

UNIT 5

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1 LPG - Impact

India's New Economic Policy was announced on July 24, 1991 known as the LPG or Liberalization, Privatization and Globalization model.

- ❖ Liberalization- It refers to the process of making policies less constraining of economic activity and also reduction of tariff or removal of non-tariff barriers.
- ❖ Privatization- It refers to the transfer of ownership of property or business from a government to a privately owned entity.
- ❖ Globalization- It refers to the expansion of economic activities across political boundaries of nation states.

The main objective was to plunge Indian economy into the arena of "Globalization" and to give it a new thrust on market orientation. The policy was intended to move towards higher economic growth rate and to build sufficient foreign exchange reserves.

It wanted to achieve economic stabilization and to convert the economy into a market economy by removing all kinds of unnecessary restrictions. The policy aimed at increasing the participation of private players in all sectors of the economy.

Salient features of LPG Policy:

- ❖ Abolition of Industrial licensing/ Permit Raj
- ❖ Public sector role diluted
- ❖ MRTP limit goes
- ❖ Beginning of privatization
- ❖ Free entry to foreign investment and technology
- ❖ Industrial location policy liberalized
- ❖ Abolition of phased manufacturing programs for new projects
- ❖ Removal of mandatory convertibility cause
- ❖ Reduction in import tariffs
- ❖ Deregulation of markets
- ❖ Reduction of taxes

Impact of the LPG reforms:

Positive Impact:

- ❖ India's GDP growth rate increased. During 1990-91 India's GDP growth rate was only 1.1% but after 1991 reforms GDP growth rate increased year by year and in 2015-16 it was estimated to be 7.5% by IMF.
- ❖ Since 1991, India has firmly established itself as a lucrative foreign investment destination and FDI equity inflows in India in 2019-20 (till August) stood at US\$ 19.33 billion.
- ❖ In 1991 the unemployment rate was high but after India adopted new LPG policy more employment got generated as new foreign companies came to India and due to liberalisation many new entrepreneurs started companies.
- ❖ Per Capita income increased due to an increase in employment.
- ❖ Exports have increased and stood at USD 26.38 billion as of October, 2019.

Negative Impact:

- ❖ In 1991, agriculture provided employment to 72 percent of the population and contributed 29.02 percent of the GDP. Now the share of agriculture in the GDP has gone down drastically to 18 percent. This has resulted in a lowering the per capita income of the farmers and increasing the rural indebtedness.
- ❖ Due to opening up of the Indian economy to foreign competition, more MNCs are competing local businesses and companies which are facing problems due to financial constraints, lack of advanced technology and production inefficiencies.
- ❖ Globalization has also contributed to the destruction of the environment through pollution by emissions from manufacturing plants and clearing of vegetation cover. It further affects the health of people.
- ❖ LPG policies have led to widening income gaps within the country. The higher growth rate is achieved by an economy at the expense of declining incomes of people who may be rendered redundant.

2 The United Nations Organization and India

India is one of the original 51 founder-members of the UNO, who signed the U.N. Charter. The country participated in the historic San Francisco Conference and became a UN member on 30 October 1945. India's foreign policy embodied the essence of the U.N. Charter.

The Constitution of India reaffirmed, under Art. 51, and reiterated the salient objectives of the U.N.O.

Role of India

India played a meritorious role in the U.N. Besides being its founder-member, it served as one of the 9 nonpermanent members of the U.N. Security Council from 1950 to 1952. India remained a member of the UN Economic and Social Council for a number of years. She had been actively associated with the working of the Trusteeship Council. With full faith in the U.N.O., Nehru referred the Kashmir problem to the Security Council on 31 December 1947. India was successful in securing organized opposition to the racist regimes like South Africa. In the Korean War crisis of 1950, India was largely responsible for implementing collective security action to restore peace in the region. Similarly, India's proposal that U.N. troops should accept 38th parallel as the ceasefire line was eventually accepted. India secured Indo-China ceasefire Agreement on 21 July 1954, which act earned international accolades. As Chairman of International Control Commission, India ensured peace in the region. India's stand on the free and United Vietnam was amply vindicated. Indian military contingents served as peace keeping force under the U.N. flag in Congo, Gaza, and Cyprus. India also played a crucial role in securing a peaceful transfer of power in SWAPO in Namibia.

