

# LPG to G20: The Timeline of India's Economic Reforms Needs Critical Intervention

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It was on 24 July 1991, when former Prime Minister, PV Narasimha Rao, and former Finance Minister, Manmohan Singh introduced the LPG (Liberalisation, Privatisation, Globalisation) Reforms in India. The LPG Reforms were hailed for ushering in a New Economic Policy for the Indian economy that aimed to globalise India's presence in the world and present the opportunity for economic openness for greater integration with the rest of the world.

The Reforms were albeit passed in response to a crisis of balance of payments that was gripping India at the time. However, what followed, was a new era of economic growth of Indian services – presenting an economic opportunity for a rising, urban middle class across India.

There were surely issues with how this 'new' growth was distributed across amidst rising economic inequality across the country, still, it's very happening after decades of weak, restrained economic action, and poor capital-trade mobility, which was widely celebrated by the West.

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## Positive Outcomes of G20 Summit but Only Good on Paper?

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In terms of hype alone, last week's curtains on the culmination of India's G20 Presidency, representing the nation's 'big coming out party' may somewhere be positioned in significance with India's 1991 LPG moment and announced entry to the world – however, the future consequence of this, and the takeaways drawn from the summit warrant scrutiny at this point, as there remains a lot to be seen on how India takes its course ahead from here.

One can say this while being conscious of the different underlying contexts of both these critical moments in India's contemporary economic history, which are also significant in India's foreign policy outreach and its domestic political economy landscape, which remains deeply under observance by the rest of the world now perhaps, more than ever before.

Some of the good takeaways from the G20 summit need particular mention.

India's ability to forge a consensus on a joint declaration deserves all praise – it is truly a diplomatic triumph given how broken, multipolar, the geo-economic/political scenario has been at the moment. The inclusion of the 55-nation African Union's second regional bloc after the European Union to join the G20 during India's Presidency remains vital to India's 'Global South' representative status and for locating the agency voice of the Global South in the global multilateral framework.

Also, the nature of consensus arrived on reforms to the Multilateral Development Banks, promoting digital public infrastructure, financial inclusion, and restructuring of loans of stressed countries such as Sri Lanka, were some other highlights from the Summit.

Further, the announcement of the Global Biofuel Alliance (GBA), whereby, the alliance will “promote demand for biofuels and technology transfer for producing biofuels” – is great news for India's clean energy push. And, the establishment of the multimodal India-Middle East-Europe Economic Corridor (IMEC) is good news for countries willing to expand their economic integrative capabilities and connectivity with India.

So, a lot was achieved, with 'ink on paper' forward-looking agreements vital to India's expansive global interests.

However, as mentioned earlier, the domestic political economy context in which the Summit happened in India risen tented sheets of hiding urban slums across Delhi roads, from a moment of time in history when the LPG reforms were passed- also opening India's investment frontiers to the world are substantive qualitative and quantitative differences, then and now.

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## **Mapping Change Impacting Growth**

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The nation's domestic environment now is a lot more polarised amidst the targeted persecution of minorities across India; socially incohesive; and economically fragile – even though India's growth numbers don't appear to say so than before.

It is true that before the LPG reforms were passed, India's economic scenario was weak with macroeconomic fundamentals signalling a crisis, however, its democratic fundamentals, independence of the parliamentary system, and a rights-based constitutional order remained intact which provided a strong foundation for growth.

Also, a pivot towards Asia now by world powers (US-EU) reflects a startling shift in the priorities attributed towards developing countries that didn't seem possible back in the early 90s.

Notwithstanding the shifts in global power politics between then and now, there is also a need to understand how, for channelising instruments of economic integration, domestic pre-requisites of realised social cohesion; a safeguarded rights-based constitutional order, ensured by the separation of powers with independent functioning of the legislative, executive, and judiciary, remains a must. India can hardly compromise on these criteria if it is serious about playing a more important role in a complex, multipolar world.

The West's more accommodative position on several contested issues –when it comes to India's position on the Ukraine-Russia war, human rights, minority issues, and freedom of the press in India, is explained by their greater contempt for an authoritarian China under Xi, than say, a need for developing bonhomie with India for what it is.

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## West's Diplomacy Is a Notch Higher

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Yes, on this, the Indian strategic base and the core diplomatic circle were correct to see this as 'India's moment' to assert its position and shine from a well-organised summit, but it will be buffoonish to think in the path ahead from here, that any loss in the legitimate credibility of India's democratic fundamentals, and socially inclusive core will be accepted (by the West and others) in the way it reaches out – or continues to do business with the world.

As Pankaj Mishra recently [pointed out](#),

“Those hoping to recruit Modi's Bharat as a Western ally should consider the plain historical fact that, as the scholar Nirad Chaudhuri wrote in 1954, the most ineradicable aspect of Hindu nationalism is “xenophobia, both personal and ideological.” The sentiment may be muted “when and where the military and political strength of the foreigner” is overwhelming but nevertheless thrives on an “incessant campaign of slander and denigration. Certainly, neither of the two main commonplaces about the world's most populous nation — that it is a rising, vibrant democracy or that it is descending into authoritarianism — will seem adequate in the treacherous months and years ahead. More historically grounded analyses will be needed as yet another batch of reactionary modernists rises in the east.”

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## Global Backing of the G20 Summit Is Not Without Vested Interest

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Also, a greater openness shown by the United States towards the priorities of the Global South and flexibility on the war language comes as China is gaining influence in the BRICS forum, an expanding grouping of strategically important actors like Brazil, Russia, India, China and South Africa which excludes Washington.

It is easier to guess that American interests wouldn't have aligned with the likelihood of a failed G20 summit, which would have given the Chinese a win at India's expense. The US and the rest, therefore, are happy to put their weight of confidence behind India for the time being.

India's domestic economic fragility is also a serious concern for its future ability to expand infra-based regional/international connectivity and trade capacity.

While post 1991, Indian economy saw high growth, a service-sector led expansion, accompanied with a higher employment rate and an urban-focused growth model with a swelling middle class, what we are experiencing now is, perhaps, the opposite.

Growth is weak, debt is high, fiscal deficit is widening when private investment levels remain low, potential of the service sector remains the key but the Modi government keeps pushing for a struggling manufacturing sector-led growth model (yielding mixed results), and the macro-employment rate remains poor, given the demographic potential India has.

These are all issues that the government needs to more urgently acknowledge and fix rather than put a green tent to hide its existence for pretentious reasons. Else, all chest-thumping and rhetorical pitches will fog and cloak India's actual economic-potential.

*(Deepanshu Mohan is Professor of Economics and Director, Centre for New Economics Studies (CNES), Jindal School of Liberal Arts and Humanities, O.P. Jindal Global University. This is an opinion piece and the views expressed are the authors' own. The Quint neither endorses nor is responsible for them.)*

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