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Governance and Globalization during AB Vajpayee Leadership

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Abstract

Of late it has been openly realized that there has been a transitional phase of India. The nature and structure of mixed economy where both public and private sectors were brought together for growth and development, currently there is transition. This transition is of two types- one growing privatization and second growing globalization. Meaning thereby international connectedness across countries is broadened. The closed economic structure is shrinking. The economy is becoming more open through trading of goods and services as well as currency inflow and outflow. The aim of the present paper is to highlight the strategic analysis of Shri AB Vajpayee efforts in giving a very sound foundation of privatizing as well as globalizing the economy of India as a parliamentarian and prime minister of the country. The data used in the paper is basically a secondary one. The period of analysis is around reform centric, 1990-2005. The paper concludes that the economic philosophy of old Jansangh and Bhartiya Janta Party as reflected in their election manifesto gave a boost to growth of private sector and an increase in an open economy measured through total trade (export plus import) as a percent of gross domestic product at current prices.

Introduction

There is a close nexus between the governance and leadership for globalizing the economy. While governance is linked to works done by the elected and nominated members of parliament in Lok Sabha and the Rajya Sabha, their strategies to improve flows of trade of goods and services along with capital mobility give strength to globalizing the economy. Not only has that even cooperation of state and local bodies activated central decisions for globalizing the economy. So for formation of government constitutional obligation and role of election commission play important role. For making the economy open from closed economy to openness we need more trade and capital mobility. Thus when a government pushes globalization agenda, simultaneously we assume erosion in the degree of a closed economy. In the case of a closed economy the government concentrates I goods and service and also capital mobility within the geographical boundary of a nation only. There is simple formula of measurement of globalization. It is the ratio of total traded transactions (X+M)/GDP on current prices. Therefore the pre-condition for higher rate of globalization require higher rate of growth of export or import transactions as well as capital mobility. The term 'globalization' refers to international issues such as trade, finance and manufacturing for a global as distinct from a regional or national.

The phase of globalization of India started with the entry of the British India Company during the British colonization period. However that can be said as first phase of globalization. India was exporting raw materials to Britain for manufacturing of textile garments. Britain was exporting finished goods to India. Thus balance of trade was a composition of British primary goods import for Industrial revolution and export of manufactured goods. Since terms of trade were favorable to manufactured goods so India was a looser. The second phase of globalization began when India became independence and started planning. Indian thinking was to get rid of theimperialist influences of the United Kingdom. As a compulsion India tilted towards USSR and China. It adopted policy of economic socialism. The reason was its colonization for a very long period. During the first plan, for obvious reasons of beginning trade transactions, took need based turn.However from the second five year plan India moved towards planning of manufactured goods for domestic and global market. Since then all the successive five year plans show slow pace of openness of the economy. India's first Five Year Plan began post independence in 1951; the eighth ran from 1992-1997. Planning abolished after the 12th five year plan.

The early five year plans promoted import substitution, public ownership of production and regulations for governing the private sector.[1] The Department of Foreign Affairs and Trade (DFAT) stated that the industrial planning has a significant role for State intervention in ensuring a non-skewed distribution of wealth and asset control.[2] Since before 1990 foreign exchange was meager so trade so import was very less. The international agencies IMF and World Bank suggested India to start structural reforms.

The absence of regulation for domestic MSMEs, a meager quantity of foreign exchange, foreign direct investment, lack of investment climate in poorly governed BIMARU states especially north India and lack of global competition, India had a Hindu growth rate of 4 percent per annum for three decades starting from 1960 to 1990. This growth achievement was mainly explained by industrialization policies of second and subsequent five year plans along with the 'green revolution' which led to higher production and productivity. The initial idea mentioned in the plan documents was ‟growth with social justice. Later on inclusive growth was highlighted. The main motive was to make India self-reliant. These issues virtually led to import reduction and substitution”.[3] Between 1951 and 1993, India's share of world trade reduced from 2.4 to 0.5 percent owing to dependence on central planning.[4] Thus openness was affected because of lack of vision towards market expansion, huge regulations, administrative centric system and poverty became hurdles in growth of perfect competition, entrepreneurship growth, supply efficiency and socioeconomic growth. Trade growth was designed through protective measures for domestic industries from external competition. Higher rate of subsidies and tariffs were also planned. India had become increasingly reliant mainly on the USSR for technology and capital (DFAT).

