

# INDIA

## The Next Superpower?





#### **IDEAS Reports Editor**

Dr Nicholas Kitchen

#### **Assistant Editor**

Dr Akhila Yechury

Email: [IDEAS.reports@lse.ac.uk](mailto:IDEAS.reports@lse.ac.uk)

Phone: +44 (0)20 7849 4918

Fax: +44 (0)20 7 955 6514

#### **Creative Director**

Indira Endaya

#### **Cover image**

[istockphoto.com](https://www.istockphoto.com)

IDEAS Special Reports are unique one-off research products that harness LSE's academic expertise to present in-depth analyses of issues of fundamental international importance. Special Reports can be commissioned on request.

LSE IDEAS is a centre for the study of international affairs, diplomacy and grand strategy. Its mission is to use LSE's vast intellectual resources to help train skilled and open-minded leaders and to study international affairs through world-class scholarship and engagement with practitioners and decision-makers. As its name implies, IDEAS aims at understanding how today's world came into being and how it may be changed, in line with LSE's old motto: *rerum cognoscere causas* - to understand the causes of things.

# Contents

SR010 March 2012

<b>Contributors</b>	<b>2</b>
<b>Executive Summary</b> Nicholas Kitchen, Editor, IDEAS Reports	<b>4</b>
<b>Will India Become a Superpower?</b> Ramachandra Guha	<b>6</b>
<b>The Untold Story of India's Economy</b> D. Rajeev Sibal	<b>17</b>
<b>The Military Dimensions of India's Rise</b> Iskander Rehman	<b>23</b>
<b>India's Soft Power: From Potential to Reality?</b> Nicolas Blarel	<b>28</b>
<b>India's National Interests and Diplomatic Activism: Towards Global Leadership?</b> Oliver Stuenkel	<b>34</b>
<b>Globalisation, Society and Inequalities</b> Harish Wankhede	<b>39</b>
<b>Democracy</b> Mukulika Banerjee	<b>45</b>
<b>Corruption in India</b> Andrew Sanchez	<b>50</b>
<b>Managing the Environment: A Growing Problem for a Growing Power</b> Sandeep Sengupta	<b>54</b>

# ➤ Contributors

**MUKULIKA BANERJEE** is Reader in Social Anthropology at the London School of Economics. She is the author of *The Pathan Unarmed* (2000), *Why India Votes* (Routledge forthcoming) and co-author of *The Sari* (2003). Her monograph *Democracy: An Ethnographic Approach* is currently under preparation.

---

**NICOLAS BLAREL** is a PhD candidate at the Department of Political Science at Indiana University, Bloomington and has contributed a chapter on *Indo-Israeli relations* in Sumit Ganguly (ed.), *India's Foreign Policy: Retrospect and Prospect* (New Delhi: Oxford University Press, 2010).

---

**RAMACHANDRA GUHA** is the Philippe Roman Chair in History and International Affairs at LSE IDEAS. His books include *A Corner of a Foreign Field* (2002) an award-winning social history of cricket, and *India after Gandhi* (2007), which was chosen as a book of the year by the *Economist*, the *Washington Post* and the *Wall Street Journal*.

---

**ANDREW SANCHEZ** is a teaching fellow in Anthropology at LSE, where he earned his PhD in 2009. His current research focuses on trade union corruption and organised crime in the Indian industrial city of Jamshedpur. In summer 2012, he will join the University of Oxford for an international collaborative study of the criminalisation of politics in India, Pakistan and Bangladesh.

---

**SANDEEP SENGUPTA** is a doctoral candidate in International Relations at Oxford University. He has previously worked as an environmental professional for over eight years, both within and outside the government in India and in international organisations abroad.

---

**D. RAJEEV SIBAL** is a PhD candidate at the LSE. He spent 2011-2 as a visiting scholar in Brazil and India. Rajeev also works as a strategy consultant for Fenrix Ltd and was previously in investment banking at Citi. He has Bachelors degrees in Engineering, Economics, and International Affairs from Georgia Tech.

---

**OLIVER STUENKEL** is an Assistant Professor of International Relations at the Getúlio Vargas Foundation (FGV) in São Paulo, where he coordinates the São Paulo branch of the School of History and Social Science (CPDOC), the International Relations minor at undergraduate level and the executive program in International Relations. His research focuses on rising powers; specifically on Brazil's, India's and China's foreign policy and on their impact on global governance.

---

**HARISH S. WANKHEDE** is assistant professor of Political Science at the Ram Lal Anand College, Delhi University. He presents his views by interconnecting certain approaches and themes of social science mainly justice, social identity questions and politics of recognition and redistribution.

---

➤ **India:  
The Next  
Superpower?**

# ➤ Executive Summary

Nicholas Kitchen, Editor, IDEAS Reports

When Hillary Clinton visited India in 2009, the US Secretary of State's verdict was unequivocal: 'I consider India not just a regional power, but a global power.' Eight years earlier, on the back of economic liberalisation in the 1990s, India had been included among the 'BRICs' – those developing nations whose economic potential was expected to take them to the heights of the world economy. Since the turn of the century, India's economy has surpassed those predictions, expanding fourfold in the course of a decade. Over the same time, expectations that India might increasingly define its political interests to match its economic clout have in turn grown, particularly in a West that sees in India's democratic heritage the potential for strategic partnership. Indeed, for some Indian newspapers the question of India's rise is essentially settled; all that is left to consider is what kind of superpower India wants to become.

India's rise has certainly been impressive, and warrants the attention that it has commanded. India has been one of the world's best-performing economies for a quarter of a century, lifting millions out of poverty and becoming the world's third-largest economy in PPP terms. India has tripled its defence expenditure over the last decade to become one of the top-ten military spenders. And in stark contrast to Asia's other billion-person emerging power, India has simultaneously cultivated an attractive global image of social and cultural dynamism.

India's rise in geostrategic terms is rendered all the more significant since its power resides at the confluence of the United States' two great hegemonic challenges: counter-terrorism operations in Afghanistan and Pakistan, and the management of China's growing regional assertiveness. If India's proud nonalignment during the Cold War had given it a leadership role in the developing world, its 21<sup>st</sup> century position places it at the heart of superpower geopolitics. Barack Obama's enthusiastic endorsement of a permanent UN security council seat for India, as part of making the US-India relationship 'a defining partnership of the century ahead', speaks volumes for the global importance of how India defines its foreign policy.

Still, for all India's success, its undoubted importance and despite its undisputed potential, there is cause for caution in assessing India's claim to superpower status. India still faces major developmental challenges. The still-entrenched divisions of caste structure are being compounded by the emergence of new inequalities of wealth stemming from India's economic success. India's democracy may have thrived in a manner that few ever expected, but its institutions face profound challenges from embedded nepotism and corruption. India's economic success continues to come with an environmental cost that is unsustainable.

Moreover, India has pressing security preoccupations. Domestically, insurgent violence affects large parts of India, creating risks and imposing additional costs on investment and economic development. Longstanding disputes necessitate that India focus its security concerns on its immediate borders and near-abroad, stymying efforts to define its strategic interests in a broader regional or global context. India's military capabilities, though growing, reflect the consequentially narrow bureaucratic concerns which India's institutional structures struggle to transcend.

India will continue to play a constructive international role in, among other things, the financial diplomacy of the G20, and it certainly has a soft-power story to tell as a model of liberal political and economic development. Perhaps even more significantly, the cultural impact of Indian cuisine, literature, films, music and sporting events will increasingly be felt globally through and beyond India's vast diaspora. Yet the hopes of those in the West who would build up India as a democratic counterweight to Chinese superpower are unlikely to be realised anytime soon. As LSE IDEAS' Philippe Roman Chair Ramachandra Guha argues here, it is doubtful whether India should seek to become a superpower. The bright lights of great power diplomacy may serve only to distract from the pressing requirements of India's domestic development, which to date has neither locked in its successes nor laid out a sustainable path for the future.

This report forms part of an LSE IDEAS' series on the topic of Power Shifts. In some senses, power shifts are axiomatic: they reflect the direction of wealth, status and capabilities. Yet in other respects power is a matter of national politics, of how countries seek to define their identity and how expansively they articulate their interests in the world. Whether India will be willing or able to resist the calling of superpower status remains to be seen. The United States, in particular, is placing India at the very heart of its strategic reorientation – and with it, the orientation of the rest of the world – towards Asia. India's importance for others will undoubtedly create the temptation to play the superpower role; detached and considered judgment should counsel India to regard such entreaties with due caution. ■

# ➤ Will India Become a Superpower?

Ramachandra Guha

**More than sixty years ago, in the summer of 1948, the Indian nation, then newly-born, was struggling for its very survival. It was pierced from the left by the Communists, and pinched from the right by Hindu extremists. And there were other problems aplenty. Eight million refugees had to be resettled; provided with land, homes, employment and a sense of citizenship. Five hundred princely states had to be integrated, one by one, a process that involved much massaging of egos (for the Maharajas tended to think very highly of themselves), and just a little coercion.**

Few Indians now alive know how uncertain our future looked in the summer of 1948. The question then being asked everywhere was 'Will India Survive?'. Now, sixty-four years down the road, that fearful query has been replaced by a far more hopeful one, namely, 'Will India Become a Superpower?'.

This new, anticipatory, expectant question has been prompted by the extraordinary resilience, in the long term, of India's democratic institutions. When the first General Elections were held, in 1952, they were dubbed the 'Biggest Gamble in History'. Never before had universal adult franchise been tried in a poor, divided, and largely illiterate society. Evidently, it is a gamble that has worked. The country has successfully held fifteen General Elections to the national Parliament, as well as countless polls to different state assemblies. Rates of voter participation are often higher than in Western democracies. And after what happened in Florida in 2000, we can add that the conduct of polls is at least as fair.

Back in 1948, doubts were also being cast about the Indian experiment with nationhood. Never before had a new nation not based its unity on a single language, religion, or common enemy. As an inclusive, plural, and non-adversarial model of nationalism, the idea of India had no precedent or imitator.

In the words of the political theorist Sunil Khilnani, India has been 'a substantial bridgehead of effervescent liberty on the Asian continent'. As such, it inspires hope that the largely poor, still divided, and formerly colonised countries of Africa and the Middle East can likewise move towards a more democratic political system. Meanwhile, through its collective co-existence of different faiths, languages, cultures, and cuisines, India is a better model for world governance than more homogeneous countries such as China, Japan, or the United States. Once, the heterogeneity of India was seen as its greatest flaw; now, it may justly be celebrated as its greatest strength.

India was not expected to survive as a democracy nor hold together as a single nation; but it has. These manifest successes, achieved against the odds and against the logic of human history, have compelled worldwide admiration. If calls are now being heard that India must be made a Permanent Member of the Security Council of the United Nations, then these demands are not just legitimate, but also overdue. It is India's long-term record as a stable, multicultural democracy that lies behind its claims for a place at the High Table of Global Affairs. But if politics were all, then we would not be asking whether India will become a superpower. That question is prompted also by the spectacular success, in the short-term, of the Indian economy, the impressive growth rates of the past decade, the entrepreneurial drive manifest in such crucial, cutting-edge sectors such as information technology, and the creation of an ever larger and ever more confident middle class.



Superficially, India seems to have travelled a long way from the summer of 1948. Now – despite the dissensions in the borderlands, in Kashmir and the north-east – it is clear that India is and will be a single country, whose leaders shall be chosen by (and also replaced by) its people. Indians no longer fear for our existence as a sovereign nation or as a functioning democracy. What we hope for instead is a gradual enhancement of our material and political powers, and the acknowledgement of our nation as one of the most powerful and respected on earth.

But, the more things appear to change, the more they are actually the same. For today, the Indian state once more faces a challenge from left-wing extremism. The Prime Minister of India, Dr Manmohan Singh, has identified the Communist Party of India (Maoist), known more familiarly as the Naxalites, as the ‘greatest internal security threat’ facing the nation. The Home Ministry lists more than 150 districts as being ‘Naxalite affected’. This is an exaggeration, for with even one single, stray incident, a State Government is moved to get a district listed under that category, so as to garner more funds from the Central treasury. Still, the Naxalites do have a considerable presence in some forty or fifty districts spread out over the central and eastern parts of the country. Their greatest gains have been among tribal communities treated with contempt and condescension by the Indian state and by the formal processes of Indian democracy.

The conventional wisdom is that the erstwhile Untouchables, or Dalits, are the social group who are most victimised in India. In fact, the tribals fare even worse. In a recent book, the demographer Arun Maharatna compared the life chances of an average Dalit with that of an average tribal. On all counts the tribals were found to be more disadvantaged. As many as 41.5 percent of Dalits live below the official poverty line; however, the proportion of poor tribal households is even higher, at 49.5 percent. One-in-six Dalits have no access to doctors or health clinics; as many as one-in-four tribals suffer from the same disability.

In 2006, I visited the districts of Dantewara and Bastar in the state of Chhattisgarh. Here a civil war was under way between the Naxalites and a vigilante group promoted by the State Government. The revolutionaries identify with the tribals in the short-term, fighting for better wages for forest work and against their harassment by petty officials. Their long-term goal, however, is the capture of political power by armed struggle. In this the tribals are merely as a stepping-stone, or, one might say, cannon fodder. The Maoists use violence regularly and recklessly. Policemen are slaughtered in their police stations; civilians killed by land mines set off on main roads. Their treatment of dissenters is especially savage; these are tried in ‘peoples courts’ and then sentenced to amputation or death.

When I was in Bastar, the Nepali Maoists had just declared a cease-fire. Their leader, Prachanda, had gone so far as to say that multi-party democracy was the political system most suited to the twenty-first century. I put it to a Naxalite ideologue we met that perhaps they could think of emulating their Nepali comrades. He was contemptuous of the suggestion. He insisted that in India bourgeois democracy was a sham; here, the state had to be overthrown through the use of force.

Tragically, the vicious and violent methods of the Maoists have been reproduced by the State Government of Chhattisgarh. They set up a vigilante army called ‘Salwa Judum’, composed of tribal youths equipped with rifles. Bands of vigilantes roamed the Bastar countryside accompanied by the police and paramilitary, in search of Naxalite sympathisers, alleged or real. They attacked dozens of villages and burnt hundreds of homes. They killed many innocent people and terrorised many others and in the process greatly increased the level of violence in Dantewara. Villagers were forced to choose one side or the other. Those who hesitated to join the vigilantes were savagely set upon. The Salwa Judum and the State Government between them forcibly uprooted some 50,000 villagers and put them in camps along the main roads.

An atmosphere of fear and terror pervaded the district. Families, clans, tribes and villages were divided by the civil war. The majority of villagers were not interested in this fight at all. They were dragged into it by the Maoists on the one side and the Salwa Judum on the other.

Salwa Judum is a model of how not to fight left-wing extremism. The menace of Naxalism can be tamed and tackled in two ways: by prompt and efficient policing, and by providing the tribals a greater share in political power and in the fruits of economic development. Unhappily, even tragically, the tribals have become the main victims of economic globalisation. In the days when the state occupied the commanding heights of the Indian economy, these *Adivasis* lost their lands and livelihoods to hydroelectric power plants and commercial forestry schemes. Now, they lose their lands and livelihoods to mining projects which excavate the vast amounts of iron ore and bauxite found on or under land the tribals live on, but whose ownership (or rights of disposal) are claimed by the state. Non-tribal politicians hand over these resources to large firms, foreign and Indian, in exchange for a share of the proceeds. All that the tribals get, in exchange, is dispossession.

In naming themselves after Mao Zedong, the Naxalites hope to do in this country what that Chinese revolutionary accomplished in his – that is to say, to build a single-party dictatorship that calls itself, in Orwellian fashion, a 'Peoples Democracy'. This dream is a fantasy, but, since the Maoists are determined to play it out, a bloody war of attrition lies ahead. The Indian state will neither be able to easily recapture the hearts and minds of the *Adivasi*, nor authoritatively reassert its control in the territories where the extremists are now active. At the same time, if the Maoists try to move into the open country, they will be mowed down by the Indian Army. But in the hills and forests of central India, the conflict will persist, without any side claiming a decisive victory. In the next decade, thousands of lives will be lost, some of policemen, others of Naxalites, the majority perhaps of *Adivasis* caught in the cross-fire.

There is then this serious threat posed by left-wing Communist extremism. And – as in 1948 – there is also a serious threat offered by right-wing religious fundamentalism. However, while the Maoists are implacably opposed to the Indian Constitution, the religious bigots work within the democratic process, seeking to divert and distort it. Their ideology, known as 'Hindutva', argues for the construction of a Hindu theocratic state in India.

The threat to India from religious bigotry was at its most intense from about 1989 to about 2004. The campaign to construct a Ram temple in the northern town of Ayodhya brought together a large number of believers spread across the country, by no means representing the majority of Hindu public opinion, but still large enough to provoke a series of communal riots (in which the main victims were Muslims), and to bring the Bharatiya Janata Party (BJP) to power in many States and, eventually, in the Centre.

Back in 1968, the scholar-statesman C. Rajagopalachari observed that the Jana Sangh (the predecessor of today's BJP) was a party which 'has quite a few good leaders'. Then he added: 'What is needed however is a broadmindedness that not just practices toleration but looks upon Mussalmans, Christians, Parsis and others as politically and culturally as good as Hindus'. Four decades later, Indians still wait for that broadening of Hindutva minds. Perhaps the wait has been in vain. For in its origins and core beliefs, the BJP and its sister organisations, such as the Rashtriya Swayamsewak Sangh (RSS), are motivated by values and ideals that are antithetical to those of modern, secular, liberal democracy.

Some commentators use the term 'Hindu nationalists' to characterise the members and leaders of the BJP and RSS. It is a label that we must reject. How can they be called 'nationalists' when they would withhold full citizenship from those Indians who are Muslims or Christians or Parsis or atheists? The correct characterisation of their ideology, therefore, is 'Hindu chauvinist'.

That the politics of the BJP and RSS is exclusive and divisive has been demonstrated in the hundreds of reports published by civil liberties groups, extending over four decades and covering at least a dozen states, that document their hand in communal riots big and small. Although they work within the Indian Constitution they are, in effect, as opposed to its underlying ideals as are the Maoists.

To be fair, there are also other kinds of religious fundamentalisms lurking around in India. Some Christian and Muslim groups in India are as convinced of their theological superiority, as sure of their victory at the altar of history, as any bigot of the RSS. There is, indeed, a reassertion of religious orthodoxy in all faiths in modern India – among Muslims and Christians as well as Sikhs and Hindus (and even, as it happens, among Jains). It is the illiberal tendencies in all these religions that, at the present juncture, are in the ascendant. But simply by virtue of numbers – Hindus are, after all, more than 80 percent of India's population – and their much wider political influence, Hindu bigotry is indisputably the most dangerous of them all.

#### IV

The political history of the modern world can be written in terms of a three-way contest. On the left, there are varieties of socialist or communist extremism. On the right, there are varieties of national or religious fanaticism. Placed in the middle are the forces of liberal, constitutional democracy. When the centre is fragile, as in Russia in 1917 or in Germany in 1933, one or other form of extremism will triumph. When the centre is resolute, as in India in 1948, liberal democracy can consolidate itself.

Indians less than seventy years of age – that is to say, ninety-eight Indians out of one hundred – are insufficiently aware of, and possibly insufficiently grateful to, the great democrats and patriots who, back in the late 1940s, successfully stood their ground against the challenges of revolutionary communism and religious fundamentalism. Nehru, Patel, Ambedkar, Rajagopalachari, Kamaladevi Chattopadhyay, and others, working together, made sure that the Centre held, that the princely states were integrated, that the refugees were resettled, that the Hindu extremists and the Communist insurrectionists were tamed and

conquered. They united a diverse and fragmented country, and then gave it a democratic, plural, federal, and republican Constitution.

Who, now, are the Indians who shall hold the Centre against the challenges from left and right? Here lies a fundamental difference between the India of 1948 and the India of today. Then, the Government was run by men and women of proven intelligence and integrity, who were deeply committed to the values and procedures of democracy. Now, the Government of India is run by men and women of limited intelligence and dubious integrity, who know little about and care less for the ideals on which the Republic was founded.

The current state of Indian politics is exemplified above all by the state of the Indian National Congress, which was once the vehicle of a great, countrywide, freedom struggle, but is now merely a vehicle for the ambitions of a single family. In the 1970s, Mrs Indira Gandhi destroyed the Congress organisation. Her successors have since rid the party of any vestiges of liberal or progressive thought. The terms that came to mind in characterising an earlier generation of Congress leaders were: patriotic, efficient, social democratic, incorruptible. The terms that come to mind now are: selfish, nepotistic, sycophantic, on the make.

However, the decline and degradation of the Congress is symptomatic of the decline and degradation of public life in general. Other, lesser, parties have taken inspiration from the Congress and converted their parties into family firms. These include the DMK in Tamil Nadu, the Shiv Sena in Maharashtra, the Akali Dal in Punjab, and the Samajwadi Party in Uttar Pradesh, all of which are controlled by a single family, with the leadership passing from father to son.

