

A VIRTUOUS CIRCLE?

By

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What a difference a few months back. At the end of India's *annus mirabilis* it is worth taking stock of what has been achieved and look at what the future might bring. The turning point in the nation's fortunes over the last year was the monsoon. As has been the case for millennia, the smiling of the fickle Rain Gods brought that whiff of general prosperity in this still largely rural economy that ushered in the 'feel-good' factor. But, it was the dramatic developments in the political arena which could make 2003 as significant a turning point in the country's history as was 1991- when the Nehruvian economic settlement finally came to be dismantled.

In the November-December state elections a political party- the BJP- had the courage to stick by an economically literate political platform and found that despite the pundits' predictions it could trounce the 'old politics' of the incumbent Congress party and its associates. This must give heart to the economic reformers in the NDA like the two Aruns (Shourie and Jaitley) that, instead of attempting to implement the badly needed second stage of economic reforms by stealth and guile, they can now get a national political consensus to move swiftly and directly after the coming General elections, based on a mandate similar to the one that won the BJP the state elections.

It is sad in this context to see the Congress, which from the mid 1980s, first haltingly, and then with the 1991 Narsimaha Rao- Manmohan Singh reforms more firmly, embraced economic liberalization, turn from being the party of reform to one of reaction. Perhaps its unexpected and resounding defeat in the State elections will make it realize that it is no longer electable on its worn out foundations of dynastic politics and populist economics. It is time for it to finally turn its back on the dynasty and put on the economic clothes it discarded and the BJP stole. There is one senior Congress politician – Dr. Manmohan Singh-who has the experience to bring in young reformers, and the necessary economic vision to rally the party around a reformist economic agenda that could seriously challenge the BJP's newfound economic liberalism. If this transmogrification of the Congress party did take place, India would for the first time be able to have a political consensus on the completion of its movement from the Permit Raj to a globalized market economy. It would be able to complete the vital second stage of reforms- the divestment of State enterprises, abrogating the unjustified subsidies which are crippling the public finances, the final removal of all barriers to foreign trade, and above all liberating the labour market from the colonial labour laws which have hobbled Indian industry and prevented it from absorbing the large pools of unskilled labour requiring remunerative employment. It is a historical irony that China, an ostensibly Communist country having repudiated its Marxist legacy should have a freer labour market than India which still clings to the labour laws promulgated by its colonial masters a century ago. This single reform is the most important in spreading the gains

from market-oriented growth more widely, allowing India to challenge China as the workshop of the world.

The second miraculous development has been in the international sphere. As this column has maintained, the visible exertion of the US' imperial power after 9/11 is a hugely beneficial development for India. Looking at the future of the international political system in a forthcoming book (*In Praise of Empires* to be published by Macmillans later this year) I foresee only three imperial states competing for influence by mid century: the US, India and China. Because of both demography and potential economic productivity these will be the only powers with the requisite economic and military strength to project power. In this future imperial system, all three powers will have an interest in maintaining a liberal international economic order and the required Pax. In this common imperial task, spheres of influence are likely to arise, competition for which might fuel inter- Imperial rivalry. The recent proclamation of a strategic partnership by President Bush and Prime Minister Vajpayee having unlocked the gates for the entry of advanced technology into India (particularly in the areas of space and armaments, where the US has an uncontestable lead) is of huge significance.

Given India's geography, history, culture, ethnic and religious composition, it is much better placed to cajole, or in partnership with the US to coerce, the Islamist heartland in the greater Middle East to modernize and join the globalization bandwagon. That is why the outcome of the US' current 'war of terror' is of such vital interest to India, not merely for geo-strategic reasons but because its own survival as a multi-ethnic, sub continental empire might depend upon it. The pressure put on Pakistan by the US and China as part of the war against Muslim fundamentalism has yielded fruit in the form of the recent breakthrough in Indo- Pak relationships. This might yet prove to be a false dawn. There are powerful interests aligned against a final rapprochement in both countries. But with mortality staring both major protagonists in the face- with the two failed assassination attempts on President Musharaff's life by Islamists within a week, and the ageing and possibly ailing Vajpayee- they might be able to pull off the impossible. The major danger to this sub continental peace process lies in the assassin's bullet and the scythe of the Grim Reaper.

The outlines of a final resolution of the Kashmir dispute have been clear since the Simla agreement. As we now know with certainty from Prof. P. N. Dhar's memoirs, at Simla, President Bhutto and Prime Minister Indira Gandhi had made a secret verbal agreement that the line of control (LOC) was to be gradually transformed into the international border between the two countries. It was kept secret for fear of the backlash an open written agreement would provoke in the domestic politics of both countries. It was hoped that time and a series of confidence building measures would allow the agreement to be implemented with the consent of majority public opinion in both countries. But within a short period the two authors of the secret agreement had met their deaths – on the gallows and at the hands of an assassin. One can only pray that history will not repeat itself and the unnecessary dispute which has drained both countries energies for half a century will come to an end with the only possible solution: converting what has since 1949 been the de facto into the de jure border.

This still leaves the problem of coming to terms with the domestic insurgents in the Kashmir valley. Here, too, the recent opening of talks with the Hurriyat might bear fruit, once it becomes clear to its leaders that their old hopes can no longer be fulfilled. A

further degree of autonomy maybe the price India has to pay for a settlement, but this should not prove to be as insurmountable an obstacle as the militants demand for union with Pakistan or independence.

With all these favourable auguries, India might at last be able to fulfill its enormous potential, and take its place along with China as the great, powerful, and prosperous imperial civilization it was before the Rise of the West.