The third phase of globalization started with severe BOP crisis in 1991. .India had huge scarcity of foreign currency reserves in order to cover roughly $1 billion bill of import beyond one fortnight. Simultaneously, the other macroeconomic variables like the rate of inflation was in double digit, 17 percent per annum. Industrial production was further showing declining GDP growth which declined to 0.9 percent. The international agencies suggested India for structural reforms. For the time being these institutions helped through loans for temporary economic adjustments. The Indian Government reviewed policies to allow more foreign investment and reduce trade restrictions so that India's economy could be improved drastically beyond former level.

The liberalization in sectors of Indian economy was largely motivated by the country's new economic policy of 'globalization, privatization, and liberalization. The areas were technological advancements, infrastructure increase and market competitiveness so that Indian products can sustain in the global market, export can be enhanced import can be reduced. The liberalization of otherwise restricted areas of India's global economy is largely motivated by the country's new policy of 'globalisation'[5] which aims to upgrade technology and infrastructure to enable India to increase its competitiveness to that of world standards. Globalisation has shaped a new, more pragmatic and expansive Indian foreign policy and highlights a new determination on India's part to successfully 'play... in the global game'.[6] Subsequently the economy made a good headway.

Review of literature

Bhattacharya, M. (2001) explores that in the current global scenario, two new terms, globalisation and governance, have been contextually introduced. It is necessary to relate their practical meanings to particular local circumstances. A sizable section of the population in the world still endures conditions that are inhumane and are marked by poverty and starvation. In light of the unequal global economic structure, globalisation must take the world's survival strategy into consideration.

Berden, K et. Al (2014) study looked at how the Worldwide Governance Indicators (WGIs) of the World Bank affected bilateral trade, FDI, and FDI-relative-to-trade flows. It discovered compelling evidence that, as indicated by the Voice and Accountability index of the WGIs, more pluralism lowers trade levels, lowers FDI levels, but raises the likelihood of FDI into the host. Although increased political stability in a host country reduces trade, it increases the likelihood and volume of FDI inflow. The level of commerce, the level of FDI, and the likelihood of FDI all increased with better regulatory quality. Future studies should investigate how different democratic facets affect people's choices relative to trade and FDI levels.

Amavilah V et al (2017) has studied globalisation, which places a greater emphasis on the connections and numerous linkages that make the local a key hub for social, political, and cultural mobilisation against perceived and real dangers from around the world.

Ardagh (2002) looks at a number of reforms and new agreements, especially the Group of 20 (G-20), which is an important building block in global governance because its member countries link with the major institutions of world governance while also having political roots in their own countries. The G-20 is a key component of global governance because of its member countries' connections to these major institutions while also having political roots in their own countries. It symbolises a sizable portion of the world's population that is able to agree on crucial and current issues of international finance, economics, and development.

Furquan, A., and Ali, A. (2008) discuss how the globalization debate has influenced the conversation about governance, with a focus on identifying important concerns related to the growing influence of globalisation on governance and the state. Additionally, they attempt to draw attention to the function and importance of NGOs and civil society in the age of privatization, globalization, and liberalization

Ancharaz, V. and Sobhee, S. K. (2005)'s analysis suggests that the link between government size and openness is mediated neither by country size nor by terms-of-trade risk. Hence, sub-Saharan African countries, irrespective of their size (as measured by population), have witnessed tremendous expansion in their governments as they have become more open.

Verma 2023) added that Indian women are on very sound footing because of some of the initiatives taken during Vajpayee government.

Objective

The key objective of this paper is to highlight the strategic analysis of Shri AB Vajpayee efforts in giving a very sound foundation of governance as well as globalizing the economy of India as a parliamentarian and prime minister of the country**.**

Methodology

In the present study, time-series-level data has been used from the World Bank data base. The goal of this study is to explore the government and globalisation concepts through descriptive analysis and how AB Vajpayee's efforts contribute to the nation's economy. We have classified variables that explain the condition of globalisation as follows:

I. Openness Index –

An economic indicator called the openness index is determined as the proportion of a nation's overall commerce, or its exports plus imports, to its gross domestic product**.**

Openness Index = (Import + Export) / GDP

II. Term of trade –

The ratio of a nation's export prices to its import prices is known as its terms of trade (TOT**).**

Term of trade = Price of export/ Price of Import * 100

Other variables are export and import growth rate, Average Personal remittance **(%** GDP**)**, and Average FDI net inflow **(%** GDP**)**

