
India in the twenty-first century

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Economically and politically India approaches the twenty-first century a very different country from that which emerged from colonial rule into independence in 1947. By the year 2020 India is expected to be the fourth largest economy in the world in terms of purchasing power parity. In the light of a new foreign policy doctrine, this article examines the contradictions between India's economic and political compulsions and assesses the prospects for the world's largest democracy as it looks East to new trading partners and political links and to the resolution of long-standing security issues with its neighbours.

Flanked by 7 per cent annual growth on one side and entrenched huge mass poverty on another, India enters the twenty-first century three years from now as a country and a nation whose eyes have turned for the first time to the East and are fixed on the Asia-Pacific region, the planet's new growth area. The economy growing, despite many dark spots, at the rate of 7 per cent for three consecutive years, has imparted a new self-confidence to the coalition government that has ruled India since June 1996, and, simultaneously, made the rich industrial nations turn their attention to this at one and the same time inspiring and despairing country. The new self-confidence made the finance minister, P. Chidambaram, declare at the World Economic Forum at Davos in February 1997 that 'India is not a supplicant and the political authority is quite competent to decide on the dose of [economic] reforms that is required'. It would choose its own priority areas of market-oriented measures. Echoing the upbeat mood, the sophisticated newspaper of the south, *The Hindu*, mentioned in an editorial on 4 February 1997 the 'striking performance' of the economy in the last three years, and said that despite several fault-lines, the 'Cassandras are off the mark'. Some time earlier, the country's premier economic daily, the *Economic Times*, concluded an editorial on a note of cautious optimism 'While a sustainable 7 per cent growth will not be easy, it can no longer be regarded as a pipedream'

Caution is certainly not misplaced in India's case, Indians hardly ever expect a miracle from their governments. If anyone is disappointed, it is the world outside. But the disappointment is somewhat misplaced. It ignores the history of

today's developed nations themselves and belittles India's achievements. Since 1989, India has absorbed several major traumas of political change both at home and abroad, and has still held on doggedly to the democratic foundations of the state. More than that, India's democracy has brought millions of long-deprived people, the intermediate castes, into the power structure over the past 10 years through the revolution of the ballot box. Without a preconceived blueprint, without the initiative of the leaders of the principal political parties, a federal polity has begun to dismantle the command and control of the single party state under the pressure of successive democratic elections. The contrast with the history of European democracies at comparable stages of development is quite impressive, though this is seldom kept in mind by observers of the contemporary world.¹

In the twenty-first century India will be governed by coalitions, both at the Union level and at the level of a number of states. The long period of single party rule at the national level is over. The rapid electoral decline of the Congress party, renamed Congress-I by Indira Gandhi to demonstrate her authoritarian hold on the organization, created huge vacuums that could be filled only by local parties. The second largest party, Bharatiya Janata Party (BJP), of Hindu fundamentalist orientation, has considerable support in the Hindi-speaking North, as well as in Gujarat and Maharashtra, and emerged as the largest single party in the 1996 parliamentary election. But with 161 seats and no allies to form a coalition, its 13-day tryst with its own government came to a close when it failed to get a vote of confidence in the lower house, the *Lok Sabha*. Since then, the party has fractured in Gujarat, failed to form a coalition in Uttar Pradesh, India's largest state with nearly 140 million people, and joined two governments, one in Maharashtra, and the other more recently in Punjab, as junior partners of two major state parties.²

¹ No comparative history has been written of Indian and European democracies—particularly of the Indian and British democracies. Western scholars bemoan instability and conflicts in India and other developing countries conveniently forgetting what happened in their own countries in the eighteenth to twentieth centuries. Eric Hobsbawm's *The age of revolution 1789–1884* (New Delhi: Penguin, 1995) and *Age of extremes: the short twentieth century* (London: Michael Joseph, 1995) together with Edward Said's *Orientalism* (New York: Vintage, 1978), will give the reader a comparative grasp of the evolution of democracies amid the turmoils and convulsions in Europe and the developing world, especially India.

² Most political parties in India are going through a tortuous process of fractionating. The result is patchwork quilts of coalition governments. In Maharashtra after the 1996 election the Shiv Sena, a party of intermediary castes, formed the government with BJP as a junior partner. The only glue between the two is a commitment to Hindu fundamentalism. In the election to the Gujarat legislature, the BJP emerged as the majority party and formed the government, but soon afterwards the party split and a minority faction formed a coalition with Congress support. The Uttar Pradesh election of 1996 created a hung legislature and no combination of political parties has been able to form a government, and India's most populous state has remained under controversial rule from the centre for four months. Among a plethora of political analyses the sorry state of political parties in India see K. K. Katyal, 'Decline in political culture', *The Hindu*, 29 July 1996 and S. S. Gill, 'Unsteady tripod', *Hindustan Times*, 19 July 1996. V. N. Gadgil, a top functionary of the Congress party and its official spokesman raised the question as to whether the Westminster model could manage minority or coalition governments over a long time. The agonizing question in a hung parliament is who should form the government? See 'Hung parliaments and coalitions', *Hindustan Times*, 17 July 1996.

The emergence of a cluster of state parties, some of them, especially the two Communist parties, endowed with national outlook and policies, and their ability to form a 'federal coalition' at the centre has changed the dynamics of Indian politics quite rapidly. Judging by its present sickly superannuated state, the Congress party may at best head a coalition of democratic and secular forces at the centre in the next election if it is held some time from now. It may, alternatively, sink further into decay.³ If multiparty coalitions are inherently unstable, Indian politics will remain so at least through the first decades of the twenty-first century. However, instability may not adequately explain the new political dynamics of India. The minority Congress government of P V Narasimha Rao not only survived five years, but it also launched India on the turbulent ocean of market-oriented economic reforms—liberalization and globalization. It purchased its durability with the currency of the market economy—money. The party earned for India the dubious distinction of being one of the most corrupt countries in the world, but raised the rate of economic growth to 7 per cent in the last two years of its rule when the reforms were slowed down in deference to the approaching elections. The 13-party coalition, known as the United Front (UF), has virtually maintained that pace of growth. Despite all kinds of press reports about its 'imminent' fall, the coalition is not that brittle. It may steer India into the twenty-first century and it will set the pattern for Indian politics for the coming decades.

