



The paradox of the BJP's stance towards external economic liberalisation: why a Hindu nationalist party furthered globalisation in India

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Summary

This paper examines why the Hindu nationalist Bharatiya Janata Party (BJP) campaigned against policies favouring globalisation while in opposition during the early 1990s but aggressively pursued them while in power from 1998-2004. Despite the importance of international pressures and the “centrist pull” of the Indian political system, this paper explores the party’s ideological flexibility. The BJP comprises a pragmatic pro-capitalist wing and an ideological wing opposed to foreign involvement in the economy. As a result, the party employed economic nationalism to energise its activist base while it was in opposition. After winning the election, the pragmatic wing captured power within the party and implemented its agenda, reflecting the views of India’s emerging middle class. The paper concludes by assessing the future of economic reforms under a subsequent BJP government and the internal balance of power within the party.

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Introduction

“Computer chips yes, potato chips no”¹

In the months prior to the 1995 assembly elections in the Indian state of Maharashtra, a coalition comprising of the Hindu nationalist Bharatiya Janata Party (BJP) and its regional ally, Shiv Sena—pledged to overturn a controversial \$2.9bn power project negotiated by the ruling Congress party with Enron, vowing to “throw Enron into the Arabian Sea.”² After winning power, the alliance rejected the contract but renegotiated a new one on terms even less favourable to the Maharashtra state government. The BJP’s 1998 federal election manifesto itself expressed a strong swadeshi (self-reliance) component, causing speculation that the party would end the programme of external economic liberalisation initiated by the Congress government of Narasimha Rao in 1991, and descend into protectionism. To quote:

...the economy of India has come under tremendous pressure because of misguided tariff reductions and an uneven playing field for the Indian industry....It is clear that foreign capital will be only of little value to the national economy, though crucial to some sectors like infrastructure....While the declared agenda [of every nation] is free trade, the undeclared, but actual agenda is economic nationalism. India too must follow its own national agenda. This spirit is Swadeshi.³

In cautious language, the remainder of the document embraces “calibrated globalisation.”⁴ The BJP’s rhetoric appeared to suggest that although internal liberalisation would continue, the state would intervene to protect Indian industry from foreign competition and regulate external influence in the economy.

As an integral part of its Hindu nationalist orientation, the BJP regards itself as the party “with a difference,” rejecting communism and capitalism as “foreign models,” preferring one that is rooted in the country’s indigenous traditions. Yet despite the pre-election rhetoric of swadeshi, external economic liberalisation continued during the BJP’s tenure from 1998-2004. Not only did the BJP fail to modify the policies of its predecessors but it systematically accelerated globalisation.⁵ Why did the BJP pursue policies of external economic liberalisation despite suggestions otherwise? And why did a party with a stated economic nationalist agenda pursue decisively internationalist policies? What can observers expect from a future BJP led administration?

¹ Murli Manohar Joshi, former Indian Minister for Human Resource Development.

² “Power Down: A Major Blow to Rao’s Reform Drive,” [Asiaweek.com](http://www.asiaweek.com/asiaweek/95/0818/nat1.html), 18 August 1995, <http://www.asiaweek.com/asiaweek/95/0818/nat1.html>

³ “Our Swadeshi Approach,” [BJP Election Manifesto](http://www.bjp.org/manifes/chap4.htm), 1998, 2. <http://www.bjp.org/manifes/chap4.htm>

⁴ *Ibid*, 3.

⁵ Several scholars have affirmed this view. See Zoya Hasan, “[Introduction: Conflict Pluralism and the Competitive Party System in India](#),” in Hasan (New Delhi: Oxford University Press, 2002), 18; see also Baldev Raj Nayar, [Globalization and Nationalism: The Changing Balance in India’s Economic Policy, 1950-2000](#) (New Delhi, Sage Publications, 2001).

The argument set forth here is that the BJP is ideologically flexible: swadeshi was designed to appeal to intra-party elements and carve out an electoral space in response to the liberalising agenda of the opposition. This energised activists within the party and brought electoral success.⁶ Upon assuming office, the leadership switched positions to appeal to the middle class, which embraced globalisation.

India's period of liberalisation from 1991 onwards was then far reaching, and reflected a repudiation of the Nehruvian model which advocated state planning, autarchy, government regulation and expenditure alongside the private sector in a mixed economy.