Results –

Governance and Development –

Prime Minister Narasimha Rao's Congress government (1991-1996) implemented a strategy to transform India's closed economy, which was protectionist and inward-looking, into one integrated into the global trading network. This strategy continued under the subsequent administrations of Gowda and Gujral. However, the rise of the BJP to power in India was seen as a potential hindrance to the reform process.
When India achieved its independence in 1947, it marked the beginning of a nation-building period. Prime Minister Nehru focused on transforming India into a heavy industry-based nation and adopted a socialist centrally planned economy. This strategy was viewed as a blend between capitalism and communism, similar to the economic models of China and the USSR. This ultimately led to the emergence of capitalism in the West and aligned planning with countries like China and the USSR. Broadly, this approach was termed economic socialism.

It has been suggested that the LPG (Liberalization, Privatization, and Globalization) process has affected different states in India in various ways. At the state level, there are different political parties in power across the 26 states, each with differing economic agendas. India follows a federal system with both central and state governments. Certain matters are under the jurisdiction of the central government, while others fall under the authority of both the central and state governments.
If we analyze the growth process from a political perspective, we observe that state governments are primarily formed by regional parties, each with its own unique political background. Consequently, there is generally a lack of political alignment between the central and state governments. Only those states with a development-oriented vision, such as the southern and western states, have made significant progress and benefited from a liberal approach. On the other hand, the states in North India have struggled to prosper, resulting in high levels of poverty in Bihar, Uttar Pradesh, Odisha, Rajasthan, and Madhya Pradesh. Unfortunately, these states continue to face significant poverty challenges even today.
However, it is worth noting that the present BJP-led government in Uttar Pradesh, as well as the BJP-led central government, have focused on improving governance. They have carried forward the economic vision of former Prime Minister Vajpayee, emphasizing privatization and globalization. The participation of India in the G-20 Summit serves as evidence of India's commitment to better governance and globalization.
It is important to highlight that governance approaches in different states lack proper similarities and may vary significantly.
The states continue to suffer due to a lack of coordination and ongoing political conflicts. In recent times, Bihar has experienced significant conflicts at a larger scale. Similarly, in recently divided states like Chhattisgarh and Jharkhand, conflicts between the government and citizens are frequent, hindering their growth. On the other hand, southern states such as Kerala, Tamil Nadu, Andhra Pradesh, and Karnataka have achieved development due to better coordination and compatibility between the central government and the states, along with active citizen participation.
In conclusion, although some states have made progress towards the goals of better governance and

globalization, poor states have struggled to benefit from the Liberalization, Privatization, and Globalization (LPG) initiatives. Former Prime Minister Vajpayee made efforts to address these issues during his tenure, but further strengthening is necessary.

Globalisation

Globalisation is the tying together of many regions of the world together. In terms of economics, globalisation is the process by which countries, businesses, and corporations start operating on a worldwide scale. Although it is most frequently discussed in economic terms, globalisation also has an impact on and is influenced by politics and culture (Choudhary, K., 2007). As we see some recent scenario, Less than 10% of the world's output up until 1870 came from exports on a global scale. The value of commodities shipped globally today is very close to 25%. This demonstrates that global trade has increased more than proportionately throughout the last century of economic expansion (Esteban Ortiz-Ospina et al,2013).

After globalization brought about many changes in Indian economy, Indian society is undergoing a significant transformation (Naidu Y. Gurappa, 2006). It includes the rising significance of international trade and capital flows. With a GDP share of over 50% in the services sector, the economy has grown significantly, and the nation has established itself as a major hub for the export of IT services.

