globalization witnesses a shifting pattern in the exercise and manifestation of power at the global level. There has been a significant amount of work done on the dynamics of power relations but they are mainly an attempt to understand the exercise of power by the developed countries on the developing countries.

Power politics and domination have been vital features of capitalism. The trends of imperialism in the early phase of capitalism and the indirect control of the economies of the developing countries by the developed countries even after their independence have been important aspects of the

various stages of capitalism. Even within a capitalist state, there was a strong sense of hierarchy and domination where the capitalists exercised their control over the workers. Though the capitalist-worker relation improved significantly after the coming of welfare state, yet it cannot be denied that the system of capitalism promotes the exercise of power. Since globalization is intrinsically linked to capitalist system, the existence of power politics cannot be ruled out of this system of global capitalism.

At the same time there needs to be a distinction in the way in which globalization has shaped the nuances of power relations in the present era. Power is a relational phenomenon and does not exist in isolation. It expresses the intentions and purposes of agencies and institutions, which exercise power. But, at different stages of globalization there have been different agencies and organizations as well as different means through which power is determined. There have been different patterns of stratification at different levels of globalization (Held and McGrew, 1999). It is primarily because of this stratification that the consequences of globalization are unevenly experienced.

The emergence of new systems like the WTO has resulted in the creation of new centers of power. These agencies have initiated global rules for economic transactions and trade relationships, which have been directly or subtly imposed on most of the countries. It can also be argued that IMF and WTO like organizations are primarily influenced by the developed countries and hence a new instrument for maintaining their hegemony.

The dynamics of power have become complex and are not simply a straightforward relationship between the developed and developing countries. Powerful countries like the United States or influential members of the European Union do not exert power only on the weaker developing countries. In various cases coercion whether direct or indirect has been exercised on many

countries with a strong state. For example- the United States used various different methods like unilateral, bilateral, and multilateral means to bring all the countries under the TRIPs agreement. The growing nature of interdependence among countries in this phase of globalization compels even the powerful countries to exercise their authority over other countries based on the significance of the country over which power is exercised. Thus, coercive application of power is not always witnessed but even tacit and subtle means are used to exert power. Whenever such relationships of power emerge, they are not easy and simple to comprehend.

Moreover, as the shift has been towards knowledge industries in the current phase of globalization, the control over these knowledge industries has determined the centers of power. In this regard the access and control over creative knowledge is one form of influencing power. Therefore an intrinsic relationship has developed between knowledge and power in contemporary globalization.

If globalization has meant greater integration, better communication, it has also meant according to many theorists a decline in the authority of the state. Many have argued that the territorial boundaries would slowly become irrelevant. But, to take such extreme stands would be a little presumptuous. The state has lost its influence over many of the economic decisions with the emergence of global economic norms. Nevertheless, the state has also been an important actor in the liberalization policies in many countries. According to Philip Mc Michael in *Globalization Myths and Realities*, Globalization process is not simply an external imposition on states from global agencies. State managers often collaborate in the restructuring of state organs under the dictates of the new rules of multilateral agencies to improve the efficiency of economic enterprise under their jurisdiction (McMichael, 1996).

The impact of globalization on states has depended on the type of state and has not been similar for all the states. The state capacity has played a greater role in determining what kind of an

influence globalization has had on a particular state. Moreover, globalization may have meant a reduction of state control and not state authority. Perhaps, the need for states is not disappearing, but it is being reconfigured. According to Martin Wolf in "Will the Nation-State Survive Globalization?," the states are important as the ability of a society to take advantage of the opportunities offered by international economic integration depends on the quality of public goods, such as property rights, an honest civil service, personal security, the basic education. Moreover state is also important as it defines the identity of an individual which is difficult to compromise even in the age of globalization (Wolf, 2002).

The states authority might depend on the manner in which it tackles the forces of globalization and this would vary for different states. Therefore any standard impact of globalization on all states cannot be predicted. Globalization in this phase is also unique from the earlier attempts of integration with respect to its impact on different societies and also in terms of the response which it has received. The consequence of globalization is different for different societies within a state and also among countries, which explains the contrasting views on globalization given by different scholars who study the phenomenon.

Proponents and opponents of globalization differ considerably in their expectations of the effect of globalization on distribution of wealth and power among the national economies. Proponents argue that globalization would eventually achieve greater equality and convergence of performance among national economies. Integration of the less developed economies (of the South) into the world economy will lead to great increases in their rates of economic growth and levels of productivity. In fact, they assume that the farther behind an economy is, the faster that economy could grow until it catches up with the more advanced countries. Many of the American economists believe that the third world countries would adopt the American model of a market-

oriented economy and that globalization will increase worldwide acceptance of individualism and political democracy (Gilpin, 2002).

Populist and communitarians perceptions on globalization present a very different assessment of its consequence. Populists believe that, although the economic and technological flows from the developed to the developing countries may be beneficial to the developing countries, it would be harmful for the developed countries. The convergence process as a result of globalization would greatly undermine the wealth and power of the industrialized countries.

The communitarians would argue that globalization creates a hierarchical international economic and political system composed of the rich developed countries and the exploited, impoverished developing countries. Globalization is leading to a massive concentration of corporate power, which is supported by the World Bank, IMF and the other American-Dominated international organizations. While analyzing the consequences of globalization it is important to avoid taking extreme positions. Globalization is neither a boon nor can it be abandoned as a curse. The opening up of international trade has helped many countries grow far more quickly than they would otherwise have done. Export led growth was the centerpiece of the industrial policy that enriched much of Asia where millions were benefited because of the increase in standard of living. Globalization has also helped many in the developing countries with better and faster options to access knowledge which they previously did not have. But nevertheless there is a fast growing movement against globalization and this makes one question the belief that globalization has been beneficial for all.

Though globalization has created a lot of uncertainties and has been accused of being responsible for the market failures, environmental degradation, terrorism, increase in inter-state rivalries and many other ills, yet it cannot be denied that it has brought in a high degree of interdependence

among the nations. It is impossible in today's world to ignore the phenomenon of globalization and its scope. As discussed earlier, globalization has most importantly changed the power relations in international politics. The wide range of responses to globalization is based on the different impact of this phenomenon on various nation-states. In order to understand why globalization has resulted in making few as winners and others as losers it is necessary to take one of the products of globalization and study its impact on various countries.

CHAPTER 3

GLOBALIZATION AND INDIA

Though India's trade and commercial relations with the West date back to ancient times, the most recent phase of globalization in India starts from 1991 in the aftermath of its BOP crisis. It was then that she undertook liberalization, privatization and globalization policy after the guidelines from multilateral institutions like IMF. Before this, India had a strict control regime regulating imports of almost all major commodities and foreign investments. Her licensing system was complicated which didn't not allow more than 40% foreign equity. There was a considerable state intervention in the economy. This system was called as "license-permit raj". There is a widespread agreement that not only was this system inefficient but prepared background conditions for widespread corruption and bureaucratic delays. However, at the same time, it also provided a protective environment for the growth and development of domestic industry by restricting the entry of foreign capital.

In July 1991, Indian economy was amidst a foreign exchange crisis. Her foreign exchange reserves were dwindling and resultantly there was a risk of defaulting on her loan commitments. To ensure financial stability, the Indian government turned to IMF and World Bank for financial assistance. In return, India had to assure these multilateral institutions that it will adopt a programme for economic stabilization and structural adjustment coupled with reduction of state intervention in the economy. Some policy decisions were implemented immediately and were called first generation reforms while some others were hard to come due to unfavorable public sentiments. The process however has been in the relatively much control of Indian government than in various other countries across the globe. Deindustrialization with high unemployment didn't take place in India as it happened in Argentina. However, de-unionization of Indian industry has indeed taken

place. There has been a fundamental change in the production process- i.e. from its unionized to non-unionized workforce. The amount of public investment on basic infrastructure like health and education was constrained which led to a decline in growth of power supply and other services which were privatized. The situation became worse with respect to inequality between the rich and poor.