The 1991 financial crisis, triggered by oil price increases and shrinking sources of capital, was exacerbated by the country's fiscal and current account deficits. India nearly defaulted on its foreign loans twice—its reserves being sufficient to pay for less than two weeks worth of imports.⁷ A drastic cut in expenditures, devaluation of the rupee by 20% and an IMF standby loan of \$1.6bn stemmed the crisis.⁸ The government also instituted a structural adjustment program, the New Economic Policy (NEP), which cut tariffs, reduced quantitative restrictions on imports and exports, devalued the rupee and liberalised rules for foreign investments.⁹ Liberalisation slowed as the crisis abated, but it nevertheless continued under the successor United Front government from 1996-1998.

Policy alternatives

With respect to external economic reforms, the BJP had three broad alternatives available when it assumed power in 1998 in the midst of a domestic and international climate more conducive to liberalisation: (1) To “roll-back” reforms; (2) To remain static; (3) To press forward. Table 1 summarises the strengths and weaknesses of adopting each from the BJP's standpoint.

Alternative I could have been implemented as past reforms had been incremental at that point. However, a reversal would have invited an international backlash given increased levels of global economic integration in the 1990s. Assuming that the costs of a full reversal might be unbearably high, it would be prudent to eliminate Alternative I.

Alternative II, a compromise approach, merged closely with the BJP's rhetoric. Moreover, segments of Indian industry had forcefully argued in favour of calibrated globalisation. The government could implement reforms in areas where the process had already begun or it was bound by international treaties and refrain from activity in others. Alternative II was both feasible and politically viable. If one accepts the sincerity of BJP rhetoric, then this approach appears to be the most reasonable of the three paths.

⁶ Economic policy had not yet entered the arena of mass politics, as I will point out; thus the party's gains owed more to activity amongst its organisational wing rather than the electorate's approval of its position.

⁷ Quoted in Nayar, 140.

⁸ Jayati Ghosh, Liberalization Debates, in Byres (New Delhi, Oxford University Press, 1998), 324; Nayar, 141.

⁹ See Frankel, Francine, ed. “A Decade of Economic Reforms: Political Discord and the Second Stage.” Doing Business in India, Center for the Advanced Study of India, University of Pennsylvania, Vol. II, Nos. 1 & 2, Special Issue Fall 1999, 1.

TABLE 1 BJP's Policy alternatives

	Alternative I ("Roll back")	Alternative II ("Remain static")	Alternative III ("Press forward")
Pro	<ul style="list-style-type: none"> ▪ Tenuous nature of reforms ▪ Pleases swadeshi contingent 	<ul style="list-style-type: none"> ▪ Satisfies swadeshi contingent ▪ Conforms to pre-election BJP rhetoric 	<ul style="list-style-type: none"> ▪ Pleases domestic and foreign advocates of globalisation
Con	<ul style="list-style-type: none"> ▪ International backlash 	<ul style="list-style-type: none"> ▪ Lukewarm international response 	<ul style="list-style-type: none"> ▪ Contradicts BJP rhetoric ▪ Upsets swadeshi contingent
Likelihood	Low	High	Medium

Therefore the actual policy followed, Alternative III, appears least likely given the presence of a solid alternative. Though Alternative III pleased globalisation advocates, it contradicted party rhetoric and upset swadeshi's adherents—who were important members of the party.

BJP's reversals

The BJP reversed its positions on several issues after the 1998 election, in particular with the use of the term "swadeshi." Meaning "of one's own country", Swadeshi was popularised in the early years of the freedom struggle by Mahatma Gandhi, who had promoted the use of "khadi," or hand woven cloth rather than imported textiles.¹⁰ It was later appropriated by Hindu nationalists as a guiding philosophy. The BJP initially equated Swadeshi with "calibrated globalisation," but after the elections Finance Minister Yashwant Sinha gave it a different spin:

Now, India must be a powerful economic nation to match its military might, and the only way you can become an economic power is by being able to test your strengths against others. Which means going out into the world and competing—or letting the world come in and compete....I understand swadeshi basically as a concept which will make India great. And India can only be great when we become an economic superpower....We can be great by being able to compete. I think competition is the essence....And therefore, swadeshi, globaliser, and liberaliser are not contradictions in terms. I personally think that globalisation is the best way of being swadeshi.¹¹

¹⁰ The first swadeshi movement took place in late 19th century Bengal on a similar basis but it was Gandhi who took it further, transforming the Congress party into a mass movement in the process.