In the year 1948 or thereabouts, it was not just the politicians who were patriotic and incorruptible – the civil servants were, too. Without the work, for example, of Sardar Tarlok Singh in resettling refugees, or of Sukumar Sen in organising our first, definitive, General Elections, or of V. P. Menon in integrating the princely states, there would be no India, still less a united and democratic one. The example they set was carried forward down the line – much as the example set by Nehru and company

was deepened by provincial Congress leaders, most of whom were likewise capable and efficient. Now, however, unelected officials at times surpass elected politicians in the scale and ambition of their corruption.

Today, the Centre is corrupt, corroded. Fortunately, the sense of Indian nation-hood cultivated over sixty decades has struck deep roots. India is not about to become a Hindu state. Nor is India about to become a one-party Maoist regime either. It is striking that the Naxalites have tried hard, but wholly without success, to impose a poll boycott in areas where they have influence. The habit, once acquired, of voting freely to choose one's representatives is impossible to shake off.

India remains a single nation. It continues to hold regular elections, permit the free movement of citizens, and encourage a moderately free press. But with a corrupt and corroded Centre, Indian democracy will not be able to win an authoritative victory over extremists of left or right.

The decline in the quality and capability of our politicians and public officials has been compensated, in part, by the rise of a vigorous and very active civil society. Back in the 1950s, there were a few dedicated social workers working in the Gandhian tradition, such as Thakurdas Bang, Baba Amte, Mridula Sarabhai, and Kamaladevi Chattopadhyay. At that time however, hopes for reform and uplift were mostly entrusted to the state.

By the early 1970s, it became clear that the state was unwilling or unable to take on these larger responsibilities. In 1972, a Gujarati woman named Ela Bhatt started the Self-Employed Women's Association. The next year a Garhwali man of peasant extraction who shared her surname started the Chipko movement. These two Bhattas, Ela and Chandi Prasad, were in the vanguard of a much larger wave of voluntary action on behalf of the poor and marginalised of India. Through the 1970s and 1980s, hundreds of citizens' groups came into being, which sought to open schools and clinics for the rural and urban poor; to run co-operatives for farmers and craftspeople; to plant trees, revive village water tanks, and otherwise restore a ravaged environment.

Admittedly, many Indian NGOs are mere paper entities; many others, vehicles for personal aggrandisement or enrichment. That said, the flowering of so many good, committed, focused, civil society initiatives has contributed immensely to the nurturing of a democratic ethos in India. The space vacated by the state has at least been partially filled by individuals and groups motivated by a fine kind of disinterested idealism.

## V

The brutal side to globalisation is manifested in the intensification of mining operations. But there is also a benign side to globalisation. In the tribal districts of Orissa, the opening of the Indian economy has encouraged short-term speculation via forms of resource extraction that are socially damaging as well as environmentally polluting. On the other hand, in cities with a skilled work force, such as Bangalore or Hyderabad, economic liberalisation has generated a huge amount of wealth through the provision of high-end, high-value services such as software and biotechnology. The proceeds from mining go to a privileged few; the proceeds from service industries to very many more. At the same time, the software boom has generated a new wave of philanthropy, with the promoters of companies like WIPRO and INFOSYS contributing handsomely to NGOs working on enhancing the quality and reach of education and health care in rural India.

For too long the creative energies of the Indian entrepreneur was suppressed by what C. Rajagopalachari memorably called the 'license-permit-quota-raj'. In the early years of independence, Indian industry perhaps needed protection – it certainly demanded it. The Bombay Plan of 1944, endorsed by G. D. Birla and J. R. D. Tata among others, asked both for curbs on foreign investment and for an enhanced role for the state. India had once been colonised by a Western multinational corporation – having, at last, gained its freedom, it intended to keep it. At the same time, Indian capitalists lacked the capital and knowhow to invest in sectors such as steel, power, roads, and ports. They were thus content to focus on the manufacture and distribution of consumer goods, leaving capital goods and infrastructure to the state.

The time to liberalise the Indian economy was the late 1960s. A manufacturing base was now in place; so, too, was a steady supply of skilled technicians and engineering graduates. However, for reasons of political expediency, the Prime Minister of the day, Mrs Indira Gandhi, chose instead to strengthen the stranglehold of the state over the economy. Key sectors such as coal and petroleum were nationalised. The licensing procedure in sectors still open to the private sector was at once made more arbitrary and more stringent. Those industrialists who knew how to massage political egos or hand over bribes had an advantage over those who trusted their entrepreneurial abilities alone.

The 1970s was verily the lost decade, in a political as well as economic sense (this was also the decade of the Emergency, of the nurturing of committed judges and bureaucrats, and, on the non-Congress side, of the elevation of street protest over the procedures of democratic deliberation). Government policies became somewhat more business-friendly in the 1980s; and, at last, more market-friendly in the 1990s. The surge in economic growth is a direct consequence of this greater (if also greatly belated) trust placed in the capabilities of the Indian entrepreneur. Along with software, other sectors such as telecommunications, pharmaceuticals, motorised vehicles and air transport have also made impressive strides in recent years.

The growth in investment and productive capacity has generated many jobs, and, through them, a substantial and rapidly expanding middle class. The term 'middle class' is very elastic, of course. Defined more capaciously, it may embrace some 200 million Indians; defined more rigorously, perhaps half that number. At any rate, there has been a distinct embourgeoisement of Indian society, with millions of previously working-class families now qualifying as belonging to the middle class.

There remain, of course, very many more Indians who still count as poor. Here, again, the estimates vary widely – roughly 300 million if one goes by official figures, perhaps twice that number if one adopts more stringent criteria. There are thus two nations, living side by side. In the words of Amartya Sen, the first India lives a lot

like California, the second (and more populous) India a lot like sub-Saharan Africa.

Marxist ideologues claim that one is the consequence of the other – that many Indians have recently become prosperous only because many other Indians are still poor. This is a gross simplification. A more nuanced, and more accurate, way to understand these differences in income and status is to interpret them through the lens of culture and geography. A certain kind of Indian, with a certain kind of social or caste background, living in a certain kind of concentrated settlement, and in certain states of India, is likely to be better off than Indians of other social backgrounds and other residential locations in other states.

One consequence of market-led economic growth shall be to accentuate these differences. Since upper castes tend to have higher levels of education and greater mobility across India, they are likely to garner the most profitable jobs. Since well-developed regions have a reputation for being rich in skills and open to innovation, the bigger investors will flock to them. Since cities have more resources and better infrastructure than small towns and villages, they will continue to get the bulk of new investment. In this manner, the already substantial gap between Bangalore and rural Karnataka, south India and eastern India, city-dwellers and country-folk, will grow even larger.

These inequalities of income and status are made more striking by their magnification by the media, with its breathless worship of wealth and success. A leading newspaper routinely speaks of the India that wants to march ahead allegedly being kept back by the other India that refuses to come with them. There is a kind of Social Darwinism abroad, where the new rich promiscuously parade their wealth, while insinuating that the poor are poor because they deserve to be poor.

Rising inequalities have historically been part of the growth process all across the world. In the early phase of industrialisation, the gap between the rich and the poor widens. Over time, however, these inequalities tend to come down. That, at any rate, was the experience of Europe and America. Will later industrialisers such as China and India

also follow the same route? In India one cannot be unduly optimistic. One reason that inequalities tapered off in the West was because their governments worked effectively towards providing equality of opportunity. The contributions of the European welfare state in providing decent health care and education to its citizens are well known. Less acknowledged, perhaps, is the part played in levelling inequalities by the outstanding system of public schools and publicly funded universities in the United States.

The situation in India is all too different. The inequalities in access to good education and health care are immense. The school my children went to in Bangalore is world-class; the school run by the state a few yards down the road is worse than third-rate. I can avail of top-quality health-care, by paying (admittedly, through my nose); my house help must go to the local quack instead. To address these disparities, outstanding work has been done by social workers in the fields of primary education and health care. Brave, selfless, utterly patriotic Indians have worked 24/7 to get slum and low caste children into school, and to provide them with protection against dangerous diseases. Ultimately, though, the scale of the problem is so immense that their work can only very partially make up for the apathy and corruption of the state. For only a properly functioning state can equalise the life chances of all Indians, whether men or women, high, middle or low caste, Hindus or Muslims, northerners or southerners.

In the West, the bulk of the population resides in the middle class. Will this ever happen in India? The prospect is uncertain, for two reasons. The first has been alluded to, the palpable failure of the state to provide education and health care to all its citizens. The second is the environmental constraint. Eighty years ago, Mahatma Gandhi had pointed to the unsustainability, at the global level, of the Western model of economic development. 'God forbid, he wrote, 'that India should ever take to industrialisation after the manner of the West. The economic imperialism of a single tiny island kingdom (England) is today keeping the world in chains. If an entire nation of 300 million took to similar economic exploitation, it would strip the world bare like locusts'.

With India, China too is trying to ape the West, attempting to create a mass consumer society whose members can all drive their own cars, live in their own air-conditioned homes, eat in fancy restaurants and travel to the ends of the earth for their family holidays. Will these Chinese and Indian consumers collectively strip the world bare like locusts? Between them, they have set off a new scramble for Africa, stripping or at least strip-mining that unhappy continent to fuel their ever-growing appetite for resources. They have also consolidated the control of a brutal military junta in Myanmar, putting their own selfish interests in minerals and energy well ahead of the elementary human rights of the Burmese people.

The environmental challenges posed by the economic rise of China and India are of three kinds. First, at the global level, is the threat of rapid and irreversible climate change due to the accumulation of greenhouse gases. Second, at the regional or continental level, are the environmental (and social) costs of the ecological footprint of China and India outside their own national borders. The West has for some time worked to relocate its dirty industries to the Third World, passing on the costs to the poor and the powerless. In the same manner, the externalities of Indian and Chinese consumers will be increasingly borne by the people of other lands.

The third challenge is that posed to the environments of these countries themselves. Chinese cities have the highest rates of air pollution in the world. Rivers such as the Ganga and the Jamuna are effectively, dead. India and China both have unacceptably high levels of air and water pollution. They have also witnessed, in recent years, the large-scale depletion of groundwater aquifers, the loss of biodiversity, the destruction of forests, and the decimation of fish-stocks.

There are two stock responses to the environmental crisis in India. One is to hope, or pray, that in time and with greater prosperity we will have the money to clean up our surroundings. The other is to see ecological degradation as symptomatic of the larger failure of modernity itself. The first response is characteristic of the consuming classes; the second, that of the agrarian romantic, who believes that India must live only in its villages, and indeed, that the majority of Indians are happy enough to live on in their villages.

Both responses are deeply wrong-headed. Contra the rural romantic, life among the peasantry can be nasty, brutish and short. Most Indian villagers would cheerfully exchange a mud hut for a solid stone house, well-water for clean piped-water, kerosene lanterns for steady and bright tube lights. The living standards of the majority of Indians can and must be enhanced. At the same time, the living standards of the most wealthy Indians must be moderated.

The demands placed on the earth by the poor and excluded are disproportionately low; the demands placed by those with cars and credit cards excessively high. A rational, long-range, sustainable strategy of development has to find ways of enhancing the resource access of those at the bottom of the heap while checking the resource demands of those in positions of power and advantage.

Once, the media played a catalytic role in promoting environmental awareness. However, when liberalisation got underway and the economy began to show higher rates of growth, there was an anti-environmental backlash. Now, environmentalists are portrayed as party-poopers, as spoilers who do not want India to join the ranks of the Great Powers of the world. In response to these criticisms, and sensible also of the pressures of commercial advertisers, most newspapers laid off their environment correspondents or perhaps sent them to cover the stock market instead.

The campaigning journalist Anil Agarwal once wrote of the environmental debate as being 'beyond pretty trees and tigers'. In India, at least, the state and fate of the natural environment is intimately linked to livelihood and survival. Without sustainable irrigation practices, Indian farmers cannot assure themselves a long-term future. Without decent public transport and energy conservation, India will be beholden to the whims and fancies of countries with more oil than ourselves. Without clean air and safe drinking water, our children will be far less healthy than we want them to be.

However, in the eyes of the new, excessively market-friendly media, the environment is only about pretty trees and tigers. They wish their readers to live resource-intensive lifestyles and yet be able to glory in the beauties of the wild. They cannot, or will not,

see that the one imperils the other. Nor will they acknowledge the persistence and significance of more local, less glamorous, environmental issues – such as the state of the air and the water, the conservation of energy, the provision of safe and affordable housing. These issues affect the lives of hundreds of millions of Indians. However, by succumbing so readily to the cult of wealth and celebrity, the media can find no space for them.

The market is good at producing consumer goods efficiently and cheaply, and at distributing them quickly and widely. But the market cannot provide fair access to education or health care. And the operations of the market can actually promote environmental destruction. The value of clean air and species diversity cannot be assessed in monetary terms. Energy and transport policies that are suitable from the point of view of a city, a state, or a nation, cannot be designed by a single private enterprise. A sustainable path of economic development thus depends crucially on a far-seeing state as well as a vigilant media. Tragically, India currently has neither.

## VI

For very many years, the Indian experiment with nationhood and democracy was written off by Western observers. Indians were informed, through a series of premature obituaries, that our country was too diverse to be a single nation, and too poor to be run on democratic lines. To be sure, the nation was scarcely stable or secure – it lurched, as it were, from crisis to crisis, from riot to assassination to border conflict to open war. But somehow, India survived; somehow (and despite the Emergency) it even stayed democratic.

When, finally, did foreign scholars and travelers concede that the Republic of India was here to stay? I think it was the year 1997 that marked the end of Western skepticism about the fate of India. That year, this unnatural nation and unlikely democracy officially marked five full decades of its existence.

Now, of course, we are told, not that India is going down the tube, but that, with China, we are one of the rising superpowers of the century.

This newer, more hopeful kind of prophecy is eagerly seized upon by two kinds of Indians: those who enjoy political power, and those who own vast amounts of wealth. Both see the bestowing of superstardom as not very much more than their due.

This new, self-confident, even arrogant India is on display most prominently in two cities, Bangalore and New Delhi. The latter is, for me, the place where the archives are; but for most others, it is the political capital of India. Bangalore is, from my narrow perspective, merely my home town, but in the eyes of the world it is the centre of a rising Asian giant's showpiece software industry. Not unexpectedly, the power elite of both cities are marked by a very high sense of self-regard. In the case of the Delhi politicians, this self-praise is essentially unearned. The self-esteem of the new generation of Indian entrepreneurs, on the other hand, is based on their own hard work and achievement. Given an opening, they have seized it; by building world-class companies on Indian soil with Indian capital and Indian workers. But here, too, there is a tendency for self-regard to shade into hubris. Having so successfully nurtured a private company, they see no reason why they cannot be part of a very successful nation-state, without quite understanding that the leap from one to the other involves agencies and processes of which they sometimes have little understanding and over which they often have no control.

The imagination of the Indian elite is constructed around these twin poles: one political, the other economic. But to fly from Bangalore to Delhi, and back, is literally to fly over a serious challenge to the emergence of India as a global superpower. Obscured from the bird in the sky is the Naxalite insurgency in central India, which covers at least one-tenth of the country's surface, and which has at its core the sufferings and discontent of tens of millions of tribal people.

For the middle class, the threat from the left is wholly hidden. They do not see or confront it in their daily lives. On the other hand, they do know of the threat from the right. Yet they tend to disregard it. Some middle class Indians think that India should be a Hindu state anyway.

Others believe – or hope – that with economic modernisation the religious extremism of the BJP will fade, with the party becoming an Indian version of the German Christian Democrats.

In the case of the dumbing down of the media, the middle class has been an active collaborator. So, too, with the degradation of the environment, whose links to their own lifestyles are scarcely understood or commented upon. The disparity between the rich and the poor is too obvious to be ignored; still, the hope is that with an even freer play of market forces, those presently at the bottom of the pyramid will come to occupy its middle ranks.

The one challenge to superstardom that is most clear to the consuming classes is the corruption and corrosion of the democratic Centre. They are witness to the shocking amorality of our political class; and subject in their daily lives to its consequences. The market, and their own ability to pay, can in part insulate them from the breakdown of public services. They can trust the courier service instead of the post office, get themselves a mobile phone and forget about the land line, and have a stand-by generator in case of a power-cut. And yet, every now and then, they are served a powerful reminder that they remain at the mercy of the malfunctioning state. Time is money, never more so when one is caught for hours in a traffic jam caused either by the precedence given to a politician's convoy or by the fact that the surface of a major road has suddenly caved in.

In the short-term, at any rate, the Indian political class can only get more corrupt, and the Indian state more inefficient. Multi-party coalition governments are already the norm in the Centre; they will become increasingly common in the states. As the price of joining a coalition led by one of the major parties, the smaller formations demand the most lucrative Ministries. In the current, fragmented, political scenario, short-term rent-seeking will take precedence over long-term policy formulation. This shall be true of governments in the states, as well as at the Centre.



## VII

The challenge of the Naxalites; the insidious presence of the Hindutvawadis; the degradation of the once liberal and upright Centre; the increasing gap between the rich and the poor; the trivialisation of the media; the unsustainability, in an environmental sense, of present patterns of resource consumption; the instability and policy incoherence caused by multi-party coalition governments – these are seven reasons why India will not become a superpower. To this, so-to-speak objective judgment of the historian, I will now add the subjective desires of a citizen – which is that India should not even attempt to become a superpower.

In my view, International Relations cannot be made analogous to a competitive examination. The question is not who comes first or second or third, whether judged in terms of Gross National Product, number of billionaires in the Forbes or Fortune lists, number of Olympic gold medals won, size of largest aircraft carrier operated, or power of most deadly nuclear weapon owned.

We should judge ourselves not against the achievements, real or imagined, of other countries, but in the light of our own norms and ideals. The jurist Nani Palkhivala once remarked that 'India is a third-class democracy with a first-class Constitution'. Both parts of the equation remain as he stated them. In conception we are a unique nation, unique for refusing to reduce Indian-ness to a single language, religion, or ideology, unique in affirming and celebrating the staggering diversity found within our borders (and beyond them). The Constitution defied the Laws of Manu by giving women equal rights with men. It violated thousands of years of social practice by abolishing Untouchability. It refused, despite the provocations of bigots of both religions, to make India into a 'Hindu Pakistan'. And it challenged the evidence and logic of history by giving even unlettered adults the power to choose those who would represent them in legislatures and in Parliament.

That is the ideal, still first class; and then there is the practice, mostly third-class. The equality of women and low castes is denied in homes and villages across the land. There are chauvinists who privilege one language, setting upon those Indians who choose to speak another. There are religious fundamentalists who likewise harass and persecute those whose Gods are different from theirs. There are allegedly 'democratic' politicians who abuse their oath of office and work only to enrich themselves; as well as self-described 'revolutionaries' who seek to settle arguments by the point of the gun.

It was, I think, Jawaharlal Nehru who pointed out that India was home to all that is truly disgusting as well as truly noble in the human condition. The nobility and the disgustingness were abundantly on display in his day, as they are in ours. Contemporary India is home to pluralists and democrats as well as to fanatics and sectarians; to selfless social workers as well as to greedy politicians; to honest and upright officials as well as to officials who are time-servers; to capitalists who distribute their wealth quietly and widely as well as to those who seek only to publicly and provocatively display it. To redeem the Republic, to bring the practice of Indian democracy closer to the ideals of Indian nation-hood, is to valorise and support the first kind of Indian rather than the second.

Six months after the demolition of the Babri Masjid, my teacher, Dharma Kumar, wrote a short essay entitled 'India as a Nation-State'. Here, she took issue both with left-wing activists who thought the Indian state too strong, and with Hindu chauvinists who thought it too weak. She rejected both positions by affirming the inclusive and democratic idea of India upheld by its founders. As she put it, 'instead of deploring our lack of homogeneity we should glory in it. Instead of regarding India as a failed or deformed nation-state we should see it as a new political form, perhaps even as a forerunner of the future. We are in some ways where Europe wants to be, but we have a tremendous job of reform, of repairing our damaged institutions, and of inventing new ones.'

I have myself been fortunate in being witness to the work of many Indians who have sought to repair or redeem our institutions. I think of groups

like the Association of Democratic Reform, which succeeded in making the criminal records and assets of politicians public; or like Pratham, which works closely with the state governments to improve our public education system. I think of Ela Bhatt and Chandi Prasad Bhatt, respectively the grandmother and grandfather of modern social activism in India. I think of the scientists Obaid Siddiqui and Padmanabhan Balaram, who have nurtured world-class, non-hierarchical, research laboratories in a funds-scarce, anti-intellectual, and deeply inegalitarian society. I think, too, of my exact contemporaries and fellow PhDs Jean Dreze and Mihir Shah, who could have enjoyed comfortable careers as teachers and writers, but who chose instead to become full-time activists, and bent their expertise to making the Government of India more responsive to the lives and interests of the rural poor. And, since I have myself contributed in this essay to the growing cynicism about public officials, I think, finally, of the outstanding former Governor of West Bengal, Gopalkrishna Gandhi, whose understanding of and empathy with the citizens of his state was, in all senses of the word, exemplary.