Domestic politics

To frame a silhouette of India in the next century, an interpretative snapshot of the country's political and social development since independence is needed. Mahatma Gandhi paid the British a handsome tribute in the early 1930s when he conceded that the Indian nation was a creation of the empire-builders. Independent India inherited the 'colonial nation'. The Congress, as the single dominant party, tried to rebuild it as a democratic nation with the instrument of parliamentary democracy but without land reforms, and without investing much resource in human development, but building a Soviet-model cluster of large industries in the public sector. This public sector industrial economy did not create more than 4 per cent of the jobs but earned for India the innovative political brand-name of a 'socialist structure of society'. With Soviet patronage and membership of the Non-Aligned Movement, India became a leading

³ After his party's rout in the 1996 parliamentary election, Narasimha Rao was obliged to relinquish, after some dogged resistance, the offices of both the Congress party president and leader of the party in the *Lok Sabha*. An octogenarian party organization man, Sitaram Kesri, was chosen for both offices by 'consensus'. A searing controversy on whether the party should continue or revise Rao's commitment of unconditional support for the United Front government almost split the Congress party. Finally, it was decided that the party would support the UF coalition on an 'issue basis'. The bottom line is that the Congress party is neither willing nor able to face another election in the next two years. There is a fair chance that the party will split before or after the next parliamentary poll.

nation in the first flush of decolonization. But it was sentenced to an annual 'Hindu rate of growth' of 3.5 per cent throughout the 1970s, slightly above the 3 per cent rate of population growth, and became the home of the world's largest mass of poor people.

The Congress party's 45-year rule of India is a record of admirable achievements and dismal failures. The biggest failure was to make a real dent in the great poverty wall, for which the power elite often blames the permissive atmosphere of electoral democracy that rules out coercion or compulsion. Birth control measures became politically unacceptable after the real or supposed excesses of the 1975-6 Emergency. India is now destined to be the most highly populated country in the world by about the fourth decade of the twenty-first century,⁴ a population larger than China's and with territory almost one-third the size. Mass poverty will continue to be a drain on India's social development and to stigmatize its considerable military budget through the first decades of the twenty-first century. The burden will, however, lighten around the year 2000 when the annual population growth rate will dip to 1.5 per cent from the current 2-2.1 per cent, and the poor will start to enjoy the results of increased economic growth. Successive elections bolstered the democratic foundation of the state, but it was not until the 1990s that democracy was extended to the frontier village through elected *panchayats* and district councils, and that too was as a result of the politically and economically successful experiments in local self-government in Communist-ruled West Bengal and in the Janata Dal-ruled Karnataka.

Indeed, the Congress party's style of governance had acquired two particular thrusts since the 1960s when Indira Gandhi came to power. The first one was domestic and set up a 'strong state' with over-concentration of power and resources at the centre, and the overarching leadership of Indira Gandhi who remained until her death both prime minister (except when she was out of power for two years after the Emergency) and party president. The Congress chief ministers, ministers of the central and state cabinets, and office-bearers of the three-tier Congress organization were reduced to genuflecting followers of the prime minister. The result was a pathetic leadership deficit in India's premier party.

The second thrust, in foreign affairs, acquired muscle from the Bangladesh liberation war in which Indian forces crushed the Pakistani army and India signed a security treaty with the Soviet Union. In 1974, India carried out its first, and to date last, nuclear test, demonstrating its nuclear capability, but clung to the Nehruvian policy of not manufacturing nuclear weapons. Earlier, India had refused to sign the nuclear Non-Proliferation Treaty (NPT) for the valid reason that it was a discriminatory treaty preserving the right to make, develop and possess nuclear weapons only for the five existing nuclear powers.

Thus was born India's most valued power icon, the nuclear option. Indira Gandhi's son and successor, Rajiv Gandhi, carried forward the profile of the

⁴ See 'India will be most populated country by 2040', *Times of India*, 19 Jan 1997.

strong state by sending a large peacekeeping force to Sri Lanka at the request of the island republic's beleaguered president, Janius Jayewardane. In the late 1980s, India held large-scale military exercises in close proximity to the Pakistan border in Rajasthan generating fears of another India-Pakistan war. Military exercises were also held close to the eastern border with China, igniting apprehensions of a second military clash along the Sino-Indian frontier. At home, the Khalistani rebellion of Sikhs in Punjab, funded generously by the Sikh diaspora, and supported politically, and to some extent materially, by Pakistan from across the border, posed the first serious armed challenge to the unity and integrity of the Indian state.

Neither Indra Gandhi nor Rajiv Gandhi, however, followed a policy of jingoism. They simply loved to display India's newly acquired military power. Mrs Gandhi gave Pakistan's Zulfikar Ali Bhutto a fair, perhaps a generous, peace with the Simla Agreement of 1972 which ended the state of war between the two countries, and created peaceful conditions in Jammu and Kashmir for as long as 18 years. In the 1970s she used secret channels of diplomacy to open a dialogue with China. Rajiv Gandhi visited Islamabad and reached an agreement with prime minister Benazir Bhutto on exchange of information regarding the two neighbours' nuclear installations while other confidence-building measures were introduced on the ground along the border. He was bolder in his China diplomacy visiting Beijing in 1988, where he met and was addressed by the late Deng Xiaoping. Rajiv Gandhi told the Chinese leaders that the India-China border was negotiable. Had his grandfather made this concession to Zhou Enlai during the latter's fateful visit to Delhi in April 1960, there would have been no border war.⁵ In an equally important follow-up mission, prime minister Narasimha Rao, visiting Beijing in 1993, told the Chinese government that pending a settlement of the border, India recognized the Line of Actual Control (LAC) created by the border war. The way was thus cleared for the steady improvement of Sino-Indian relations.

