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India: Rising Power or a Mere Revolution of Rising Expectations?*

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In 2009–2010 India faces dramatically different foreign policy challenges than it faced even ten years ago. Similar to other ascendant powers such as China and Brazil but unlike smaller powers, India must not only cope with a transformed international system and project the country's global aspirations, but also ensure that its emergence as a rising power responds to its domestic dilemmas and constraints. India's actions and aspirations on the global stage have changed dramatically toward greater activism and leveraging of its newfound economic strengths. Yet, despite powerful pressures and opportunities nudging India toward a greater role in the global system, India must also attend to crucial capacity building to mobilize its potential and aspirations. The path toward a major power role and status needs to be paved with more than good intentions and be accompanied by political will and institutional flexibilities that can transform India's traditional emphasis on autonomy and self-reliance and new ambitions into real power that is sustainable at the global level and yields crucial benefits for India's diverse population.

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Historically, India has tended to position itself somewhere between the powerful and the powerless, the rich and the poor—and between contending power groups. Its primary mode of exercising autonomy in the international domain has been negative: refusing to participate in alignments, in treaties, and in markets, which it viewed as skewed in favor of the more powerful Now, India faces choices as it seeks to devise a more positive conception and exercise of power. What conception of power might be appropriate given the way the world looks right now?¹

In 2009–2010 India faces dramatically different foreign policy challenges than it faced even ten years ago. Similar to other ascendant powers such as China and Brazil but unlike most smaller powers, India must not only cope with a transformed international system and project the country's global aspirations, but also ensure that its emergence as a rising power responds to its domestic dilemmas and constraints. India's chaotic democratic system demands a linkage between its global strategy and domestic politics in a more urgent way than for any of the other BRICs (Brazil, Russia, India, and China).² Furthermore, unlike China and Brazil, India must manage its regional context with great skill, faced as it is with serious challenges from developments in Pakistan, Afghanistan, and Sri Lanka. Each of these countries poses an external challenge to India that spills over into internal security risks, as was evident from the November 2008 Mumbai attacks.

Beyond these complex and changing ambitions and constraints, India is aided by some fortuitous global and internal developments, while harmed by others. At one level, many international actors, including the U.S., have recognized India's emergent power as never before. This increased focus and attention is linked to India's economic power rather than to military or even soft power. In addition to the attention India has received on its own, it has drawn notice as part of a group of rising powers that also includes Brazil, China, and Russia. In 2003, the

1. Sunil Khilnani, "The Mirror Asking," *Outlook*, 21 August 2006, 34.
2. A term coined by Goldman Sachs in 2003.

investment bank Goldman Sachs published “Dreaming with BRICs: The Path to 2050,” which attracted a great deal of attention in the financial world of investors, venture capitalists, and media spinners.³ The report declared, “Over the next few decades, the growth generated by the large developing countries, particularly the BRICs (Brazil, Russia, India, and China) could become a much larger force in the world economy than it is now—and much larger than many investors currently expect.”⁴ The study noted that “India has the potential to show the fastest growth over the next 30–50 years By 2050, only India on our projections would be recording growth rates significantly above 3 percent.”⁵ In a more recent reassessment Goldman Sachs noted, “India’s high growth rate since 2003 represents a structural increase rather than simply a cyclical upturn. We project India’s potential or sustainable growth rate at about 8 percent until 2020 Our assessment suggests that India’s influence on the world economy will be bigger and quicker than implied in our previously published BRICs research.”⁶ This attention by Goldman Sachs was not isolated. From 2003–2007, India’s growth rates ranged between 8–9 percent per annum, and its economy was stable. Such an economic performance has generated discussion about India both within and on the world stage and for the first time in India’s history made economics the centerpiece of India’s global engagement.