Notwithstanding this globalization has been quite an inquisitive phenomenon which has attracted scholars from all round the globe to write on the subject. It has been a subject that had been relevant to a range of field of study- history, society, economy, governance, public policy, trade and commerce to name a few. However much of the analysis of this phenomenon is at aggregate level or at firm level.

Resultantly, there has been two schools of thoughts with regards to the phenomenon of globalization- one, which says that globalization has been good for India and two, which says that globalization hasn't been good for India. Those who support the first school of thought argue in favor of the principle of free trade. They are of the view that free trade and open market is good for all the countries of the world in the long run. Hence they support globalization as it will benefit all the countries. Those who support the multilateral institutions like WTO, etc base their argument on these lines. It has been a regular practice now that foreign companies and international bodies come down very heavy on those countries which still employ closed-door policy towards international trade and commerce. Research works like that of Johri (1983) and Kumar (1996) have been based on this line of argument.

On the other hand, scholars in the second school of thought are of the opinion that globalization has not been beneficial for India. By liberalization any country opens up the flood gates to foreign investment and enterprises which drive out the local companies of business. Scholars like Nayak

(2005), Kumar (2002) and Stiglitz (2002) have argued that globalization has not met its promises especially to the developing countries. FDI inflows has no doubt increased by there has been a remarkable change in the nature of import and exports. Globalization has been unduly biased in favor of the rich and developed countries which dictate the terms of global trade and investment.

However, there still remains a gap in our understanding of the meaning, genesis and characterization of the process of globalization in India in the past six decades. By overlooking these fundamental issues we are running a risk of adding confusion to the subject of globalization which may therefore result in misplaced views on its problems and prospects. This researcher has tried to analyze the genesis, changing meaning and characterization of globalization in India.

Any study of this nature has its limitations. First, such an attempt has not been made earlier to study this topic in such details. Second, even if this might have been attempted there isn't any continuity in the time periods since India became a sovereign state. Hence, this is an attempt to analyze the history of India's effort to integrate with the rest of the world economy in last about 65 years. Third, studies like this take a very small number of variables in order to keep the analysis restrained yet simple. Fewer variables engaged on the one hand ensures precision and focus but isn't good to look at the larger picture which demands a synoptic view.

Hence, this research will try to explain the process of globalization in India by analyzing a wide set of parameters including the concerns of India, foreign governments, foreign companies and multilateral bodies.

The following seven parameters have been studied by this researcher to attempt a historical analysis of globalization during the last six decades i.e. 1947 to 2018 in India-

- 1) Trade and Investment policies of the government of India (1947-2018)

- 2) Response of foreign companies to government of India's trade and investment policies
- 3) Nature of overseas development assistance to India
- 4) WTO's trade and investment policies
- 5) Foreign Direct Investment (FDI) inflows
- 6) India's exports
- 7) FDI outflows

1. TRADE AND INVESTMENT POLICIES OF THE GOVERNMENT OF INDIA: 1947-2018

Studying the trade and investment policy of the government of India from 1948-2018 reveals the history and nature of globalization process in India. Until 1961, India followed a liberal trade and investment policy which was later followed by policies driven by the needs of local economy. However, from 1978 onwards there was a shift in favor of liberalization that was implemented through small steps. The watershed was reached by the year 1991 when the policy of liberalization, privatization and globalization was opened articulated following a balance of payment crisis. The year 2008 saw the relative slowing down of the process of liberalization and privatization following world-wide economic downturn. India's economic history has been as follows:

Industrial Policy, 1948

The main historical importance of this policy is that it has led India to a system of mixed economy. Under this, industries in India were categorized into 4 classes viz. basic industries (public-cum-private sector), strategic industries (public sector), important industries (controlled private sector) and other industries (private and co-operative sector). It laid the foundation of industrial development in independent India. Foreign investment was sought in the industrial development

except for strategic industries and some basic industries. Unrestricted remittances of dividends and profits was assured to foreign investors and foreign companies. In these respects they were to be given equal treatment with the Indian companies. The Foreign Investment Statement (1949) was favorable to the foreign companies in India (Sharma, 2000).

Industrial Policy, 1956

The Industrial Policy of 1956 is based on the Mahalanobis growth model. It emphasizes on the heavy industries which has the potential to lead a long term growth of Indian economy. The four-fold industrial classification was now changes to a three fold classification- Schedule A (strictly under Central government), Schedule B (under State governments) and Schedule C (those left with private sector) industries. The distinction between local and foreign company was done away with.

As a result of this the scope of the public sector in India got widened. The government's aim to achieve socialistic pattern of growth was reiterated. This policy also paved the way for cementation of the provision of Compulsory Licensing. Following the foreign currency crisis in 1957-58, the GOI offered the foreign companies, several incentives, concessions and relaxed restriction on entry in some industries. Both the policy of 1948 and 1956 were such that foreign investments into India in this period steadily increased until 1961 (Auty, 1994).

Foreign Exchange Regulation Act (FERA), 1973

According to Section (2) of FERA, 1973, all foreign companies that owned more than 40% equity in their Indian operations were required to get the permission of Reserve Bank of India to continue their business in India. The law required the foreign firms to include local participation in the equity of foreign companies in India. Depending on the nature of business, some companies were allowed to own 51% of equity and others were allowed to own 74% of equity. With this act, foreign

companies were treated on par with Monopolies and Restrictive Trade Practices (MRTP) companies. The foreign companies also had to meet the export obligations under Industrial Licensing Guidelines, 1970 for MRTP companies (Encarnation, 1989).

Industrial Policy, 1980

Although, the Industrial Policy Statement, 1977 had announced the relaxation in remittances of profits, royalties, dividends and repatriation of capital of foreign companies, the Industrial Policy 1980 set the tone of liberalization in a slow but steady pace. Industrial licensing was streamlined and made easier. Provisions in MRTP Acts were modified to simplify business transactions. Export-Import norms were also changed. The GOI - transferred most of the items that were earlier imported through State Trading Corporation to Open General License (OGL), wherein these imports and exports could be routed through private firms. Increasing the number of items in the OGL meant a greater liberalization on the export and import of items to and from India (Kohli, 2006).

Industrial Licensing Policy, 1991

The GOI was in trouble by 1990. Its foreign exchange reserve had reached to rock bottom. International Monetary Fund and World Bank agreed to provide loans on the conditions that India make major changes to liberalize trade and investments in India. The domestic pressure to meet the imports of essential commodities and the external pressure to liberalize forced the government to change its stance of protecting the domestic industries. That is how the Industrial Licensing Policy, 1991 came into place. Industrial licensing was abolished except for 18 industries. FDI up to 51% were allowed in 34 high priority industries and the concept of phased manufacturing was removed. Custom duties on the imports were to be removed in a phased manner (Jalan, 1991).

Trade and Investment Policies, 1994-95

In the Uruguay round of negotiations of GATT 1994, India signed the agreement on trade related investment measures that has forced India to do away with protection of Indian industry from severe global competitions within five years. Of the 13 investment measures that were identified to distort global trade, India has been using as many as eleven of the measures to meet the myriad needs of social and economic development of the country. Signing of this agreement is bound to remove these much- needed measures. In the meantime the custom duties on imports have been steadily brought down as per the Industrial Licensing Policy, 1991. Subsequently, in January 1995, as a founder member of GATT, India joined WTO and agreed to stand by the regulatory framework of free global trade and competition (Ahluwalia, 2002).