¹¹ Quoted in Nayar, 252.

Swadeshi, now synonymous with globalisation, was seen as a means of projecting India's strength. As such it was symptomatic of a shift in rhetoric among the party's top leadership and a clear attempt to mask changes in policy as a form of continuity.

The 1998 election manifesto noted that there would be "little room for foreign investment" in the Indian economy and that the BJP would discourage investment in "low-priority" areas, channelling them towards critical sectors (like infrastructure).¹² Once elected, however, the new government failed to designate low priority sectors and even encouraged foreign investment in new areas.

TABLE 2 BJP policy reversals

<i>In opposition</i>	<i>In power</i>
Supported deregulation of the Indian insurance industry but opposed foreign entry	Introduced IRDA Bill in 1998 (passed in 1999) deregulating industry with up to 40% foreign equity
Opposed amending Patent laws to allow for product rather than process patents	Passed Patents Bill (1998) instituting product rather than process patents
Opposed Dunkel Draft of GATT to create WTO	Remained in WTO; Moved aggressively to phase out custom duties and loosen restrictions on imports
Advocated restrictions on FDI in non-priority areas, while channelling it into priority areas (hi-tech, infrastructure)	Failed to designate non-priority areas for FDI, allowed investment in a broad range of industries including liquor and tobacco
Swadeshi is defined as economic nationalism (ensuring a "level playing field" for Indian industry)	Swadeshi is defined as globalisation (competing in the world economy)

Furthermore, while in opposition, the BJP blocked the Insurance Regulatory Authority (IRA) bill in 1997 which sought to privatise the state run insurance industry and invite foreign investment—because it allowed foreign firms to enter the Indian market. Nevertheless, the BJP government twice promoted and eventually passed a bill privatising the insurance industry, allowing up to 40% foreign equity in the newly deregulated market.

In 1995, the BJP campaigned against the Dunkel Draft, which sought to widen the General Agreement for Trade and Tariffs (GATT) and create the World Trade Organisation (WTO). The party also opposed the introduction of product patents in compliance with the WTO's subsequent Agreement on Trade Related Aspects of Intellectual Property Rights, and argued that reduction of customs duties should be conducted on a "case by case basis."¹³ In parliament, the BJP blocked the Patents

¹² BJP Election Manifesto

¹³ Partha S. Ghosh, BJP and the evolution of Hindu nationalism, (New Delhi: Manohar, 2001), 288.

Amendment Act allowing for product rather than process patents. Yet in 1998, the BJP passed the Patents Bill (with support from the opposition Congress party), ushering in the product patents they had opposed and aggressively moved to phase out customs duties. The party also aggressively sought to phase out customs duties according to WTO schedules.

Ideological flexibility

Policy reversals can be potentially costly—particularly in a vibrant democracy like India.¹⁴ Understanding why the BJP switched its position requires an understanding of why it deployed swadeshi in the first place and how it managed to avoid a potential electoral backlash.

Within the BJP, Thomas Hansen and Christophe Jaffrelot distinguish between a pragmatic wing concerned with power and patronage and an ideological wing concerned with ideological purity.¹⁵ The former represents younger and more recent converts who joined out of disaffection with existing parties, or for political gain. Members of the ideological wing are older, have typically emerged from the Rashtriya Swayamsevak Sangh (RSS or Association of National Volunteers) and are more firmly wedded to the ideas of cultural and economic nationalism. It is a split between a “pragmatic pro-capitalist outlook” and an “austere ideologically pure, more socially conscientious” one.¹⁶ It also reflects the two different organisational cultures from which both sides emerge—that of a political party concerned with the capture and exercise of power in the case of the pragmatic wing and a religiously-based social movement in the case of the ideological wing. The pragmatists view economics and culture as existing on two different planes, allowing one to be pursued while relegating the other. The ideologues on the other hand, see them as an integrated whole.

Swadeshi is a protean and nimble philosophy that was used to differentiate the BJP from Congress and connect with public anxiety about the effects of globalisation. Within the BJP, swadeshi reflected the interests of ideologues and neatly dovetailed with Hindutva (“Hinduness”), a form of ethnic and cultural nationalism.