Geopolitically, global changes in the form of the collapse of the Soviet Union in 1990, the emergence of the U.S. as a unipolar power, and India’s nuclear test in 1998 led to some key realignments in long hostile or disengaged U.S.–India relations. Paradoxically, the rise of China catalyzed a key strategic shift in U.S. policies favorable to India. The U.S., under the Bush Administration, negotiated a civilian nuclear agreement that sought to change U.S. policy toward India. The global discussion of India as a rising power generated internal debates and strategic reorientations within India as Indian policymakers were called upon to respond with a new approach to deal with these multiple regional, domestic, and global challenges.⁷

This paper analyzes the sources of India’s power and the evolution of India’s “grand strategy” and explores how India views the changing international

3. Dominic Wilson and Roopa Purushothaman, “*Dreaming With BRICs: The Path to 2050*,” Goldman Sachs, Global Economics Paper No. 99, October (2003), 1–22.

4. Wilson and Purushothaman, “*Dreaming with BRICs*.”

5. Wilson and Purushothaman, “*Dreaming with BRICs*.”

6. Tushar Poddar and Eva Yi, “*India’s Rising Growth Potential*,” Goldman Sachs, Global Economics Paper No. 152 (2007), 1–33.

7. A large number of books have recently addressed India’s rising power. For a selective sample see, Stephen Cohen, *India: Emerging Power* (New Delhi: Oxford University Press, 2001), Sumit Ganguly ed., *India as an Emerging Power* (London: Frank Cass, 2003), Kishore Mahbhubani, *The New Asian Hemisphere: The Irresistible Shift of Global Power to the East* (New York: Public Affairs, 2008), and Arvind Panagariya, *The Emerging Giant* (New York: Oxford University Press, 2008).

environment. The simultaneous rise of India as a latecomer on the world stage and the transformation in global power structures deserves further scrutiny and raises a few questions. First, is the world becoming unipolar or multipolar? This question relates to the nature of American power at the global, systemic level and its potential impact on other power centers. The ongoing economic crisis centered in the West has complicated the answer, with some arguing that the crisis accelerates the trend toward multipolarity. Second, how does India perceive the world (unipolar or multipolar) and what does it do in response? Another way to ask that question is to assess whether India is indeed an emergent power with the capacity to transform its potential and growth into a real exercise of power under conditions of unipolarity. The third is an outcome-oriented question: What kind of power would India become? Would it be a rule-maker, shaping structures of global power, rather than a rule-taker? And what would this mean for the global structures of power and inter-state interactions? Do India's actions, in effect, contribute to creating a multipolar world?

We make a three-step argument. First, while a source of India's power is internally driven (economic) and aspirational (people-oriented), exogenous developments such as the rise of China, the declining ability of the U.S. to work unilaterally despite unipolarity, and the current financial crisis have projected more power to India than it has the capacity to digest or translate. Actions of western powers, the U.S. and the EU, have had an unintended effect in propelling India to a status as a world power before India itself is ready for a global role. Simply, external developments have catapulted India to its "great power" status more than internal developments, institutional capacities, or strategic planning. India still has not articulated a coherent strategic vision of what it hopes to achieve with its emergent power status and aspirations. Similar to other rising powers, India holds multiple, even contradictory, positions simultaneously. Also, India's "grand strategy" to actualize its own power must pay special attention to the domestic and global mechanisms of the transformations, rather than be content in reflected glory.

Second, India's strategic vision and behavior at the international level are marked both by change and remarkable continuity. On the one hand, it seeks greater closeness to the U.S., including military exercises. India seeks a permanent position in the UN Security Council as well as reform of other international governance institutions. It has participated in coalitions with other rising powers such as the "Trilateral" (consisting of India, China, and Russia),⁸ the IBSA (India, Brazil, and South Africa) initiative, the G20, and the Central Asia-centric Shanghai Cooperation Organization, as well as recent BRICs meetings. Some scholars echo the current Brazilian foreign minister, Celso

8. Since 2005, foreign ministers of the three countries have met periodically, and from 2007 their meetings have become annual. They also met on the sidelines of the G8 Summit in 2008.