Moderate pace of change

India entered a new phase in its political economy with the advent of the 1990s. Its 'traditional' patron, the Soviet Union, died without notice leaving chaos and turmoil behind. The Indian economy was facing multiple crises and India had no option but to turn to the global market economy. The World Bank and the International Monetary Fund (IMF) helped immediately but with a set of conditions which compelled India to embark on structural adjustments. That meant dismantling the licence-permit raj, relaxing or lifting government control and regulation of the economy, and allowing private capital, domestic as well as foreign, a larger role in economic development. It also meant relaxing

⁵ See Bhabani Sen Gupta, *The fulcrum of Asia: relations between India, Soviet Union, China and Pakistan* (New York: Praeger, 1970), ch. 4.

protection of the domestic economy and abandoning the fortress mentality acquired in three decades of the Soviet connection. The Rao government, despite its minority in the *Lok Sabha*, embarked on a three-year plan of structural reforms covering fiscal, monetary, industrial and agricultural policies and achieved significant results before it was voted out in the 1996 election.⁶ Tax reforms were undertaken in accordance with recommendations made by an expert committee headed by Dr Raja Chelliah who was inducted into the finance ministry with the rank of a minister to oversee implementation of recommendations accepted by the cabinet.⁷

Dr Manmohan Singh who, as finance minister, piloted the reforms, proved himself to be an astute politician though he did not, prior to accepting office in the Rao cabinet, belong to the Congress or any other party. He knew how far he could go and at what pace because electoral fortunes of parties depended on the mass of poor people who had to take the brunt of the reforms more than the affluent sections of society. Liberalization even at a relatively moderate pace, however, changed the face of India, and, more importantly, its mind. In 1991, foreign investment in India was a pittance at \$68 million. In 1996–7 direct and indirect investment swelled to around \$5 billion and the United Front (UF) government hopes that the figure will reach \$10 billion annually from now and into the next century.⁸

Even by the twenty-first century, India's move towards modernization of the economy, which brings with it radical social change, will be progressing only at a moderate pace. The Indian way of thinking changes only slowly and Indian culture is basically change-resistant. The Hindu (that is, Indian) psyche is a hard mix of individualism and collectivism, individual enterprise is valued only as long as it does not violate social mores. As Sudhir Kakar, the psychologist, puts it, 'Institutions in India are thus personalised to the extent inconceivable in the West, individuals who head them are believed to be the repository of the virtues and vices of the institutions, as human beings, each individual in authority is thought to be accessible to appeal, open to the impulse of mercy and capable of action unconstrained by the rule of the "system".' Kakar goes on to explain

Any tendency towards social reform in India moves not to abolish hierarchical institutions nor to reject the values on which they are based, but to remove or 'change' the individuals in positions of authority in them. Thus, for most Hindus, social change implicitly means a change of authority figures rather than a restructuring of institutions or of the prevalent networks of authority and dependency. If India seems a paradise for politicking, it is the despair of forces committed to structural change.⁹

⁶ *Economic survey 1992–93* (New Delhi: Government of India Press), ch. 1.

⁷ Many of the recommendations remain unimplemented. Tax reform in India is a long-term and continuing process.

⁸ These and other statistics used in this article are taken from official government documents.

⁹ See Sudhir Kakar, *The Indian psyche* (Delhi: Oxford University Press, 1996) pp. 41–2.

Relatively moderate structural and social change can be seen as growth and development with Indian characteristics. The slow pace was built into the post-colonial administrative system created after independence. The Government of India Act of 1935, enacted by the British parliament, was incorporated into the constitution, the internal administration thus remained largely colonial, it was certainly not people-friendly. The great bulk of the people were kept illiterate, hungry or undernourished, jobless and homeless and without medical facilities. In the absence of internal decolonization, democracy did not proceed from representation to participation for the masses of poor people. To borrow an expression from Robert Frost, India will be a nation of 'Fragmentary blue' in modernization and reforms in the first decades of the twenty-first century. Among the many contradictions of India's 'colonial democracy', the sharpest has been that a democracy is run by totally undemocratic political parties.¹⁰ The Congress had never been a democratic party. Even as it took over the awesome task of governing as well as building the world's largest democracy it sought to democratize neither itself nor the society which remained caste ridden and continued to be 'managed' by the ancient caste hierarchy allowing the huge mass of the poor and deprived to be exploited by the landed farmers and big landlords. The result was an attritional conflict of castes permeating the entire rural society and since the late 1960s invading the political process. Politicized by successive elections, the poor learnt how to use the ballot paper to change their rulers, but they did not learn how to overturn obsolete or exploitive institutions and create egalitarian new ones. In social and economic terms, they were left out of the multiple processes of decision-making. Democracy was thriving, but the attainment of civic society remained elusive.