The emphasis on swadeshi was partly a reaction to what the party considered an appropriation of their agenda—given that the BJP and its predecessor, the Jana Sangh, had long opposed state intervention in the economy along Nehruvian lines. The rhetoric was therefore a calculated political move. As P.N. Vijay—Convenor of the BJP’s Economic Cell—notes on the party’s apparent contradictions: “its politics...in many issues, we are a political party...and we want to make life difficult for the opposition.”¹⁷ Jaffrelot points out that swadeshi was also a re-orientation of BJP electoral strategy—

¹⁴ Since 1977 there have been eight different parliaments, and the ruling party has only been returned to office twice. 1977 marked the end of de facto one party rule. See Election Commission of India, Election Statistics: http://www.eci.gov.in/infoeci/key_stat/keystat_fs.htm.

¹⁵ See Thomas Blom Hansen, “Hindutva and Capitalism,” in Hansen and Jaffrelot (New Delhi, Oxford University Press, 2001); Thomas Blom Hansen, *The Saffron Wave*, New Delhi: Oxford, 1999; Christophe Jaffrelot, The Hindu Nationalist Movement and Indian Politics, (London Hurst and Company 1996).

¹⁶ Hansen, *Hindutva and Capitalism*, 306.

¹⁷ Interview with P.N. Vijay.

towards downplaying communal issues and emphasising socio-economic concerns in a populist fashion.¹⁸

As a grassroots movement, the RSS possessed vast networks of support and organisational strength giving it political power. With former RSS workers occupying senior leadership positions within the BJP, RSS channels of influence were strong. Members of the Sangh Parivar (family of Hindu nationalist organisations) were instrumental in the BJP's rise in the 1980s—during a period of increased appeals to Hindutva.¹⁹ Nevertheless, Hindutva had limits of acceptability as witnessed in the reaction to the 1992 Babri Masjid (mosque) demolition.²⁰

The pragmatists needed to have greater control if the party were to govern, hence the choice of Atal Behari Vajpayee (thought of as a moderate) as the BJP's candidate for Prime Minister. Jay Dubashi, BJP economist and a former member of the party's National Executive, notes: "Vajpayee was never a Swadeshi man and everybody knew that he was not a Swadeshi man. Why then did he become prime minister? Because the RSS brass gave in for reasons of their own, reasons that have nothing to do with economic policies."²¹ The BJP had become a political untouchable, as the 1996 elections showed, and that situation could only be remedied by putting the pragmatists front and center, as the public face of the party.²²

Commitment to reforms

Once the party seized power, the pragmatists held greater leverage. With Vajpayee at the helm, the new government continued liberalisation despite its prior stances.

In the first cabinet several pragmatists or pro-reform alliance ministers were appointed to key economic posts. Among these were Industry Minister Sikander Bakht, Power Minister P.R. Kumaramangalam, Housing Minister Ram Jethmalani, and Commerce Minister Ramakrishna Hegde of the Lok Shakti. Similarly, Jaswant Singh was initially nominated as Finance Minister, a move blocked by the RSS because of Singh's pro-liberalisation credentials.²³ Singh was eventually selected as External Affairs Minister and Deputy Chairman of the Planning Commission, where he would shape economic policy in a less prominent role.

¹⁸ See Jaffrelot. As a rejoinder, see also: V. Venkatesan "Winning Without Hindutva," Frontline Magazine, Volume 20 Issue 26, December 20, 2003-January 02, 2004.

¹⁹ See Partha Ghosh, 95.

²⁰ Nationwide rioting ensued and the state's BJP Chief Minister was forced to resign. The Prime Minister also dismissed three other BJP Chief Ministers and the RSS was temporarily banned.

²¹ Jay Dubashi, "BJP's proximity to big business alienates itself from voters," Free Press Journal, April 29, 2002. <http://www.samachar.com/features/290402-fpj.html>

²² The BJP won a plurality but was unable to form a stable government because it was stigmatised as being Hindu nationalist.

²³ Singh had no RSS ties and was once affiliated with the discredited Swatantra (Freedom) party which stood for classical liberalism and was strongly anti-communist. See Stephen Philip Cohen, India: Emerging Power (Washington DC: Brookings Institution Press, 2001).