Amorim, who sees the IBSA mechanism to have larger political import: “the IBSA countries are trying to consolidate themselves politically as a bloc that will help to balance and democratize the international order in the beginning of this century.”⁹ On the other hand, India’s historical traditions—for example, Non-Alignment—constrain it in its efforts to stake out a new power status but also afford it a strategic autonomy that is in line with its strategic interests. At one level, India has grudgingly accepted the U.S.-led Western order but it will refuse to build a strategic alliance either with or against the U.S. India intends to use its participation in BRICs or the G20 to call for a greater voice and role in existing governance structures, but does not yet see BRICs as a viable political grouping or alliance, which is in line with most other powers’ view. India is unlikely to pursue a strategy like that of the rising Germany in the nineteenth century or China today. Although India will be more diffident, it will continue to bargain hard for its own strategic autonomy, even against its declared so-called “natural ally”, the U.S. Yet, India may be closer to the U.S. than are the other BRICs. Each of the others has some serious conflict with the U.S. that India lacks.

Third, at the international level, India will continue to be a free rider rather than a responsible stakeholder, pursuing its own interests when possible but not taking the responsibility for putting new institutions in place. In fact, rising powers are very rarely stakeholders in a meaningful way. India thus will continue to cope with the challenges of unipolarity and the advantages that a closer partnership with the U.S. brings, as well as exploit the opportunities a transition to multipolarity may present. In so doing, India’s actions will further contribute to the power of the U.S., but also encourage some balancing and bandwagoning against the U.S.

Theoretical Debates

Is the world becoming unipolar or multipolar? This issue lies at the heart of recent debates in international relations. Even as most observers recognize the primacy of U.S., two divergent views on the nature of the global order are pronounced. The “multipolar” view, represented by Parag Khanna,¹⁰ Fareed Zakaria,¹¹ and a host of other scholars, argues that despite U.S. military dominance, many powers vie for great power status. Most scholars agree that China is a contender for such a position, while others point to the EU, as well as

9. Cited in Maria Regina Soares de Lima, “Brazil Rising: the Country’s New Status Means Reconciling with the North and the South,” *IP-Global Edition* 9 (2008): 62–67.

10. Parag Khanna, *The Second World: Empires and Influence in the Global Order* (New York: Random House, 2008).

11. Fareed Zakaria, *The Post-American World* (New York: W.W. Norton, 2008); Fareed Zakaria, “The Future of American Power: How America Can Survive the Rise of the Rest,” *Foreign Affairs* 87 (May–June 2008): 18–43.

India and Russia as possible major powers. According to Khanna, there are three powers emerging in the global system: the EU, U.S., and China. As Parag Khanna notes, “the world superpower is being rebalanced—but without a single center. By challenging America’s position in the global hierarchy and securing allies and loyalty around the world, the EU and China have engineered a palpable shift toward three relatively equal centers of influence: Washington, Brussels and Beijing.”¹²

Daniel Drezner seems to concur, although he notes the rise of India and China as more salient than the power of the EU:

Throughout the 20th century, the list of the world’s great powers was predictably short: the United States, the Soviet Union, Japan, and northwestern Europe. The twenty first century will be different. China and India are emerging as economic and political heavyweights: China holds over a trillion dollars in hard currency reserves, India’s high tech sector is growing by leaps and bounds, and both countries, already recognized nuclear powers, and are developing blue-water navies. The National Intelligence Council, a U.S. government think tank, projects that by 2025, China and India will have the world’s second- and fourth-largest economies, respectively. Such growth is opening the way for a multipolar era in world politics.¹³

Echoing these scholarly views, a large body of policy and think tank literature points toward an emerging multipolar world. This includes some assessments from within the U.S. government. In November 2008, the National Intelligence Council highlighted the emergence of a multipolar global order, with rising states like China and India economically overtaking most of the older Group of Seven (G7) powers by 2025. While the rising states would want seats at the international high table, the report anticipated that they would be cautious about assuming global burdens, despite a packed agenda composed of new challenges like climate change and energy security in addition to growing threats such as nuclear proliferation and weapons of mass destruction terrorism.”¹⁴