The groups and individuals mentioned in the preceding paragraph are, of course, merely illustrative. The work that they and others like them undertake is rarely reported in the mainstream media. It is far easier to speak of a wholesale, structural transformation, to identify one single variable that, if acted upon, will take India up and into the straight high road to superstardom. Among the one-size-fits-all solutions on offer are those promoted by the Naxalites, whose project is to make India into a purer, that is to say more regimented, version of Communist China; by the RSS and the BJP, who assure the Hindus that if they rediscover their religion they will (again) rule the world; and by the free-market ideologues, who seek to make India into an even more hedonistic version of the United States of America.

To follow the Naxalites is to plunge India into decades of civil war; to follow the Hindu right to persecute and demonise large numbers of one's own countrymen; to follow the market fundamentalists to intensify the divisions between the consuming and the surviving classes (and to destroy the global environment in the process). Rather than nurture or act upon these Utopian fantasies, the Indian patriot must focus instead on the tasks of gradual and piecemeal reform. We need to repair, one by one, the institutions that have safeguarded our unity amidst diversity, and to forge, also one by one, the new institutions that can help us meet the fresh challenges of the twenty-first century. It will be hard, patient, slow work – that is to say, the only kind of work that is ever worth it. ■

# ➤ The Untold Story of India's Economy

D. Rajeev Sibal

**A**s India looks towards further liberalisation, it must first prepare its economic institutions by re-orienting them from managing the economy to regulating the economy. Without an enhancement of regulatory capacity, increased liberalisation will simply perpetuate corruption and further inequality. By improving regulatory capacity, the state can better focus on the socio-economic aspects of governance that will be so important for India's future. In order to better direct and manage institutional change in India, we must first look to history to understand how India's economic infrastructure was built.

Rather than focusing solely on GDP projections, inflation figures, and unemployment rates, this article discusses a more subtle but much more influential aspect of India's economy. Assessing India's economic trajectory by connecting the modern economy to history and politics highlights the historical driving forces that structured India's market, and anticipates the changes those structures may undergo in the future. The continued development of India is contingent on having the institutional capacity to support growth.

**Table 1: India Economic Forecast**

%	2012	2013	2014	2015	2016
GDP Growth	7.8%	8.3%	8.4%	8.5%	8.6%
Industrial Production Growth	6.0%	7.5%	7.9%	7.9%	7.9%
Unemployment Rate	9.8%	9.6%	9.3%	8.9%	9.9%
Consumer Price Inflation	8.5%	8.4%	7.9%	7.5%	6.7%
Short-term Interbank Rate	9.9%	9.3%	12.0%	11.8%	11.8%
Government Balance (% of GDP)	-5.2%	-4.7%	-5.0%	-4.3%	-3.9%

Source: Economist Intelligence Unit as of Dec 1st 2011

## **POLITICS OF DEVELOPMENT**

Markets are rarely left to their own devices because they operate within a political economic framework where the distribution of wealth is inherently political. The structural foundations of a country are determined by how that distribution of wealth and political interference shapes the domestic market. In India, the most obvious example of market intervention is its closed capital account.

The fact that capital controls exist is a serious consideration in understanding the Indian economy. Most economists deride India's capital controls and proclaim that India should immediately move to an open capital account and further liberalise its markets. So why doesn't Manmohan Singh, the fearless liberaliser of the 1990s who, as finance minister, navigated India through a deep financial crisis and spurred economic growth via partial liberalisation, further open the economy? What would be the consequences of freer capital flows? Is government intervention not inhibiting economic growth?

Indian technocrats and politicians are being neither obstinate nor politically motivated when they decide to restrict capital flows and monitor the movement of the Rupee in international markets. Certainly politics plays a role. Millions of India's poor tend to protest against liberalisation, as demonstrated by the recent proposal to liberalise India's retail sector to permit greater foreign participation. But the politics behind India's capital controls are not tied to party politics. When the right-leaning opposition, BJP, was in power, Prime Minister Vajpayee was also unable or unwilling to enact broad liberalisation measures. India has liberalised very slowly because of the microeconomic realities faced by the poorest Indian citizens.

Elections are won or lost, and livelihoods made or broken, because of domestic food prices. The Green Revolution in India that began in the 1960s helped prevent famine but not hunger, especially during severe droughts in the mid 1960s, early 1970s, and late 1980s. One of the great marvels of modern technology has indeed been India's ability

to feed itself, but with severe overpopulation and underdeveloped infrastructure, the balance between supply and demand remains precarious.

The impact of food price volatility is therefore keenly felt in India. Empirically, the power of food prices is most vividly demonstrated by the Indian Consumer Price Index (CPI). Table 2 compares India's CPI to a developed country's CPI. Food and core staples comprise practically the entirety of the index in India because of the extreme poverty that many face in the country. A slight movement in food prices can have a disastrous effect on India's poor, who are ill prepared to cope with volatility. Food prices and domestic inflation are key incentives to keep the capital account closed, an important consideration that is frequently overlooked.

## THE SOURCES OF INDIA'S ECONOMIC STRUCTURES

When the British left India, many wondered whether the Indian subcontinent would remain as one country or divide into dozens of more-or-less sovereign states. India is a nation of nations. Historically, each region had developed under its own political system, being united only because of foreign imperialists. The British managed India through a system of patronage that preserved a certain amount of independence regionally. British interests in India were principally economic, so they left the politics to the locals – as best they could. As a result, when India began to contemplate independence, it was far from certain that it would be a single country.

**Table 2: Consumer Price Index**

%	India	UK
Food	47.13%	16.00%
Housing	16.41%	12.90%
Clothing	7.00%	6.20%
Fuel	5.48%	N/A
Recreation	N/A	14.70%
Other	23.95%	50.20%

Source: Government of India Ministry of Statistics; UK Office for National Statistics

Despite the legacy of fragmentation, Gandhi, Nehru, and many of India's leaders envisioned a united India surviving the British. The economic ideology of India's forefathers focused on *Swadeshi*, or self-sufficiency. *Swadeshi* was used not only as a political strategy to undermine British economic interests before independence but also as the basis for structuring India's economic foundations after independence. Gandhi envisioned an independent India that was self-sufficient and largely agrarian. Nehru was a bit more grounded in economic reality and strove for industrialisation, but in a manner that was reliant on domestic industry. At the core of both Gandhi and Nehru's vision was a powerful federal government at the centre that could promote national unity and facilitate progressive social change.

As India sought to organise its economy, it looked abroad for successful models that would enable it to industrialise rapidly. The centralised systems of the USSR and China were appealing to India because of the social equality that their systems strove for. Japan was appealing because of its cooperative, self-reliant economic model that helped it develop rapidly. India was by no means communist, but the country had a severe problem of poverty and underdevelopment. The cooperative, equality-driven systems of India's neighbours were therefore more attractive than the uncertainty of Western Capitalism, and the lesson Indian policymakers drew was that

countries that industrialised late required state intervention to succeed. The centralised institutions of British India were easily adapted to the centrally planned model that succeeded it in independent India. Today, the remnants of the state-centred bureaucracy continue to influence economic governance.

## PHASES OF INDIAN ECONOMIC HISTORY

India's economic history is commonly divided into four periods: roughly independence to 1965, 1966 to 1980, 1981 to 1991, and post 1991. The periods are defined as such because they mark clear breaks in economic policies in India and can be identified with shifts in economic growth rates (see table 3).

The first period is tied to Nehru's reign as president. Under Nehru's leadership, state-centred economic planning reigned. Planners sought to combat economic stagnation and extreme poverty through state driven policies. The top-down economic model helped sustain relatively stable economic growth for two reasons. First, India was undergoing a phase of rapid industrialisation and recovering from years of economic suppression under the British. Second, and more importantly, Nehru was largely able to implement his economic programmes because the powerful Indian Congress Party dominated the country politically and held sufficient power to ensure that the plans reached the microeconomy.

**Table 3: Indian Economic Performance**

	Phase 1 1951-1965	Phase II 1965-1981	Phase III 1981-1991	Phase IV post 1991*
Key Prime Ministers	Nehru	Shastri I. Gandhi Desai	I. Gandhi R. Gandhi	Rao Vajpayee Singh
Compound Annual Growth Rate**	4.0%	3.5%	5.0%	6.3%
Growth Rate Standard Deviation	2.4%	3.7%	2.1%	2.3%
Years of sub 0% Growth	1	2	0	0

\*data included to 2009

\*\*GDP data is based on prices since 1951 and base year of 1999-00

Sources: Reserve Bank of India Statistical Database, Sibal - *Trajectories of Indian Capitalism* (2011)

Nehru's charisma helped build consensus around his vision of India, which translated into political economic coherence. An activist developmental state was more successful in the first phase of India's economic path because of the broad based consensus that existed politically.

When Nehru passed away, the underlying political consensus that held the Congress Party together began to fall away and natural cleavages in Indian politics – representing the diversity of social classes, ethnicities, and nations – began to influence the political order. The Congress Party was still able to win majorities but in order to lead successive Prime Ministers Shastri and Indira Gandhi had to bargain. In this second phase, interests had to be reconciled and that was often accomplished through financial means. Members of the Congress Party needed each other to stay in power and control the national purse but Members of Parliament had vested interests that were largely incoherent at a group level. The net effect of the underlying cleavages meant that the post-Nehru period was marked by a period of incoherence between the macroeconomy and microeconomy.

While the federal government continued to implement centrally driven economic policies in line with state-defined developmental needs, many technocrats disagreed with the policies, sometimes for economic reasons and sometimes for political reasons. Moreover, policymakers, on occasion, simply took advantage of the institutional weaknesses inherent in a country as complicated as India to steal from the system. Without proper execution of policy in the microeconomy, economic planning is futile. Nevertheless, the dream of Swadeshi persisted. The state was viewed as a conduit through which a post-modern Indian state could be facilitated. Public sector corporations could enable cooperation between and amongst different ethnic groups and castes, much better than could the private sector.

Focusing on national unity, at the expense of economic development, cost India dearly. India's economy had anaemic growth and extreme volatility between 1965 and 1981. The standard deviation of India's economic growth rates was greater than the compound annual growth rate over the period. The

inability for the federal government to build consensus in this second phase of India's economic history is best represented by Indira Gandhi.

During her first period as Prime Minister, Indira Gandhi worked hard to expand the powers of the state by controlling ever greater portions of the national economy. She constrained domestic businesses with the Monopolies and Restrictive Trade Practices Act of 1969, nationalised banking with the Banking Companies Act of 1969, controlled productivity through the Industrial Licensing Acts of 1970 and 1973, and kept out foreign investment with the Foreign Exchange Regulation Act of 1973. The symbolic culmination of this increase in state power in Indian politics was the Prime Minister's two years of emergency rule beginning in 1975.

The top-down model of state-led economic development was unsustainable without political consensus and the participation of microeconomic actors. The diversity of India was proving too much to handle for state planners. When Indira Gandhi returned to power in the early 1980s (because competing political parties were unable to build a majority consensus in Parliament), she knew that an alternative economic paradigm was needed. Business interests began to be permitted a more active voice in economic planning in India, especially after Indira Gandhi's assassination and the rise of Rajiv Gandhi. The state continued to be at the centre of the system, but businesses were given freedom to operate without as much state interference. In this third phase in the 1980s, with businesses better able to drive efficiency and react to supply and demand incentives, the economy took off. The state, however, continued to manage capital flows and business in certain sectors. The costs of state intervention proved to be insurmountable in the early 1990s and India, like many of its developing country peers, succumbed to a fiscally induced debt crisis. India had to turn to the International Monetary Fund for financing, and the crisis helped usher in change that seemed impossible merely one or two years earlier.

The reforms of Manmohan Singh loosened the clamps on the economy and allowed economic stakeholders to organise themselves to drive greater economic efficiency. Almost immediately the

macroeconomy responded, achieving consistently strong economic growth. Millions have been lifted out of poverty and a new, burgeoning middle class has established itself in India. That India achieved such growth with relatively limited liberalisation, however, is surprising. While this fourth period is marked by greater separation between the government and the economy, the state continues to run a number of enterprises, maintain control over foreign exchange, manage productivity in certain sectors, and protect labour through rigid laws. India took major strides in permitting enterprises to react to market signals but maintained control over India's exposure to the global economy by retaining a tightly controlled capital account.

The phases of Indian Capitalism are outlined to demonstrate the role that the state has played in economic performance. Developmental states are only successful when economic stakeholders are fighting for the same goals. Interests must be protected and integrated into the model of development. The challenge in India is that the heterogeneity of interests proved difficult to align. After independence, under Nehru, the political cohesiveness and dominance of the Congress Party permitted a form of state-based capitalism to be relatively successful. Once the post-independence euphoria had worn off, however, the cooperation necessary to operate a developmental state no longer existed. During phase two the developmental state gradually morphed into an autocratic state, but India's democratic roots proved durable and elections were quickly restored. In phase three, businesses were given greater freedoms to manage production, and the fourth phase made permanent the removal of the state from certain aspects of the economy.

The failure of the developmental state has proven that the state, in India, should not be playing an active role in managing productivity in the economy and that economic stakeholders can efficiently organise themselves. The economy has performed best when economic stakeholders are allowed to react to supply and demand incentives in the marketplace and organise amongst themselves with minimal interference. The challenge, however, is aligning the economic performance with India's political demand

for broader distribution of economic wealth. While certain segments of the Indian population have benefitted from liberalisation, many have not. The state has tried to protect those left behind through policies that attempt to shield India's poor from the volatility of globalisation.

## **LOOKING FORWARD**

The Indian economy operates on a delicate balance of state intervention and free market principles. In the past two decades, layers of the state have been gradually worn away after having been built up over centuries of centrally organised economic coordination. Indian companies have thrived with liberalisation, revealing the entrepreneurial spirit of the Indian people. How the state governs the market remains one of the biggest potential barriers to future success. Economic institutions are slowly moving away from managing output towards being regulators, and they should continue in that direction.

The fact that the state continues to have a heavy hand in the market should be no surprise given the history of India's economic governance. The pace of change in governing institutions usually lags that of the marketplace. In developing countries, where liberalisation often results from new policies after state-backed regimes essentially go bankrupt, political institutions are ill-equipped to handle the dynamism of a liberal marketplace. The fact that India has liberalised slowly can actually be considered somewhat beneficial for the political aspects of institutional change.

Looking ahead, the form and function of state institutions, and how they manage and/or regulate the market, represents a bottleneck for further economic expansion. India is ranked 132<sup>nd</sup> in the World Bank/ IFC Doing Business Index, one spot behind the West Bank and Gaza. In the categories where India's ranking is the poorest, dealing with construction permits and enforcing contracts, India has a rank of 181 and 182, respectively, out of 183 countries ranked. As long as the state maintains a focus on managing the economy, inefficient allocation of resources will continue. India's Institutions are built on legacies of

colonialism and state dominated capitalism. Indian institutions, instead, need to become more transparent and focus on regulating the economy.

India's ability to liberalise its capital account is entirely dependent on state institutions being able to adequately regulate the marketplace and manage the systemic risk that results from increased capital flows. If left to their own devices, those institutions will continue to languish. The impetus for change will have to come from microeconomic actors whose growth prospects are being constrained. Even something as simple as the Hazare anti-corruption movement in 2011 has instigated a push for change in India's economic infrastructure. A cleaner, more transparent marketplace, with a more friendly business environment, will eventually allow the state to remove itself from the sectors of the economy where it continues to manage productivity. The state can then better focus on social programmes, such as education and healthcare, that provide a minimum standard for all of India's citizens.

The future for India is bright. As economists call for liberalisation, they should also be cognisant of context. Without institutional change and an enhancement of India's regulatory capacity, increased liberalisation will simply perpetuate corruption and further inequality. Only through a re-orientation of the economic infrastructure will India be able to synthesise the fruits of liberalisation – greater foreign direct investment, deeper domestic market liquidity, and a floating exchange rate – into tangible economic growth, while containing the ills of liberalisation – increased food price volatility and flighty capital.

As for India's place in the global economy, given the vast developmental challenges that remain domestically, it would be difficult to imagine India asserting its economic dominance in international markets any time soon. Processes of institutional change tend to take decades rather than years, and, as a result, the rise of India as an economic superpower will only occur over a long period of time. ■



# ➤ The Military Dimensions of India's Rise

Iskander Rehman

**P**ower is a notoriously elusive concept. The question of how one can define, list, and identify the different facets of national power is one that has long preoccupied social scientists. In our rapidly changing world, which is witnessing a major diffusion in wealth from west to east, the question of power is accompanied by an added sense of urgency, as we seek to understand which states will wield true power in the emerging international system. The first, and most immediately identifiable form of power is a nation's military strength. The numbers and characteristics of infantry battalions, fleets of vessels and columns of tanks seem to provide clear, straightforward, and easily quantifiable indicators of a country's growing clout. This apparent simplicity, however, is highly deceptive. The study of military power cannot solely be based on an assessment of resources. Rather, the question is how a nation decides to convert those same resources into favourable outcomes, or to put it more bluntly, how it translates military hardware into military effectiveness, and how that same military effectiveness is harnessed as a means of grand strategy. To study military power, we therefore need to examine the interwoven human, institutional and doctrinal aspects which undergird the manner in which military resources are both procured and used.

Under such conditions, can India be characterised as a great military power? In terms of pure resources and sheer manpower, without a doubt. But the uneven nature of Delhi's military modernisation, an apparent dearth of grand strategy, and a perennially dysfunctional state of bureaucratic paralysis cast serious doubts over the prospects of India's rise as a global military power any time soon. Absent a genuine desire to engage in widespread organisational reform, or to profoundly recast India's troubled civil-military relationship, India will remain a regional, rather than a global military power.

## **GLUT OF RESOURCES, LACK OF FOCUS?**

In December 2011 Foreign Policy magazine gave pride of place to 'India's Military Buildup', quoting a recent Stockholm International Peace Research Institute (SIPRI) report which states that India is now the largest weapons importer in the world, along with studies that indicate that India may spend up to \$80 billion on military modernisation by 2015. A number of events in recent years, including the 2009 launch of India's first indigenously designed nuclear submarine, and a range of lucrative arms deals (such as the close to \$20 billion deal to purchase 126 multi-role fighter aircraft), have captivated the attention of foreign observers, and led some to conclude that India is on the verge of attaining military superpower status.

Indeed, India, if only in terms of sheer quantitative resources, is a great military power. With over 1.3 million men and women in uniform, and an additional one million in reserve, the Indian Armed Forces constitute the third-largest volunteer war-fighting force in the world. The Indian Air Force has more than 665 combat capable aircraft in its inventory, and is actively engaged in the acquisition of several fourth- and fifth-generation fighters. India's Navy, often touted as a sign of India's growing military

influence overseas, has over 40 ships and submarines on order, including aircraft carriers, large amphibious assault vessels, and nuclear submarines. India's military modernisation has been fuelled by annual GDP growth rates oscillating in-between 7 and 9 percent over the past decade.

This economic growth has meant that even though its share of overall GDP has stagnated, flickering in-between 2 and 3 percent, India's defence budget has undergone a threefold increase in real terms, from \$11.8 billion in 2001 to \$36.3 billion for the current fiscal year. India's capital expenditure, that is, the portion of funds devoted to the direct acquisition of new weapon systems, is projected to soar from \$13.1 billion in 2010-2011 to close to \$20 billion in 2015. Unlike during the Cold War, when India's sluggish growth compelled it to rely on cheaper Soviet equipment in order to maintain its military deterrent, New Delhi now has access to a glut of resources. The question is whether India has the institutional and political capacity to mobilise those same resources effectively, and to modernise strategically, in response to clearly identified challenges, rather than simply pursuing a smorgasbord approach to modernisation, bereft of any clear focus.

For the time being, India's military modernisation appears somewhat uneven. Major acquisitions seem all too often to be driven by the quest for prestige, the desire for technology transfer or by deep-seated institutional preferences. The Indian Army is modernising at a rapid pace in certain niche areas, such as missile and mechanised warfare, but the average jawan remains poorly equipped, armed with antiquated assault rifles which frequently fail to operate effectively in the harsh mountainous conditions that characterise India's disputed borders. The Army also confronts significant shortfalls in its officer cadre, which is critically understaffed. The growing difficulty in attracting India's best and brightest into the military is a problem spread across all services, with the Indian Navy recently announcing a major recruitment drive.

At an operational level, the Navy's strongly carrier-centric focus has led it to systematically neglect anti-submarine warfare and sea denial in favour of sea control and soft power projection.