Yashwant Sinha, who joined the party in the early 1990's and previously served as Finance Minister under a socialist Prime Minister was selected for the post with RSS approval. However, he quickly became a champion of reforms and was frequently criticised by the RSS for his policies.

The first budget—when an imported goods duty was levied and then halved—has been often characterised as “swadeshi.”²⁴ This experience catalysed members of the Prime Minister's office (PMO) and the Planning Commission to lean on Vajpayee to forcefully pursue liberalisation. N.K. Singh and Brajesh Mishra, reform oriented career bureaucrats who had been appointed as Secretary and Principal Secretary in the PMO were instrumental in this regard.

The decision to create two advisory councils—one on economics and the other on trade and industry—comprising individuals favouring liberalisation, signalled the party's intentions clearly. The first council included former Reserve Bank Governor I.G. Patel, Planning Commission member Arjun Sengupta, and former Finance Secretary and Planning Commission member Montek Singh Ahluwalia, who had pressed for reform in the 1990s. Ratan Tata CEO of Tata Enterprises, Mukesh Ambani, head of Reliance, Kumar Mangalam Birla, head of the Birla Group, and N.R. Narayana Murthy of Infosys, who were sympathetic to globalisation were all present on the second council. Absent were ideologues Jay Dubashi and Jagdish Shettigar, and Bajaj Enterprises CEO Rahul Bajaj, an advocate of calibrated globalisation.

With the Cabinet's decision to put forward bills on insurance and patents in 1998, the pragmatists took the upper hand and sidelined the ideologues on matters of economic policy. These moves indicated two critical changes in policy formulation. First, that the locus of decision making had shifted towards the PMO. Second, that pragmatists like Singh would continue to play important roles, despite the objections of ideologues.

Reaction from the ideologues

The pragmatists had to convince Deputy Prime Minister L.K. Advani and Human Resource Development Minister M.M. Joshi—conduits to the ideological wing—in order to win support from the BJP Ministers in the government. Nevertheless, opposition remained in the organisational and parliamentary wings of the party and amongst many in the broader Hindu nationalist movement (the Sangh Parivar), particularly the RSS and its “front organisation”, the Swadeshi Jagran Manch (SJM or National Awakening Forum). Over the course of several months, the government weathered sharply worded resolutions, open criticism from senior leaders in these groups and national workers' strikes in protest of its economics policies.

Vajpayee held firm and at the National Executive Council Meeting in January, party leadership effectively silenced its opposition and closed ranks by passing an economic resolution that expressed appreciation for the government's efforts and “all but disavowed the mindset of economic nationalism.”²⁵ The resolution also endorsed the

²⁴ The mere rollback of the special additional duty makes it difficult to sustain such an argument. See Nayar.

²⁵ Quoted in Nayar, 255.

need for foreign participation in the insurance sector and to amend the patents act “out of obligations assumed under the previous government.”²⁶

Ashutosh Varshney argues external economic liberalisation had not yet entered the discourse of “mass politics” in India, touching only a limited number of people.²⁷ Indian politics has traditionally centred on issues of identity whereas economic questions are only salient when they deal with “bread and butter” concerns.²⁸ Swadeshi energised the party’s base but external economic liberalisation was not enough of an election issue to provoke a reaction from the public at large.

In November 1998, the BJP lost state legislative elections in Madhya Pradesh, Rajasthan and Delhi which some attributed to a rise in onion prices—and anti-incumbency. However, Party President Kushabhau Thakre later suggested that the price increases themselves could not account for the electoral losses and pointed instead to organisational deficiencies and indiscipline, conceding that the party and the RSS cadres had not mobilised their traditional voter base or explained the achievements of the government. Thakre added that if the BJP lost its distinctiveness it would alienate its traditional vote base.²⁹

Appeasing the Sangh

The BJP leadership defused tensions within the Sangh Parivar by relying on the politics of compromise and coalition politics. Strict party discipline silenced the BJP’s own swadeshi contingent. Achin Vanaik comments, “Tensions undeniably exist between the virulent cultural nationalism of the RSS, traditionally associated with protectionism, and the BJP’s current pursuit of neo-liberal objectives. But they are containable, as the two wings of the Sangh operate a tactical division of labour: the BJP does not compromise too much on Hindutva; the RSS restrains itself on the NEP.”³⁰

Further concessions to the ideologues included cabinet seats and lip-service to Hindutva causes. The RSS and other members of the Sangh Parivar were crucial in turning out voters and therefore essential to the party’s electoral strategy. Similarly the RSS—given its political extremism—was limited to engagement with the BJP. Both sides understood that they had few alternatives.