The alternative view is that a unique unipolar moment is upon us with the dominance of the U.S. A unique group of collaborators, while differing on the consequences of unipolarity, concur that “the sudden collapse of the Soviet Union and its empire, slower economic growth in Japan and Western Europe during the 1990s and America’s outsized military spending have all enhanced

12. Parag Khanna, *The Second World*, xv.

13. Daniel Drezner, “The New World Order,” *Foreign Affairs* 46 (March–April 2007): 34.

14. The National Intelligence Council, *Global Trends 2025: A Transformed World* (Washington DC: NIC, 2008), 1–99.

these disparities. While in most historical eras the distribution of capabilities among major states has tended to be multipolar or bipolar—with several major states of roughly equal size and capability—the U.S. emerged from the 1990s as an unrivaled global power. It became a ‘unipolar’ state.”¹⁵ Yet many scholars who assess the implications of this unparalleled moment suggest that U.S.’ dominance is unparalleled but that it does not translate easily into real influence. Accordingly, the U.S. is unable to achieve what it wants, despite being dominant. Charles Kupchan, while recognizing the preeminence enjoyed by U.S., notes that “a global landscape in which power and influence are more equally distributed looms ahead.”¹⁶

India’s Power: Its Sources and Impact on India’s Global Position

What is significant about India’s rise as a power is the sources that drive this change. Economic growth underlies Indian emergence on the world stage and has been recognized as such by powerful international actors. This has brought together security and economic interests both in the calculations of American policies toward India and in India’s foreign policy in a way that was never possible before. India’s growing economic dynamism also builds support for a stronger and aggressive global role from within India’s domestic civil society actors, especially India’s middle classes and business interests. Yet India’s economy is still quite inward-oriented, which has become a source of strength amidst the externally generated recent crisis.

In 2003, in an assessment of India’s rising power, Pekrovich suggested that,

India today lacks great power in that, for the most part, it cannot make other important states comply with Indian demands. Nor can India obtain all that it desires in the international arena. It cannot compel or persuade technology suppliers to ignore non-proliferation strictures and supply new power reactors to the country, nor can it alone win preferred trade terms in World Trade Organization negotiations. India cannot persuade others to isolate Pakistan and probably cannot gain a permanent seat on the United Nations council in the foreseeable future. Yet, India does have the capacity to resist most if not

15. G. John Ikenberry, Michael Mastanduno, and William C. Wohlfort, “Unipolarity, State Behavior, and Systemic Consequences,” *World Politics* 61 (January 2009): 1–27.

16. Charles Kupchan, “Hollow Hegemony or Stable Multipolarity?” in *America Unrivaled; The Future of the Balance of Power*, ed. John Ikenberry (Ithaca, NY and London: Cornell University Press, 2002), 68–97. It must be noted that Kupchan’s article does not mention India as a possible rising power; he wrote this piece in early 2000s.

all demands placed upon it by the other states, including the recognized major powers.¹⁷

Analogously, most commentators agree that India may be a military heavyweight in South Asia but its military power relative to other global powers is quite weak. Until recently, it spent a mere 1.99 percent of GDP on defense. This increased to about 2.4 percent of GDP in 2008. Thus India's military might is not considered to be source of its rising international influence, although its regional power in South Asia and its possible role as a bridging power in East and South East Asia are increasingly recognized.

The single most important source of India's rising power in the 2000s is economic transformation. In the words of Sanjaya Baru, "[In India] the acceleration of growth over the past two decades has already had strategic consequences."¹⁸ Four features of India's growth command notice. First, its population size; India will overtake China's population in 2040.¹⁹ The second Goldman Sachs report on India notes that sheer population size makes India part of the BRICs category. Second, despite the economic crisis, the prospects of long-term growth are around 5–8 percent based on demographics (India's young population) and the government's education policy. While India's growth rate has slowed from 8–9 percent in 2006–2008 to 6 percent, the country's domestic reorientation has also renewed hopes for an early renewal of the growth rate, especially in comparison with China.²⁰ Third, due to increasing foreign exchange reserves and greater global integration, India will acquire greater stakes in its own global power as trade as a proportion of the GDP rises. And lastly, the emergence of Indian multinationals and the global activities of Indian companies will add depth to India's global activities.