Foreign Exchange Management Act (FEMA), 1999

FEMA, 1999 replaced the FERA, 1973 that regulated all foreign exchange transactions. The objectives of FEMA have been to facilitate external trade and payments and to promote orderly development and maintenance of foreign exchange market. All residents can now put foreign exchange on current account transaction through an authorized dealer. Foreign firms also qualify for this under the resident status. But for sectors like banking, NBFC and civil aviation, petroleum, real estate, venture capital funds, investing companies in infrastructure and service sector, atomic energy, defense, agriculture and plantation, print media, broadcasting and postal services, automatic approval of FDI is allowed in all other sectors. The role of Reserve Bank of India and Secretariat of Industrial Assistance has become more that of a facilitator (Bhasin, 2008).

Policy Indications of the Government of India, 2018

The policies of the GOI on privatization, liberalization, trade and investment have undergone some transformation since the present NDA government took charge at the centre. The National Democratic Alliance government led by the Bharatiya Janata Party that pushed for privatization of public sector companies in India was accepted by the electorates in India in the General Elections, 2014. And, hence, we may see some acceleration in the globalization process in India with special focus on Indian diaspora.

2. RESPONSES OF FOREIGN COMPANIES TO THE POLICIES OF THE GOVERNMENT: 1947-2018

The responses of most of the foreign companies have been rather lukewarm until the regulations suited their entire purpose. For example, two American automobile companies, General Motors and Ford Motors had started assembling cars in India as early as 1928-30. They both enjoyed monopolistic position in India for more than 20 years till 1953. When the GOI passed a regulation for foreign companies to locally manufacture cars, these companies ceased their operations in 1953 and returned to India only in 1995 when the policies were favorable to them. In the 1960s, when the government advised foreign companies to include local participation in their existing equity, many foreign companies reacted adversely. Unwilling to abide by the government regulation to include local participation in its equity, Pepsi drinks ceased operation in India in 1961 shortly after starting its operation in 1956 (Kedia 2006).

When the government informally suggested companies to invest in businesses like fertilizers and chemicals, industries in which the GOI could not invest, many companies felt that investing in such unrelated areas would reduce their profitability. Most of these companies objected to the

policy of the GOI and many of them left India. However, some companies like Unilever invested in oil mills and ICI invested in such priority areas of the country. These companies have had remarkable success in India (Jones, 2006).

The need for foreign exchange led the GOI to introduce policies such that the foreign companies had to export a portion of the local production to earn the royalty payments to the parent organization. This policy did not suit many foreign companies as many of them were in India to market their products produced in their home countries. Companies like Unilever and ITC, however, started to export their products with the behest of the Government to generate foreign exchange for the host country.

The implementation of Foreign Exchange Regulation Act (FERA), 1973 came as a major setback to many foreign companies operating in India. Many companies that did not want to increase equity participation of Indians as per Section (2) of FERA, 1973 decided to cease their operations in India (Encarnation, 1989). As many as 54 companies applied to wind up their operations by 1977-78 since the implementation of the above Act in 1974 and nine companies wound up operations between 1980-81 (Annual Report, Reserve Bank of India 1977-78, and 1980-81). Some well performing foreign companies like Coca-Cola and IBM ceased operations in India. For instance, IBM started operation in India in 1951 and set up a manufacturing facility in 1956. India was its largest business destination in the whole of Asia by 1976. However, it decided to close operation in 1978 with the new policy of the Government. IBM finally returned to India only after the economic liberalization in 1991 (Encarnation, 1989). The typical responses of the foreign companies to the policies of GOI is summarized in Table 1.

Table 1. Policies of the government and responses of foreign companies		
Period	Policies of GOI	Responses of foreign companies
1947-1961	Industrial policy 1948, Industrial policy 1956	Nearly 60 US companies set up sales and marketing offices in India. Steady increase in FDI during the period : 1948 to 1961
1962-1976	Industrial Licensing Guidelines 1970, MRTP, Foreign Exchange Regulation Act 1973.	Nearly 60 companies including IBM and Coke ceased operations in India.
1977-1990	Industrial Licensing Policy 1977, Industrial Licensing Policy 1980	Limited FDI from the foreign companies.
1991-2018	Industrial Licensing Policy 1991, Industrial Licensing Policy 1999.	Flooding of FDI in India, especially in the services sector.

Source: Compiled by author

3. THE STRUCTURE AND MOTIVATION OF OVERSEAS DEVELOPMENT ASSISTANCE

In order to help India develop and integrate with the larger economy of the world, the industrially advanced countries have taken the pride on the various Overseas Development Assistance (ODA) that they have extended to India over the last about seven decades. However the structure and conditions of ODA to India from different countries clearly speaks of the intent and motivation of the foreign governments. ODA has come to India in three different forms, viz., soft loans, commercial credits and small grants. Loans and credits have been extended to India at rates that are usually at par or higher than the lending rates in the countries that provide these loans and credits. The conditions of these different forms of ODAs reveal clearly the intent and motivation of the countries providing ODAs. For instance, Grants from UK have been tied up with imports, consultancy services, and training from UK. Commercial credits and soft loans from Germany has been tied up with reforms in power sector in India. France, Belgium, Denmark, and Japan have tied up their ODAs with imports to India from their respective countries. France also ensured that the contracts of the project they fund have to go to the French companies. Switzerland, Italy and Australia provide ODAs to India in the form of technical assistance and other kind (Lipton, 2010).

The terms and conditions on the Overseas Development Assistance which highlights the intent and motivation of ODAs from some countries are illustrated in Table 2.

Table 2: Overseas Development Assistance from a few Industrially Advanced Countries				
Country	Development Assistance (in million Units)	Nature	Priority Sectors	Conditions
UK	1975 289 Pounds	Grants	Education, Slum improvement, Health, Power, Poverty alleviation and Forestry	Usually tied up with imports consultancy services and training from UK.
Germany	1958 Credit 417 DM, Loan 55 DM Grants 42 DM	Commercial Credit, Soft Loans and Grants	Rural Development, Agriculture, Human Resources, Health and Education	Aimed at poverty alleviation, employment and reforms in power sector.
Netherlands	1962 NLG 78.56	Loans 50% And Grants 50%	Environment/ Drinking water supply and Irrigation	Grants are tied up with imports from Netherlands.

Belgium	1962 119 Francs	Credit	Supplier's credit for import of capital goods	Tied up with imports from Belgium.
Switzerland	1964 Rs 428	Grants	Improved land use, dairy farming, livestock production, environment, etc	Provided in the form of technical assistance or in kind.
Denmark	1963 61.2 DKK	Grants and loans	Private sector business (Wind Farm, Food Processing, etc)	Tied up with imports.
Italy	1981 USD 7.2	Loans	Water treatment/ Environment and Infrastructure	Provide technical services and equipment.

Source: Compiled from Department of Economic Affairs' Annual Reports (Years 1958, 1962, 1963, 1964, 1975 and 1981).

The World Bank that is largely financed by the industrially advanced countries is also known to have provided loans to various development projects in India. In reality, the highly talked about

loans from the World Bank Group concerns like International Development Agency (IDA) and International Bank for Reconstruction and Development (IBRD) are only a small component of the total project cost.

4. GATT/WTO POLICIES ON TRADE AND INVESTMENT

There have been some studies in general on whether the trade related investment measures of the member countries have had any negative impact on global trade. In the past studies, the general observations and findings on the impact of trade related investment measures suggest that the agreement on them as reached in Uruguay Round is inconsistent in its argument on trade related investment measures (DeLuca, 1994; Baldwin, 2001). Further, the agreement on it has not considered the restricted business practices of foreign companies in the developing host economies and that trade related investment measures has not had any distorting effect on developing economies (Morrissey and Rai. 1995).