This has led to certain systemic weaknesses within India's blue-water fleet, which with less than 50 percent of its small 14 boat submarine flotilla deemed operational, and no towed array sonars currently stationed on board its surface vessels, is disturbingly vulnerable to submarine attacks. Similarly, the Indian Air Force, which has since independence interiorised the British Royal Air Force's cult of the fighter pilot, tends to inordinately favour flight capabilities and air dominance over ground support and weapons packages. This explains, in part, the recent decision by the IAF to opt for the more agile French-designed Rafale rather than some of the more heavily armed and equipped fighters on offer.

There is therefore a danger that institutional preferences, deriving from India's highly individualised service cultures, may come to preempt the exigencies of national security. In a society marked by relatively harmonious civil-military relations, one could argue that intra-service competition may paradoxically lead to positive outcomes. Individual services, through their active lobbying of the civilian leadership, infuse the debate with high-level military expertise, and generate vital information. The civilian leadership finds itself both empowered as a neutral arbiter, and better informed in its own decision-making. This is predicated, however, on the notion that the military leadership has unfettered access to the highest policymaking circles, and that the civilian leadership has the requisite knowledge and expertise in order to arbitrate effectively and clearly define the nation's key defense needs. Unfortunately, in India, both of these preconditions are conspicuous by their absence.

## **THE INSTITUTIONALISED IMPEDIMENTS TO INDIA'S MILITARY RISE**

India's dysfunctional civil-military relations form the cankerous root of virtually every problem affecting India's military modernisation. Old Nehruvian fears of creeping pretorianism have led to a highly unwieldy and cumbersome system which has had an acutely deleterious effect on doctrinal and organisational development. Fearful of a drift towards a militaristic state in the vein of Pakistan, India's post-independence

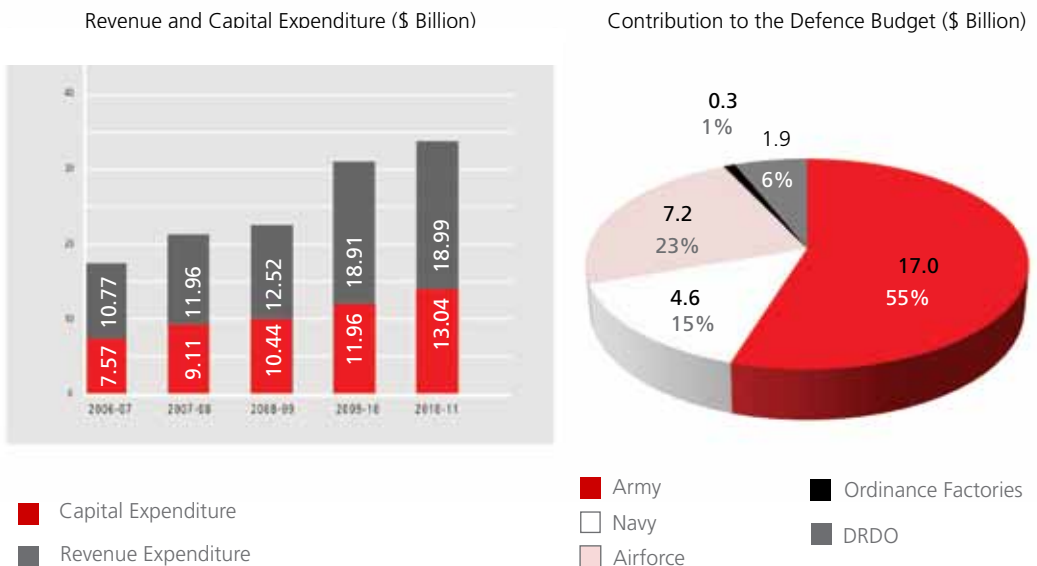
leaders rigorously implemented tight bureaucratic control of the young nation's armed forces.

The Raj-era post of Commander-in-Chief of the Indian military was abolished, and the service headquarters were downgraded to become attached offices, organisationally external to the MOD and therefore removed from major decision-making. Whilst it is natural that over time, concerns about the distribution of military power within a state become institutionalised, shaping the political elite's opinions about military power, in India this has led to a state of affairs in which Indian military power is evidently growing, but in an organic, almost haphazard way, with no single agency that can oversee the process and plan for future contingencies. The prolonged absence of a Chief of Defence staff, despite a widespread recognition of its urgent necessity, means that the prime forum for inter-service discussion continues to be the Chief of Staff Committee (COSC), which has no decision-making powers and is frequently riven by internal squabbles. This was made painfully apparent during the 1999 Kargil War, where personal differences between the higher ranks of the Indian Army and Air Force were aired in public. In private, Indian officers,

while not questioning civilian control over the military, bemoan the lack of effective cross-pollination of national security structures, and feel unheard by an understaffed bureaucracy which has little expertise or time for strategic matters. The problem seems to be not so much the civil-military relationship in itself (i.e. between the military and elected officials) but rather the extent of technocratic ossification which has occurred over the years and which, in the view of the military, presents a formidable bureaucratic barrier dividing them from a political leadership that tends to focus rather narrowly on domestic, and electoral, issues.

This state of affairs, naturally, impacts negatively on inter-service relations. While each arm of India's military pays lip service to jointness as an aspirational concept, each service prefers to plan and train in private, rather than genuinely seeking operational synergy. The Army, in particular, which is preoccupied with maintaining its lion's share of the defense budget (over 50 percent), demands jointness on its own terms, with the Air Force providing a ground support role, and the Navy ferrying Army troops abroad, or applying seawards pressure on a land-based foe.

**Figure 1: The Composition of India's Defense Budget (2010-2011)**



Source: Indian Ministry of Defense. (<http://mod.nic.in/>)

The likelihood of the Army agreeing to cede operational control of a specific mission to the Navy or Air Force appears particularly remote. The Air Force, for its part, hankers after air defense and air dominance, and harbours the firm conviction that the attachment of aircraft to ground units would be counter-productive, stymying the Air Force's range and mobility, while reducing its numerical advantage over its Pakistani counterpart. Tensions still occasionally surface between the Navy and Air Force over the historically sensitive issue of maritime aviation and the Navy, which remains the Cinderella service with only 15 percent of the overall defense budget, struggles to make its case for the creation of a proper Marine Corps in the face of staunch Army opposition and political aloofness. Each service promulgates its own doctrine, and there is, as of yet, no official white paper which could serve as a point of departure for India's thinking in terms of defense.

## **IN SEARCH OF STRATEGY**

Several observers, both in India and abroad, have noted that the country is in urgent need of a comprehensive National Strategic Review which clearly lays out threat assessments, while articulating India's needs and priorities. India's armed forces currently face a plethora of challenges, both internal and external. Amongst the internal challenges figure insurgencies in India's northeastern hinterlands, a restive population in a heavily militarised Kashmir, and the slow grinding war which India's gargantuan paramilitary apparatus is currently waging against the Naxalite movement across a large swathe of its territory. Externally, India is confronted with an unstable Pakistan, which will increasingly rely on high-end asymmetric warfare and nuclear brinkmanship in order to offset India's growing conventional superiority, and with a rapidly militarising China which breathes heavily at its door, sporadically reiterating its claims to tracts of Indian soil. While India's military budget has grown considerably over the past ten years, the gulf between New Delhi and Beijing in terms of military funding has in fact widened, rather than narrowed. This resource gap is compounded by China's vast strides in terms of infrastructure development along its side of the 4,057 km Sino-Indian border.

This has been accomplished through the groundbreaking completion of the Golmud-Lhasa railway in 2006, which is to be extended in the course of the current Five Years Plan to the border towns of Nyingchi, Xigaze and Natung. This will push the Chinese railway right up to the Line of Actual Control, skirting both the Indian-controlled states of Sikkim and Arunachal Pradesh. Roads are also highly developed along the Chinese side of the border, which has led to situations of glaring disparity, in which PLA patrols can drive up in armoured SUVs up to the very edges of the contested zone while their Indian counterparts are forced to undergo grueling treks through hills, rivers and mountains, on foot or by mule train. Increasingly aware of the growing imbalance along the border, New Delhi is raising two new mountain divisions and planning for a new mountain strike corps. Two squadrons of air superiority Su-30K I fighters have been deployed at the Tezpur air base in Assam, and India is currently assembling battalions of scouts from local tribal populations in the region. The Indian Government also gave the go-ahead in 2010 for the construction of several new strategic roads in the Northeast. These efforts point to a more proactive stance towards China, and to a desire to reestablish greater force parity along the border. Strategic pundits routinely evoke the necessity for India to plan for a 'two-front war', and for India to maintain a heightened degree of military preparedness.

Unfortunately, there is no evidence of any serious tri-service planning or wargaming which could work towards countering India's so-called two front threat. Instead, each service plans for its own contingencies as usual. The Indian Navy frets over the possibility of increased Chinese forays into the Indian Ocean, and particularly over what commentators have come to refer to as the 'string of pearls' – those countries in the Indian Ocean, as diverse as Pakistan, Myanmar and Sri Lanka, in which China has attempted to establish 'nodes of influence' by means of enhanced economic and security ties. In some cases this has led to joint port construction or enlargement deals, such as with Pakistan at Gwadar, and with Sri Lanka at Hambantota. For the time being, however, none of these ports have yet taken on an overt military role, and most informed analysts concur that now, at least, China's string of pearls strategy is more economic than militaristic in nature.

Several, more immediate threats are emerging in the Indian Ocean. One is the proliferation of anti-access weapons, which threaten to constrict the Indian Navy's freedom of maneuver, whether it be via vaulting China's precision-strike systems, placed in places such as Tibet or Yunnan, from land to sea; or through Pakistan's use of submarines and anti-ship missiles as cost-effective force multipliers against India's larger, but increasingly vulnerable, fleet. As Sino-Pakistani naval cooperation gains impetus, the extension of India's two-front threat from land to sea is a destabilising evolution which Indian armed forces will be compelled to confront through Air Force/Navy jointness sooner or later. Another destabilising trend lies in the nuclear realm, where both Beijing and Islamabad have been actively modernising, and in Pakistan's case, enlarging their arsenals. India's pursuit of a Ballistic Missile Defense System and both nations' flirtation with dual-use delivery systems at sea risks severely undermining crisis stability. The nuclearisation of Pakistan's fleet is another strategic wild card, which will most likely occur in the course of the upcoming decade, and which needs to be integrated into New Delhi's operational planning.

Unfortunately, India's security priorities are still largely defined by the more static contingencies imposed by territorial defense, as well as by the Indian Army's struggle to determine how it can successfully fulfill wartime objectives without crossing one of Pakistan's ever-shifting nuclear thresholds. The Air Force, for its part, places a great emphasis on cross-border strikes and air defense, and appears reluctant to join hands with the Navy in order to fully exploit the nation's considerable potential in terms of maritime airpower.

#### **DOMESTIC CONSTRAINTS, GLOBAL ASPIRATIONS: THE UNCERTAINTIES OF INDIA'S MILITARY RISE**

India's military modernisation finds itself at a critical juncture. New Delhi faces numerous external and internal challenges, which cannot be merely addressed by the continuous provision of resources devoid of any form of strategic direction. In order to fulfill its global aspirations and unmoor itself from its subcontinental tethers, India will need to engage in a transformational overhaul of its institutions and procedures. A loosening of bureaucratic control over the armed forces would give birth to a more functional civil-military relationship and foster greater tri-service synchrony, both in terms of warfighting and procurement. The nation's convoluted defense acquisition process, which rigorously promotes autarky by requiring foreign defense firms to source over 30 percent of their products from India, hampers India's acquisition of much needed advanced equipment, is also in urgent need of reform. Finally, greater competence is required at the Ministry of Defense, which has traditionally been plagued by corruption and bureaucratic sloth. In a depressing display of inefficiency, a combined \$5.5 billion worth of procurement funds were returned, unspent, to the Ministry of Defence's treasury, from 2002 to 2008. At a time when certain sectors of India's armed forces are in desperate need of new equipment, such malpractice will become increasingly intolerable.

Rapid evolutions in the region's strategic environment will also undoubtedly prompt changes in the composition of India's armed forces, with a gradual rebalancing in favour of the historically underprivileged Air Force and Navy, and a slow dilution of the weight of the Army. If India wishes to become a great military power, it will need to break out of its continental shackles and take on the trappings of a truly oceanic power. Only once it has acquired an expeditionary capability will it be able to emerge as a net security provider in the Indian Ocean and beyond. For the time being, the Indian Navy has been at the vanguard of this effort, aiding in numerous humanitarian or custodial operations, but the military still lacks the ability to project power into heavily contested environments far from its shores. Until that day, the greatest challenges India will ever have to face on the road towards military great power status lie within – not without. ■

# ➤ India's Soft Power: From Potential to Reality?

Nicolas Blarel

**O**ver the last decade, many scholars and analysts have tried to assess India's emergence as a major actor in the global arena by looking at such material indicators as economic growth, military expansion or demographic evolution. As a consequence, these accounts have mainly overlooked New Delhi's increased emphasis on developing its 'soft power' credentials by using the attractiveness of Indian culture, values and policies. Indian diplomats like Shashi Tharoor have recently argued that if India is now perceived as a superpower, it was not just through trade and politics but also through its ability to share its culture with the world through food, music, technology and Bollywood. However, it is difficult to determine India's actual soft power resources, or which of these resources have actually helped strengthen India's global status. With such a difficult concept to define and measure, is it possible to monitor the evolution of India's soft power over the last decade? Most saliently, can we compare India's efforts with those of another emerging Asian power, China?

## CONCEPTUAL DIFFICULTIES IN DETERMINING INDIA'S SOFT POWER

'Power' in International Relations (IR) has traditionally been defined in relational terms: as the ability of actor A to influence the behaviour of actor B to get the outcomes he wants. Traditional (neo-) realist models have emphasised military strength and economic power to determine state capacities. By contrast, in his seminal book *Bound to Lead: The Changing Nature of American Power*, eminent IR scholar Joseph Nye separated three dimensions of power: coercion by using military threats, influence by offering economic incentives, and finally the ability to co-opt other states or what he also called a 'soft power' approach (in contrast to the two previous 'hard power' approaches). According to Nye, co-optive power is 'the ability of a nation to structure a situation so that other nations develop preferences or define their interests in ways consistent with one's nation.' Nye also argued co-optive power emerges from soft power and immaterial sources such as 'cultural and ideological attraction as well as the rules and institutions of international regimes.' As a result, the difference between hard and soft power relies on their relative materiality as soft power is mostly based on intangibles such as the power of example. Soft power is therefore the ability to modify other states' preferences because of their perception of you.

However, as the Indian case will demonstrate, the conceptual relationship between hard and soft power remains unclear. Does a rising power need to develop both hard power and soft power resources to attain major power status? Do both dimensions of power substitute each other or do they overlap in a complementary way? Does India today fill these two prerequisites? For instance, the high economic growth rates since the liberalisation process in 1991 have certainly increased India's international attractiveness; does economic power here feed India's soft power?

In the last decade, India's soft power has mainly been defined in opposition to hard power considerations. For example, the most eloquent proponent of India's soft power, former Union Minister of State for External Affairs Shashi Tharoor, has argued that past classifications of major power status were

becoming archaic and that India had now become a great power mainly by the 'power of example' or in other words because of its 'soft power'. Tharoor's contention is that today it is not the size of the army or of the economy that matters (two dimensions where India has failed to compete with other great powers like China or the US) but instead it was the country that told the 'better story' which would qualify as a global player. To support this argument, Tharoor has discussed components of India's soft power as diverse as films and Bollywood, yoga, ayurveda, political pluralism, religious diversity and openness to global influences. While the successful export of cultural products such as Bollywood across the world has helped raise awareness of Indian culture and modified existing stereotypes, other soft power elements such as the institutional model of a long-lasting democratic and plural political system have also inspired societies abroad.

But Tharoor also believed India's soft power had emerged until now independently of the government's policies. In other words, a soft power by default, India has now to enhance its co-optive power. What are India's soft power assets? How have these resources improved India's international reputation?

## **THE INDIRECT AND INCONSISTENT NATURE OF INDIA'S SOFT POWER**

Since soft power is an intangible component of a state's power, it is difficult to measure its actual impact. The advantages of hard power such as military and economic resources are that they can be measured and compared, and their direct effects are more or less palpable. It is easy for example to compare Indian and Chinese military expenditures. It is impossible however to quantify the appeal of a country's values, culture, institutions or achievements, an appeal which is inherently subjective and therefore contested and fluctuating. Furthermore, the indirect nature of India's soft power is more difficult to ascertain. It is for example difficult to assess whether a foreign government acceded to India's foreign policy objectives because of its partiality towards Indian culture. Nevertheless, in spite of these caveats, some observers of India's foreign policy have noticed how certain characteristics

of India's history, culture and political development have progressively gained foreign attention. How these soft power qualities have actually been actively used by Indian diplomacy to exert international influence is another matter.

In the last decade, Indian diplomats have started emphasising the appealing and also 'familiar' nature of India's culture. India has a long history of civilisational and cultural links with countries in Central Asia, South-East Asia and the Middle-East. Its riches have attracted traders and travellers for thousands of years. Buddhism spread from India to China and beyond, leading to a sustained exchange of ideas since ancient times. Even today, the proposal by India to rebuild the once internationally famous Nalanda Buddhist University in partnership with China, Japan, South Korea and Singapore serves as testament to those historic cultural ties. Similarly, preachers from India have spread the values of Islam across Asia to Singapore and Malaysia. Such historical, cultural and religious ties built along trading routes were regularly raised by Indian diplomats as they sought to improve relations with South-East Asia through the 'Look East' policy in the early 1990s, emphasising in particular the religious influences of Hinduism and Buddhism, as well as the spread of language (especially Sanskrit), art and architecture throughout Southeast Asia. Today, as India also tries to re-establish economic relations with the Gulf countries, it regularly evokes pre-colonial commercial routes as well as centuries-old cultural-religious linkages.

Today, alongside China, India offers one of the most dynamic alternatives to Western cultural values. India's film industry, popularly dubbed 'Bollywood', is probably the largest and farthest reaching medium for Indian culture. It is today the world's largest film industry, surpassing Hollywood with an annual output of over 1000 movies. Thanks to satellite TV and internet, Bollywood movies and Indian soap operas have reached a growing global audience that has become increasingly familiar with Indian society and culture. Another one of India's most successful and long-lasting exports, yoga, is now practiced around the world as a form of exercise, and Indian cuisine, with its distinctive use of spices, has become popular worldwide. More directly, cricket has proved to be a strong soft power

resource for India, with cricket diplomacy having notably positive effects in reducing Indo-Pakistani tensions. Pakistani Prime Minister Yousuf Raza Gilani's meeting with Indian Prime minister Manmohan Singh during the 2011 world cup semi-final in India closely followed the resumption of high-level diplomatic dialogue between New Delhi and Islamabad after the 2008 Mumbai attacks. On another level, the creation in 2008 of the rich and internationally-popular Indian Premier League (IPL) has reinforced the narrative of India's rise.

However, while the exportation of these cultural products has certainly made aspects of life in the Indian subcontinent more familiar and accessible to people across the globe, it is not evident how this element of India's soft power has helped India fulfil its foreign policy objectives in the last decade. Whereas Nye could link American popular culture with the US' 'co-optive' power, the effects of the globalisation of India's diverse culture are not so explicitly political. For example, unlike Hollywood's approach during the Cold War, Indian films have never really promoted a certain model for political and cultural development.

India's large diaspora is also considered to be a major asset for Indian diplomacy. There are today millions of Indians spread as far as Fiji, Malaysia, Mauritius, South Africa and Trinidad. While many of these Indians originally migrated as labourers for the British Empire in the 19<sup>th</sup> century, a new wave of richer and educated expatriates have found their way to the US, Canada and Australia in the last decades. These immigrants have come to play major roles in the political spheres of these different countries. For example, the educated Indian-American community has played an important role in improving Indo-US relations by lobbying American politicians and by giving a positive image of India to the American public.

Nye argued that 'smart' states can increase their credibility and soft power capacity by their domestic and international performance. India's democratic record, unprecedented for most decolonised countries could be regarded as a strong soft power resource. The new international consensus following the Cold War around democracy, human rights and market-oriented economic reforms has reinforced the appeal of India's

political achievements. The stability of India's democracy over more than 60 years, especially in a neighbourhood rife with ethnic conflicts, has demonstrated that unity in diversity was possible in a democratic format and there could be an institutional alternative to Western political systems. India's democratic, federal and secular political model (although not always perfect) could be considered as an institutional model of reasonable accommodation of minority rights, and of flexible adjustment to different ethnic and linguistic claims.

While economic power is usually considered a hard and material asset, a country's economic development model could also be interpreted as a soft power resource to the extent that its accomplishments prove attractive to others. The recent global successes of Indian information technology firms such as Infosys Technologies and Wipro, the achievements of other multinational companies such as the Tata Group and the Reliance Group; and the now global reputation of the Indian Institute of Management (IIMs) and Indian Institute of Technology (IITs) have contributed to the development of a new image of India as an economic powerhouse. The stereotypical image of underdeveloped, impoverished India has now been removed by the impression of a modern and dynamic economy attracting now foreign investments and workers from different parts of the world.