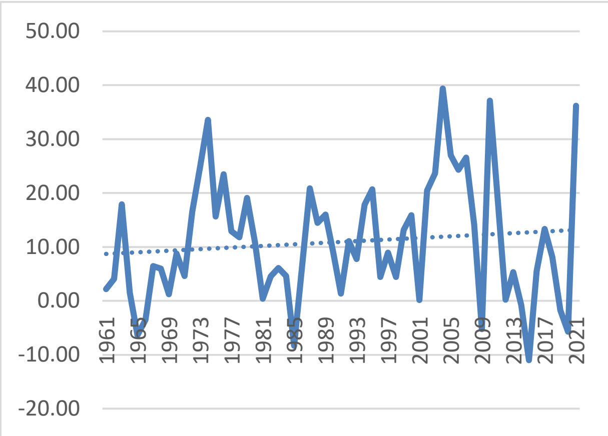
In India two and a half decades ago, "ease of doing business" was not a top concern due to the nation's extremely high tariffs, numerous, intricate systems of import and export regulation, and exchange rate controls. In a system with extensive regulations that resulted in time-consuming decision-making processes with several layers and delays, as well as cost increases that had an impact on trade, investment, and the effectiveness of domestic operations, trade policy was seen as an instrument of industrial policy. 50 years ago India's share in world trade was 2.42 percent, in 1991 its share fell to 0.54 percent and in 1993-1994 it rose to 0.58 percent. This clearly reflects a weakened position in world trade. Over the past decade, India's annual trade deficit widened to $1.04 billion in 1993-94 from $7.16 billion in 1985-86. (Naidu G. M et al,1997). As India moved towards more open markets, the 1991 reform of this system required a clear specification of the road towards a more transparent and less complex system, with fewer regulations and built less ad hoc regulatory framework. After 1991 policy, over a period of 18 years (1991-2009), the volume of foreign trade witnessed an increase of about 21 times. During this period, imports increased from Rs 43,198 crore to Rs 10,03,947 crore whereas exports increased from Rs. 32,533 crores to Rs 5,85,593 crores.

From Figure 1 we understand how the globalization policy has significantly impacted the growth rates of imports and exports. We can observe that the trend line of the import and export growth rates has shifted upward. On the other hand, after globalization, the trade and openness index has reached high levels. The upward shifting of the openness index and terms of trade has resulted from globalization and it’s highly impact on country foreign trade. Before globalization, country performance in foreign trade was not impactful and our economy was closed. But after that, participation of foreign trade in GDP has increased and we can observe this in openness index which explain the contribution of foreign trade in country’s GDP.

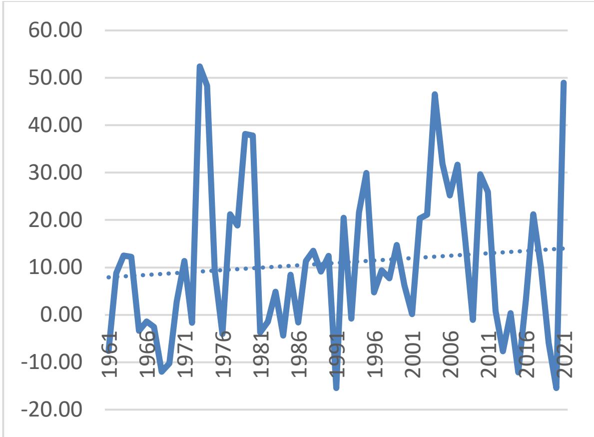
Figure 1: Trend line of Export- Import Growth Rate, Term of Trade and Openness Index on Annual Basis

(A) Annual Export growth Rate

(B) Annual Import growth Rate

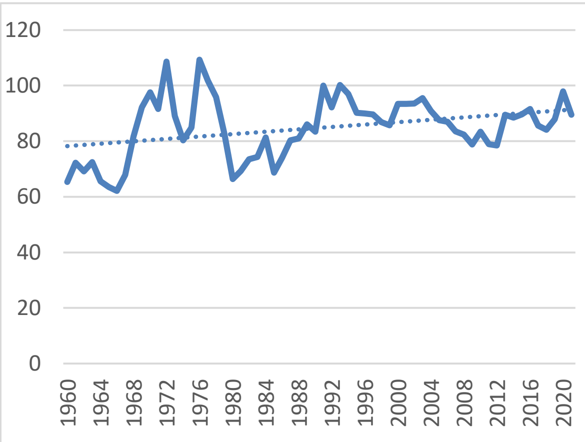


(C)

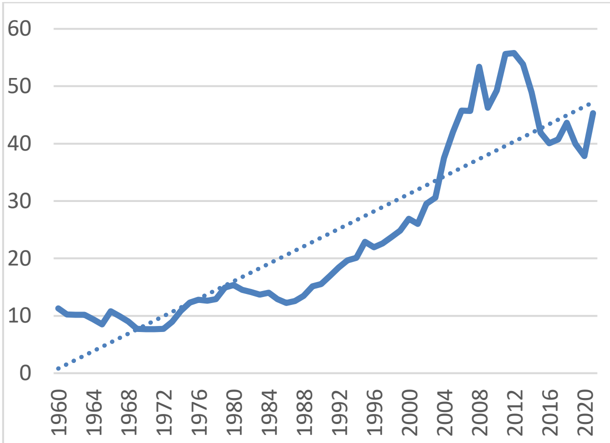


(D)