In late 1990s and early 2000s, policy scholars began to note India's rising prominence. A RAND study in 2000 introduced an economic dimension when it argued that if India could sustain a rapid growth rate into 2010–2015, then there would be a major reordering of Asian power relations.²¹ Ashley Tellis, a key

17. George Pekrovich, "Is India a Major Power," *Washington Quarterly* 27 (Winter 2003–2004): 129–44.

18. Sanjaya Baru, *The Strategic Consequences of India's Economic Performance* (New Delhi: Academic Foundation, 2007), 329.

19. This estimate does not account for the recent relaxation in China's one-child policy, which could change the projections for the future.

20. The impact of the global financial crisis will weigh more on China than India, as China is heavily reliant on exports, which constitute 37 percent of the Chinese economy against 13 percent in the case of India. Asian Development Bank President Haruhiko Kuroda noted, "The extent of slowdown in China is much bigger than India because Chinese economy is more dependent on exports than Indian economy." <http://trendsniiff.com/2009/02/08/india-shows-resilience-may-overtake-chinas-growth-rate/> (accessed on 22 July 2009).

21. Charles Wolf, Anil Bamezai, K. C. Yeh, *Asian Economic Trends and Their Security Implications* (Santa Monica: Rand Corporation, 2000).

Table 1
India's Growth Rate, 1991–2009

	GDP growth rate in percentage
1991	1
1992	5
1993	5
1994	7
1995	8
1996	7
1997	4
1998	6
1999	7
2000	4
2001	5
2002	4
2003	8
2004	8
2005	9.2
2006	9.6
2007	9.3
2008	7.8
2009	5.1*
2010	8**

*World Bank Estimates.

**World Bank Projections.

Source: Government of India, *Economic Survey, Various Years* (New Delhi; Government of India).

actor who played a role in changing the Bush administration's strategy toward India, noted the economic basis of transformations in India's global status in 2001–2002.²² India's rapid economic growth over most of the past fifteen years contributes to the current euphoria about India's power and status (Table 1).

India's economic boom has generated rapid change within the country, creating impetus and support for further economic development as well as greater global integration. Merchandise exports in current dollars were 18.1 billion USD in 1990–1991 and doubled for the first time in 1999–2000. In the recent period, they doubled in just three years, from 52.7 billion in 2002–2003 to

22. See Ashley J. Tellis, "South Asia," *National Bureau of Asian Research* (Washington DC: NBAR, 2001–2002), 223–67; Ashley J. Tellis, "India as a New Global Power: An Action Agenda for the US," *Carnegie Endowment for International Peace* (Washington DC: Carnegie Endowment for International Peace, 2005), 5–52.

102.7 billion in 2005–2006. India is far more integrated into the world economy than was the case in the first post-colonial decades. The proportion of total trade to the GDP reached 43.1 percent in 2005–2006. Total foreign investment rose from \$6 billion in 2002–2003 to 20.2 billion in 2005–06. As of 7 April 2009, the foreign exchange reserves crossed \$250 billion; India has also started to hold U.S. treasury bills, and this gives some economic leeway for Indian companies to buy foreign acquisitions.

Notwithstanding the combination of rapid economic growth and increased global integration, India remains strongly self-reliant with its economic transformation driven by a domestic logic. Although economic growth has been brisk, India's share of world trade continues to be low. Also, even with the dramatic increase in external trade as a percentage of GDP, domestic investment and consumption are still the mainstays of India's economic boom. As noted by Rakesh Mohan, India's growth rate is fueled by domestic savings and investment. Domestic capital propels the economy and immunizes it from exposure to international turbulence.²³