The BJP leadership also skilfully linked economic and cultural nationalism. The chief complaint about external economic liberalisation was that it would entail “selling off” the country. In this regard, the BJP’s decision to test nuclear weapons in May 1998—

²⁶ Frankel, 34.

²⁷ See Ashutosh Varshney, Mass Politics or Elite Politics? India’s Economic Reforms in Comparative Perspective, in Sachs, Varshney and Bajpai, (New Delhi, Oxford University Press, 1999). See also Yogendra Yadav and V.B. Singh, “Maturing of a Democracy,” India Today 15 August, 1996.

²⁸ There is evidence that identity is becoming less important. See Phillip Oldenburg, “The Thirteenth Election of India’s Lok Sabha (House of the People),” Asia Society Publications, September 1999.

http://www.asiasociety.org/publications/indian_elections.13.a.html

²⁹ *Ibid*, 33.

³⁰ Achin Vanaik, “The New Indian Right,” The New Left Review, May-June 2001. http://sacw.insaf.net/2002/achin_NewIndianRight.html

signalling India's arrival as a nuclear power—strengthened the hand of the reform faction. The nuclear explosions were greeted with euphoria within the Sangh Parivar for having displayed Indian power and assured its status in the world. This gave the pragmatists a certain political space to continue reforms. Swapan Dasgupta remarks, “The liberalisation process was accelerated by the blasts...it allowed the government to run roughshod over internal misgivings about liberalisation” for it had now proven its nationalist credentials and could hardly be accused of eroding the country's sovereignty.³¹

Congress' decline and the rise of regional parties meant that coalition politics had become the norm by the 1990s. Slim margins of victory and alliance fluidity meant that these smaller parties had a hand in shaping policy and securing ministerial seats. Eighteen parties made up the ruling alliance in 1998, a year in which there was a clear muting of Hindutva.³² Hindutva's relegation to the back-burner only further strengthened the hand of the pragmatists and enhanced their ability to pursue liberalisation.

Middle class voters

The BJP's growing popularity among the Indian middle class, which sought a reduced role for the state, can be attributed heavily to its stance on liberalisation and decentralisation. Its predecessor, the Jana Sangh, had long been considered a party of the upper-castes. Given the rough correlation of caste with class and income, the party drew its support heavily from the upper end of the socio-economic spectrum. The BJP continued to attract this segment though it also found a constituency among the emerging Indian middle class.

Vernon Hewitt estimates the middle class at 10%, while others place the figure somewhere between 7% and 12%.³³ Pradeep Chhibber clearly demonstrates the connection between this group and the BJP, pointing out that “the electoral success of the BJP hence lay not in mobilising only the ‘religious’ but in its ability to put together a viable coalition between religious Hindus and those disaffected by excessive political intervention in the economy.”³⁴ Members of the middle class were therefore attracted to the BJP because of its economic policies.

The rise of the middle class was a product of the consumption led growth pattern and steps towards deregulation taken by Prime Minister Rajiv Gandhi in the 1980s. The middle class came to believe in modernisation and rapid development and sought wider consumer choice including access to imports.

Jaffrelot observes how the ideas and mindset of this group developed. “Its system of values was based in theory at least—on merit gained through hard work and thus its members showed little concern for the social needs of the lower classes and were

³¹ Interview with Swapan Dasgupta.

³² See Election Commission of India, Election Statistics.

³³ Vernon Hewitt, “A Wolf at the Door? Politics, Ideology, and the BJP's Rise to National Power 1989-99,” Paper for the Political Studies Association-UK 50th Annual Conference London, April, 2000, 7-8.

³⁴ Pradeep Chhibber, “Who Voted for the Bharatiya Janata Party,” British Journal of Political Science, Vol. 27, No. 4 (Oct. 1997), 631.

antagonistic to the principle of reservations...³⁵ Rajni Kothari has also highlighted the affinities which exist between this mentality and Hindu nationalism.