Annual Term of Trade



Annual Openness Index



Sources: World Bank Database

Table 1 : Indian Government Performances in Foreign Trade

Government	**Year**	**Average Export Growth rate(%)**	**Average Import growth rate(%)**	**Openness Index(%)**	**Term of trade(%)**
Congress	1961-1977	9.82	7.17	9.89	81.96
Janta Party	1977-1979	14.61	26.07	13.49	89.24
Congress	1980-1989	7.54	7.40	13.96	74.31
Janta Party	1990-1991	5.17	-1.51	16.25	89.84
Congress	1991-1996	12.37	15.18	19.99	93.94
BJP and Janta Party	1996-1997	8.96	9.37	22.27	88.26
BJP	1998-2004	16.74	18.19	28.43	92.11
Congress	2004-2014	16.52	16.92	48.54	84.46
BJP	2014-2021	5.48	6.28	42.29	89.35

Sources: World Bank database

Openness index $= \frac{(Export+Import)}{gross\ domestic\ product} * 100$

Term of trade = price of export/ price of import $* 100$

Many governments adopted positions on foreign trade policy after gaining independence. Table 1 shows that from 1961 to 1977, throughout the tenure of the Congress, exports and imports increased by 9.82% and 7.17%, respectively. Throughout this time, the Congress scrupulously adhered to import tariffs. During the years 1977–1979, Janta Dal visited for only a short period. The cost of fuel, oils, and lubricants was one of the key factors contributing to the large import volume at this time. Congress returned in 1980 and remained until 1989; during this time, the average export and import were 7.54 and 7.40%, respectively. Import growth decreased because of the rise in oil price. India was experiencing a crisis in 1991, and as a result of economic reforms that had been implemented at the time—including a significant depreciation of the REER and higher export subsidies—the country's export competitiveness had actually improved. Additionally, there were certain instances of industrial deregulation and import liberalisation during this time. After a serious balance of payment crisis in 1991, the process of economic reforms became much more extensive and systemic. The table 1 shows a considerable increase in the size of import and export growth after the reform. Prior to 1991, when the openness index was less than 20% of a country's GDP, less than 20% of foreign trade was attributable to GDP of the country. After economic reform, India's foreign trade surged by more than 20% of the country's GDP, and it currently accounts for between 40 and 45 percent of the country's GDP. It gives us a clear picture of how foreign trade affects the GDP of our country. The peak openness index, at 48% during the time of Congress, was then followed by a decline in the years 2014–2021. This inconsistency was caused by the government's implementation of the GST policy, demonetization and main causes of this was COVID-19.

On the other side, if we see government performance on the basis of term of trade, BJP government will show more potential than other governments. Term of trade means that Less than 100% of the value of the terms of trade is seen as an unfavorable condition. When the percentage falls below 100%, it can mean that the nation is spending more on imports than it is making on exports. It could appear to be a worrying condition since it might mean that the nation is spending more money than it is bringing in through exports and imports. India's performance in terms of trade has never been 100%, which indicates that our country spends more on imports than on exports. After globalization, our term of trade has never dropped below 80%, and from 1991 and 1996, the Congress government experienced its highest average term of trade value. However, from then on, it was cut by 84.46% between 2004 and 2014. 2008's financial crisis and raise oil prices was the primary cause of this decline. The term of trade was 92.11% under the BJP government from 1999 to 2004 and is now 89.35% from 2014 to 2021. The COVID-19 issue was one that the BJP government had to deal with from 2020 to 2021. When comparing these two shocks, COVID-19 had a significant impact on the GDP of the entire country (Agrawal S et al., 2020). Therefore, on that basis, we can conclude that the BJP government has demonstrated more efficiency in term of trade than previous governments.