Nehru always defended disarmament. India was against use of nuclear power for military purpose. India signed the 1963 Moscow Partial Test Ban Treaty. As a member of the 18 nation Disarmament Committee, India played a constructive role in securing general consensus in favour of disarmament. India favoured a revision of the U.N. Charter so as to make the organization a common possession of humanity. India never defaulted its dues to the U.N. Many eminent Indians like Vijaya Lakshmi Pandit, Dr. S. Radhakrishnan, Maulana Abul Kalam Azad, Rajkumari Amrit Kaur, VR. Sen, M. R. Thakka, and Dr. K. Krishna Rao served the U.N.O. in various capacities with distinction.

Nehru could not imagine a world without the U.N.O. He had the highest regard for this world body. To support it and to promote its objectives was an article of faith for him. He never subscribed to the sadistic and satiric principle of keeping peace by waging war; he was for peace through peaceful means. He considered the international organization as an invaluable instrument for securing, world peace, and security.

During the time Mrs. Indira Gandhi, India has always regarded the UNO as a world forum to voice its views and to oppose discriminatory practices that go against healthy

international relations. Addressing the 38th session of the U.N. General Assembly, Prime Minister Indira Gandhi, as the chairperson of the Nonaligned Movement, ventilated the views of nonaligned countries, particularly the new International Economic Order, Disarmament, and Indian Ocean as Peace Zone. Similarly, in 1968, she used the UN forum to unequivocally oppose the partial, half-hearted, and discriminatory nonproliferation Treaty. India became a founding member of the UNCTAD and the Group of 77. India initiated the grand idea of the "second UN Development Decade". India was an active participant in the UN Conference on the Law of the Seas. In 1970, Indira Gandhi led the Indian delegation to the 25th Anniversary Session of U.N. General Assembly. Like Nehru, she was proactive in supporting all UN peace-keeping operations in different parts of the world

3 SAARC (South Asian Association for Regional Cooperation)

SAARC was established on 8 December 1985 with the signing of the SAARC Charter in Dhaka to promote economic cooperation and development, the welfare of the people and for the close cultural and historical links among the South Asian Countries. SAARC comprises of eight Member States: Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. The Secretariat of the Association was set up in Kathmandu on 17 January 1987.

The objectives of the Association:

- ❖ To promote the welfare of the peoples of South Asia and to improve their quality of life.
- ❖ To accelerate economic growth, social progress and cultural development in the region and to provide all individuals with the opportunity to live in dignity and to realize their full potentials.
- ❖ To promote and strengthen collective self-reliance among the countries of South Asia.
- ❖ To contribute to mutual trust, understanding and appreciation of one another's problems.
- ❖ To promote active collaboration and mutual assistance in the economic, social, cultural, technical and scientific fields to strengthen cooperation with other developing countries.
- ❖ To strengthen cooperation among themselves in international forums on matters of common interests.
- ❖ To cooperate with international and regional organizations with similar aims and purposes.

On the organisational structure, The SAARC has a four-tier institutional set-up, which includes the summits comprising of the Heads of all the South Asian States and they meet once in every two years; The Council of Ministers comprises of the Ministers of Foreign / External Affairs of the Member States the Standing Committee comprises of the Foreign Secretaries of the

SAARC Member States and the Technical Committees comprising representatives of Member States are responsible for the implementation, coordination and monitoring of the programs in their respective areas of cooperation. Until now nearly eighteen summits have been hosted by the member states.

The SAARC member countries taking the growing economy scenario in South Asia have formed the South Asian Free Trade Area (SAFTA). The agreement came into force in 2006, succeeding the 1993 SAARC Preferential Trading Arrangement. One of the main aims of the SAFTA is to recognize the need for special and differential treatment of developing countries in South Asia and formulate policies that would support the growth of the entire region.