The new elite that has emerged and follows those in command in the global framework no longer tries to keep up the socialist rhetoric but is following the capitalist path. They, in fact, bluntly say that those millions of people who are left out are in fact a drag. They are the source of continuous demand, continuous noise....This includes the poor, the under privileged communities in the ethnic sense, the tribals, the dalits, the former untouchables and it includes the religious minorities.³⁶

The new elite became receptive to appeals by the BJP, which opposed caste-based reservations and “pseudo secularism,” adopting the slogan: “one nation, one culture, one people.” Ironically, though many in this social class were products of the reform process initiated by successive Congress governments, they came to identify these governments with corruption, instability, violence, pampering of minorities and economic failure. It was the BJP’s Hindutva agenda therefore, that differentiated itself from Congress (the BJP’s chief opposition at the federal level) for many in this middle class demographic. A vote for the BJP was seen as a vote for economic decentralisation and for bolstering the country. Hewitt remarks, “India Today noted that these [so-called “saffron clad yuppies”] upwardly mobile young were increasingly impatient with the need to provide extensive anti-poverty, ‘development’ programmes. In the wake of events throughout the 1980s, they became potential supporters of the idea that the minorities ought to be taught a lesson.”³⁷ Fearing marginalisation at home, this group also feared marginalisation abroad. “Explicit in these criticisms was the conviction that the countries of East Asia were prosperous because they had forged powerful and homogenous cultural ‘states’ which had proved supportive of powerful capitalist economies.”³⁸

Thus, the BJP called for calibrated globalisation and stressed internal liberalisation—giving no clear-cut indication that it would reverse economic reforms. In many ways, swadeshi can also be interpreted as a language of power, which appealed to the Indian middle class. This group was a strong base of support for the BJP, which articulated their fears and concerns. Vijay points out, “we are very much influenced by domestic constituencies...by our perception of what the voter wants...In that, we are not different from any other party in the world.”³⁹ Since reforms had not yet entered the realm of mass politics, the party pursued external economic liberalisation while employing other tactics to garner votes among the rest of the population. In this regard, the party was also aided by the strength of its alliances with regional parties.

Systemic factors

Systemic arguments exist in two varieties. The first, “hyperglobalism”, signifies increasing levels of globalisation and heightening interdependence shrink the decision-making capacities of states. Deregulated financial markets and integrated production structures are said to dissipate national boundaries and render national economic

³⁵ Jaffrelot, 432.

³⁶ Ibid.

³⁷ Hewitt, 8.

³⁸ Ibid, 10.

³⁹ Interview with P.N. Vijay.

strategies increasingly anachronistic. Market forces therefore effectively dictated the BJP's hand.

While states may well be retreating in favour of markets stories of its demise in a country which had undergone 40 years of protectionism are probably exaggerated. Some even take issue with the characterisation of liberalisation as a retreat of the state. Jayati Ghosh argues,

There is often a common misconception that liberalisers argue for a reduction in government's control over the economy and can be successful in reducing the economic influence of the state. In reality, what occurs most frequently in liberalising episodes is not an effective reduction in state involvement, but rather a change in its nature, with different groups benefiting or being adversely affected. The 'withdrawal of the state' in economic terms is a chimera; most decontrol is not only very consciously designed to retain the underlying influence of government but also reflects a very conscious and ultimately statist economic policy.⁴⁰

An alternative systemic explanation arises out of the globalisation sceptic approach—which suggests that globalisation simply involves heightened levels of internationalisation. Globalisation sceptics argue that pressure from developed countries, multinational corporations (MNCs) and international financial institutions (IFIs) formed a nexus in favor of the "Washington Consensus" to pressure the BJP.⁴¹

The collapse of the Soviet Union and the demise of the socialist paradigm in favor of free-market liberalism make the globalisation sceptic approach more plausible. India was isolated after its nuclear tests. However, in the absence of an ongoing financial crisis and given its size and the scale of its economy, India was more insulated from external pressure than other developing countries. Moreover, despite a consistent level of pressure throughout the decade, liberalisation had slowed in the mid-1990s as the economy improved. Some also make the point that the sanctions imposed on India were of little significance. Kapur and Mehta underscore this:

Although they [the economic sanctions] had an adverse short-term impact on much needed infrastructure projects, they were soon restored. The sanctions also targeted loans from multilateral lending institutions, but the effects were quite limited....⁴²

The government's success in raising \$4.2bn from expatriate Indians through the Resurgent India Bonds (RIBs) further bolstered the economy in the face of sanctions.

