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The India Watch

By Frank Schell

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In the spring of 2014, India will hold general elections. The term of the current lower house of parliament, known as the Lok Sabha, expires on May 31. The likely standard bearer to continue the present political order is Rahul Gandhi, a member of parliament and Vice President of the Indian National Congress, also known as the generally left of center Congress Party. Gandhi is the son of former Prime Minister Rajiv Gandhi, and grandson of former Prime Minister Indira Gandhi who was the daughter of Jawaharlal Nehru. Nehru was India's first prime minister after independence in 1947 and a major figure in the independence movement and in Indian politics. Rahul Gandhi, whose Italian mother Sonia Gandhi is President of the Congress Party, represents the extension of the celebrated Nehru-Gandhi political dynasty.

A leading contender is the Chief Minister of the state of Gujarat, Narendra Modi. Modi is among the high command of the Bharatiya Janata Party (BJP), and his record in support of private enterprise in Gujarat is well-known. Gujarat is a highly industrialized state with a literacy rate of 74%, among the highest of the major states, according to the Indian Census 2011. Equally well-known are the BJP's Hindu nationalism and rightist philosophy, in a country with over 160 million Muslims out of a total population exceeding 1.2 billion. Modi's image is still tarnished by the deadly communal riots in Gujarat in 2002. However, an investigative body appointed by the Supreme Court of India found no evidence of willful neglect on the part of Modi.

The BJP's popularity appears to be increasing, based on results of local elections released December 8. It is reported that the BJP won in Chhattisgarh, Madhya Pradesh, Rajasthan and Delhi, which is a union territory.

The United States and India now enjoy a strategic partnership that embraces energy, high technology, private enterprise, and military collaboration – a remarkable turnabout since the impasse between New Delhi and Washington that lasted over forty years when the Soviet Union was India's principal sponsor among the major powers. This is a unique and strategic friendship, especially given the history, although in the words of 19th century British prime minister and statesman, Lord Palmerston, countries don't have friends – they have interests.

Certainly India needs a new sponsor with the collapse of the Soviet Union, and there is some comfort with the U.S. umbrella in view of China's ascent in Asia, and China's good rapport with Pakistan – with its consistent record of military supply and infrastructure development for that country.

As for the U.S., and as I wrote in the *American Spectator* in June 2012 (“From India with Unrequited Love”), India is a strategic offset to China, causing China to deploy its naval assets from the Persian Gulf to the Strait of Malacca – somewhat limiting what China can bring to bear in the western Pacific. A secular democracy with such a large Muslim population, India is also a firewall against Islamist radicalism, although the rising consumer affluence of recent years is believed to be mainly for the Hindu middle class. Further, this enormous middle class and developing private enterprise system represent a major commercial opportunity for some U.S. companies. (While estimates of the middle class vary widely, some exceed 250 million.)

The U.S. and India have symbols in common: democracy, the English language, equality before the law, and free markets. Nonetheless, India will balance its relationship with the U.S., for example, by diversifying its sources of military supply as the largest arms importer in the world.¹ Further, there is ambivalence in the Indian political system about ties to the U.S., even with largely pro-American governments in power. As I wrote in the Winter 2008 edition of the *National Strategy Forum Review* (“India: America's New Gendarme or Strategic Partner?”), it remains to be seen whether India will be treated by the U.S. in the spirit of partnership, or whether it will simply be a new regional alliance of convenience. In spite of the U.S. partnership, India buys 60% of its arms from Russia.²

Since the U.S.-India Civil Nuclear Agreement of 2008 was inked by Prime Minister Manmohan Singh and then President George W. Bush, the prospects for collaboration in nuclear energy for civilian purposes and high technology have been good. While the BJP is generally pro-commerce and industry, there is rural unrest in Gujarat over the envisioned construction of six nuclear reactors by the Nuclear Power Corporation of India and Westinghouse Electric Company, complicating Modi's positioning.

The top three domestic priorities of the Government of India are education, public health, and infrastructure development, with the latter emphasizing the generation of electricity for the estimated 400 million people who are without it.³ Since 2010, education has been a fundamental right with force of law for children ages 6-14.

¹ “India Remains World's Largest Arms Importer, Sipri Says,” Jay Menon, *Aviation Week & Space Technology*, March 18, 2013.