In general, the trade and investment policies of GATT/WTO have had a mixed impact on the overall objectives of India since the 1950s (Nayak,2003). Foreign investments have been rather skewed towards extraction of natural resources in the period prior to 1947 (Nayak, 2005). The historical observations during the last five decades clearly show the clash of development objectives of India with the growth objectives of foreign firms in India (Nayak, 2005). India has adopted several trade related investment measures to reduce its Balance of Payment (BOP) problem to improve productivity and competitiveness in the Indian industry, and to facilitate the local ownership of Indian public. This researcher classifies the various measures and the probable reasons for doing so. The classification of the measures are shown in Table 3.

Table 3. Trade-related Investment measures and the reasons	
Trade Related Investment Measures	On Account of
<ul style="list-style-type: none"> - Trade balancing requirement - Foreign Exchange balancing requirement - Exchange restrictions - Export performance requirement - Remittances requirements 	Reduce the Balance of Payment problem
<ul style="list-style-type: none"> - Local content requirement - Manufacturing requirement - Licensing requirement - Technology transfer requirement 	Increase productivity and competitiveness in the industry
<ul style="list-style-type: none"> - Local equity requirement - Manufacturing limitations 	Facilitate ownership of local public

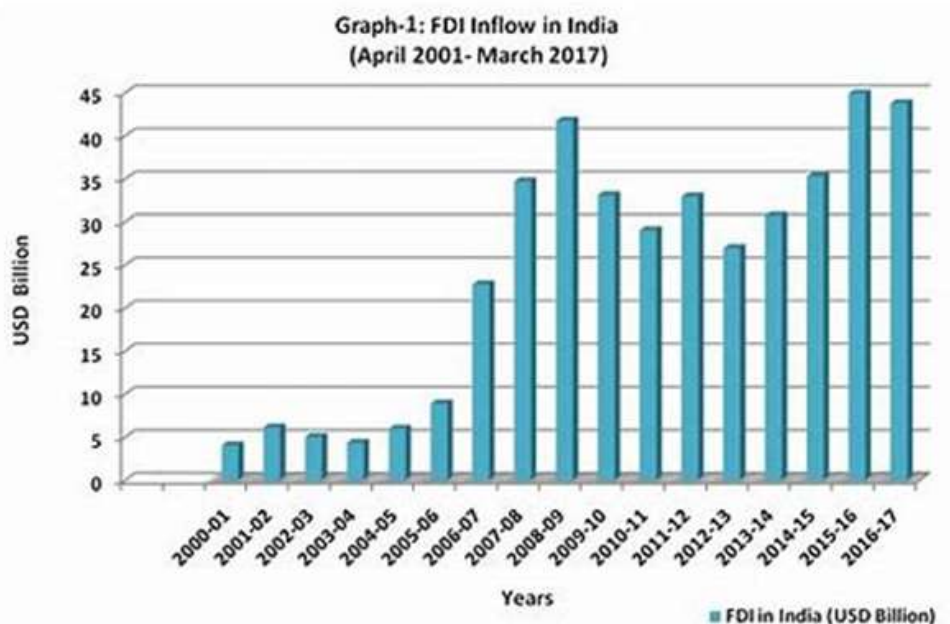
Source: Compiled by author.

However, as per the Article III (national treatment) and XI (prohibition of quantitative restrictions) of the GATT, India has been asked not to adopt these policies and to remove these provisions within five years from January 1, 2005 (agreement on TRIMS, GATT 1994, wto.org). Given the nature of Indian economy, such policies can have an adverse impact on India.

5. INWARD FOREIGN DIRECT INVESTMENTS

Indian government has been making policies to attract foreign investment in manufacturing sector which is the core of socio-economic development in India. Foreign Direct Investment cap of 40%

in 1950s has been raised now to 100% in all the major sectors of economy. FDI amount reached its peak in 1961 after growing gradually during the mid-1940s (Balasubramanyam and Mahambare, 2003). Later when the government changed its policies for foreign investments by mandatorily investing in Indian subsidiaries, majority of the companies withdrew from India. It was only after 1991 and initiation of liberalization policies that foreign investments increased. Ahluwalia (2002) is of the view that post 1991 foreign investments in India has risen sharply. The policies have however created a situation wherein investments have flown to select few sectors like marketing, BPO, clinical services, pharmaceuticals, etc. However there has been a surprising feature too in the recent phase of globalization that is investment inflows have increased from smaller nations like Oceania, European Union, etc while they have considerably fallen from traditional investors like UK, USA, Japan and Germany. Contrary to the general perception that most of our FDI comes from highly advanced economies of the world, most of the investment in India has come from countries within the Asian region.



Source: RBI Annual Report, 2017

6. EXPORTS INCLUDING OUTSOURCING FROM INDIA

Graph 2: Exports from India (1950-2018)



Source: tradingeconomics.com (Data: Ministry of Commerce and Industry, India)

Another measure of degree of interconnectedness is the amount and nature of exports. The nature, magnitude and composition of exports is an indicator of the degree of competitiveness of the Indian economy. It is also an indicator of whether the global economy depends on India in the same manner that Indian economy depends on the global economy.

On analyzing the composition of exports from 1960-2018, manufactured items has constituted the majority of exports which has been a good thing for India's economic growth. But there us a cause of worry as well. India's basket of manufactured items consists of low valued items like clothes, handicrafts, garments, yarns, leather, gems and jewellery. The low technology based machinery though beneficial isn't a great foreign exchange earner.

India is growing as an FDI destination owing to its robust outsourcing industry. Educated, skilled and cheap labour is a luxury that most developed countries today find in need of. This has been the reason for outsourcing of services from developed to developing countries like India. Outsourcing has mainly concentrated in IT, software, engineering components, pharmaceuticals and other services. Such outsourcing isn't sustainable for longer period of time because these aren't such products that are available only in India. Other low income developing economies can also offer these products and services cheaper than India does. Hence India needs to work on specialization and its uniqueness along with her strength.

7. OUTWARD FOREIGN DIRECT INVESTMENT FROM INDIA

By estimating outward flow of foreign direct investment we can estimate the nature and extent of globalization of Indian companies in an increasingly interconnected world. Not only is this a good measure of productivity and competitiveness of the economy, it also helps in building a calculated scheme of India's global aspirations. Outward flow of FDI from India has rather been a recent phenomenon. In the year 1990 it was a mere US \$10 million which has subsequently increased to US \$500 million by the year 2003. By some estimates FDI outflows from India will rise to US \$2 billion by 2030. However, there is a subtle point worth mentioning here- most of this FDI outflows have mainly concentrated in basic and commodity products (Athukorala, 2009). This means that Indian enterprises have not yet attained the required set of competitiveness and productivity that is currently demanded by the global economy.

CHAPTER 4

THE GLOBALIZATION DEBATE- A CRITICAL ANALYSIS

At the heart of the debate between the sceptics and the globalists is the role, authority, power and the fate of nation-state in the era of contemporary globalization. The sceptics emphasise the continuing primacy of territoriality, borders and national governments to the distribution and location of power, production and wealth in the contemporary world order. For them, national political traditions are still vibrant and states continues, given the political will, to rule. But for the globalists, contemporary globalization is eroding and undermining the capacity of nation-states to act independently in the articulation and pursuit of domestic and international policy objectives: the power and role of the territorial nation - state is in decline. They see modern states as increasingly embedded in webs of regional and global interconnectedness permeated by quasi-supra national, intergovernmental and transnational forces, and unable to determine its own fate. These basic assumptions about the role and the fate of nation state have influence the two schools of thought in conceiving what globalization is and, in effect, what it portends. Accordingly, six major points of difference generated from the debate can be identified.