Indian elites have started to focus on growth and developmental outcomes in discussions of foreign policy and India's global ambitions. Dr. Sanjaya Baru forcefully connects economic growth and global power, a view that is gaining greater currency.²⁴ Many security experts recognize that the economy will be the key to India's rising status. V. R. Raghavan, director of the Delhi Policy Group and president of the Centre for Security Analysis, notes, "The government should push for building the foundations of economic and social growth. Infrastructure development and widening the reach of school education are the keys to national power in the long run."²⁵ K. Subrahmanyam, former director of the Institute for Defence Studies and Analyses, India, and convener of the National Security Advisory Board, recently said, "Success in foreign policy depends on success in economic policy. Our diplomats should understand this. The Foreign Service should give up its generalist orientation and start developing expertise on specific areas and subjects. There should be far greater co-ordination between the ministries of external affairs, commerce, defense, and science and technology."²⁶ This link between economic and security concerns in the outlook

23. Rakesh Mohan, "The Growth Record of the Indian Economy, 1950–2008: A Story of Sustained Savings and Investment," *Keynote Address* by Dr. Rakesh Mohan, Deputy Governor, Reserve Bank of India at the Conference "Growth and Macroeconomic Issues and Challenges in India" organized by the *Institute of Economic Growth*, New Delhi, 14 February 2008.

24. Sanjaya Baru, *Strategic Consequences of India's Economic Performance: Essays and Columns*. A contrary view must, however, be noted: Niall Ferguson, *Cash Nexus: Money and Power in the Modern World, 1700–2000* (New York: Basic Books, 2001).

25. "Geopolitics—Foreign Policy Challenges for UPA 2.0," *Pragati—The Indian National Interest Review*, 28 (July 2009), Accessed online at: <http://pragati.nationalinterest.in/2009/07/foreign-policy-challenges-for-upa-20/>.

26. "Geopolitics", *Pragati*.

of the internal security community will drive India's "grand strategy" in the near, medium, and long term.

Domestic and Global Mechanisms for Achieving Great Power Status

Under what conditions will India be able to achieve its aspirations and realize its goals in the transformed international system? India's economic projection of power refers only to potential. The transformation of economic power to mobilize a nation into a global power is not a transparent process. What is needed to translate India's promise into real power and influence?²⁷ What are the domestic constraints that need to be acknowledged in this transformation?

We argue that India needs certain domestic (both ideational and institutional) and global mechanisms of transformation. Statecraft, modifying the notion of "economic statecraft" proposed by David Baldwin, may be needed to transform potential into reality.²⁸ Three dimensions of statecraft—ideas and political vision (great power ideas), political capacity, and institutional state capacity—may be the prerequisite to this transformation. Jeffrey Legro has argued that "great power ideas," or the collective ideas of major powers, make a difference in world politics and that "international relations are shaped not just by the power states have but the ideas the states hold about how that power should be used."²⁹ Echoing a point that Legro makes, a retired Indian Ambassador said in an interview, "India wants to be a Security Council member but does it know what it wants to do with that membership? Do we (India) have a vision for what we want to do with global power?"³⁰

From independence onward, India's leaders have wrestled with the country's proper place in the international order, a discussion that continues today. Jawaharlal Nehru, India's first prime minister, had a vision of India's international role, and some of India's subsequent leaders have also shown vision. Most significantly, Atal Bihari Vajpayee's government after 1999 initiated a significant change toward the U.S. Manmohan Singh, India's current prime minister, has articulated his strategic vision carefully. In 2005, he declared, "Being an open democratic polity and an open economy empowers India."³¹ Singh views the world as a benign place within which India can act to its own advantage. Other

27. For a nuanced discussion of power in international politics see David Baldwin, "Power Analysis and World Politics," in David Baldwin, *Paradoxes of Power* (New York: Basil Blackwell, 1989), 129–68.

28. David Baldwin, *Economic Statecraft* (Princeton, NJ: Princeton University Press, 1985).

29. Jeffrey W. Legro, *Rethinking the World: Great Power Strategies and International Order* (Ithaca, NY: Cornell University Press, 2005), 3.