The Indian masses, by and large, still regard government as a hugely alien, unfriendly and insensitive powerhouse. Only when Congress fell from power could India hear the light thunder of social and political change below the high-caste elite structure of power. Vishwanath Pratap Singh who became prime minister in 1989 brought the intermediate castes throughout the country into the power structure by giving them almost 30 per cent reserved representation in all services, except the armed forces, under the central government and in central government run industries. Since then, and until now, there has been a spectacular empowerment of the intermediate castes (also known as Other Backward Classes or OBCs). As many as six state governments are in their hands, while in most of the others, they have substantial representation. In the 1990s a democratically elected *panchayat* (rural self-government) system is gradually taking shape despite the reluctance of several state governments to devolve power. Local self-government, rural and, to a lesser extent, urban, has also passed to the intermediary castes. Now, in 1997, India is governed by eight political parties that rule

¹⁰ See Bhabani Sen Gupta, *India problems of governance* (New Delhi: Konark, 1996), pp 73–105. These pages offer a comparative study of the travails of democracy in Europe, Asia and Latin America.

or share power in 14 state governments. At the head of the 'federal coalition' is a 'farmer' of Karnataka who belongs to an intermediate caste. H. D. Deva Gowda's English is not that of the Brown Sahib. He travels the world clad in the traditional attire of the South Indian middle class. The vast majority of legislators in the country are not proficient in English. They do not understand the subtle nuances of parliamentary democracy but, like the urban high caste elite, they are unable to think of an alternative form of government.

In the twenty-first century, the main struggle for political power will be between the intermediary castes known as OBCs and the Dalits ('untouchables' whom the higher castes of both the Congress and BJP are anxious to embrace). In the absence of class struggles and with ideological politics at a heavy discount, the coalitions of the next century will be by and large opportunistic and convenient ladders to power. Caste conflicts will yield to caste cohesion only when higher living standards for the lower castes heal the scars of thousands of years and improved agriculture and agro-based industries make a real dent in rural poverty.¹¹

Elections have been the engine of change in India together with slow-pace development. Electoral change shifts and shuffles political parties but seldom triggers fundamental social change. The structural macroeconomic changes initiated by Manmohan Singh in 1991 left agriculture severely alone. It continues to be above fiscal reforms and pampered by increasing subsidies, income of even rich farmers goes untaxed. Agriculture generates no funds for its own modernization and development. Even in West Bengal, the Left Front government's much acclaimed 'land reforms' are in reality tenancy reforms. The more radical measure taken in the state was the formation of popularly and democratically elected *panchayats* which have in 27 years brought about a visible measure of rural prosperity.

Shadows of the twenty-first century

There is, then, a basic contradiction between economic and political compulsions in India. What is desirable from the point of view of the market-oriented reforms is not politically permissible in a democracy in which electoral power is overwhelmingly in the hands of poor and lower middle-class voters. As in the 1990s, so at least in the first decade of the twenty-first century, the pace of reforms will be quicker in the first three years of whichever government rules India than in the last two years (provided the government enjoys the normal lease of life of five years). Moreover, the experience of liberalization not only in Latin America but also in the West (where 35 million, or 15 per cent of the labour force were unemployed in 1994), will advise caution to India's rulers.

¹¹ It is sometime suggested that there is a conflict in India between agriculture and industry, each accuse the government of favouring the other. Now industry has penetrated the agricultural industry with agro-based plants. Income from agro-industries is often untaxed when it is shown as income from agriculture.

They would rather follow the example of the Pacific rim nations—from Japan to Indonesia—that have successfully liberalized their economies with caution and resistance to American pressures for fast track action that puts a premium on unrestricted import of consumer goods¹²

Perhaps in the second decade of the next century, reforms in India will have two significant results simultaneously first, India will be increasingly looked on by the West as on a par with China and the tigers and dragons of East and South-East Asia, and second, the differentiations between the achievements or failures of the reforms in a parliamentary democratic atmosphere will come into sharper focus when compared with those of the fast-growing economies of the Pacific region where democracy in the Western sense either does not exist (as in China) or is circumvented by varying degrees of authoritarianism. If India is able to attain a sustained growth of 7–8 per cent per annum in the first decades of the twenty-first century, Western investors' attention will shift to the world's largest democracy and the expression itself, now rather symbolic, will attain economic and social substance.

Economic change

By the year 2020, India is expected to be the fourth largest economy in the world in terms of purchasing power parity, after China, the United States and Japan. By that time, or perhaps sooner, the private sector will conquer the commanding heights of the economy and dozens of multinational companies will be operating in India on their own or, in most cases, in joint ventures with Indian firms, bringing in new technologies, improved management systems and marketing skills. An international workforce is emerging in the boom city of the south, Bangalore, where a number of American multinational giants—IBM, Texas Instruments, Digital Equipment Corporation, Hewlett Packard, Motorola—have been established. The government will have to yield or relax control, gradually and cautiously, one-third of the economy it still owns—mostly big industries and services. Thousands of public sector sick industries will have to be sold or closed if they cannot be made profitable. The funds thus earned will create new industries or modernize existing ones. The visible purchasing power of the Indian super-rich now is greatly envied by many companies in the West and Japan. In the twenty-first century, they will be drawn to

¹² The import of consumer goods from industrialized countries is one of the most controversial issues in India. There is a body of opinion that believes imports will benefit the Indian economy and make local industries more efficient. There is a stronger body of opinion, reinforced by the experience of Mexico and other Latin American countries, that believes that unrestricted import of consumer goods will lead to large-scale unemployment and runaway inflation. The US government liberalized consumer goods imports in February 1997 in deference to obligations from the WTO, but 3000 consumer goods items are still under import ban. For glimpses of the controversy, see Swaminathan A. Aiyer, 'Indians now bring dollars back to India', *Sunday Times*, 17 Feb 1997; Neeraj Kaushal, 'Workers of the third world, globalise!', *Economic Times*, 18 Feb 1997. See also the debate in the pages of *Foreign Affairs* 75: 3–4, 1996, on Ethan B. Kapstein's article on the effect of globalization on workers in the industrialized countries with rejoinders, among others, from Paul Krugman and Robert Lawrence.

India by the expanding size of the middle class variously computed at present at between 80 and 300 million. In just a few years, India has caught up in a limited measure with the first stage of the post-industrial revolution in the form of personal computers, fax machines, e-mail and cellular phones. While many foreign investors will remain baffled even in the next century by India's diversities and the lethargy of a largely colonial and corrupt bureaucracy, no one could ignore that great fortunes were being made in a fast expanding internal market, mostly by locals. These locals, be they farmers going for agro-based industries, or large Indian businesses and multinationals, will welcome foreign collaboration and investment despite resistance by a vocal minority.