The first point of difference concerns the concept of globalization. For the globalists, globalization, as an all-inclusive process, has virtually tied up the whole world community into a single global market so that it has become "unnatural" and even "impossible" for the state to claim as the sole authority over its own territory. According to this view, globalization signifies a complete break from the past and the dawn of a new era characterised by the growing centrality of transnational activities and non -state actors at the expense of the state. In contrasts, the sceptics perceive globalization as a wholly exaggerated phenomenon-convenient myth-to legitimize and justify the consolidation of Anglo-American domination. Rather than globalization, the sceptics see the

contemporary trends is more aptly captured by the terms internationalisation, that is, the growing links between essential distinct national economies or regionalisation, which involves the geographical clustering of cross border economic and social exchange.

The second point of difference relates to the nature of economy. For the globalists, contemporary trends of economic activity represent a truly global economy, According to this view, the emergence of a global informational capitalism and a new division of labour, through the operationalisation of dispersed production bases across the planet, are integrating the world economy. To the sceptics, claims of the emergence of a new globalized capitalism transcending national capitalisms and a new global division of labour are mere rhetorics. For not only do discrete national economies continue to flourish, but also skill-and technological-intensive production bases remained out of reach for the developing economies. Rather than a global economy, the sceptics, by taking into account the unequal economic relation between the North and the South, regard the present economic system as a form of new imperialism.

The third point is a corollary to the second point: inequality. To the globalists, the emergence of a global economy has meant the traditional pyramid of the North South hierarchy is no longer a geographic but a social division within and across societies. For them, the globalization of production processes have provided a significant basis for states across the world to participate in the global economic activity as equals. The sceptics are sceptical of this view. For, according to them, the persistence of distinct national states and the exclusion of the developing economies in the skill- and technology-intensive production processes reflect the marginalisation of these economies and the deepening inequality between the North and the South. Thus, far from moving towards a single global market, the sceptics conceived contemporary trends as evidence of a growing internationalisation and regionalisation of economic activity.

The fourth point involves the question of culture. For the globalists, the establishments of national culture were products of the explicit political project persuade by the elites. Culture in this sense, are not immutable but constructed. In the contemporary globalization, where ideas and image flow around the world in seconds, the power to control meaning had slipped away from the state and hence, people are shaped and influenced by pluralistic if not common kinds of cultures. To the sceptics, even though the establishment of a national identity was in part a political project of elites, it was not their complete invention the nation-to-be was not any large, social and cultural entity. For, they note, on the basis of a community occupying a particular territory and sharing a common historical and cultural background, stretched over a large period of time was the nation state formed. Since a global culture has no common global memory or answer to no living needs, rather than forging a common bond, cultural differences are been accentuated. For the sceptics, therefore, the present era is witnessing a resurgence of nationalism and national identity.

The fifth point pertains to the fate of the nation-state. According to the globalists' view, the confluence of technology, non-state actors, and market forces have rendered the nation-state powerless. In other words, the erosion of territorial boundaries, globalization of financial capital and production and the thickening of inter dependence among states have meant the lost of state sovereignty, legitimacy and autonomy. To the sceptics, the present world economy does not show any substantial proof of market integration to suggest that it poses a threat to states. Beside, the mushrooming of multilateral organisations, which is regarded as evidence of the growing interdependence among states, according to them, are the explicit project of states to further strengthen their power.

The last point of difference refers to the impact of contemporary trends on the emerging world order. The globalists view holds that states no longer have the capacity and policy instruments to

contest the forces of globalization. For it entails states to adopt norms and rules amenable to world markets and transnational activities or associations if they do not want to be isolated from the rest. Moreover, globalization has brought about a pluralisation of economy, social and political orientations such that the states capacity to sustain a singular identity is been eroded. States are, therefore, now locked into a web of regional and global governance so that the fate of a national community is no longer in its own hands. In short, contemporary globalization, according to the globalists, is unfolding a new world order characterised by the emergence of a global civil society and a shift of political power from government to a multilayered forms of global governance.

Since the sceptics discount the globalists' claim of contemporary globalization as unprecedented or that it is taking place, they do not see a world order with the state been replaced or supplanted by transnational institutions. To them, the state remains the central actor, whether it concerns welfare activities, decision- making or promoting cross border activities. For, even at this age of liberalisation, privatisation and deregulation, subsidies are rampant and barriers in the movement of goods, people and capital exists. Besides, the present international trade activity has not been accompanied by an erosion of the North-South inequality but rather by the growing marginalisation of the South. Consequently, the sceptics blame the rise of fundamentalism and aggressive nationalism to the widening gap seen not only between states but also within states. In fact, internationalisation is seen by the sceptics as accentuating cultural differences rather than indigenising the pluralism of culture. Therefore, far from a homogenising transnational world order, the sceptics see the persistence of conflict and a world order characterised by international society of states.

Assessment of the debate:

Globalization as seen can be referred to the intensification of global flows, network and interconnectedness so that local events and decision can come to have significant impacts on individuals and communities in distant localities of the world (Giddens, 2000). Paradoxically, this intensification of global flows and networks occur at a time when the sovereign territorial state, with fixed and demarcated borders, has become the near universal form of human political organization and political rule. Within this paradoxical structures, the globalists and sceptics position themselves with their set of well elaborated argument and perspectives concerning issues of contemporary globalization vis-a- vis the nation state. The debates identifies some of the most fundamental issue in the era of contemporary globalization and there is much to be learned from both sides. However, it does not entail that we should accept the debate in toto as there are few implications that need some critical assessment. If we look at the account of the current debate, in most cases, it treats globalization as prefiguring an end state and not a process (Brown, 1995). This ideal type approach is teleological in so far as the present is interpreted as the stepping stone in some linear progression towards a given future end-state. Besides, there is no a priori reason to assume that globalization must simply evolved in a single direction or that it can only be understood in relation to a single ideal condition (Held, 1999). The problem in taking such a view is that globalization tends to be measured in terms of a perfectly integrated world and, from such a conception, posits it against the state. Accordingly, such a view provide a basis to situate the globalization and the state as mutually opposing forces, a zero sum, that what ever global economy gains, the state loses and vis versa (Saskia, 1999). It is true that contemporary globalization has brought about a higher level of integration in almost all aspects of social life not seen in early epochs, and the state in some fundamental ways is being transformed (Held, 1999). But it is also

equally true that the realities of the world for the most part are dominated by local and national circumstances and that the state remains at the heart of world politics (Brown, 2000).

Given this situation, then, contemporary globalization be best viewed as a highly differentiated process, rather than viewing it as a singular condition or a linear process. To contest that state has become increasingly irrelevant in contemporary globalization or that nation state still enjoys its pristine glory with all its authority and power is to overstate the matter. Viewing it as a process, what is significant about contemporary globalization as David Held and others point out, is the confluence of globalization tendencies within all the key domain- political, military, economic, migratory, cultural and ecological-of social interaction. The complex interaction among these domains not only reproduce a distinctive form and dynamics of contemporary globalization but also tend to generate a systemic dynamic, in so far as the totality of global flows, networks, interaction and interconnection involved a structural shift in the organization of human social affairs and exercise of power.

This structural shift or global transformation however, should not be construed as an irreversible or a linear historical process as the globalists argue. What is distinctive is the magnitude and institutionalization of its political regulation at all levels and the plethora of social forces pursuing a defined global project (Held, 1999). Viewed in this light, contemporary globalization has not only triggered or reinforced a significant politicisation of growing array of issue areas, but it has also been accompanied by an extraordinary growth of institutionalised arenas and networks of political mobilisations, surveillance, decision-making and regulatory activity across borders. This has expanded the capacity and the exercise of political autonomy. In this respect, contemporary globalization does not, as many globalists argued, necessarily narrow the scope for political action and state initiatives. However, arguing that contemporary globalization is highly politicised and

regulated does not entail accepting the premises of the "sceptical school" that globalization is effectively under the control of national governments and that the power of the nation-state remains fundamentally unaltered.