30. Interview with Aseema Sinha, January 2008, New Delhi, India International Center.

31. Manmohan Singh, "Open Democracy and Open Economy" *Indian Express: North American Edition*, 26 August 2005.

policymakers have tried to articulate a vision of soft power underlying India's claim to leadership. As India's Ambassador to U.S. said recently,

The United States is, and will probably long remain, the preeminent global power, in terms of its economic strength, scientific and technological prowess, innovative ability, and military might. But it was merely a matter of time before India rose to the position of one among the three largest economies in the world. India is a bastion of democracy in the world's most diverse neighborhood; it is an anchor of stability in a highly volatile region; and increasingly a locomotive of stable and sustainable regional economic growth. India has historically been, and remains a benign status-quo power without any expansionist desire; India was only interested in projecting soft power.³²

We know that important aspects of India's domestic structure—coalition government and sharing of power—will make this translation slower than expected and that the legacy of ideas and ideology will nudge India toward a more cautious approach to global power. The third pillar of this transformation—institutional capacity—is even more crucial. Daniel Markey argues that India's foreign policy capabilities are quite deficient and could hamper the implementation of India's grand strategy.³³ India's own foreign policy establishment, he contends, hinders the country from achieving great-power status for several reasons: (1) The Indian Foreign Service lacks the necessary capabilities and institutional resources; (2) India's think-tanks lack sufficient access to the information or resources required to conduct high-quality, policy-relevant scholarship; (3) India's public universities are poorly funded, highly regulated, and fail to provide world-class education in the social sciences and other fields related to foreign policy; and (4) India's media and private firms—leaders in debating the country's foreign policy agenda—are not built to undertake sustained foreign policy research or training.³⁴

India's Evolving Grand Strategy: Continuity Amid Change

India is a rising power on the world stage, but its ascendance has been late in coming. After winning independence in 1947, it largely confined itself to a

32. *India Abroad*, "Ronen Sen [former Indian Ambassador to the U.S.] Lauds US-India relations, Promises More to Come," *India Abroad*, 15 February 2008.

33. Daniel Markey, "Developing India's Foreign Policy 'Software,'" *Asia Policy* 8 (July 2009): 73–96.

34. Markey, "Developing India's Foreign Policy 'Software.'" Also, see, Kishan Rana (former Indian Diplomat) in <http://www.business-standard.com/india/news/kishan-s-rana-mea%5Cs-institutional-softwareus-prognosis/364646/> (accessed 20 August 2009).

regional role, asserting its dominance over the South Asian region (the Indian subcontinent) and pursuing a long-term and often violent rivalry with Pakistan. Only after liberalizing its economy in 1991 and subsequently achieving a high economic growth rate did India become more assertive.³⁵ India's newfound assertiveness occurred during a period when the world was undergoing a major transformation. The Cold War came to an end and the U.S. emerged as the only world power in a unipolar world order.

India has been and continues to be a strong advocate of a multipolar world order, but does not believe that a multipolar world is imminent. Under its founder Prime Minister Jawaharlal Nehru, India embraced the doctrine of "non-alliance," urging other developing nations and former European colonies to remain aloof from the Cold War confrontation between the Soviet Union and the U.S. Although India was a founding member of the Non-Aligned Movement, the group's activities were largely symbolic and did little to change the bipolar world order. India was famous in diplomatic circles for its impassioned verbal support of non-alignment and advocacy of a world order containing more power centers than the contending U.S.S.R. and U.S.A. This was particularly true in the United Nations. Since the end of the bipolar era (the Cold War), this rhetorical support for multipolarity has continued. The Indian foreign policy elite, including its academic mandarins, continues to state its preference for multipolarity. This preference has transcended party allegiance. The Communist Party of India (Marxist), India's leading Communist grouping, has long nursed close ties to China and hewed to the Chinese line. It therefore had no problem advocating the formation of new power centers to rival unipolar American dominance of the world system. This advocacy was not limited to Communists, however. Multipolarity has long been the favored system within the ranks of the now-ruling Congress Party, which remains in thrall to the foreign policy approach formulated by Jawaharlal Nehru and strongly maintained by the Gandhi dynasty. When in power, the nationalist Bharatiya Janata Party (BJP) was split on this issue, with one "pragmatic" wing urging a formal alliance with the U.S. in its war against "Islamic" terrorism, while the more nationalistic wing urged India to "go it alone" and reject foreign influences whenever possible. All in all, few dissenting voices in the Indian polity endorse a unipolar world dominated by the U.S. This has been a strong explanatory factor when it comes to analyzing Indian entrance into a formal BRIC alliance with Russia, China, and Brazil. Most Indian opinion leaders would welcome such an alliance as an opportunity to put themselves on the