Soft power is however a difficult resource to leverage, and India's political leadership and its diplomatic instrument have inconsistently capitalised upon these undoubted soft power resources over the last decade. References to Indian culture, to its diaspora, to its political values and to its economic development have mostly been rhetoric for image-polishing. It poses the question of whether India has really tried to exploit its huge soft power potential.



## **DEVELOPING A SOFT POWER COMPONENT TO INDIA'S FOREIGN POLICY**

In practice, India's soft power remains weak for two primary reasons. First, Indian diplomacy has neglected soft power as an important tool of statecraft and has only recently understood the relevance of 'cultural diplomacy'. Second, soft power cannot really exist without some initial hard power achievements. A country will only be able to realistically tell a 'better story' if it has material power to build its soft power on. While goodwill for India abroad has largely been generated in an unplanned manner, New Delhi does have the capacity to accentuate soft power through 'public diplomacy' or by developing a framework of activities by which a government seeks to influence public attitudes in a manner that they become supportive of its foreign policy and national interests. India has recently demonstrated the intention to exploit its soft power resources in a systematic manner to achieve its objectives, notably by creating a Public Diplomacy Division in India's Ministry of External Affairs in 2006. This new institution's main objective has been to intensify the dialogue on foreign policy issues with all segments of the society at home and abroad. However, it is a fairly new and small department and its ability to formulate and implement policies remains to be seen.

As a result, India has over the last 5 years attempted to begin to make better use of its soft power assets. Most notably, the Indian government has explicitly incorporated a 'cultural' element into its foreign policy. The Indian Council for Cultural Relations (ICCR) has set up 22 cultural centres in 19 countries whose activities ranging from film festivals to book fairs and art exhibitions, aim to present an image of India as a plural multicultural society. The Indian government has also encouraged the use of Hindi abroad by organising an annual and rotating World Hindi Conference and by offering Hindi classes in its different centres.

India has also begun to emphasise its democratic process. Despite India's important democratic achievements, New Delhi had historically shied away from promoting democracy abroad, but since 2000 India has expanded its activities for the development of democracy abroad, notably in coordination with

the international community. In 2005, India joined the UN Democracy Fund and contributed \$25 million to it, making it the second biggest donor after the US (\$38 million). India's activities mainly include electoral assistance and programs to strengthen the rule of law and to fight corruption. At the regional level, India has also decided to link its development assistance with projects of democracy promotion as in Afghanistan. The Afghanistan example is interesting as India has direct national interests at stake in the stabilisation of that country. However, India has deliberately refused to send any military mission and instead pursued a soft power strategy to gain Afghan goodwill by delivering \$1.3 billion in economic and logistical assistance. Since 2001, India has concentrated on the reconstruction of Afghanistan through aid for building infrastructure like dams and roads and providing scholarships for Afghan students. Ordinary Afghans seem to have appreciated India's 'soft' involvement in their country as 74 percent of them have a favourable image of India according to a 2009 ABC/BBC/ARD poll (in contrast to 91 percent of unfavourable opinions of Pakistan). Elsewhere in the region, India has promoted a soft power approach through a series of new initiatives framed around concepts of 'non-reciprocity', 'connectivity' and 'asymmetrical responsibilities', which indicate a willingness to use economic attractiveness to persuade its neighbours rather than coercive military capacities. This has resulted since the 1980s in a greater political investment in different regional institutions such as the South Asian Association for Regional Cooperation (SAARC), the South Asia Co-operative Environment Programme, the South Asian Economic Union and BIMSTEC which were created to enhance cultural and commercial ties. Similarly, in order to rebuild its trust deficit with countries like Pakistan and Sri Lanka, India has recently increased economic cooperation notably by negotiating free trade agreements. Following the signing of a bilateral free trade agreement in 2000, Indo-Sri Lankan trade rose 128 percent by 2004 and quadrupled by 2006, reaching \$2.6 billion. In November 2011, Pakistan also took further steps toward normal trade and travel ties with India, agreeing to open up most areas of commerce with its larger neighbour and to ease visa rules by February 2012.

India has also progressively tried to include its diaspora into its foreign policy strategies. Beginning in the 1990s, it became clear that the Overseas Chinese community was contributing to China's economic development. In reaction, India began outreach efforts to wealthier expatriates who were well situated to play a vital role in strengthening ties between India and other countries. The government established in 2000 a High-Level Committee on Indian Diaspora to review the status of People of Indian Origin (PIOs) and Non-Resident Indians (NRIs) in the context of constitutional provisions, laws and rules applicable to them both in India and countries of their residence. By studying the characteristics, strengths and weaknesses of this community, which represents twenty million people worldwide, this committee aimed to study the role that PIOs and NRIs may play in the economic, social and technological development of India. In exchange for their contribution and based on the committee's recommendations, the Indian government reformed citizenship requirements in 2004 and eased the legal regime governing the travel and stay of PIOs in India. A case in point of such cooperation was the decisive role of the Indian-American community in improving India's image in American minds which greatly contributed to the recent Indo-US rapprochement. The lobbying efforts carried by the US India Political Action Committee (USINPAC) proved to be crucial to get the much debated Indo-US nuclear deal passed in the US Congress.

Soft power has now become an active element of India's diplomacy in parallel with the development of its hard power resources. India has progressively understood that these two dimensions of power should not be placed in opposition to one another, especially for an aspiring global power. India's political and economic appeal would not be possible if it had not developed robust political institutions over the last 60 years and sustained high economic growth rates over the last two decades. Similarly, as India's hard power capabilities, notably in the economic and military realms, have increased over the last decade, it became important to develop in conjunction a soft power strategy to give legitimacy and credibility to India's leadership role in the world.

As the world's largest democracy, with a vibrant free press, India has important soft power advantages over the other rising power in the region, China. Because of India's democratic experience, its rise (unlike China) has been perceived as complementing rather than challenging the existing Asian and international orders. Not coincidentally, India's public diplomacy over the last 5 years has sought to promote its soft power credentials in a battle for influence with China in Asia and around the world. A concrete example of this new soft power rivalry is visible in Africa today. Since India cannot match China's massive financial investments in Africa, it has been concentrating on soft power resources such as its information technology capabilities and its affordable university courses to attract African students. At the same time it has promoted its image of the country which inspired the anti-colonial struggles of the last century and took a strong principled stand against apartheid to develop future partnerships in Africa. As a result, by publicising the pluralist nature of its politics and society, India intends to prove it is a cooperating, stabilising and exemplary rising power, in contrast to China's more aggressive, if not neo-colonial model.

### **CONCLUSION: INDIA'S SOFT POWER AS A WORK IN PROGRESS?**

The Indian government's efforts over the last decade have helped promote a new and modern image of India abroad. The increase in foreign direct investments in recent years (investment inflows of financial year 2006-07 touched over \$13 billion, as compared with \$16.5 billion over the whole of the 1990s) may partly be due to these publicity campaigns that promoted India's soft power capacities. Post-liberalisation India is progressively being seen as a manufacturing hub for international firms that are making long-term productive investments in the country. Coincidentally or not, simultaneously many aspects of Indian culture like music, food, style and religions have become fashionable in many parts of the world. However, since India did not have any meaningful public diplomacy program until recently, it is not yet perceived as a political and societal model in other countries.

India has long been content with its indirect soft power capacities. In comparison with Beijing's well-organised and centrally mandated 'charm offensive,' India's public diplomacy is still in formation.

To increase its international clout, notably in its growing competition with China over which power tells the 'better story,' India will have to use its soft power in a more systematic and planned manner. This process will most probably take time as it will require a domestic debate on how to balance national interests and political values and norms. The resolution of this debate will determine how India finds a right mix between soft and hard power in order to achieve real influence, or what Nye, and many in the Obama administration, in particular Hillary Clinton, have termed 'smart power.' For India to continue to be an attractive power, and most importantly for it to present a more compelling development model than China, it will also need to continue to improve its internal economic performance.

In addition, since soft power has a fluctuating value, India will need to resolve its lack of social and economic equality if it wants to retain its soft power edge. One of the major factors in the rise of India's profile has been its impressive economic growth since the early 1990s. Suddenly, India became an appealing economic model, one that presented a different option from the centralized and authoritarian Chinese model. But the maintenance of this positive international image will require India to simultaneously become a more equitable and efficient society, a global economic power, and an economy that commands a major share of the global wealth, especially from global trade and investment. Decreasing FDI over the last two years cannot solely be explained by the global economic crisis. India's lack of proper physical infrastructure, constraining federal regulations, large and inefficient bureaucratic structures and the perception of massive corruption have all deterred major investors. Indeed, the popular mobilisation behind anti-corruption crusader Anna Hazare and the associated civil unrest demonstrates that India still has a way to go to implement the macro-economic and structural reforms that will enable it to become an inclusive and prosperous economic reference, and with that, a soft power superpower. ■

# ➤ India's National Interests and Diplomatic Activism: Towards Global Leadership?

Oliver Stuenkel

**I**ndia's rise constitutes one of the most fascinating and important stories of the past two decades, symbolising, along with China, the fundamental shift of power towards Asia. Yet while many acknowledge India's newfound importance, the country remains one of the most misunderstood actors in the international community. During the Cold War, India was the only democratic regime that did not align with the West. After becoming a nuclear power in 1998, the country suffered international condemnation, only to become one of the United States' key strategic partners less than ten years later. While international analysts have traditionally looked at India primarily through the prism of the conflict with Pakistan, today it is routinely analysed in the context of a rising China. Neither viewpoint can do justice to India's much more important and complex role in the 21<sup>st</sup> century. The need to understand India's perspective has never been greater, and today no global challenge – be it climate change, nuclear proliferation or poverty reduction – can be tackled successfully without India's active contribution and engagement.

## THE INDIAN PARADOX

India's role in today's international context abounds with paradox. At first sight, there are many reasons to be optimistic about India: it boasts one of the world's most dynamic economies, driven by a growing group of sophisticated entrepreneurs capable of competing globally. India has experienced unprecedented growth and stability since the end of the Cold War, and it is expected to turn into one of the world's five largest economies by the end of the decade. Given that the country finally seems to be capitalising on its potential, several analysts have proclaimed the 'Indian Century', and the government is ever more confident in its claim for a permanent seat on the UN Security Council and more responsibility in institutions such as the International Monetary Fund (IMF) and the World Bank. At the same time, India has become the world's largest arms importer, further boosting its profile and potential role in security affairs in the Indian Ocean. Due to its democratic credentials and reputation as a benign international actor, a consensus has emerged in the West that India is the world's best hope to balance a rising China both in the region and, at a later stage, in global affairs. Reflecting this, the United States' recognition of India as a nuclear power, a move that risked weakening the Non-Proliferation Treaty (NPT), was unprecedented and showed how important India has become in the view of foreign policy makers in Washington D.C. On top of all that, India boasts of considerable soft power – its vibrant democracy, millennia-old culture and benevolent standing help explain why the vast majority of international actors look kindly upon India's rise.

However, India's global aspirations are starkly contrasted by the enormous difficulties it faces both at home and outside of its borders. With over 300 million Indians living below the poverty line and growing economic inequalities, India's rise has yet to translate into tangible benefits for the poor, most of whom live in rural areas that have benefitted little from recent economic growth. The Maoist Naxalite insurgency, affecting large swathes of the country, has rightly been identified by the government as India's most serious security concern. Violence saps the government's authority to take the country forward in these areas. Yet the insurgents' continued presence can be explained precisely because growth has not been sufficiently distributive. More importantly for India's foreign policy, Kashmir represents a bleeding wound that significantly diverts foreign policy makers' attention, reducing their capacity to focus on other urgent challenges. Furthermore, it constrains India's armed forces' ability to deal with regional security challenges more effectively, given that many are stationed along its disputed borders. Recent analyses have laid bare New Delhi's dysfunctional national security machinery, in which decision makers spend more time on internal procurement processes and battling bureaucracy than on developing foreign policy strategies, reducing India's capacity to pursue its strategic objectives effectively. A political deadlock, a historic protest movement (led by Anna Hazare) and a severe leadership crisis in government (caused by Sonia Gandhi's prolonged absence) further complicate Manmohan Singh's attempts to strengthen India's role in the world.

## **INDIA'S REGIONAL PROBLEM**

India's biggest weakness is its incapacity to exercise regional leadership – far from articulating a clear and attractive vision for the region, India remains a reactive force that lacks the initiative to propose bold projects such as, for example, the creation of a pan-South Asian energy grid. Despite a strong focus on Pakistan, India wields virtually no influence over the – admittedly unpredictable – government in Islamabad. Intra-regional trade remains minimal, and India's attempts to push for greater economic integration

have repeatedly been frustrated. This is surprising as smaller neighbours such as Bangladesh could benefit enormously from integrating economically with India. Yet India still struggles to overcome the disruptive effects of partition on the region – economic regions such as Kolkata-Bangladesh and Karachi-Mumbai were separated in 1947, and barriers between them remain formidable.

Given this unique set of contrasting indicators, how can we characterise India's role in the world? India's foreign policy strategy has been unique from the outset and given the country's peculiarities it is unlikely to adapt to outsiders' expectations and adhere to traditional categories, continuously confounding, surprising and frustrating foreign observers – particularly those in the West. Jawaharlal Nehru's early decision not to align with either the United States or the Soviet Union but to assert India as an independent pole in the Cold War international system may have seemed unorthodox at the time, yet today most analysts agree that it has served India well. After Nehru, Indian foreign policy followed a somewhat more realist orientation (from the mid-1960s to the late-1980s) before a fundamental reorientation after the end of the Cold War, forced by the loss of the Soviet Union as India's most important partner and an acute financial crisis that led to historic economic reforms.

Indian exceptionalism pervades policy makers' world view, and in foreign policy matters India generally seeks the moral high ground. This claim is strengthened by India's singular achievement of building and defending a stable democracy amid extreme poverty, inequality and extreme diversity. Yet while the democratic character of its regime is an important ingredient of its foreign policy identity, it does not systemically promote democracy abroad. In 1988, India's Prime Minister Rajiv Gandhi sent Indian troops to the Maldives to avoid a coup d'état, helping the country's democratically elected President reassert power, and India's Prime Minister Manmohan Singh has argued that liberal democracy was the natural order of political organisation in today's world, saying that all alternative systems were an aberration. Yet, at the same time, India has for over a decade followed a so-called 'constructive engagement' policy with

Myanmar's military junta in which it has not criticised the regime's human rights abuses even as it hosts large numbers of Burmese refugees and political exiles on its soil. Nor did New Delhi take much of a position one way or the other on the fraudulent elections held in Myanmar in 2010, disappointing pro-democracy activists. Raja Mohan has argued that democracy as a political priority is largely absent from India's foreign policy – which may be partly explained by the fact that India is surrounded by unstable and often autocratic regimes, which may react negatively to democracy promotion. This ambiguity points to a more general debate about the role India should play in the region – what does regional leadership entail or require? Does the region represent a nuisance, an opportunity, a shield or a launching pad for a global role? Put differently, what is India's 'regional project'? The question of democracy promotion is but one, albeit an important one, of the challenges that derive from this larger question.

### **CAN INDIA BE A GLOBAL POWER WITHOUT BEING A REGIONAL POWER?**

Regarding the paradox of India's global ambition and its difficulty to establish itself as a leader in its backyard, there is a growing consensus that India simply cannot leapfrog problems in its vicinity to play on the world stage. Given that several of its neighbours are frequently hostile towards India, a regional backlash in the region could seriously undercut India's global strategy. While India has in the past attempted to ignore its neighbourhood, even small neighbours such as Nepal and Sri Lanka have repeatedly demanded India's attention, particularly when their political stability seemed at risk.

The Indian government has, as a reaction, undertaken a coordinated effort to engage with its region. While the scope for bold and substantive initiatives was limited during the Cold War, when India sought to economic autarky, its growing integration and weight in the world economy since the beginning of the 1990s gives it – in theory – sufficient leverage to influence others. In addition, while India's democracy had always enhanced its soft power, its lack of economic success limited its attractiveness. India's approach to Bhutan

is probably its most successful example of bilateral relationship with a neighbour, and could readily serve as a model for India's ties to other small neighbours. India has provided Bhutan with generous economic aid since 1958, when Jawaharlal Nehru first visited the country, yet India has always kept a low profile in Bhutan, and the relationship has traditionally been marked by friendliness and mutual respect.

The belief that India deserved a seat on the high table has informed India's foreign policy since Nehru became India's first Prime Minister, with the difference that its recent economic success has made such desires seem much more realistic. Despite India's newfound weight, there often remains a gap between India's great-power identity and the way others see it, frequently resulting in frustrating negotiations. Yet Indian policy makers are struggling to define how to use this leverage, since there is no consensus concerning the nature and scope of the Indian national interest. The last decade clearly indicates that India's sphere of influence has grown considerably, explaining India's strong presence in Afghanistan and its growing willingness to sign partnerships with other Asian actors such as Japan that are only thinly veiled initiatives to isolate China. Analysing India's most important bilateral relationships sheds further light on how the country perceives itself.

### **IS ASIA BIG ENOUGH FOR TWO WORLD POWERS?**

How will India-China ties develop? Whenever two rising powers sit next to each other, the chance for conflict greatly increases as their spheres of influence grow quickly. This unfortunate constellation now becomes increasingly visible in Asia, where a rising China and a rising India have begun to claim influence over the same regions. After India and Vietnam agreed to jointly explore oil in the South China Sea, analysts in China accused India of interfering in a region where it did not belong. China is determined to create alliances with India's neighbours such as Pakistan, where it is building a major port in Gwadar, a coastal city not far to the Strait of Hormuz. At the same time India has – to China's dismay – begun to strengthen ties with Japan, Australia, and the United States. While trade between India and China is growing,

this alone may not be enough to prevent an escalation, as analysts from both China and India have argued that one has attempted to 'encircle' the other.

Six aspects make these trends particularly worrisome. First, China and India have been at war before – in 1962 – and the resulting border dispute is yet to be resolved. Second, Asia lacks strong regional institutions that could serve as a platform to resolve future problems (many exist already, ranging from issues around the Dalai Lama and Pakistan to the Nuclear Suppliers Group). Third, both countries are extremely resource-hungry and could soon clash over them in times of scarcity – a 'race for resources' is emerging between the two in oil-rich African states. Fourth, China and India will soon be the world's first and third largest economies, so any armed conflict between the two would plunge the world into recession. Even more worrisome is that India has barely begun to expand its sphere of influence, so once its growth and economic interests reach Chinese dimensions, competition between India and China is set to intensify. Finally, both countries possess nuclear weapons, which points to potentially disastrous consequences for its combined 2.5 billion inhabitants – at the same time, nuclear weapons on both sides may create deterrence powerful enough to avoid armed conflict.

While the narrative of inevitable confrontation between Asia's two rising powers is increasingly accepted in the West, and often visible in India's media, there is a growing group of voices in New Delhi, such as *The Hindu's* influential editor Siddharth Varadarajan, who see great potential for India and China to cooperate and engage in a mutually beneficial partnership. Trade between the two has grown rapidly, albeit from a low base, and powerful industry representatives pressure the government in New Delhi to protect the Indian market from cheap Chinese imports. Multilaterally, India has repeatedly found common position with China, for example regarding climate change. Both India and China share an interest in combating radical Islamic terrorists, and both India and China seek to end Europe's dominance in international institutions such as the World Bank and the International Monetary Fund (IMF).

## **INDIA – AFGHANISTAN**

India's ties to Afghanistan are an interesting case that shows how much more assertive India has become, and how it uses its economic weight to defend its national interest in the region. However, its ability to influence NATO decision makers on the ground is extremely limited, showing that the West does not yet regard India as strong enough to provide order in the region. Traditionally wary of growing Pakistani influence in Afghanistan, India supported the Northern Alliance during the Taliban regime, and was elated to see the United States defeat the Islamist regime after the terrorist attacks of September 11. India has strengthened its economic presence in Afghanistan, and its installations have several times been the target of terrorist attacks there, possibly planned in Pakistan. The looming NATO troop withdrawal presents India with a conundrum. While it is unwilling to deploy troops, which would run contrary to its non-intervention stance, Indian policy makers fear that Afghanistan will eventually become dependent on Pakistan, turning into a safe haven for terrorists and falling out of India's orbit.