Having said that, it does not however necessarily mean the state has become all the more powerful in the context of contemporary globalization. There are growing transborder or transboundary political issues and problems, which erode the distinction between domestic and foreign affairs, internal political issues and external questions, the sovereign concern of the nation-state and the international consideration. Issues like AIDS, migration, the use of non-renewable resources, the management of nuclear waste, proliferation of weapon of mass destruction and the new challenge to peace and security, to point out a few, cannot easily be categorized in traditional political terms, that is, domestic or international. In fact, in all major areas of government policy, the enmeshment of national political communities in regional and global process involves them in intensive issues of transboundary coordination and control. Political space in respect of effective government and the accountability of political power is no longer coterminous with a delimited national territory. Therefore the assumption that one can understand the nature and possibilities of globalization by referring merely to traditional national structure and mechanism of nation states is clearly anachronistic. In the backdrop of contemporary globalization, the idea of government or of the state can no longer be effectively defended as an idea suitable to a particular close political community or nation states. In this context David Held and others argued that we could recognize political power as been repositioned, recontextualised and to a degree, transformed by the growing importance of other less territorially based power systems. Accordingly, political power is now sandwiched in more complex power system that have become more salient over time relative to state power (Held, 1999).

There is also a need to view globalization in terms of space. Viewed from this angle, globalization can be understood as a "decentered" and yet "interconnected" spatial process as against viewing it as fixed to territory. Globalization can, then be located on a continuum. At one end of the continuum lies this social, political and economic relations and networks, which are organized at local and national levels, and at the other these relations and networks crystallized on the wider scale of regional and global interaction. Thus globalization can be referred to that spatial process of change, which underpin a transformation in the organization of human affairs by linking together, and expanding human activity across regions and continents (Held, 1999). Although infrastructures responsible for the growing extensity, intensity, velocity and impact propensity are embedded in national territories, these expansive process transcending nation- states are been viewed as "non territorial functional space" (Ruggie, 1998). The failure to differentiate this spatial attribute of globalization from territoriality is reflected in the sceptics assumption that whatever happen within the territory of state is a national event, whether it is business transition or political and judicial decisions (Saskia, 1999).

Globalization in its spatial manifestation can be seen as bringing together previously separate and loosely connected individuals and communities into regular global interaction (Brown 1995). However, it does not necessarily imply that the world is integrating into a single global polity. For instance, the European Union in which the process of trans-territoriality has gone further than anywhere else is however, neither a nation-state nor a supra-national identity and interest. As Ruggie observes, there is no clear implications that it will result in a federal state of Europe. Nevertheless, globalization in spatial term informs us of the tightening of previously separate and loosely connected nation-state without altering the territorial identity or its ultimate authority as states.

With regard to the debate on culture, the contest between the globalists and the sceptics appears to be overstated again. In its zeal to propagate the thesis of homogenising and pluralistic world culture in the wake of contemporary globalization, the globalists does not adequately address some of the features of emerging 'global culture'. The emerging global culture still remains centered in the west, and speaks English (some would prefer to say 'American English') and its peculiar form of homogenization which aims not so much at completeness as at absorbing differences within an overriding framework of what is essentially an American conception of the world (Slater, 1996).

In this regard, Edward Said says, American expansionism, even though principally economic, "is still highly dependent and moves together with, upon cultural ideas and ideologists about America itself. Rarely before in human history has there been so massive and intervention of force and ideas from one culture to another as there is today from America to the rest of the world" (Said, 1994).

However, Huntington argued that the fact that peoples across continents are embracing American food, clothing, pop music, movies and consumer goods does not mean that they are accepting American culture or that the American culture is becoming the universal culture of the world; nor does the spread of westernization (Huntington, 1996). Historically, interaction and borrowing between civilizations have always taken place, and outside influences, both material and non-material, have been "absorbed and adopted in such a manner as to strengthen the continuing core" of the receiving nation and culture.

He believes that the spread of western consumer goods rather than endearing non-western people to western culture is promoting a resurgent of, and renewed commitment to, indigenous culture. He finds people reacting against the "Westoxification", especially in the Muslim world. Strong adherence to indigenous culture is also visible in East Asia. In the former western colonies, indigenization will continue to strengthen its roots as second and third generation leaders who are

indigenously trained take over from the immediate post-independence generation who might have receive their education from western institutions. Besides, establishment and working of democracy in non Western countries will further help cultural indigenization as electoral compulsion will drive politicians to appeal to popular and nativist element in society. He also believes that not only the alteration of Western culture is declining in non-Western countries, but the West's power to universalize its culture through imperialism and coercion is disappearing or disappeared. His argument is that globalization does not represent a Western attempt at cultural imperialism, and attempt to homogenise world culture through universalisation of its own culture.

However, there are also problems in following isolationist and closed door approach in interpreting culture in the backdrop of contemporary globalization. The argument of sceptics that despite the flows of information, imagery and people around the world, distinctive national cultures and nationalism remain the hallmark in the world of state system. But, they have not taken into account the fact that attempts to homogenise and isolate populations in the name of nationalism and cultural identity have led to colossal sacrifices and failures (Said, 1994). Nationalism in many parts of the third world, notably in South Asia, has become infinitely regressive fracturing, or attempting to fracture, the political receptacle of nationalism into smaller and smaller units. Such events have led to crisis and/or breakdown of democracy, authoritarian intervention or worse. In South Asia, especially Pakistan and Sri Lanka, it is over emphasis on national unity, cultural identity and state sovereignty by a centralizing elite that has done irreparable harm to both unity and sovereignty (Chatterji, 1998). Opposing globalization in the name of purity of nationalism and cultural identity or inviolability of national sovereignty could well lead to intellectual solipsism and ethno-centric celebration ossified of cultures. What is, therefore, required is a rethinking of the politically and philosophically isolationist position of the communitarian and the sceptics in the wake of

contemporary globalization. For the contemporary world is not a world of close communities with mutually impenetrable ways of thought, self sufficient economic and ideally sovereign states. However, we must also acknowledge the fact that historically, civilizations and societies interact and borrow from each other. In contemporary world, such borrowing can be productive and can enhance "the chance of survival" of the borrower nation only when they are based on free and conscious choice. Creative borrowing can take place in an international society which recognized and respects frontiers: cultural, social and political. As such, every national community has the opportunity of working towards enriching its own high culture both by itself and through creative borrowing.

What can then, be discerned in the light of the globalists and sceptics debate on contemporary globalization is that while globalization had resulted in restraining the capacity of state to act autonomously in certain sphere, it has also redefined and renegotiated its political role as an initiator of policies and regulation as well as broker of regional alliance. In this respect, it can be said that the power of the state is not simply diminished but can be considered as reconstituted in the era of globalization, as new responsibilities and functions demand the state to play a vital initial role in global politics. Moreover, when it comes to core national interest, states often assert its authority and set its priorities in spite of pull and pressure of globalization. What can be said then is that contemporary globalization is transforming the conditions under which state power is exercised within the changing processes and structures of regional and global order but does not necessarily translate into a diminution of state power. David Held and others held the view that in the era of contemporary globalization, national sovereignty and national autonomy have to be thought of as embedded within broader frameworks of governance in which they have become but one set of principles, among other, underlying the exercise of political authority. Given this

changing global order, the forms and functions of the state have to adapt as governments seek coherent strategies of engaging with a globalizing world.