A recent study points out the little known fact that India, with all its mass poverty, is said to have 110 million wealthy inhabitants amounting to one-eighth of its massive population. The emergent entrepreneurs or new Maharajas, as an American writer has called them,¹³ who are fast changing the Indian economic scene prefer collaboration with MNCs rather than the latter's direct entry to the industrial sector. Most of the large industrial companies are family-owned. They hide a good deal of their income and are reluctant to disclose the names of all their auxiliaries. But some two dozen of these group companies are worth more than \$300 million each and a few of them have multinational companies of their own. Some of the heads of 'family groups' such as Tatas, Birlas, Oberois, Thapars, Hindujas, Ambanis and others, are global operators of significant weight. The locals have broken government monopoly in many fields of industries and services beginning from aluminium to transport to hotels, banks, financial institutions, cement, coal, power, steel, and media and entertainment. Satellite television popularizes Western brand names and whets the appetite for joint ventures and collaboration. Computer software and consumer electronics are a conspicuous success story of the Indian private sector. There are over 500 computer software companies in India, Indian and foreign companies peacefully coexist and compete with one another. Software exports have grown more than 30 times in the past eight years. The United States is India's largest export market but exports go also to Germany, France and the United Kingdom. With the global software market expected to increase to around \$200 billion a year in the next five years, the software section may turn out to be the fastest growing in India in the first decades of the twenty-first century. The weakness in computer hardware will begin to disappear as hardware production starts in earnest with the help of American and Japanese MNCs. It is unlikely that before 2000 many Indian firms are going to follow their overseas Chinese and South Korean counterparts in expanding outside their home markets, it will take that long for most of them to iron out the kinks in their domestic operations. They will first have to take full advantage of India itself. But many of them are quickly being

¹³ Claudia Cragg, *The new Maharajas: the commercial princes of India, Pakistan and Bangladesh* (Delhi: Rupa and Co, London: Random House, 1996). I am indebted to this study for much of the information in this section of the article.

made efficient enough to compete abroad when the time comes They will have their hands full 'Asia has begun swarming with businessmen, and business opportunities, of all kinds' ¹⁴

India's foreign policy

Buttressed by a 7 per cent growth rate, India's foreign policy began to change in the summer of 1997 with two principal short- and medium-term objectives to establish non-frictional, normal-to-cordial relations with its neighbours, and to look East, forming bridges of cooperation with ASEAN countries while keeping a firm eye on membership of the Asia-Pacific Economic Community (APEC) This change was possible with the UF 'federal coalition' government in power The foreign minister, Inder Kumar Gujral, of the Janata Dal, a veteran in foreign policy and diplomacy, began with a unilateral withdrawal from the decades-old polemical war with Pakistan At the United Nations in the autumn of 1996, Gujral simply ignored Pakistan prime minister Benazir Bhutto's vitriolic attack on India for what had been happening in Kashmir since 1991 The UF government promptly agreed to meet Pakistan's request for 200,000 tons of wheat and 50,000 tons of sugar, despatching the former merchandise by road for quick delivery Earlier, Benazir Bhutto, congratulating Deva Gowda on his assumption of office as prime minister, had expressed her desire for a qualitative improvement of bilateral relations, to which Gowda replied with matching warmth offering to open a comprehensive bilateral dialogue covering 'all' points of difference, presumably including Kashmir Pakistan did object to elections being held in Jammu and Kashmir but did not try to disrupt the polls Its own economic crisis emphasized for the people of Pakistan the urgency of establishing trade and other economic relations with India A public opinion poll taken by a popular journal in Karachi showed that nearly 60 per cent of the sample favoured better relations with their eastern neighbour ¹⁵ After the Pakistani elections of 5 November, the new prime minister, Nawaz Sharif and Deva Gowda exchanged messages reiterating the two countries' desire to open a new comprehensive dialogue Ms Bhutto herself conceded that her party's rout in the poll confirmed the people's rejection of her confrontationalist policy towards India over the Kashmir issue and their desire to improve relations with India ¹⁶

¹⁴ Ibid Ms Cragg makes several optimistic observations For example, 'Calcutta is one of the most investor-friendly administrations in the country', 'The race for positioning in India is on', 'Caste has gradually changed from a system apparently designed to assert genetic superiority to a method of distributing spoils The fact is that India is a genuine democracy, where every person at least in principle, commands a vote equal to everybody else's, means that all the old patterns of her society are being eroded, while at the same time urbanisation is also eating away at the caste system At last a modern commercial society is looming, and the new maharajas are leading the way'

¹⁵ The poll taken by the fortnightly *Herald of Karachi* is cited in K K Katyal, 'Climate still congenial for Indo-Pak talks', *Hindu*, 19 Feb 1997

¹⁶ *Hindustan Times*, 2 Feb 1997

The regional situation has become congenial for India's new diplomacy for Pakistan which is under pressure from Iran and China, its most trusted friends, to move towards the normalization of relations with India. The president of the Chinese People's Republic, Jiang Zemin, visiting Islamabad in December 1996, offered the Pakistan government with as much transparency as possible, adoption of the Chinese model of building positive relations with India, putting difficult disputes on the back burner and focusing on areas where the two had a significant amount of agreement.¹⁷ A prominent Pakistani paper reported that Iran had offered a strategic relationship with India¹⁸ and with regard to the situation in Afghanistan, Iran and India cooperate politically concerning Pakistan's involvement in that country.