## **INDIA – PAKISTAN**

Regarding Pakistan, India faces a conundrum. Most Indians believe that a failed Pakistani state is not in India's interest, as nuclear weapons could fall into the hands of radical Islamists. In addition, many believe that only a strong, stable and confident Pakistan would be able to negotiate a settlement with India, both regarding Kashmir and any other pending obstacles to better ties. At the same time, there is a strong aversion across many groups in India, including the armed forces, to providing material support for the Pakistani regime. While India stands to lose much more than Pakistan from a continued conflict, very few voices – such as India's former Consul General in Karachi Mani Shankar, who tirelessly calls for a rapprochement – provide bold and innovative ideas. China's support of Pakistan (it provided Islamabad with nuclear technology in the 1990s) is set to continue, despite worries in Beijing about the growing number of radical Islamists emanating from Pakistan. While China remained neutral during the Kargil War in 1999,

thus projecting considerable pragmatism, Beijing's important role in India-Pakistan relations complicates an already difficult situation further. Barring any extraordinary event, we are therefore highly unlikely to see a settlement between Islamabad and New Delhi during this decade.

## **INDIA – UNITED STATES**

In 2000, Condoleezza Rice, then foreign policy advisor to the Republican presidential candidate George W. Bush, identified India as a 'strategic partner' and China as a 'strategic competitor'. Five years later, the United States and India signed a nuclear agreement, a direct result of the United States' belief that the United States could exploit an emerging rivalry between China and India. Yet if the United States had hoped to turn India into a reliable ally, it would be disappointed: throughout the negotiations with the United States, India maintained positive relations with Iran, strengthened ties to China, and disagreed with the United States on many other issues such as Myanmar and the proposed Iran-Pakistan-India pipeline. Despite these obvious signs, the United States will remain prone to both overestimating its capacity to influence India and to misunderstanding India's desire to remain an independent actor. India sees itself as a global power and Indian voters are highly averse to any type of alliance that limits its room for maneuver. Still, American and European efforts to court India are likely to grow, as became visible when President Obama openly supported India's campaign for a permanent seat on the UN Security Council for India – something he failed to do for Brazil during his recent visit there.

## **INDIA'S MULTILATERAL RELATIONS**

Despite India's traditional focus on multilateralism and strong support of the United Nations during the Cold War, its performance on the multilateral level today is surprisingly thought to be less effective than in the bilateral realm. India's performance in the G20, the IMF and the World Bank is widely thought to be exemplary – India's 'finance diplomacy' has

been highly constructive, and after the G20 Summit in 2010 in Toronto, US President Obama admiringly spoke of Manmohan Singh's economic competence, which had turned the Indian Prime Minister into a thought leader during the summit. Yet in general, Indian negotiators are often seen as obstructionist, inflexible and excessively tied to principles to make a compromise, fearing that ceding on any issue could be interpreted as weakness and confer a loss of respect or status. As several analysts have pointed out, Indian negotiators often focus more on tactics than on strategy, and negotiations are often seen as zero-sum games.

## **CONCLUSION**

Given India's economic success over the past two decades, the country's foreign policy makers increasingly need to confront the question of whether and how India will contribute to dealing with global challenges such as climate change, piracy, failed states and economic volatility. India's growing might will fuel others' expectation for India to engage in global burden sharing. Unless it is ready to do so, India risks losing the support of developing countries that have long formed the core of India's followership, as they no longer see India defending poor countries' interests at the international level. Its constructive role in the G20 clearly shows that India does not have to be obstructionist. Instead of focusing on status, as it has often done in past decades, India's foreign policy is likely to become more pragmatic. For example, rather than in engaging in fixed partnerships, India will pursue its national interest in its growing sphere of influence, and align with whomever it deems convenient – be it other emerging countries such as Brazil in one moment, and the United States in the next. No country in the world, including China or the United States, will be capable of pressuring India into assuming a more responsible role – yet by the middle of this decade, India's role is set to vastly exceed its current place in global politics. ■



# ➤ Globalisation, Society and Inequalities

Harish Wankhede

## Introduction

**P**aradoxical judgments are intrinsic to the idea of development. India, the second fastest growing economy in the world, is also known for the vast majority of people living in acute poverty and impoverishment. Despite the fact that India's neo-liberal economy is backed by experts in global economy and its model of development has indeed reduced economic inequalities, India is still home to more poor people than the whole of Sub-Saharan Africa (455 Million in 2005). However, poverty measurements are not the sole criterion to understand the hurdles which restrict inclusive development<sup>1</sup>. On most of the other social indicators, multiple forms of inequalities still persist. For example, more than one third of women are anemic in India, 42 percent of children are malnourished and the share of Scheduled Castes/Scheduled Tribes and Religious Minorities in formal and informal sector employments is very low. In the light of such stark facts, the hope that India will emerge as an economic superpower in 2025 appears to be a distant dream.

India's economic liberalisation may be here to stay, but the question one must address is how the economic regime will respond to the growing socio-economic inequalities of its subjects? In this analysis, the question of inequality is addressed by evaluating its relationship with the state, globalisation and democracy. My objective here is to illustrate how both the liberal state and the adopted framework of market economy serve in a cumulative way the interests of dominant capitalist classes and systemised socio-economic inequalities. It is in fact democracy itself that provides the space for the affected groups and communities to raise their voice for justice and fairness. It will be therefore interesting to observe how the growing democratic consciousness amongst deprived and marginalised groups concerning their systematic exclusion from the market will allow them to take radical measures to achieve substantive justice in the future.

## STATE, INEQUALITIES AND ECONOMIC DEVELOPMENT

The constitution of Independent India is an idealised rhetoric which the majority of the population continues to celebrate. It envisages a society based on the ethical values of individual freedom, socio-economic liberties and communal harmony. The modern constitutional principles are grand compromises derived following a highly contested discourse of nation-building, economic development and social change.

There is general acceptance that the socio-economic conditions of contemporary Indian society, that is, the functional social relationships and the overlapping mode of production, are exploitative with respect to the majority of the population and particularly for Dalits, women and religious minorities.

---

<sup>1</sup> 'Inclusive development' is defined here as the recognisable and fair participation of various ascriptive communities in the process of economic growth.

Confronted with a society harbouring manifold oppressions, the nation builders have shown a committed effort to the enlightened vision of establishing a just society, transcending the obstacles of casteism, communalism, feudalism and capitalist exploitation. The concepts of justice derived during such a complex period, are therefore rooted within the dynamics of social structure and the contestations that it generated, transforming the classical concept of universal justice into a new institutional framework to handle the multiple modes of inequality in the society. The Constitution validates the necessity of fundamental rights for all citizens, a socialism-sensitive welfare state, promotes and protects minority interests with its secularism doctrine and advises structural changes for the socially deprived sections through various measures of affirmative actions. These ideas on the whole express the commitment of the Indian state to end multiple forms of manmade inequalities. However, even such multiple strategic institutional norms fail to guarantee justice to a vast number of Indian citizens.

The institutional setup and its practices conserve the existing socio-economic structures in the interests of the social elites. The socialist dream of the Nehruvian era was high on optimism but failed to fulfil the hopes and expectations of ordinary people. State institutions do advocate people-centric development but the control and interest of the dominant classes and castes hardly allowed it to happen. A very small group of educated, middle class men holding reputed social status and economic power became the beneficiaries of it and large numbers of people within various communities were almost left out of this framework. The possible instrumentality of the welfare state for the greater empowerment of the oppressed and the marginalised sections had very limited success. It did mark a substantive shift from the economic stagnation of colonial India, however, it has failed to promote the actual wellbeing of its citizenry. The number of people living under the official poverty line reached a staggering high even after the two decades of the mixed economy (it was 45.3 percent in 1951-52, 47.4 percent in 1955-56, 45.3 percent in 1960-61, 56.8 percent in 1965-66 and 52.9 percent in 1970-71).

The rhetoric of state-laden development ensured a quasi-political awakening amongst certain social groups which were protected and supported by the state (mainly the Dalits), but to little effect, as other forms of inequalities persisted at very high levels. The position of women, Backward Classes and Muslims on most of the indicators of social development was unimpressive and they remained at the bottom in terms of prosperity. Faith in modernity and political democracy prevented most of the underprivileged sections of society from openly challenging the inertia shown by the state towards their empowerment. Whilst the democratic polity flagged pertinent questions of socio-economic disparities (the famous *Garibi Hatao* (Eradicate Poverty) slogan by the Prime Minister Indira Gandhi in 1980s general elections) the ruling political elites showed little interest to craft substantive economic policies so that the concerns and the interests of the poor could be served. At a later stage, mainly in the 1970s and 80s, the devalued and non-performing nature of Indian economy (the growth rate was very low (3.6 average) and even declined to 2.4 percent in 1971-80) paved substantive reasons for the 'neo-liberal genre' to convert the state into a libertarian state for open economy.

## GLOBALISATION AND INEQUALITIES

In the 1990s India officially entered the competitive world of emerging economies, opening its borders for the developed countries to improve its economic conditions. The supporters of market economy argued that with the reduction of trade barriers between countries, a large influx of facilities related to industrial production, capital flow through foreign direct investments (FDI), and technological support would modernise industry and create millions of jobs across the sectors of the economy. The new wave of economic restructuring under the New Economic Policy (NEP) was expected to have a tremendous impact on improving the economic conditions of all Indian citizens, irrespective of gender, regional, social and religious differences. The pro-development literature promises that with the rapid enhancement of capital and swift industrialisation, economic inequalities will be reduced substantially.

With such economic growth, it was thought that the reduction of poverty would be inevitable. Such positive assumptions drew the policy makers to adopt aggressive neo-liberal measures in key sectors of the economy. The state-controlled economic sectors were opened up to private holdings, regulations and welfare measures were reduced considerably and labour laws and policies were restructured, mostly in the favour of the market economy and to enhance the productive capacities of the respective sectors.

Liberalisation and economic development become synonymous terms, relegating other indicators of inclusive growth (such as agricultural production, literacy, health, education, and children welfare) to supplements of the market economy. Rather than the 'people-centric' framework, the new passion for achieving targeted Gross Domestic Product (GDP), economic efficiency and increase in production capacities became the prime assessments of growing economy. There is a merit in the positive contemplation of global market economy, as the Planning Commission data shows that there has been a clear reduction in poverty over the last two decades. It has been consistently argued by the promoters of Globalisation that the actual numbers of people living below the poverty line has decreased (from 54.9 percent in 1973-74 to 26.1 percent in 1999-2000), but these figures are contested and many on the left have argued that the reduction in poverty has been shown by simply replacing the conventional measurements used to study poverty. For example, the 2400 calorie intake measurement was reduced to 1868 in the 'indirect poverty' method adopted by the Planning Commission.

In a similar vein to the utopia created by the promoters of state-based welfare economy, the pro-liberalisation camp campaigned for its politics with the rhetoric of reducing inequalities. Whilst the growth story is impressive in the service sector, and in particular in Information Technology, the rural agricultural economy has shown negative growth and unemployment among the rural poor has increased. The causes of this negative development within the agricultural sector stem from the deflationary policies adopted under WTO dictates and the withdrawal of subsidies to farmers (in the procurement of seeds, fertilizers, pesticides, electric power and bank credits),

with the result that farmers have been unable to compete globally amid market price volatility. The seminal rise of cases of starvation and malnutrition in Orissa, the growing numbers of cases of suicide among farmers in Maharashtra and Andhra Pradesh and the prolonged agitations of farmers in West Bengal (Nandigram and Singur) and Uttar Pradesh (UP) (Bhatta-Parasol) for land rights depicts that the agricultural sector is facing severe crises in the post reform era.

The non-agricultural economy (the growing service sector) mostly benefits the urban middle class groups with access to good education facilities and other resources. In contrast, Dalits, women and Muslims face discrimination in employment and wage payments on the pretext of merit, efficiency and suitability. A field survey report by *Action Aid* demonstrated that the labour market usually functions under the aegis of traditionally dominated class/caste groups and elsewhere nepotism, conventional networks, and kinship play a detrimental role. The Dalits, who are otherwise regarded as an 'outsider' to the idea of entrepreneurship, are the unwelcomed entrants in the domain of market economy and thus face discrimination, including the practice of untouchability. The market is not 'rational-secular' in an ideal sense but follows these unethical modes to achieve its particular objectives. The state sponsored Sachar Commission Report (2006) thus argued that the benefits of the market (ATM machines, Access to Bank credits, Educational Institutes, Hospitals, etc.) remained out of the reach of Muslim communities that face identical discrimination to Dalits in the labour market. Whereas Dalits and Muslims are substantively excluded from the profits of the global economy, there is a serious attempt to 'include' the Tribals in the course of development without their own consent. The tribals of Orissa and Chhattisgarh have taken to radical means by adopting the Maoist-Naxalite path and have persistently shown opposition to the mega development plans proposed by the state and multinational corporations.

The market economy further practices the conventional mode of economy and hardly disturbs the status quo of inequalities. The well-off classes and groups have benefitted most from the economic reforms

and a significant number of people have entered into the category of middle class. However, it is difficult to locate whether the classes which were poor, marginalised and oppressed in the past have actually been empowered by the NEP. In addition, the market economy has stratified the status quo in other spheres. Development at the regional level indicates that some of the states were conventionally prioritised over others which resulted in a strict dichotomous relationship between the developed states (Maharashtra, Gujarat, Karnataka and Kerala) and backward states (Orissa, Bihar, Uttar Pradesh (UP) and Madhya Pradesh (MP)); the latter states have shown negative growth rate even in the post liberalisation period. The market economy has not reduced the gap between these states. This regional disparity is further sanctified by multiple forms of inequalities among different social groups at the national and the state levels. The numbers of illiterate women in the backward regions are more, and their share in education and employment is dismal in comparison to the developed states. The poor tribal population in Orissa are more vulnerable than that of Rajasthan. Urban poverty amongst Muslims is very high in comparison to other social groups in some states including West Bengal (27 percent), UP (44 percent) and Maharashtra (49 percent). The Other Backward Classes (OBCs) amongst the Muslims are also more illiterate (61.9 percent literacy in comparison to the national average of 65.7 percent amongst the Hindu OBCs) and poorer (35 percent of the Muslim population is below poverty line compared to the 28 percent at the national average).

At the macro level, the post-liberalisation economic policies have demonstrated striking improvements in the majority of social development indicators. In the first decade of economic liberalisation experts witnessed the decline of low income households from 65 percent in 1984 to a mere 36 percent in 1999-2000, a rise in the literacy rate to 65.1 percent and sudden growth in the service sector employment owing to the Information Technology Revolution. However, the impact on the removal of obstacles to social and economic mobility for the most deprived groups has been less impressive. The most deprived social groups still suffer under extreme conditions of poverty (rural poverty amongst Dalits remained high with 36 percent compared with non Dalits

with 21 percent); ill health (infant mortality is highest amongst the rural poor Dalits at 90 per 1000 live births); and poor education (the literacy rate among the Dalits is the lowest in India at 52.2 percent).

The theory that the market economy equalises and frees citizens to pursue their economic betterment is not borne out by actual facts in the context of India. The constraints of poverty, gender discrimination, regional inequality, caste oppression and communal stereotypes play a decisive role in excluding sections of society from the spheres of economy. The inaccessibility of the market kept these communities away from the profits of NEP. Inequalities among citizens persist because market practices are determined by unequal and unfair treatment of the people. As a result, wider democratic assertions of affected people have risen significantly in the last decade.

## **DEVELOPMENT AND DEEPENING INEQUALITIES**

The idea that liberal market reforms will bring prosperity to the majority of citizens has always been a highly contested judgment. A conscious exclusion of categories, mainly of the poor sections of society, has become an integral part of the contemporary process of development. Conditions created by such lopsided economic arrangements have produced new forms of hierarchies within gender, regional, caste and at the community levels.

The Dalits, who comprise almost 17 percent of the national population, have a negligible presence in the formal economy. They consistently suffer discrimination with respect to land, labour and capital. The greater dependency of Dalits on agriculture for their livelihood – mainly as landless labourers with low wage rates – has created the condition described as ‘chronic poverty’. Such discriminatory disparities remain also in the educational sectors. Even though there is a significant rise in the literacy rate among the Dalits, their participation in elementary and higher education has lagged behind significantly in comparison with the non-Dalit counterparts. Market practices further subtle discrimination in allocating resources, employment, loans and other facilities to this particular group. Owing to such conditions, Dalit political and pressure groups have started demanding newer

forms of Affirmative Action Policies in the service sector and the extension of reservation policy in private industry.

The tribal groups are geographically excluded communities which remain mostly dependent upon the natural resources available in the forests. Under the aegis of private capital and influenced by the new mantra of development, multiple acres of forest land have been acquired from them and distributed among the industrial classes for various developmental projects, without firmly addressing the basic question of compensation and rehabilitation. Mega-development projects have entailed large-scale displacement of the natives, including the Big Dam Projects at Narmada River valley, Hirakund, and Bhakra-Nangal. Apart from forced displacement, there is danger of ecological destruction (the iron-ore mining has the capacity to contaminate the ground water and natural water falls of the forest, making it unsafe for drinking) as observed in the case of the current Posco project in Orissa. Such developmental models have a capacity to drive many communities to destitution and disempowerment, as shown through the unlawful occupation by the *Mining Mafia* of mineral and resource-rich land in Andhra Pradesh and Jharkhand. The tribal groups of these areas are mobilised by ultra-left forces (Naxals-Maoists) and have on occasions resorted to violent means to oppose multinational companies from seeking to exert control over natural resources.

The Muslim community in contemporary India is the victim of multiple prejudices and stereotypes. Their degraded socio-religious identity is further supplemented by their deepening poverty and educational backwardness. Their presence in the formal labour market is miniscule and even in the informal sector Muslims are restricted to mainly manual and semi-skilled labour jobs. In the absence of basic human capabilities (dignity, education and health) the majority of poor Muslims remain excluded from the benefits of the NEP. The new era of economic reforms offers them very little hope under such conditions and the growing destitution among the young generation can lead them towards criminal activities, religious fundamentalism and extremism. Economic exploitation can cause multiple forms of deprivations, including the denial of education,

health hazards and social insecurity. Such denial to possess basic capabilities because of poverty and unemployment makes economic exploitation one of the worst forms of oppression. Further segmentation and valuation of labour based on a non-economic criterion (socio-religious identities) not only restrict the entry of these groups in the open market economy but also become a source of discrimination. The poor with degraded socio-religious identity in this sense are the worst affected category in contemporary India.

In the neo-liberal economy, the rural poor and the tribal communities are at the bottom of the inequality scale. The promoters of development are interested in the controlled utilisation of natural resources (land, raw materials, labour) but show little interest in locating the possibilities by which the affected sections can be integrated into their heightened economic endeavour. In most cases, development projects ignore the essential needs of the poor, misunderstand their socio-economic conditions and hardly bother about the spiritual-cultural bonding that these people attach to the natural resources themselves.

The liberal political project is celebrated by the marginalised and poor as it provides them respectable space to raise their voices against any form of injustice. In India, the growing people's movement against NEP are the responses of the underprivileged sections that were excluded from the process of development. Democracy as a tool is utilised by the affected sections to mobilise people against grand economic projects for making it fair and inclusive. At a time when economic development excludes the poor and marginalised groups from its purview, it is the democratic spaces which include their voices to demand justice from the state.

## CONCLUSION

The period of liberalisation has produced two economic systems: one represented by the urban economy, based on the service sector and mainly profitable to the smaller but dominant section of the educated middle classes. On the other side is the majority (rural poor, socially deprived groups, tribals, women and Muslims) who have little hope that their situation will be empowered under the changed conditions.

Understanding the value of economic exploitation, based on poverty indices, will not ensure remedies to multiple forms of inequalities faced by these groups. Providing an equal space to other forms of exploitation (social, religious, cultural) is indispensable while redefining the question of growing inequalities.

The social and political marginalisation of these groups from the public spaces in general and from the institutions of influence (including the economy) in particular has made them the most vulnerable communities. Their identities are prejudiced and condemned as 'others' in the social life. Moreover, the liberal economy is itself not free from the influence of social and political maladies. In the sphere of the open economy, the participant is not treated as an aspired individual with rational attributes, talent and free choices, but his or her role and calibre is largely determined by his or her possessed social position and status. In this respect, the Dalits, Muslims and tribal groups' social exclusion presages their disadvantaged status in the sphere of modern economy.

The liberal market economy and democratic freedom hypothetically guarantees every individual free choice in determining their economic and political objectives. However, in a very real sense both arenas are controlled by the same societal values against which such ideals were developed. The current understanding of development has not produced economic freedom in any substantial way. If the market discriminates and excludes certain communities from its purview on the basis of specific group identities, then the market has failed in protecting the rights of the individual as a free agent of their own will in the open economy. The future of the market economy is dependent upon its capacity to reduce the discrimination and marginalisation of these unequal citizens. ■

# ➤ Democracy

Mukulika Banerjee

**As India is hailed as the next superpower, do its political credentials stand up to scrutiny? As its record on governance and development up to the challenge of its newfound reputation? India has been a democracy for over six decades. In this time it has achieved some remarkable successes but also failed in significant ways. While economic growth has been rapid over recent decades, this has not translated into greater welfare for the majority of the Indian population. Despite being severely critical of its politicians, the electorate however remains enthusiastic in its political participation, especially at elections.**

In 1947, when India gained her independence from colonial rule, the choice of parliamentary democracy and a universal franchise for such a poor, vast and largely illiterate nation was considered foolhardy by many observers, at home and abroad. Nevertheless the first general election was held with great rigour, enthusiasm and success in 1952. In the meantime, a Constitution reflecting the political and ideological goals of the new nation had been adopted. It was authored by the Constituent Assembly made up of 299 members who represented the enormous class, religious and linguistic diversity of India's population and who after much debate and deliberation set out the framework for India's future as a republic and parliamentary democracy. Enshrined within it were the principles of the separation of powers, a universal Indian citizen with constitutional rights, equality before the law, the separation of civil and military powers, and the necessity for political competition. The press remains as free as any in the world and contributes to a lively and highly contested public sphere. So according to the democratic checklist of institutional arrangements, India's democratic system is in a reasonable shape.