Today, the Westphalian regime of state sovereignty and autonomy is undergoing a significance alteration but should not mean that the sovereignty and autonomy of states simply diminished by processes of contemporary globalization. Rather, it has encouraged a spectrum of adjustment strategies and, in certain respect a more activist state. At the end what can be said about contemporary globalization vis-a-vis the nation state is that we cannot say the relationship between the two is either straight forward or permanent. Indeed, situating in the context of the globalization debate, what we can discerned is that assessment of the cumulative impacts of globalization on the notion of state cannot be absolutised as it is highly variable between different nation states, both within and across each of the major domains of globalization. Therefore, in order to come to some sort of agreeable conclusion, position in global political, military and economic hierarchies, its domestic economic and political structures; the institutional pattern of domestic politics; and specific government as well as societal strategies for contesting, managing or ameliorating globalizing imperatives have to be taken into account.

The Globalization Debate and the Developing States

It has been acknowledged that the phenomenon of contemporary globalization is encompassing almost the entire world. Given this situation, the globalization debate stretches across the continued prominence of the nation-state versus its diminishing authority-from market forces restraining the welfare functions of national governments to the ability of states to benefit from a global market without barriers. In this context the experience of the developing countries with the contemporary process of globalization vis-a-vis the role of the state need to be situated in the globalization debate.

Countries in the developing south are heterogeneous and are caught in the whirlwind of globalization at different levels of economic growth. For most of the developing state, one important meaning of globalization is that it makes a turning point in recent world history when market-centred "structural adjustment" replaces state-centred "development" as the new globally dominant ideological paradigm. Put differently, globalization has compelled these states to shift their ideological paradigm from development to globalization (liberalisation) breaking the post-colonial relationship that 'development' had built between the developed north and the developing state (Deshpande, 2003). The perception and impact of globalization between the north and south differ significantly in various ways. In the developed north globalization may signify the triumph of western neo-liberalism but in most of the developing south it is often viewed as yet another opportunity for the developed north to assert its hegemony over them (Harshe, 1998). In other words, the developed states are trying to legitimise their mode of globalization through international donor agencies like the International Monetary Fund (IMF) and the World Bank. The developing countries in their bid to get developmental aid are constrained to fulfill the conditionalities of donor agencies by opening up their economy and liberalisation, sometime with disastrous consequences, the Mexican and the East Asia crisis being just two classic examples (Stiglitz, 2002).

Viewed differently, it can be said that when the Third World developing states are engaged in the yet- to - complete nation- building process, in creating stable nation states through unity and cohesion, in developing distinct national high culture through which to shape national identity and citizenship, the globalization processes comes from above, directs the state to roll back and put a brake on the nations-state building process by declaring that nations are irrelevant in its "global village"

Given this situation, the bargaining powers of the developing states have obviously been constraint. But it will be an unrealistic idea to say that the hold of global market forces and the growing global economic network and institution portends the end of state or that state has lost its preeminence in the developing states. Given the enormous levels of poverty and deprivation in the Third World, developmental visions continue to hold prime appeal for these states.

Multi-centric economic governance implicates the coordination of diverse activities of diverse actors, institutions and processes. The state alone possess the legitimacy and authority to carry out this crucial task of coordination, because the state as yet remains the only institution which can command the bulk of the loyalties of a geographically/territorially bound people (Rana, 1980). This is much more true of the developing South. No other sub-national, international, non-governmental or any other type of association, organisation and institution is vested with the overall authority and legitimacy. Therefore, it is inconceivable to think of multi centric international economic governance being effectuated without the agency of the state.

In this context, A.P Rana argues that globalization is unlikely to bring about any form of "transformative" or "transmutative globalism" in developing countries like South Asia as the existing political and strategic relations on the sub-continent acts as constraining factors. The gut reality of South Asia, the source of its major conflicts and cooperative efforts, is state and nation building. The globalization process in fact has complicated this task by compressing the period of time within which this needs to be effectuated. Given the South Asian reality, Rana agues that a more appropriate conceptualisation of globalization would be inclusive of support for state and nation-building, as well as for encouraging and furthering international societal ties between state entities, not only across them. It is in the extent to which such seemingly conventional agendas are promoted, that globalization project is likely to be helped along and to have its more

cosmopolitanising effects in the long run. "Constitutive (state - inclusive) globalism", then, seems to be a more adequate conceptualisation of globalism than either "transformative" or "transmutative globalization" so far South Asia is concerned.

In the developing states, government is 'big government' as it spend a significant proportion of the national income, employ the largest numbers of people, and have wide ranging responsibility not just for the management of the economy but also the security and welfare of their citizens. The support, which the state receives, and the loyalty which it elicits in the Third World, is not because of any mindless commitment to the status quo; it stems from deeper, more fundamental values related to the security, well being, and identity of the individual and the community. In fact, the skewed nature of present day globalization, in which a few developed areas attract its benefits in their own direction, is beginning to be perceived as new forms of exploitation and inequality, against which only the state, however imperfect, can stand guard.

However, by arguing the centrality of state in the developing countries does not mean that states has become all the more powerful in the era of contemporary globalization. In fact the power and authority of most of the Third World countries are constrain by the imperatives of globalization. For instances, SAPs overseen by the IMF and WB severely limit governmental decision on economic matters. Besides most of the Third World states are intensely conflictual: state and nation-building, ' ethnic differentiations and sub-ethnicities, regional antagonisms and insecurities, power-based strategic relations between states, and a host of other such persistent dilemmas pre-empt developing states from acquiring the necessary political will, or inventiveness, to take advantage of, and suitably shape, favorable possibilities which are latent in the increasing physical coalescence of the world.

Given the fact that contemporary globalization is encompassing almost all the developing states, it would be imperative for states to position themselves to their best advantage, or at least to their least disadvantage. This requires political adaptation to complement the forces of globalization. While the existing role and function of the state in the developing countries is perceived as both credible and desirable, it nevertheless needs fine tuning to lend an irresistible logic to cooperation and its ability to deliver maximum benefits of globalization to its citizens. It needs to be acknowledged that nation-state political communities are not necessarily antithetical to a transnational civil society and in conjunction with a globalized market may indeed lead to thinning out of monopoly state sovereignty but these would be beneficial if as constraining factors they lead to greater transparency, accountability and presence of public voice in politics and government within states, that is, if they lead to the creation of "strong democracy" (Chatterji, 1998).

Nation-state, founded on plural, civic community, sustained by a civil society and civic culture, drawing strength from citizen participation at its multiple levels must be allowed to play its role both in economic development and in the environment of culture. A weak-kneed state and a fractured civil society would not be in a position to positively interact with the demands of globalization. Therefore, in developing states, what is required is a conscious effort to make the state strong through strengthening democratic processes of accountability and participation, through energising the civil society and infusing new blood into the concepts of citizenship (Chatterji, 1998) . To be successful, then, globalization process must work hand in hand with the nation states. By placing state in the process of globalization in the developing countries does not necessarily mean that we are accepting the sceptics argument with regard to the exclusivity of state power and authority, but that states needs to be adapted, reconstituted and reposition themselves to extract maximum benefits in the process of contemporary globalization.

However, it is not sufficient that states in the developing countries need to be refashioned and reconstituted. What is more important in the wake of increasing political, social and economic coalescence of the world which contemporary globalization makes possible is the need to democratise the contemporary world order basing on the principles of equality, justice and accountability. This demands for new forms of political deliberation, conflict resolution, transparency and accountability in international decision-making. In this context, it can be stated that the growing inequalities and marginalisation as well as cultural and political backlash brought about by contemporary globalization requires both the state and global institutional order to give a democratic and humane touch to the forces of contemporary globalization. To argue that states alone or system of global governance alone can effectively tackle such issue is to miss the point.