4 ASEAN and BRICS

ASEAN (Association of South-East Asian Nations)

ASEAN (Association of South-East Asian Nations) was established on 8 August 1967 in Bangkok, Thailand, with the signing of the ASEAN declaration or popularly known as the Bangkok declaration by the founding fathers of ASEAN, namely Indonesia, Malaysia, Philippines, Singapore and Thailand. Since the establishment of ASEAN, other South-East Asian Nations who were not part of the organization initially have also joined, which includes Brunei Darussalam joining on 7 January 1984, Vietnam on 28 July 1995, Laos and Myanmar on 23 July 1997, and Cambodia on 30 April 1999. ASEAN has around ten primary member states and it has been the only official organization that pursued regional economic integration in East Asia. It is responsible for several economic integration initiatives in East Asia including

- ❖ the ASEAN Free Trade Agreement (AFTA),
- ❖ the ASEAN Framework Agreement on Services (AFAS) and
- ❖ the ASEAN Investment Area (AIA).

Although India's Association with South East Asian Countries has been for centuries, its recent initiative towards engaging South East Asia started in the early '90s. India's new growth story in the '90s made India take interests on its new initiative "Look East policy" and

began reviving its economic relations with South-East Asia. Meanwhile, having been for years influenced by China and other western partners, ASEAN too realized the importance of India as the third largest economy in Asia and an emerging regional power. This understanding led to the acceptance of India as ASEAN's sectoral partner in early 1992 and its full dialogue partner in July 1996. The Look East Policy over the years has matured into an action oriented program, namely 'Act East Policy'. The Prime Minister of India at the 12th ASEAN India Summit and the 9th East Asia Summit held in Nay Pyi Taw, Myanmar, in November 2014, formally enunciated the Act East Policy. India's relationship with ASEAN is one of the key pillars of India's foreign policy and the foundation of Act East Policy.

Important initiatives of India – ASEAN relations include Political-Security Cooperation, Economic Cooperation, SocioCultural Cooperation and Connectivity. In addition, financial aid schemes have also been established for socio-economic development.

BRICS

The acronym, BRICS stands for (Brazil, Russia, India, China and South Africa) and was coined by Jim O'Neill of Goldman Sachs in 2001 as part of an economic modelling exercise to forecast global economic trends over the next half-century. He predicted that by the year 2050, Brazil, Russia, India and China would become bigger than the six most industrialized nations in dollar terms and would completely change the power dynamics of the last 300 years. One of the major achievements of BRICS is the establishment of the New Development Bank (NDB) which has come into existence on 7 July 2015, with the vision of mobilizing resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries. The NDB helps the member countries to raise and avail resources for their infrastructure and sustainable development projects. Contingent Reserve Arrangement is another BRICS initiative that acts as a financial safety instrument for BRICS countries in the event of a financial crisis.

Objectives of BRICS

- ❖ To increase trade co-operation by making an exclusive trade block.
- ❖ To use currency other than US Dollar. Since Dollar is a dominant currency and US can control the flow of dollar, BRICS helps in the countries operating with alternative currencies.
- ❖ To increase regional co-operation.
- ❖ To create a separate trade block made for developing countries for trade co-operation.

Functions of BRICS

1. It acts as a promoter of more legitimate international system and also advocating reform of the UN Security Council.
2. This group of nations is especially meant for South-South framework for cooperation.
3. It performs as an agent to bridge the increasing gap between developed and developing countries. For instance, in the WTO, the BRICS countries are emphasizing to promote a fair order regarding agricultural policies.
4. It performs a commendable contribution for assisting developing countries in gaining in areas such as an advantage in trade and climate change negotiations.
5. It disseminates information and exchange platform beyond economic cooperation.
6. It acts as a catalytic in protecting the interests of middle powers on global forum.

Achievements of BRICS

Following are some of the major achievements of BRICS.

- ❖ The establishment of the Contingent Reserve Arrangement (CRA) has further deepened and consolidated the partnership of its members in the economic-financial area.
- ❖ In the sixth BRICS summit in Brazil, the member countries, signed an agreement to create a development bank (New Development Bank) with headquarters at Shanghai, China in 2015 on the lines of Asian Development Bank and the World Bank.
- ❖ The economic potential and demographic development are putting the BRICS countries, increasingly in a leading position in setting the global agenda and having a greater say in the global governance.
- ❖ It has to be remembered that BRICS share 43% of world population, but only 21% of the global GDP.