## **CIVIL SOCIETY**

But what of India's record on democratic ideas more broadly: the participation of citizens, rule of law, and the responsibility of the state in ensuring basic freedoms, material security and education? It is evident that India's heterodox policy of a mixed economy of planned economic development and liberalization has put it at the high table of emergent powers in the world, but the positive effects of this are yet to reach the majority of Indians, in particular the poorest citizens. Many of those in power have severely abused their position, transgressing trust and probity, as scandals of corruption, bribes and kickbacks are revealed daily. While some of this corruption is widely regarded as inevitable transactional costs, the more serious consequences have been felt by what has been called an 'economy of influence', namely the nexus of corporations, politicians and the press who have colluded to bolster entrenched interests and weaken institutions. This has been acutely felt, for instance, in the state's policy on India's natural resources, which has consistently ignored the rights of indigenous populations whose lands contain these resources in deference to corporate interests who seek to exploit them commercially. This neglect, on the back of an abysmal human development record among the same populations, has led to violent insurgency movements in some districts, whose ideologues disavow the democratic state and its institutions. The state in turn has not held back in its violent suppression of these movements.

Elsewhere too, India's civil society remains vigorous as ecological, feminist, religious and justice-based social movements continually challenge the status quo. The national body politic has developed a vast repertoire of protest and persuasion, drawn on the techniques developed during the anti-colonial struggles and those from the twenty-first century, to bring pressure on governments to be responsive to popular demands. These movements at once utilize and challenge the freedoms and liberties afforded by democracy.

## **VOTER TURNOUT**

At the heart of India's democratic system have been the regular elections that now see the participation of over a hundred political parties and the largest electorate in the world (now c.715 million – larger than all the potential voters in North America, Europe and Australia combined). Recent voter turnout rates in India have been comparable to other major democracies (about 60 percent) but are still trending upwards, unlike in the older democracies where rates are generally falling amid growing voter apathy. Even more surprisingly, the most enthusiastic voters in Indian elections are not the well-educated urban middle classes but those who are the poorest, most discriminated against, and least educated, mainly living in villages and small towns. Turnout rates at elections in these areas can be well over 80 percent. Further, the more local the election, the higher the turnout, again bucking global trends. Contrary to what many predicted in 1947, poverty and illiteracy have not hampered the functioning of Indian democracy.

Why do large parts of the country's electorate cast their votes enthusiastically (and support a democratic mode of government over any other), despite the sustained failure of the Indian state to improve the living standards of its poorest citizens? Is it because the poor are ignorant and don't know what they are doing? Are they gullible and vulnerable to vote buying and empty campaign promises? Or to bullying and violence? These are important questions and recent ethnographic research carried out nationally can help us gain some understanding.

## **THE ELECTION COMMISSION OF INDIA**

One important factor in the faith that people have in elections is the performance of the Election Commission of India (ECI). Set up in 1950 to manage and conduct elections, unlike many of its counterparts in other democracies, the ECI is a genuinely autonomous and constitutional body, which through its sixty-year-old life has evolved into a responsive and efficient public body. Only the Supreme Court of India shares this level of popular respect. The voting process, the successful adoption of electronic voting machines, the maintenance of electoral registers, the security provided to voters and political actors, and the standards of probity among the two million election officials who conduct the elections have all emerged as enviably efficient features in a country where much else goes wrong. During elections, the Election Commission is given wide-ranging powers to create greater transparency and accountability, and politicians and governments are governed by the strict rules of a Model Code of Conduct imposed by the ECI. So, the Indian electorate trusts the Election Commission of India and the elections it runs. But when questioned about the politicians that those elections empower, the popular responses were a lot more critical.

## **POLITICIANS**

Indian politicians' behaviour and public standing have seen a long steady decline compared to the cohort of educated, idealistic and conscientious politicians who brokered national independence and authored the constitution. Political parties are increasingly dominated by kin and nepotistic networks and have blocked the rise of new talent, and in too many cases the sins of greed and avarice appear to have displaced any desire to serve the public good. The Indian National Congress continues to be dominated by members of the family of India's first Prime Minister, Jawaharlal Nehru. The Communist Parties of India, which stand fragmented but are still important forces in several regions, have seen their leadership replaced by less ideological and more opportunistic leaders who are reluctant to admit the young or women into senior ranks. The large national party the BJP and its allies have had their own share of leadership crises, divided by varying generational styles and different degrees of right wing ideology.



## POLITICAL STYLES

However, in the last couple of decades the political landscape has been shaken up by the emergence of lower caste parties that have made their challenge to the long standing social and political hegemony of the upper caste parties the cornerstone of their political activity. While not yet fully national parties, they now dominate important regions (each of which is the size of a European country). At the same time, their national importance has grown due to the greater incidence of coalition governments in Delhi, where their support has been crucial. These newer parties have also brought a new style to democratic politics. Often commanding the loyalty of millions who place their faith in leaders who are 'one of them', the leaders of these parties have successfully challenged the patrician and insulated worlds of traditional politicians. Importantly, in at least three significant parties, these leaders are women and are currently the Chief Ministers of the populous states of Uttar Pradesh, Tamil Nadu and West Bengal. Though their backgrounds differ, they are each single women who personally command the loyalty of millions. More generally, the leaders of the newly emergent parties are no longer ashamed of not being able to speak fluent English (which still remains the coveted hallmark of being elite and educated in India) as these mass politicians seek to represent their constituencies of lower caste, illiterate and poor voters in literal terms. Their dress, their language, their gestures and their agendas are distinctively more populist and in tune with their supporters. There has thus been a huge proliferation of political styles and personalities on the stage of Indian democracy of late.

## PARLIAMENT

These redefined political styles play out in the Indian Parliament, which has emerged as an arena for loud, gestural statements alongside debate and deliberation. In recent years, it has become routine for Parliamentary proceedings to be frequently disrupted by members aiming to capture the attention of a hungry media that relishes the transgression of parliamentary norms. In turn, the airtime gained by politicians has proved to be an invaluable tool to reach out to their mass followings.

The role of the Member of Parliament has become less that of legislator and more that of extractor of State resources for their constituencies, as a result of which personal corruption has seen unprecedented levels. But Parliament also remains a place where the great questions of unity and diversity, freedom and equality discussed at independence continue to be vigorously contested and updated by interest groups, determined variously by political ideology, religion and caste. As a result, 115 amendments of the Constitution have been passed by the national parliament to accommodate the changing realities of the political landscape. New states have been created (now 28 in total) and other changes made to improve the workings of democracy at the grass roots. Perhaps the most significant of these amendments was the 73<sup>rd</sup>, which made statutory provision for Panchayat Raj as a third level of elected administration in villages, below the national and state levels. As a result, representative democracy could now operate at the local level and help empower new actors to take on the responsibility of governance.

## CITIZENSHIP

Ordinary citizens on the other hand, who turnout in large numbers at elections, see the role that politicians play in Parliament and elsewhere as only one aspect of India's democracy. While they are clear eyed about the venality of politicians, they point to the importance of their *own* role in the success of the workings of the democratic system. They emphasize that it is their individual vote that adds to the final result and it is *their* choice of candidates that determines the nature of government.

'The vote is our weapon' is a statement that is often used to explain this sense of empowerment. A majority of the electorate believes in the efficacy of multi-party democracy and regularly held elections, because it is through these institutions that governments can be forced to respond to popular pressures and punished for a bad performance. The examples of incumbent governments losing power after one term (a frequent occurrence in India) or of governments being rewarded with re-election were proof of this. 'Without us, the system is nothing' was how voters put it to emphasize the role of the ordinary voter.

Indian democracy can thus be described as made up of two spheres of politics - the 'demonic' (politicians and high politics) and the 'demotic' (the electorate), with the electorate seeing its own politics as the purer in intention and action. Demotic politics is based on hope of a better future, the need for participatory citizenship and a sense of duty, and a celebration of universal franchise. And it is for these reasons that Indians across the country emphasize the importance of exercising this right assiduously, if only to remind those in power of their ultimate dependence on their votes.

Further, the right to vote is also seen as a foundational right of each citizen that makes possible the demand for other basic rights – to food, education and security. Thus Indian voters see their electoral participation as fundamental to their other engagements with the state, and their presence on the voting list a rare official acknowledgement of their existence. People thus frequently use the word 'duty' while describing the importance of voting and engaging with the system. A typical formulation states: 'it is my right to vote and it is my duty to exercise this right. If I don't discharge this duty, it is meaningless to have this right'. Further, there is a shared sense that it is important for each individual to exercise this right, rather than defer the responsibility to others.

But popular understandings of democracy also recognize that while elections are a necessary element of democracy, they are not a sufficient condition. To this end, the act of voting is seen to be the necessary first step in putting forward future demands and holding democratically elected governments to account. But political participation in non-electoral spaces is considered equally important, if more difficult to achieve. This understanding lies at the heart of a popular notion of participatory citizenship in the Indian electorate.

## **ELECTIONS**

Elections in India are a big festival and it is at this time that the two political domains of the demonic/demotic that remain largely separate for the most part are forced to collide and confront each other. It is during election campaigns that the politicians have to account for their neglect of their constituencies and beg a second chance. During long and exhausting election campaigns in large and diverse constituencies (the size of a parliamentary constituency in India is almost twenty times that of one in the UK) the laundered clothes of rich politicians are sullied by dusty road journeys, their arrogant heads have to be bent entering modest huts of the poor, and their hands have to be folded in a plea for votes. It is no wonder that elections in India have a carnival air as people delight in this leveling effect of campaigns, as the ordinary voter suddenly becomes the object of attention of the powerful.

But the voter also feels some pressure to play her own role in making the correct choice, which is always open to the influence of a caste group, kin or community. At the most fundamental level, there is tremendous pressure to not waste a vote. One of the ways in which this pressure is created is by a simple procedure carried out by the ECI. In any Indian election, each voter has their left index finger marked by a short vertical line in indelible black ink just before they approach the electronic voting machine. While this procedure is carried out to ward off repeat voting, it has also had the unintended consequence of making it impossible to lie about *whether* one had voted. It therefore generates tremendous peer pressure among people to go and take the trouble to vote, for not to do so causes the discomfort of constant questions and suspicions about one's motivations for abstaining. The importance of not losing face in front of others, whether they are kin or party workers, is thus an important motivation for voting and results in high turnout rates.

A further motivation for voting is the actual visceral experience of doing so. The culture of a polling station fosters an order, disciplined queues, respect for the ordinary person of whatever social background, efficiency of process and trust in the system – all of which can be a rare in Indian public life. In addition, at a polling station, the only relevant identity of a person is his Electoral Photo Identity Card that records

nothing apart from the most basic information. As people arrive to vote, they have to queue in the order in which they arrive and no preferences are made on the basis of wealth, status or any other social marker. For those who are routinely discriminated against on the basis of caste, colour, class and religion in everyday life, this extraordinary glimpse of egalitarianism is valued. Further, people often pointed out that the knowledge that each vote is of equal to any other heightens its importance even more. By turning up to vote, by queuing patiently at polling stations, by punishing arrogance and complacency in their choice of leader, they thereby consider themselves as participating in the most basic act of democracy that enshrines political equality and popular sovereignty.

## **CONCLUSION**

India's record on democracy can thus be fairly summarized as reasonably consistent. Her institutions have been mostly robust though they have also increasingly come under threat by personal greed and the collusion of powerful actors who seek to undermine the principles and robustness of these institutions. Yet, at the same time, in the wider society, ideas about democratic participation, the role of the electorate and the importance of a shared duty of citizenship are also vigorously articulated. In the end, it will be the challenges posed by this latter democratic politics of hope, mobilization, participation and justice that will need to overcome the demonic world of greed and power.

India's experiments of democracy have taught the world a number of lessons: the successful workings of coalition governments, the unpredictability of voter behavior, the importance of an autonomous and responsive electoral commission, and above all the possibility of political sophistication among the poorest people. It remains to be seen whether India can redistribute the fruits of its economic growth to the wider society and thereby serve as a unique model among the rising powers of combining economic democracy with a robust political one. ■

# ➤ Corruption in India

Andrew Sanchez

**The momentum of last year's hunger strike by the anti-corruption campaigner Kisan 'Anna' Hazare currently sees India's parliament wrestling with the formation of a national corruption ombudsman. Hazare's campaign rests upon the proposition that the democratic ideals with which the Indian state was formed in 1947 are all too often subverted by the self-interest of public servants. Hazare's supporters argue that this process has two primary effects. First, corruption allows wealthier citizens to access resources and preferential state treatment to which they are not entitled. Second, corruption constitutes a drain on the coffers of many ordinary Indians, in the form of demands for bribes by state functionaries, without which their services cannot necessarily be procured.**

Hazare's formulation is largely correct, and if popular support for his campaign is any indication, he has articulated a political frustration with bribery that is unique in spanning the regional, ethnic and religious divisions of Indian society. However, the discontent which Hazare's movement expresses relates to a corruption that is broader than bribery alone. 'Corruption' in this context encompasses a more pernicious subversion of the Indian state that has seen substantial numbers of often violent career criminals enter parliament since the 1970s, and has consequently weakened popular faith in governmental institutions. The current relationship between politics and criminality is a consequence of a culture of entrepreneurial corruption that adheres to Indian public office. While parliamentary service remains such a lucrative profession, it will continue to attract individuals whose ambitions extend beyond the confines of their position, and whose means of satisfying them include coercion.

The extent to which Hazare will find satisfaction in India's corruption ombudsman depends in the first instance on whether the 'Lokpal' ('protector of the people') bill to which it relates is ever enacted; the bill is currently stalled in the upper house of the Indian parliament and may never be fully realised. However, should the bill be passed, it is unlikely that the scrutiny of an ombudsman alone can provide the framework necessary to combat corruption at the higher reaches of the Indian state. The task requires a substantial overhaul of the wider legislation that currently protects the most powerful public servants who abuse their positions, and a real engagement with the influence of violence and organised crime on national politics.

Anti-corruption watchdog Transparency International currently ranks the national perception of corruption in India to be 87<sup>th</sup> highest in the world (in an index of 182 positions). While many nations fare better than India in this ranking, many evidently fare much worse, including regional neighbours Pakistan and Bangladesh. However, the real significance of perceptions of corruption does not lie in the extent to which phenomena such as bribery are perceived to be prevalent across society. A more important assessment is of how differing forms of corruption are deemed to be concentrated at different levels of the state, and whether such practices are seen as integral to the consolidation of power. In India, public scandals of the previous twenty years, which link numerous elected politicians and even government ministers to repeated acts of parliamentary corruption, embezzlement, land seizure, blackmail, extortion, kidnap and murder, serve to erode the assumption of legitimate political authority and the efficacy of the ballot box. While bribery in its many forms undoubtedly impedes the proper functioning of institutions, the

preponderance of criminal politicians corrupts the very notion of the accountable and democratic state on which the idea of India rests.

The popular perception of Indian political criminality is well substantiated by the available data. In the current Indian parliament, of the 543 elected representatives of the lower house, 158 (29 percent) are currently charged with a criminal offence. More shockingly still, seventy four (14 percent) are charged with crimes in the most serious category of offence, comprised of murder, rape, extortion, banditry and theft. While it is problematic to draw a simple relationship between criminal charges and actual guilt, it is apparent that politicians fall foul of the law far more frequently than almost any other section of Indian society, posing the pertinent question of why particular types of people are so often attracted to a political career. Alternatively, though less plausibly, one could ask why it is that politicians are so disproportionately targeted for spurious criminal investigations.

The distribution of criminal charges within the Indian parliament is weighted towards MPs representing the smaller parties, whose support bases rely upon the politics of caste and ethno-regionalism. Among the two major parties, the Congress Party, whose ideology is a secular state-socialism, has 5 percent of its 205 MPs currently facing charges, while the Bharatiya Janata Party, representing a broad platform of Hindu nationalism, sees 16 percent of its 116 MPs charged. At the other end of the spectrum, the regional Samajwadi and Bahujan Samaj parties, who predominantly represent the interests of untouchable castes, have 60 percent of their MPs currently charged. Other ethno-regional parties fare similarly poorly. Interrogating this phenomenon better substantiates the contexts in which criminals are likely to enter Indian politics.

Many of the Indian political parties strongly associated with criminality have their support bases in a vast northern swath of the country, running from the state of Haryana in the centre west, across Uttar Pradesh to the eastern states of Bihar and Jharkhand. Obscuring the understanding of political criminality in these states is a popular national perception of this region as a violent, culturally conservative backwater, plagued by poverty and communalism.

That some of the politicians who represent these states should be criminal despots is often said to express the particular troubles and cultural dispositions of the region. In reality, the emergence of political criminality in this part of India relates to the use of political violence by the central government from the 1970s, and the present relationship between provincial criminal politicians and their ostensibly more legitimate counterparts is closer than one would suspect.

In explaining the rise of India's criminal politicians, one might consider the possibility that a new type of charismatic political leader emerged during the 1970s that broke with the 'statesman' model of the Congress Party, and was valued for their willingness to dirty their hands on behalf of their constituents. Certainly, a profound change overtook political leadership during this period, as violence began to be valued more highly by certain sections of the electorate, particularly within ethno-regional movements. However, the widespread incorporation of criminals into Indian politics stems initially from the use of coercion during Indira Gandhi's 'State of Emergency' from June 1975 to March 1977. During this period, the Congress Party embarked upon a dictatorship, ostensibly to secure national unity in the midst of parliamentary turmoil.

The 'emergency' saw many civil liberties suspended and political dissent silenced through widespread arrest and coercion, a significant proportion of which was conducted by criminal enforcers at the behest of the state. The Congress Party's use of violence made criminal enforcers an integral element of political control in many areas of the nation; enforcers who then subsequently used state connections and increased economic power to consolidate their own positions. Dire ethical failings aside, the practical flaw of the Congress' use of violence lay in their failure to anticipate that the criminals which they courted would remain part of the political landscape long after their immediate usefulness had been exhausted. The most successful of these criminals amassed sufficient power and influence to enter parliament themselves, where the status of their office could further their enterprises. The present concentration of India's criminal politicians in quite particular areas of the nation can be explained with reference to the political economies of the regions concerned.

Across Haryana, Bihar and Uttar Pradesh, post-independence rural relations have been characterised by a progressively open state of conflict between lower-caste tenants and their upper-caste landlords. In this climate, the use of politically orchestrated violence is increasingly salient, and charismatic criminal leadership is more likely to flourish. In Bihar, criminal authority was further entrenched by 1975's state-wide alcohol prohibition, which created a lucrative market for bootlegged liquor. Regional criminal organisations prospered in the 1970s by providing coercive political services and fulfilling black market demands for consumer goods. These organisations eventually diversified into labour contracting, haulage, mineral extraction, metal trading and waste disposal as the region's industrial sectors expanded throughout the 1980s. During the 1990s, the power of regional criminal politicians received a further boost from the centre, as a series of weak coalition governments allowed the smaller parties on which they were dependent to wield a disproportionate level of power in parliamentary votes. It is during this period that the Congress Party became embroiled in the 'bribes for votes' scandal, which saw Prime Minister Narashima Rao convicted of corruption, and Sibu Soren, the head of the ethno-regional Jharkhand Mukti Morcha Party, convicted for the directly related murder of an alleged blackmailer.

It is not coincidental that the areas of the nation in which political authority currently enjoys the least confidence (namely Bihar, Jharkhand and Uttar Pradesh) are also those regions which afford political entrepreneurs some of the greatest economic opportunities through land seizures, industrial contracting, racketeering and labour brokerage. The penetration of known criminals into parliament has its clearest origins in the emergency's use of applied violence. One might also conclude that the class and ethnic conflicts of particular regions explains why violence initially became a feature of charismatic leadership in Indian politics. However, it is the capacity of parliament to enable the consolidation of personal power that presently explains the allure of a political career to criminals, as well as the Indian electorate's increasingly strident denunciation of such forms of authority.