CHAPTER 5

CONCLUSION

Contemporary globalization is been defined as an intensification process of economic, cultural, social and political relations across borders through interrelated activities in productions, distributions, consumption, service, ideas and information. It is a process which relates to the intensification of entrenched worldwide interconnection, marked by unprecedented extensity, intensity, velocity and impact propensity of global flows, interactions and networks embracing all social aspects of life.

Paradoxically, the intensification of global flows and networks occur at a time when the sovereign territorial state, with fixed and demarcated borders, has become the near universal form of human political organization and political rule. This has raised a number of key implications for the nation-state vis-a-vis its sovereignty and autonomy. Given this paradoxical structure, the globalists and sceptics position themselves with their set of well-elaborated argument and perspective concerning issues of contemporary globalization vis-a-vis the nation-states.

At the heart of the debate is the role, authority, power and the fate of nation state in the era of contemporary globalization. For the globalists, contemporary globalization is eroding and undermining the capacity of nation-states to act independently in the articulation and pursuit of domestic and international policy objectives: the power and role of the territorial nation-state is in decline. They see modern states as increasingly embedded in webs of regional and global interconnectedness permeated by quasi-supra national, inter-governmental and transnational forces, and unable to determine its own fate. The decision-making processes of states have been over stretched to accommodate the views of non-state actors with the emergence of multilateral

organization and institution. Consequently, the monopoly of states over economic, security and social policies has been seriously undermined. Footloose capital, production base and information have crippled the state to withhold news, make policy or act autonomously. Therefore, due to the thickening of interdependence brought about by globalization, states can no longer act unilaterally thereby constraining even their external sovereignty. The globalists argue that the widening extent of worldwide interconnectedness point towards a global economy and culture.

On analyzing the seven key variables of globalization, we are able to understand the meaning globalization with special reference to India. Once India achieved its independence and became a sovereign state it embarked upon the journey to integrate with the world economy but on its own terms and conditions which is suited to the needs and well-being of its population. However, all these years, we have been pressurized by multitude of external forces like international governments, international organizations and multi-national corporations to integrate on their terms surrendering our sovereignty. This isn't a case for just India but all over the world globalization is being used as a pretext to undermine the sovereignty of the developing and underdeveloped countries.

The process of globalization in India has its roots in 1980s. We started to liberalize our trade policies in 1977-78. That was just the beginning. Later, in 1991 triggered by balance of payment crisis and IMF's directions we embarked upon the journey to full integration with the world economy. But, since then, we have realized that the process of globalization with reference to India has been more of globalization in India and less of globalization of India. It has been a one way process only. The foreign companies have found an easy access to Indian markets while the same wasn't true about Indian companies. Not surprisingly though, foreign companies invested in India

when the policies of the government favored their market seeking or efficiency interests. The foreign firms have either left India or critiqued India otherwise. This is evident even today.

Contemporary globalization, intrinsically linked to capitalist system cannot be considered as merely an extension of earlier attempts to integrate the world. Though there are similarities between the current globalization process and the integration of world economy between late 1880s till the First World War, yet the present globalization process differs on the basis of the magnitude and extent of integration and the cause, effect and response to the current developments. The global developments are governed and controlled for the benefit of the powerful countries by international agencies, like WTO and IMF, which operate on behalf of developed countries.

Though power has been an essential aspect of capitalist system, yet the methods acquired to institutionalize power and the means to exercise it has changed in contemporary globalization. A profound relationship has emerged between power and knowledge in this phase of globalization. Knowledge has become instrumental in influencing power both at the international level between countries and at a local level between knowledge systems. The way creative knowledge has been defined in terms of intellectual property rights is based on capitalist belief of individual ownership promoting the needs of industrialized capitalist societies.

The construction of international organizations for eg IMF, WTO and World Bank was part of the process of globalization. The policies taken up by these organizations to promote privatization and integration of international trade and finance have proven beneficial to developed countries. The ratification of TRIPs agreement and shifting jurisdiction of intellectual property rights from WIPO to WTO is in league of a larger process of power politics where organizations like WTO have been created to legitimize the perspectives of developed countries. It ensures that the benefits of international trade are reaped by these countries. The understanding of the concept of intellectual

property rights within TRIPs agreement is based on natural rights theory, which is appropriate for developed countries whose economies are capitalist ownership and are not dependent on imported technologies. A systematic attempt is being made to seize the reins of knowledge by developed economies and agreements like TRIPs are a means to acquire that.

Both coercive and non-coercive power is being used simultaneously in the current globalization process. Coercive power is imparted blatantly and authoritatively to establish authority over a particular matter. The sanctions imposed on developing countries by USA and EU were direct coercive methods of power to make developing countries agree to the provisions of TRIPs. The subtle mechanisms of power were exercised through the bilateral agreements that were reached on various intellectual property rights between countries demonstrate the negotiation tactics.

Sovereign states are not the only participants of power politics in contemporary globalization, but commercial interest groups and non-state actors have acquired a strong influential role. The gains of globalization are actually shared by these commercial groups mainly in the developed countries and therefore they lobby to ensure that their interests are secured. The Uruguay Round negotiations were a victory significantly for these commercial groups than for nation-states. The pharmaceutical giants of United States, Europe and Japan lobbied within their countries to protect their interests and were a major reason for shrinking the differences between their governments to reach an agreement. The commercial groups of developed countries have gained from globalization process mainly because of the powerful position their countries enjoy at international level. In this respect multinational companies of developed countries have been able to benefit at the expense of the commercial groups within developing countries.

The decision making at the level of international organizations, though seems to be democratic with the participation of all the countries, yet the reality is far from it. Decisions are often arbitrarily

arrived by ignoring the requirements of weaker countries as well as groups within these countries. Democratic decision making is one where all participating parties are at an equal footing and are given equal weightage by respecting each of their views. But, what is actually happening within contemporary globalization is an attempt to homogenize the norms of trade and international economy not by democratic choice but more by the use of coercive power.

Multilateral agreements are primarily a means to legitimize the policies of powerful states. Certain developing countries like China and India have witnessed rapid economic growth in the past decade and have tried to profit from present globalization process. But, it has been difficult for these countries to secure their interests at a global level where the developed countries have been siphoning off the benefits/rewards of globalization.

If globalization process has not benefited all the countries of the world, then it is mainly because of the deliberate mismanagement of this process by the powerful actors who control certain aspects of it. The process of globalization is controlled, the ethics of which are decided by the powerful. A free flow of technology and information would ensure that the benefits of globalization reach all the countries.

But, there is a deliberate intrusion made by developed countries to regulate the globalization process and dictate its terms to weaker countries. Subtle power mechanisms are utilized by conceding short term benefits to weaker countries but guaranteeing that the long term gains are made by powerful commercial groups.

The magnitude of global changes has benefited powerful commercial groups of developed countries by subjugation of the interests of developing societies. This subjugation has been legitimized at the global level through multilateral organizations.

It is primarily due to the coercive nature of the subjugation and the imposition of the norms of globalization on developing countries and their societies, that the process of globalization has received extreme responses. At the one end are the multinational giants of developed countries who are staunch advocates of the globalization process. At the other end are the interest groups mainly from developing countries comprising of low wage laborers and farming communities who have staged protests against the process of globalization because it has created a livelihood crisis for them.

The globalization process unless it is genuinely made democratic and suited to the requirements of different societies will continue to be asymmetrical and governed by coercive power politics. A solution is possible only when powerful interest groups in developed countries are willing to share the benefits of the process with the less developed societies in an attempt to recalibrate the delicate balance in the world system.

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