However, even if the long delayed India-Pakistan dialogue finally resumes, the going will be far from easy unless both sides can get out of their 50-year-old mindset. By present indications, neither Nawaz Shariff nor the Pakistan army will make progress on the most difficult 'core' issue conditional for the opening of trade routes and cultural exchanges. However, the two governments' rhetorical postures allow little ground for optimism that they will approach the Kashmir issue with an open mind. Sustained exploration at the political level for an agreed framework for negotiations on Kashmir together with the beginning of trade and commerce and cooperation within the regional arms of the South Asian Association for Regional Cooperation (SAARC), may diminish the salience of the Kashmir issue as a Berlin wall to India-Pakistan relations.

India's relations with its other neighbours—Bangladesh, Sri Lanka and Nepal—have been recast in the light of a foreign policy that is now being called in South Asia the Gujral doctrine after foreign minister I. K. Gujral. The 'doctrine' has five key elements: (1) There must be no reciprocity concerning India's relations with its smaller neighbours, including Pakistan, even though India, being by far the largest and the strongest power gives way, waiting for the neighbour to respond commensurately, (2) Agreements shall be between equal partners with the equal sharing of benefits, with perhaps some concessions to the weaker and smaller neighbours in the expectation of beneficial results in future. Equality must be concrete and not merely rhetorical. In reality, this will mean taking fully into account the sensitivities of the smaller neighbour, (3) India must remove from its own mind threat perceptions from neighbours except in the case of Pakistan and here it must pin down those threat perceptions to the reality of Pakistan's ability and resources to inflict unacceptable damage. The per-

¹⁷ Addressing the Pakistani Senate in Islamabad on 2 December 1996, Jiang Zemin proposed five principles which should govern bilateral relations in South Asia. One of the principles was 'Seek common ground and minimise differences. Like all neighbours, China and South Asian countries have a great deal of common ground and converging interests. However, as neighbours, it is difficult not to have some differences or disputes from time to time. We stand for seeking common ground on major issues while reserving differences on minor ones. We should look at our disputes from a long-term perspective, taking into account overall interest, and seek a just and reasonable settlement through consultations and negotiations. If certain issues cannot be resolved for the time being, they may be shelved temporarily so that they will not unduly affect normal state-to-state relations.' *Beijing Review*, 23-9 Dec. 1996.

¹⁸ *The News*, Lahore, 12 Jan. 1997.

ceptions of China threatening India owing to its friendship with Nepal, Bangladesh and Sri Lanka are abandoned as absurd flights of pathological imagination, as is the fear that India's neighbours will 'gang up' against it and invade it with the help of an unfriendly major power, (4) India should rid itself of the congenital psychopathology of obsession with regard to Pakistan which keeps India chained to that country, making it impossible for India to keep its legitimate and more important commitments in the global arena, (5) Finally, and most importantly, India should break out of the claustrophobic confines of South Asia, a region with no strategic resources, overburdened with poverty and population, and still a victim of the fault-lines of the British empire India must go East in search of an Asia-Pacific identity and of larger areas of collaboration with the tigers and dragons, and with China and Japan At the same time, India seeks a new relationship of cooperation with countries of the Gulf region, particularly Iran, and with the republics of Central Asia¹⁹ Together these five elements look to the end of the mental and physical display of India's unassailable size, its economic and military power, and even its eminence as one of the upcoming major powers of the world, in other words, they signal the end of India's hegemony

Though Gujral has not spoken directly about a foreign policy 'doctrine', his thoughts and actions lend themselves to a conceptualized and methodical attempt to place India centre stage in the Asia-Pacific region, and hence in global affairs He draws strength from what could be described as the beginning of a real South-South cooperation, with the ASEAN and Gulf countries investing in India's infrastructure, and China and India exporting capital goods and technologies to some developing countries ASEAN members are offering to build highways and expressways, airports and a joint privately owned domestic airline in India, and India and Iran are joining hands to link South Asia to Central Asia by land through Bandar Abbas and Teheran

Gujral began his new foreign policy strategy with ASEAN In the autumn of 1996, India joined the Jakarta session of ASEAN foreign ministers and the meeting of the Asia Security Forum as a full dialogue partner for the first time These meetings were followed by several India-ASEAN interfaces at Singapore, Bangkok and New Delhi leading to a wide-ranging engagement in economic, security and social issues The Indian government is now trying to erase from ASEAN minds fears of an Indian blue-water navy and even Indian nuclear weapons, much to the consternation of the bomb lobby, but Gujral also puts a premium on creating an Indian Ocean Community with South Africa as an enthusiastic partner²⁰

¹⁹ The term 'Gujral doctrine' is being used more extensively in neighbouring countries than in India itself The phrase was used for the first time by the present writer in *Political Events*, a limited-circulation weekly, New Delhi, 15 Nov 1996

²⁰ At a seminar of Indian and ASEAN strategic experts in New Delhi in February 1997, the Indian participants defended the idea of a blue-water navy while the experts from ASEAN cautioned India about expanding its naval force Foreign minister Gujral who addressed the seminar assured the ASEAN delegates that India was determined to expand India-ASEAN relations and remove their threat perceptions The creation of an ASEAN nuclear-free zone impinges on the Indian bomb lobby's persistent plea that India go nuclear