The challenge presently facing the Indian state is to restore public confidence in the morality and capacity of the nation's politicians, by ensuring that criminals find it harder to gain entry to a potentially lucrative parliamentary career. Meeting this challenge requires an as yet absent governmental will to reform the legislation that enables those charged with serious offences to stand for office, and to avoid future criminal investigation once elected. The current governmental response to Hazare's campaign seems encouraging, and is at the very least testament to the power of a well-informed citizenry to press its demands upon the state. However, one must doubt the depth and perhaps the sincerity with which the Indian parliament presently searches its collective soul. Neither the issues raised by Hazare or their proposed remedies are new. On the contrary, the corruption and criminalisation of politics has been the subject of numerous governmental commissions since the 1960s, most of which have reached the same conclusions as Hazare, and have vainly made almost identical suggestions for reform to those presently under discussion.

For example, the first Indian Committee on the Prevention of Corruption reported its findings as early as March 1964, having been convened to investigate a perceived rise in ministerial corruption since independence. The committee concluded that India's legislative framework was ill equipped to deal with political corruption, and outlined a procedure whereby complaints against members of parliament could be investigated by an independent committee, prior to police referral. If the 1964 committee's suggestions seem well suited to the current political climate, it is because they were never acted upon and the legislative failings which they identified have remained largely unaddressed for the previous four decades. Likewise, the 'Lokpal' bill, currently so fiercely debated, has a long and faltering ancestry in Indian politics. Between 1969 and 1998, six separate Lokpal bills have been passed in India, only to lapse with the dissolution of parliament.

What the historical farce of the Lokpal bills suggests is that the consistency with which independent enquiries diagnose and prescribe against political corruption in India, is matched only by the uniformity

with which their activities are ignored or obfuscated by the parliament. The fate of proposals directed more specifically at flagrantly criminal acts of political corruption is worse still. Most recently, the 2010 background paper on electoral reforms prepared by the Indian Election Commission has revisited two unheeded recommendations with which to combat the criminalisation of Indian politics, both of which were first proposed in 2004. The Commission advises that prospective candidates for the lower house of the Indian parliament be required to declare all previous convictions, pending criminal cases and assets prior to standing, and suggests that the withholding of such information should be made punishable by a minimum of two years imprisonment. Moreover, the commission recommends disqualification for all candidates against whom charges have been brought at least six months prior to election for the most serious category of offences. While a number of the Committee's wider recommendations (regarding restrictions on the publication of exit poll results and the closer scrutiny of deposit monies) have been enacted, the bulk of suggestions that would curtail the entry of criminals into parliament have yet to find favour.

The will to restrict the entry of criminals into politics has to date not been present in any Indian government, and it is sensible to question the likely effectiveness of a corruption ombudsman whose architects are a parliament composed of such a high number of suspected criminals. Furthermore, the tenacity and success with which the prosecution of political corruption will be able to proceed in the future requires the redress of a number of substantial legislative failings. These include inadequate provisions for commissions of inquiry, courts and investigative bodies such as the Central Bureau of Investigation that are open to nepotistic appointments, and a legislative position of public officials that places them beyond the scope of some forms of legal scrutiny.

Whether the Lokpal bill will be passed, and its associated ombudsman proven effective remains to be seen. The bill's critics argue quite reasonably that the omniscient scrutiny of a central ombudsman potentially trades one form of despotism for another, and it is prudent to ask whether the commission can itself remain immune from corruption, even if the institution were theoretically powerful.

Certainly, many of the proposals in Hazare's original bill have been considerably diluted in the version presented before parliament and the composition of the ombudsman will be a matter of intense scrutiny in coming months. As admirable as Hazare's campaign has been, the wider struggle against state corruption in India is unlikely to be fulfilled by the Lokpal alone.

In addition to the Election Commission's suggestions to broaden the disqualification of criminal electoral candidates, at least three major reforms are necessary to forestall India's further slide into institutional criminality. First, the state needs to address the substantial legislative failings surrounding the pursuit of judicial and political corruption, which presently grant public officials inexplicable immunity from prosecution in a bewildering array of contexts. In short, powerful public officials must be not only liable to public scrutiny, but also subject to the same forms and extent of punishment as the citizenry. Second, the state must endeavour to create a more transparent culture of business, through a rigorous and systematic enquiry into the context and financing of corporate mergers, the sale and development of land, and the securing of contracts for the supply of labour, goods and services. The chief avenues by which corrupt politicians presently find their business profitable must be subject to far greater attention. Third, the effectiveness of violent coercion by political authorities must be curbed by strengthening and rehabilitating India's law enforcement agencies, which presently suffer from their own crisis of public confidence owing to perceptions of corruption and institutional incompetence. If wielded by the state at all, the use of violence must be the preserve of an accountable and publicly trusted judiciary and not of political autocrats.

The lack of faith in state institutions, and the popular suspicion that power is frequently derived from criminality, invites a critical reading of India's rise to superpower status. The global authority which the nation is likely to wield in coming years is only to be lauded if power and prosperity is distributed more evenly within India itself: a challenge which requires a serious engagement with the problems of state corruption. Whilst the task facing the Indian state is indeed substantial, the recent popular outcry shows that the country is rich in the popular will to enact such reforms. ■

# ➤ Managing the Environment: a Growing Problem for a Growing Power

Sandeep Sengupta

**India has undergone a remarkable transformation over the last two decades. Its economic growth, averaging at six percent between 1992 and 2001, and eight percent between 2002 and 2011, has seen it emerge as one of the fastest growing economies in the world today. The quadrupling of its national GDP, and the rise of its per-capita income from \$915 in 1991 to \$3,700 in 2011, has had a powerful impact in improving the economic and social welfare of its citizens across a range of parameters.**

Despite a population growth of over 40 percent, from 850 million in 1991 to 1.2 billion in 2011, India's literacy rate has grown steadily from 52 to 74 percent over this period, its average life expectancy has risen from 58 to 68 years, and its infant mortality rate has dropped from 80 to 47 deaths per every thousand births. At the same time, India has continued to maintain the gains that it made in agricultural production during the Green Revolution in the 1970s to remain a largely food-secure nation. Although the benefits of its economic boom have not been equally distributed, with widening disparities between the rich and poor, there is little doubt that overall poverty levels today, however measured, are lower than they were in the past.

The economic growth of last twenty years has also been accompanied by the expansion and modernisation of India's industry and its public infrastructure. The Golden Quadrilateral project alone added more than 3,600 miles of four-lane highway over the last fifteen years, compared to the 300 miles that had been built in the previous fifty years since independence. This period has also witnessed stupendous increases in wealth for some, with the number of dollar billionaires growing from one to fifty-five, and the emergence of a burgeoning middle class, conservatively estimated at 50 million, whose rising discretionary incomes and changing tastes have had a profound effect on levels of private consumption. Between 1991 and 2011, the number of cars in India grew from 180,000 to 2.9 million; the number of air travellers expanded from 8.9 million to 57 million; and sales of consumer goods such as television sets, air conditioners and washing machines all multiplied manifold.

Yet amidst this picture of general progress, the one area which has shown little significant improvement in the last twenty years and has, by most accounts, actually worsened considerably, is the state of the country's environment. As a recent United Nations report concluded, with reference to both to India and China, the 'economic growth of recent decades has been accomplished mainly through drawing down natural resources, without allowing stocks to regenerate, and through allowing widespread ecosystem degradation and loss'. This dismal picture is confirmed by the 2012 Environmental Performance Index (EPI), a global metric developed by Yale and Columbia universities, which ranked India 125<sup>th</sup> out of the 132 countries whose environmental performance it evaluated, and placed it last among its peers in Asia. With threats to its natural environment mounting by the day, the prognosis for the future looks bleak.



If left unaddressed, the severe ongoing degradation of India's environmental assets, upon which millions of its citizens still depend daily for their survival, will pose one of the most serious challenges to its long-term development and growth prospects.

## **INDIA'S DETERIORATING ENVIRONMENT**

While environmentalists may be prone to exaggerate the gravity of the situation, the rapid deterioration of India's air, water, land and other natural resources is hard to refute, going by hard facts alone.

On air quality, for instance, despite some positive initiatives such as the introduction of compressed natural gas-run autos and buses, and new Metro systems in cities such as New Delhi and Bangalore, the overall state of air pollution has worsened across the country. The 2012 EPI ranks India's air as the unhealthiest in the world, with levels of fine particulate matter at nearly five times the acceptable threshold for human safety in some cases. In 2004, based on measurements in 50 cities, the World Bank estimated the annual economic cost of damage to India's public health from increased air pollution alone to be \$3 billion. While growing vehicular and industrial emissions are the principal contributors to this problem in urban areas, indoor air pollution caused by charcoal and biomass burning remains a major health hazard in the countryside, affecting particularly women and children, and causing, by World Health Organisation estimates, nearly 500,000 deaths every year.

The situation is no less dire when one considers the water sector. With only four percent of the world's usable fresh water supply, and 17 percent of its population, water has always been a limited resource in India. But poor management and excessive exploitation of this valuable, albeit hitherto under-priced, resource has now exacerbated the situation to a point where the country is headed towards a grave water crisis. Satellite assessments conducted between 2002 and 2008 revealed an annual decline of four centimetres in ground water levels in the fertile alluvial tracks of northern India, equivalent to a 70 percent increase in extraction rates compared to the previous decade.

A decline in water tables is also evident in other parts of the country, where rates of natural recharge are even lower.

This has not only led to wetlands and rivers drying up due to reduced base flows, but also to contamination of ground water aquifers – a major source of drinking water in India – with arsenic, fluoride and other harmful substances. Water quality across the country has also been adversely affected by the pollution caused by excessive fertiliser run-offs from agriculture, inadequate sanitation and reckless dumping of industrial and household wastes into the country's rivers, lakes and other fresh water bodies. With only about 30 percent of the country's total sewage undergoing treatment prior to disposal, the public health consequences of this have been significant, with associated water-related diseases causing an estimated 450,000 deaths each year. Growing water shortages have also led to increased conflicts in various parts of the country. With demand for water rising by the day, the country is poised to face serious water scarcity in the coming years.

The quality of India's land resources has also deteriorated considerably in recent decades. The role played by the Green Revolution in enhancing national self-sufficiency in food production through the use of high-yielding crop varieties and intensive water and fertiliser inputs is indisputable. Yet it is only recently that some of the hidden costs of this approach have begun to be realised. The overuse of chemical fertilisers has not only adversely affected ground water quality and supply but has also resulted in severe soil degradation in some of India's most important agricultural regions. Moreover, the enormous state subsidies that have enabled the liberal use of these inputs have had perverse effects, contributing to soil nutrition imbalances that are now driving diminishing returns. Likewise, the extensive use of chemical pesticides, which grew from 154 tonnes in 1954 to about 90,000 tonnes in 2008, has had a damaging effect on the farming system by raising pest resistance, reducing populations of natural predators, and increasing local toxicity and health risks – including, in some cases, to cancer – among the country's agricultural communities.

Other natural resources in India – forests, fisheries, biodiversity – have also faced increased pressure over the last two decades. Although forestry is perhaps one area where the country has, as per government statistics, managed to hold on to, and even enhance, its tree cover over the last twenty years – largely due to the growth of manmade plantations – this relative success needs to be qualified by two points. First, that although the total area under forests may have increased, most natural ecosystems in the country continue to face varying degrees of degradation, and their quality – and the concomitant risks to biodiversity – has not necessarily improved. Second, India's forests today face impending threats not only from traditional sources, but also from the fact that most of the country's coal and other mineral resources on which India's future economic growth is predicated lie underneath these lands. Despite initiatives to involve disenfranchised forest-dependent communities and tribes in their local management and protection, a question-mark remains over the long-term security of these forestlands, given the ever-present possibility of their future acquisition, either by the state or by private interests, for purposes of industrial and infrastructure development. Moreover, the fact that the most recent assessment by the Forest Survey of India in 2011 shows a decline in national forest cover for the first time in several years – attributed to growing conflicts over the rights to forest resources in India's neglected hinterland – should further caution against any excess optimism.

Adding to all these existing challenges is the emergence of the newest, and perhaps most potent long-term, threat to India's environment, that of climate change. Although this is a problem that India has not caused, it is one whose effects it will feel most acutely in the future. According to the most recent assessment by the Intergovernmental Panel on Climate Change, rising temperatures are expected to cause erratic rainfall, declining crop yields, reduced fresh water supplies, increased frequency of floods and droughts, higher risk in the spread of diseases, and rising sea-levels across Asia. Finer-grained government assessments undertaken in key climate-sensitive regions and sectors of India paint an equally grim scenario for the country. Given the dependence of India's agriculture – which accounts for 15 percent of GDP and over half

of its total workforce – on good monsoon rains; the reliance of its major river systems on Himalayan glacier flows; and a 7,500 km-long coastline that is both densely populated and vulnerable to extreme weather events and sea-level rises, climate change is a threat that cannot be overstated for India.

## **A BLEAKER ENVIRONMENTAL FUTURE?**

Compounding these existing environmental threats even further is the trajectory of India's future expected growth and development. By most estimates, India's economy is likely to continue on its current growth path of seven to eight percent per annum for the next two decades. If this happens, it will go from being the world's tenth-largest economy today to the fifth-largest by 2020; the third-largest by 2030; and, by some accounts, even the leading economic power, in PPP terms, by 2050. On the one hand, this can be a cause for celebration, restoring India to its 17<sup>th</sup> century position of global pre-eminence and scoring a major victory in the global fight against poverty. On the other hand, if improperly managed, it could precipitate an environmental crisis that would negate the gains of growth and reinforce existing patterns of national inequity.

In assessing the environmental risks of India's projected economic growth, four trends stand out in particular, whose management will determine the nature of the outcomes that are realised. These are rising personal consumption levels; growing urbanisation; expanding infrastructure; and a greatly increased demand for all types of resources.

At current growth rates, India's real per-capita GDP is expected to grow five-fold by 2030 over 2005 levels. According to McKinsey, the size of India's middle class is also expected to expand dramatically from 50 million to 583 million by 2025. The same estimates suggest that increased spending by India's new middle and upper classes will quadruple aggregate consumption levels over the next two decades, catapulting India from being the twelfth-largest consumer market in the world to its fifth-largest, just ahead of Germany. One outcome of this future trend is seen in India's transportation sector, where, with rising private ownership, the country's total vehicle fleet (including

2-wheelers) is expected to increase seven-fold from 51 million in 2005 to about 380 million by 2030, with all the associated impacts of traffic congestion and air and noise pollution.

A second important trend is that of growing urbanisation within the country. India's urban population, which was about 285 million in 2001, and 380 million in 2011, is expected to grow to over 600 million by 2030, comprising about 40 percent of its total projected population of 1.4 billion. Given the poor infrastructure of India's present towns and cities – with woefully inadequate sewage, water, sanitation, roads, transportation, housing and other public facilities, especially for the urban poor – the growing spread of mostly unplanned urban settlements across the country is expected to further worsen this situation. According to an estimate by Goldman Sachs, the number of Indian cities with populations of over one million could double by 2020, and quadruple by 2050. This would place severe strains on basic infrastructure and lead to increased urban congestion, waste generation, and air and water pollution.

It is widely accepted that in order to achieve and sustain a rapid rate of economic growth, and meet the growing demands of urbanisation, India urgently needs to expand and upgrade its overstretched infrastructure – its power plants, roads, ports and airports, as well as other public and private facilities. Total investments for infrastructure development in India over the next decade have been estimated at around \$620 billion, and plans to implement this expansion are currently underway. The construction sector, which has grown at a compounded annual rate of 11 percent over the last eight years, and presently accounts for nine percent of national GDP, is expected to maintain its current pace of growth in the forthcoming future. However, the environmental consequences that will result from converting much of the country's landscape into a giant construction site are likely to be significant, as are the social tensions that will almost inevitably accompany the related processes of land acquisition.

Cumulatively, all of the above trends are certain to result in a vastly increased demand for natural resources of every kind. Economic growth, changing consumption patterns, urbanisation and infrastructure development will drive up demand in all sectors; be

it for power, building stock or consumer durables, or for the raw materials needed to produce them: coal, oil, water, cement, steel and other natural minerals and resources. Demand for building stock in India, for instance, is estimated to rise by more than five times in the next two decades over 2005 levels, causing in turn a six- to seven-fold increase in the demand for cement and steel. Similarly, oil consumption in the transportation sector is expected to grow fivefold by 2030. India's total primary energy demand is expected to triple by 2030, making it the third largest consumer of energy in the world, after the United States and China. This scale of resource use and extraction is unlikely to happen without imposing significant environmental costs. India's power sector, for instance, which is and will remain heavily dependent on coal, will inevitably generate environmental externalities which will manifest themselves at different spatial scales – local, regional and global – including through increased greenhouse gas (GHG) emissions.

Thus the environmental consequences of India's future economic growth will also have a global dimension. Although miniscule in historical and per capita terms, its national GHG emissions, which currently amount to about five percent of total global emissions, are expected to rise rapidly in coming years, making it the third largest GHG emitter in the world by 2015. Consequently, India will continue to come under increased international pressure to moderate the growth of its emissions in the future. The ecological footprint that India will cast abroad will also expand in other ways, given the limited domestic supplies of natural resources, especially oil and coal, that it needs for its development. This is already evident, for example, through its increased competition with China and other traditional Western powers to access untapped resources in Africa and elsewhere. India's future growth could therefore have adverse environmental consequences for the quality of natural resources, biodiversity and climate, not just at home but outside its borders as well. However, this needs to be tempered by the fact that for all its vaunted growth, India's consumption of the planet's resources, and indeed its emissions, remain, on average, well below that of the industrialised world, and this will continue to be the case in the foreseeable future.

## GLIMMERS OF HOPE

On the whole, it is clear that the current pattern of India's economic growth bears significant environmental costs and risks, including in terms of undermining its own future growth potential. Yet there are some strands of hope. For instance, the country has registered significant successes in renewable energy development in recent years. Between 1990 and 2010, India's power generation capacity from grid-interactive renewable energy sources, excluding large hydropower, expanded 1000-fold from 18 MW to over 18,000 MW, and India is one of the top five producers of wind energy in the world today. New forays and investments in solar, wind, and other renewable energy technologies and options could, in time, provide it with more feasible alternatives to traditional fossil fuels. Moreover, national levels of both energy and emissions intensity have been steadily declining over the years. Some industries, such as steel and cement, have also successfully managed to modernise and achieve world-class standards on efficiency of production.

The positive role historically played by India's judiciary, press, civil society organisations, and its rich tradition of people-based movements, in promoting environmental awareness and sustainability across the country also lends hope for the future. Though poorly enforced due to inadequate governmental capacity and other systemic weaknesses, India nevertheless also holds some of the strongest legal statutes in the world to protect the natural environment. Furthermore, there is a growing realisation today of the fact that environmental degradation poses a serious long-term threat to the future growth and well-being of the country, and it would be in its own interest to pursue a more environmentally sustainable developmental pathway.

With 80 percent of the India of 2030 still to be built, there is an opportunity still for course-correction. But the bottom line is that India will need to become more efficient, frugal and technologically innovative in its use and disposal of natural resources. It will also need to seriously rethink its present understandings of modernity, development, and, perhaps above all, power. Unless India is able to 'manage its environment' effectively, in every sense of the term, any hopes that it might foster of achieving future superpowerdom will remain only a futile dream. ■

For the United States, the two decades after the end of Cold War could not have been more different: the first, a holiday from history amid a long boom; the second mired by conflict and economic crisis. By the end of George W. Bush's time in office, the United States' 'unipolar moment' was over, with emerging powers taking more assertive international roles as the United States looked to cut its budgets. Across a whole range of challenges, this waning of American dominance has defined Barack Obama's foreign policy.



After nearly a decade in power, Turkey's Justice and Development Party (AKP) has grown increasingly confident in its foreign policy, prompting observers to wonder aloud whether the country might be leaving 'the West', forcing that group to confront the question 'who lost Turkey?'

This is to cast Turkey's role, and its emerging global strategy, in unhelpful binary terms. Turkey's emerging role reflects the changes in the world politics whereby power is becoming decentred and more diffuse, with established blocs replaced by more fluid arrangements that loosely bind states on the basis of shifting interests.

Upon assuming power in May, the United Kingdom's historic coalition government set in motion three exercises that together aimed to reshape British foreign policy. Taken together, the new National Security Strategy (NSS), the Strategic Defence and Security Review (SDSR) and the Comprehensive Spending Review (CSR), seek to lay down the bounds of Britain's future role in the world, to articulate Britain's national interests, establish the goals of policy and set the means by which to achieve them.

The contributors here – all with long and distinguished careers in British foreign policy – were asked to consider Britain's role in the world in the broadest sense, to identify our core interests and the most appropriate capacities to secure them, and to do so in recognition of the reality of the resource constraints that are coming to define this period in British political history.





**international  
affairs**

**diplomacy**

**strategy**



THE LONDON SCHOOL  
OF ECONOMICS AND  
POLITICAL SCIENCE ■