² “Russia ships carrier to India five years late,” *Aljazeera*, November 13, 2013.

³ “Energy,” The World Bank Group, 2013.

In spite of life expectancy more than doubling to 67 since independence,⁴ it is conceivable that with fertility rates dropping from over 6 to currently 2.55,⁵ India's population will start to decline by 2081, as affirmed by the Population Foundation of India.⁶ This projection requires major progress in five populous states: Bihar, Jharkhand, Madhya Pradesh, Rajasthan, and Uttar Pradesh.⁷ Some Indian states are already at or below 2.1 – known as the replacement rate.

In recent years, India has achieved high single digit real GDP growth rates, however a decline has set in of late, with growth for FY 2014 projected at only 4.8% by the Reserve Bank of India, the nation's central bank.⁸ Lack of privatizations, scandals, bureaucratic opposition, and a general loss of momentum have characterized the Indian economic and political landscape in recent years, with increasing influence of regional political movements. Nevertheless, much deregulation of trade and investment has occurred, and some bureaucracy (also known as "License Raj") has been dismantled. However, it remains to be seen if the country can continue to lift millions out of poverty as in recent decades: a high single digit growth rate is essential for this. A current challenge of the Reserve Bank of India is to combat inflation which is running at an annualized rate estimated in excess of eleven per cent.

Agriculture remains a developmental challenge. With an estimated 53% of the work force engaged in that sector which contributes only 17% to the GDP, there is a resource allocation mismatch.⁹ Migration of workers to population centers, while alleviating this ratio, will place even more strain on the country's infrastructure and the ability of municipalities to deliver services.

Governance in the corporate and public sectors and the rule of law will continue to receive much scrutiny. For private enterprise, the challenge is the alignment of shareholder, management, and in many cases family interests. For the government, it is the need for transparent procurements as well as access to data, and a level playing field for those companies competing for government tenders. For both, the challenge is the spirit of acting in the public good and upholding the rule of law. The Anna Hazare anti-corruption movement achieved great visibility. Similarly, the rule of law has gained much national attention with regard to recent heinous crimes against women.

Defining its maritime sphere of influence from the Persian Gulf to the Strait of Malacca, India will continue to compete with China for influence, with both countries as leading consumers and importers of oil. While China is a principal trading partner of India, border disputes in the Aksai Chin region of Jammu and Kashmir and in Arunachal Pradesh increase tensions from time to time. We can expect India to continue to maintain good relations with OPEC in general, Iran in particular, and some of the central Asian republics with large proven oil and gas reserves.

⁴ *World Factbook*, Central Intelligence Agency (accessed December 22, 2013).

⁵ *Ibid.*

⁶ "The Future Population of India," Population Foundation of India, August 2007, pp. 6, 11.

⁷ *Ibid.*, p. 3.

⁸ "RBI lowers FY14 GDP growth to 4.8%," *Times of India*, October 29, 2013.

⁹ *World Factbook*, Central Intelligence Agency (accessed December 22, 2013).

India maintains continued vigilance with regard to Pakistan, with which it has fought four wars since independence, including a limited conflict in the Kargil region of Jammu and Kashmir in 1999. Further, to the dismay of Pakistan, India is building strategic depth in Afghanistan through assistance and diplomatic presence. Both countries asymmetrically threaten each other in Jammu and Kashmir and in the Pakistani province of Baluchistan.

In spite of this long history of antagonism between India and Pakistan, India's principal focus now is on its economy. While India could accelerate its GDP growth during favorable economic times, the potential social consequences from dislocation of rural populations are a major constraint, as experience has shown when the Government of India mandated land for industrial development. While India has doubtless made impressive economic strides with its yet unfinished deregulation, implementation of reforms is exceedingly difficult with such ethnic, religious, and linguistic diversity in a democratic society.

Strategic forces suggest a potentially beneficial relationship, although diplomatic confrontations can occur quickly, as we have seen with the recent arrest of the Indian deputy consul general in New York and the retaliatory actions against U.S. diplomats and the embassy in New Delhi. For the long term, the U.S.–India partnership is certainly an important achievement that offers benefits to both countries. Nevertheless, we must remember that there will be serious differences with India regarding military sourcing, relations with Iran, global emissions, and trade protectionism, and sometimes these will stand in the way of mutual affinity.

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