The 30-year treaty with Bangladesh which allows for the sharing of the waters of the Ganga river took South Asia by surprise. The two countries had been without an agreement since 1988, placing Bangladesh at the mercy of Indian managers of the Farraka Barrage for the lean period of January to April when large tracks of paddy fields in the country face the threat of drying up. Unlike the Congress government, Gujral did not ask for reciprocity in the form of rail and road linkages between Bangladesh and India's North-Eastern states where poverty and tribal alienation have given rise to several sustained insurgencies. With a 30-year treaty, Bangladesh will be able to build its own canal system for water supply and for flood control with Indian and international assistance. Bhutan is an indirect participant in the India-Bangladesh treaty as its king has approved the digging of a canal to join a Bhutanese river with the Ganga in order to augment water supply to the Calcutta port. A notable feature of Gujral's Bangladesh diplomacy is the active help he obtained from the chief minister of West Bengal, Jyoti Basu. The state's finance minister told the legislative assembly that so far larger flows of water to Bangladesh from Farraka have not diminished supplies to the Calcutta port. The revision of the controversial Mahakali river project in Nepal, meeting the sensitivities of the Nepal government and the opposition, is the second application of the Gujral doctrine in South Asia. It has gone a long way to remove from the Nepali mind the deep-planted image of India as the South Asian hegemon. Gujral's visit to Colombo in February 1997 took care of Sinhala apprehensions of India coming to the rescue of the Liberation Tigers of Tamil Eelam rebels fighting since 1983 for an independent Tamil Eelam in Jaffna. The impact of India's new neighbourhood policy can be seen in the Bangladesh proposal to create a sub-regional group within SAARC comprising Bangladesh, Bhutan, Nepal and India. Sri Lanka too has offered to join. The main objective is to go ahead with the preferential trade arrangements agreed upon in the South Asian Preferential Trade Agreement but this is on hold because of Pakistan's hesitation to offer India most favoured nation treatment in trade.

The visit to India of the president of the People's Republic of China, Jiang Zemin, in December 1996 promised to open a new chapter in the much troubled Sino-Indian relationship. As noted above, the relationship has, since the 1970s and more energetically since 1988, begun gradually to be repaired. The task is now to acquire durability for the new understanding by continuous confidence-building measures and by improving the overall relationship. Both countries received a strong fillip during Jiang Zemin's visit to Delhi. The border was significantly demilitarized and its tranquillity reconfirmed by withdrawal of an Indian brigade in mid-February 1997.²¹ Border trade and economic relations had already begun in 1988. Now, for the first time since the

²¹ *Hindustan Times*, 18 Feb 1997. This was the first step in implementation of the agreement signed between the foreign ministers of the two countries during Jiang Zemin's visit to the Indian capital in November 1996.

1960s, a new political relationship for cooperation for peace and security in Asia, with a regular dialogue at the level of foreign ministers, was agreed upon. With regard to the border, it was decided to elevate to the political level the talks between officials since 1988 and take up actual field demarcation of the LAC with modern cartographic tools. The relationship with Russia is nearly as close as the relationship with the former Soviet Union, with the vital difference that it is non-ideological and that Russia's ability to deliver on promises made in agreements remains low and may worsen.

Nuclear issues

In the twenty-first century, India will need friendly cooperative relations with the United States, Japan and western Europe in addition to Russia, China and the ASEAN countries. The member countries of the European Union make up India's largest regional trading partner, the United States is the largest country that trades with India and India is the largest recipient of Japan's official development aid. Pakistan, Kashmir and nuclear non-proliferation have been the three big thorns in the side of Indo-US relations for the past ten years. In the early 1990s, when the insurgency in Kashmir reached its peak, there was considerable American pressure on the Indian government and the political elite to accommodate to a large extent the demands of the insurgents and their patron, Pakistan, to reach an enduring solution. The Clinton administration's first-term South Asia policy was much influenced by its championing of human rights which were grossly violated by both sides in the Kashmir civil war, and in Afghanistan US policy ran counter to India's preference.

Since 1995, India has gained considerable political ground in Kashmir by installing an elected government in Srinagar in 1996, but its military presence has not been reduced. However, efforts are being made to bring the largely passive (for the moment) militants back into the political mainstream. Two committees are working on the kind of autonomy Delhi would transfer to Jammu and Kashmir and on decentralization within the state giving Jammu and Ladakh autonomous status. The report of the former committee which is chaired by Karan Singh, son of the late Maharaja of Kashmir (who had acceded to India under duress of a Pakistani invasion in 1948), and who has been Governor of the state since his father's accession, is expected to submit its report to the prime minister in May 1997. If the recommendations of these two reports and their implementation meet the minimum demands of a majority of former insurgents, and if the wounds of many years can be healed, India will be on the way to resolving the Kashmir problem. If the militants are disappointed either by the recommendations of the two reports, especially the first one, or by the UF regime's slowness in accepting and implementing the major recommendations, insurgency of one kind or another will probably break out again. The extremely volatile situation in Afghanistan may well be casting its shadows on Kashmir as well as on Xinxiang province in China. Kashmir, then,

continues to be a great challenge for the Indian political leadership and difficult baggage for them to carry into the twentieth century. While talks with Pakistan about Kashmir are on the Indian political agenda, finding a solution to the problem will not be possible so long as both countries' positions on Kashmir remain irreconcilable.

In a bid by the United States to obtain universal support for the indefinite extension of the nuclear Non-Proliferation Treaty (NPT), the nuclear status of India and Pakistan came sharply into focus. India's 1974 nuclear test explosion had triggered Pakistani resolve to build a nuclear capability, and to go nuclear if India did. Since then Pakistan's nuclear policy has continued to mimic India's with one difference—Pakistan adopted the desperate tactics of beg, borrow and steal in order to match India's capability. Pakistan acquired continuous Chinese assistance to build its nuclear enterprise whereas India received no such help from anywhere. It is because India's nuclear capability, whatever its value, has been self-acquired, without the violation of international agreements (despite Canadian complaints following the 1974 test which led to the withdrawal of Canadian participation in India's nuclear programme), the 'option' born out of Delhi's refusal to sign the NPT and carefully protected and defended by its decision not to sign the Comprehensive Test Ban Treaty (CTBT) will not bend to external pressure. The 'option' is a symbol of independence and sovereignty and of India's potential to emerge as a major power, it is as sacred as the constitutionally sanctioned American pursuit of happiness. In India, successive governments have not used the option nor are future governments likely to use it.²² With relations with China entering a period of expanding cooperation and, it is to be hoped, the worst of relations with Pakistan over, the threat perceptions from both will mellow in time.²³ If the CTBT comes into force without India's, and therefore Pakistan's signature, and if it is to be followed by progress towards nuclear disarmament with the declared ultimate phase-by-phase goal of the abolition of nuclear weapons from the armoury of the five nuclear weapons states, India's option will then become diminished and lose all but its icon value. After all, India has not violated the provisions of the NPT, nor will it violate the provisions of the CTBT. Pakistan will remain a reactive power doing what India does and not doing what India does not do.