Systemic factors may have constrained the BJP but were not decisive in shaping policy. They appear to suggest a passive country with little control over its economic direction. If

⁴⁰ Jayati Ghosh, 299.

⁴¹ Globalisation sceptics cover a range of scholars from neo-realists to Marxists. See Strange, 6.

⁴² Devesh Kapur and Pratab Bhanu Mehta, "India in 1998: The Travails of Political Fragmentation," Asian Survey, Vol. 39 No.1, A Survey of Asia in 1998 (Jan-Feb., 1999), 169-170

the experience of India over the past fifty years is to serve as a guide, this depiction is far from true.

Centrism

Varshney points out that all parties are ultimately subject to a “centripetal” influence—that the compulsions of governance have served to moderate political behaviour.⁴³ Others have noted that the country’s social diversity and political fragmentation are constraints on policies. Clearly centrism does matter in some fashion. The BJP’s increasing espousal of socio-economic issues during the mid 1990s is evidence of this. Furthermore, alliances were necessary to govern at the federal level and the BJP led coalition was only able to assume power in 1998 after an arrangement with the Telugu Desam Party (TDP) of Andhra Pradesh. TDP leader Chandrababu Naidu himself was a reformer at the state level. The resulting scenario left the BJP somewhat vulnerable to the whims of its allies on certain issues.

Yet the BJP led coalition was also composed of parties like the socialist Samata Party (SAP), whose leader, George Fernandes, was named Defence Minister.⁴⁴ Bound together by the spoils of office, the BJP had a fair range within which to manoeuvre, given the eclectic makeup of the coalition. The TDP lent its support to the party to thwart Congress, its rival in Andhra Pradesh. When the AIADMK (All India Anna Dravida Munnetra Kazhagam) left the coalition and brought down the government, it did so not out of policy differences with the government but because the BJP refused to accede to the demand of AIADMK leader, J. Jayalalitha, to remove the Tamil Nadu Chief Minister, who was pressing corruption charges against her. Economic policy at the federal level was less of a concern to regional allies than other matters. Centrism therefore had little direct impact on liberalisation.

Conclusion

Why did a party known for cultural nationalism carry the mantle of economic nationalism while in opposition, only to later pursue globalisation? The rhetoric of swadeshi was a ploy to energise “the base” while differentiating itself from and obstructing the ruling governments. Once in power, the pragmatists exerted their influence to continue liberalisation and to satisfy the urban middle class. This group harboured a sense of “India’s greatness” and found the BJP’s articulation of power appealing. As this case suggests, nationalism and globalisation are not necessarily opposing forces but sometimes self-reinforcing—in other words nationalism can facilitate movements that give rise to globalisation and in turn feed back onto itself to create stronger national identities.⁴⁵

⁴³ Ashutosh Varshney, “The Self Correcting Mechanisms of Indian Democracy,” Seminar, January 1995. See also Hasan.

⁴⁴ As a Minister for Industry in 1977, Fernandes forced Coke and Pepsi to leave the country.

⁴⁵ Rawi Abdelal has written about how nationalism can further globalisation, in the context of the former Soviet Union. See Rawi Abdelal, [National purpose in the world economy : post-Soviet states in comparative perspective](#), (Ithaca ; London : Cornell University Press), 2001.

Despite the BJP's earlier willingness to play politics with economic policies, its tenure firmly established the party's pro-liberalisation credentials, which will be difficult to erase should it return to power in the near future. A future BJP government can be expected to continue external economic liberalisation, contingent on its coalition allies. However, as the electoral defeats in the 1998 state elections and the 2004 national elections suggest, suppressing Hindutva and continuing liberalisation while relying on the RSS to draw votes is unsustainable. For the foreseeable future, the BJP will need to tone down appeals to Hindutva if it wants to govern, giving pragmatists control of the party's direction. But the pragmatists will have to develop an independent base of support or craft more successful alliances with regional parties if they hope to continue reform and also retain power. In a sense this also speaks to the need for the pragmatists to more effectively communicate the perceived benefits of liberalisation to the public at large, thereby moving globalisation to the arena of mass politics and linking it to poverty alleviation. Absent that, one can expect to see the party caught in an uncomfortable position in the near term: incrementally shifting to the right to shore up its activist base while trying its best to maintain a commitment to globalisation.