A B Vajapyee was elected PM in 1999; before that, he was elected for only 18 days. From 1999 to 2004, his administration worked to improve international relations. India was at that time dealing with the issue of a neighbor dispute (Pakistan, China). The Vajapyee government did all it could to resolve this conflict like Delhi- Lahore bus service, his administration had started (Andersen, W,2001).In that period of time Vajapyee administration had explored many international relation like Vajpayee was the only foreign leader to have addressed the Joint Sitting of the 106th Congress. Compared to the previous period, the foreign trade situation in India during this time was quite favourable, and the globalization policy had a significant impact on it (Nyar, B. R., 2007). The Vajapyee government took advantage of globalisation policy, as seen in Table 2, in the period of 1999 to 2004, at a time when the growth rate of import and export increased and the trem of trade and openness index had highly improved at this period of time.

Table 2: Foreign Trade Performance during AB Vajpayee Leadership.

Year	Annual Import growth rate	Annual Export growth rate	Openness index	Term of trade
1998	7.71	4.42	23.70	86.89
1999	14.75	13.18	24.82	85.70
2000	6.21	15.86	26.90	93.48
2001	0.14	0.14	25.99	93.48
2002	20.36	20.49	29.51	93.57
2003	21.11	23.67	30.59	95.55
2004	46.53	39.42	37.50	90.91

Sources: World Bank Database

As we see, some other factors which were highly affected by 1991 reform policy are personal remittance and FDI inflow. Table 3 shows that prior to the implementation of the globalization policy, India's net inflow of FDI and personal remittances was quite low. Both factors contributed very little to the GDP of the entire country. On the basis of Table 3, we can clearly explain that globalization policy has a significant impact on the country's economy, and after 1991, we can see an increasing trend in both variables. As a result, globalization policy has a significant impact on both variables. As we can see from the table 3, the Vajpayee government had the greatest impact in terms of FDI inflow because before 1998, the influence of FDI in GDP was very low, but after his presidency, they improved significantly in terms of FDI inflow because his administration had introduced Insurance Regulatory and Development Authority which opening the door to private entry, including entry by foreign investors. Up to 26 percent foreign ownership of a domestic firm was permitted, provided a license was obtained from the IRDA. In the 2004–05 budget this limit was raised to 49 percent (Panagariya, A,2004). This was a major contribution of Vajpayee government in foreign direct investment in India.

Table 3: Mobilisation of Personal Remittances and Net FDI Inflow - Partywise Indian Government

Government	Year	Average Personal remittance (% GDP)	Average FDI net inflow(% GDP)
Congress	1975-77	0.61	0.03
Janta Party	1977-79	0.85	0.01
Congress	1980-89	1.09	0.04
Janta Party	1990-91	0.95	0.06
Congress	1991-96	1.54	0.31
BJP and Janta party	1996-98	2.36	0.74
BJP	1998-04	2.79	0.78
Congress	2004-14	3.35	1.84
BJP	2014-21	2.98	1.80

Sources: World Bank Database

Conclusion

Atal Bihari Vajpayee as PM has contributed efficiently in the area of superb governance and through it expansion of globalization. In his administration, he had taken many steps to improve the Indian economy's situation, like exploring international relations. The ideal conception of international relations and Vajpayee's outreach to Indian minorities strengthen the foundation of grand strategy shaped his foreign policy ideology of balance. Some national moments of the AB Vajpayee government to boost our nation's importance at the world level - an informal moratorium on more nuclear testing and a promise to "No First Use" (NFU) of nuclear weapons—serve as examples of his dedication to moderation in foreign policy. By visiting China in 1979 and establishing the Special Representatives (SR) framework for resolving the border conflict between the two nations, he further displayed his capacity to manage divergent tendencies in world affairs. All these major works highlight how his government helped boost the economy. Despite being the opposition leader or prime minister, he was a brilliant leader who never crossed the line. He was an excellent speaker and listener, and his exposure helped him make many wise decisions. In addition, he was renowned for being one of the warmest of all politicians. Atal Bihari Vajpayee was a charming politician with a rare talent for winning over anyone.

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Notes

1. ANZ Banking Group Submission, p. S 798.
2. Department of Foreign Affairs and Trade (DFAT) Submission, p. S 721.
3. IOC Submission, p. S 224.
4. *India's Economy at the Midnight Hour: Australia's India Strategy*, report of the East Asia Analytical Unit, Department of Foreign Affairs and Trade, Commonwealth of Australia, 1994, p. 10.

5. The term 'globalisation' is defined as the trend for trade, finance and industry to assume a global (as distinct from a regional or national) dimension.
6. Gordon, Sandy. 'Globalisation and Economic Reform in India', *Australian Journal of International Affairs*, v. 51, no. 1, 1997, p. 75.