A new American approach to India as a subnuclear power (a term perhaps more appropriate than 'a threshold power') appears to be in the offing. The relationship has so far been issue-based and prone to conflict. The present thinking in the United States concerns how to establish a higher level political and strategic alliance taking India as a partner in major global issues.

²² For a full view of India's attitude to the CTBT and its nuclear policy see I. K. Gujral's speech at Chatham House, London, 23 Sept. 1996 and at the Foreign Policy Association of the United States, New York, 3 Oct. 1996 (Delhi: External Affairs Ministry, Government of India).

²³ If the current trend in the United States spearheaded by about 100 retired generals and admirals for total abolition of nuclear weapons in several stages gathers momentum, and is reflected in Clinton's second-term nuclear policy and if the CTBT treaty is revised accordingly there is a fair chance of India subscribing to the treaty.

The urgency of changing American policy with regard to the prevention of proliferation in South Asia is the crux of the report of a task force set up by the Council of Foreign Relations in New York. Chaired by Richard Haas (who was associated with the National Security Council of President George Bush) the report, released in early January 1997, with several dissenting notes, observes that 'it would be counter productive to make signing the CTBT an essential condition for improving relations with India'. The United States is advised to recognize the capability of both South Asian neighbours and to work towards building a 'stable plateau' of capability with a view to halting further expansion thereof and also to prevent 'nuclear use' including deployment of nuclear-capable ballistic missiles. Restraint shown by India should be 'rewarded' with various kinds of incentives—economic as well as strategic. India, Pakistan and Israel should be regarded in the nuclear calculation as 'responsible states with undeclared and to a large extent unproved nuclear weapons capabilities'.²⁴

It remains to be seen if blanket recognition of India's nuclear capability will induce New Delhi to sign the CTBT and to participate constructively in the forthcoming global conclaves on nuclear or nuclear-related issues: the Fissile Material Control Conference planned for 1997, the next meeting of the Missile Technology Control Regime, and the CTBT review conference all take place before the next century. The task force has recommended a certain relaxation of control with regard to dual purpose technologies to India. 'The Task Force recommends that the United States adopt a declaratory policy that acknowledges India's growing power and importance, maintain high-level attention including regular reciprocal visits of senior officials, loosen US constraints upon the transfer of certain dual-use technologies (including computers and peaceful space launch equipment), increase military-to-military cooperation (including broader contacts, exchanges and joint exercises), cooperate on elements of India's civilian nuclear power program and other energy-related issues, and undertake limited conventional arms sales. The United States should support India's entry into APEC, and consult with New Delhi regarding its interests in membership of other regional and global institutions'.

The task force report has not been seriously debated either in the United States or in India, but in the spring of 1997 senior American officials are expected to start visiting India. There is talk of a visit by President Clinton, which, if it goes ahead, will be the first US presidential trip to India since 1978 when the committed non-proliferationist Morarji Desai was heading a Janata Dal government in Delhi. In the highest level dialogue that will follow, India is expected to insist on two further concessions from the United States, in addition to confirming the accepted recommendations of the task force: a commitment by the United States and the four other nuclear powers to pro-

²⁴ See *A new US policy toward India and Pakistan: Report of an independent Task Force sponsored by the Council on Foreign Relations*, New York, 1997, pp. 33–4. See pp. 25–34 for the Task Force's overview and recommendations on India–Pakistan nuclear issues.

ceed progressively towards the total abolition of nuclear weapons and, more importantly, decoupling India from Pakistan. The United States will have to sculpt an India policy that abandons the British-inspired pairing of the two mutually hostile neighbours and which places India as a major power in the Asia-Pacific region.

Conclusion

In common with most countries, India will enter the next century carrying with it the baggage of the last. The domestic political scene will remain less than reassuring in the first decades of the new century with the political party system in ruins. India is in a learning process of running coalition governments which are most likely to be the pattern in the decades to come. Federalism and decentralization, as well as democratically elected local self-government, will be the new political features of Indian democracy. Hung parliaments and legislatures may well compel frequent elections, making it difficult to bring about and maintain stable alignments of political forces. However, coalitions, especially federal ones, together with state governments enjoying greater autonomy and larger resources, are a viable democratic system of local self-government and offer the best mechanism that India may be able to build in order to prevent and arrest ethnic discontent taking the form of collective armed rebellion. Apart from rebellions in the small states on the North-East border, the vast Indian landscape is more peaceful now than at any time since the 1980s. There is no demand anywhere for 'independence' from the Indian Union, even in the Valley of Kashmir, the insurgency has reduced considerably and the *azadi* demand is more or less muted.

Indian political leaders, irrespective of all parties, have realized that liberalization and globalization of the economy are the means to the end of entrenched mass poverty. The differences that now exist relate to the pace, the style and the sweep of liberalization and privatization. India is preparing itself in its own way for larger flows of foreign investment, preferring collaboration with MNCs, but opening the door gradually for direct MNC presence in the economy. Foreign policy is seeking economic and technological returns for the first time and it is trying to prepare for new relationships with neighbours, including those who are not on India's doorstep. A high rate of growth has created new expectations, but a severe resource shortage reminds Indians that the time is far off when there will be enough resources to meet the basic needs of its massive population. What is hopeful, however, is that India will be entering the twenty-first century flying its economic flag and not parading its military might and making proclamations of power.

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