35. Prior to 1991, India was famous for its "Hindu rate of growth." This was defined as an economic growth rate that was only marginally higher than India's population growth rate. This low economic growth rate handicapped India's ambitious poverty alleviation programs.

record as favoring a return to a natural order characterized by multipolarity, but do not see BRIC as a serious threat to the unipolar world.

This means that in India few seriously think India's BRIC membership will result in a shift to a multipolar world, no more than they believed that India's membership in the non-aligned movement would do so. Rather, current Indian policy seeks to hedge India's bets by nursing a return to multipolarity over the long term, while at the same time cultivating closer ties to the unipolar hegemon (the U.S.). Simultaneously, India also seeks closer relations with China and the East, as embodied in India's "Look East Policy."³⁶ These multiple positions are similar to India's cold war policy of strongly advocating "non-alignment," while cultivating close ties to one of the powers in the then-bipolar international order (the U.S.S.R.). Foreign Minister Pranab Mukherjee hailed BRIC as a "unique combination of mutually complementary economies."³⁷ This enthusiastic rhetoric does not accurately reflect the Indian view of BRIC. For all the rhetoric, few in India would disagree with the *New York Times'* characterization of the summit's final statement as "cautious."³⁸

In the view of many observers, BRIC is likely to have little impact on the current world political order. However, it might have greater impact if it moved actively to replace the dollar as the world currency. Financial analyst Sheldon Filger stressed that "the BRIC has just held its first summit, and has emerged with a pointed gun aimed at the U.S. dollar. Not that this newly formed geopolitical bloc will immediately seek to diminish the U.S. dollar, considering in the short term they themselves would be negatively affected However, the handwriting is on the wall."³⁹ Subsequent events indicated that any BRIC challenge to the dollar would be weak to non-existent. As "Marketwatch" pointed out, "While the joint statement from the meeting called for a 'diversified stable and predictable currency system,' it made no direct challenge to the dollar as the world's global reserve currency."⁴⁰ The BRIC summit occurred shortly after the meeting of the Group of Eight leading countries. At that conclave, the G7 most industrialized countries plus Russia (BRIC's founding member) agreed to continue support for the dollar as the world's reserve currency.

These often contradictory assessments reflect the ambiguity found in India. BRIC proponents argue that these four economies are slated to surpass in size the

36. For an early articulation of India's Look East policy see Sanjaya Baru, "India and ASEAN: The Emerging Economic Relationship Towards a Bay of Bengal Community," Working Paper No. 61, *Indian Council for Research on International Economic Relations* (ICRIER), February 2001, 1–27.

37. Vladimir Radyuhin, "For a new order," *Frontline*, Volume 25, issue 12, June 7–20, 2008. Accessed at: <http://www.hinduonnet.com/fline/fl2512/stories/20080620251205200.htm>

38. *New York Times*, "Emerging Economies Meet in Russia," *New York Times*, 17 June 2009.

39. Sheldon Filger, "BRIC Summit Sees End of Dominance of U.S. Dollar," *Huffington Post*, 17 June 2009.

40. Nick Godt, "BRIC Countries Seek More Clout at Summit," *Marketwatch*, 16 June 2009.

current leading economies by the middle of the century, a “tectonic shift . . . that will eventually nudge the United States and Western Europe away from the center of world productivity and power.”⁴¹ Advocates predict the new grouping will play a valuable role in counterbalancing American dominance of the current unipolar system. Skeptics argue that the four countries are actually quite dissimilar, do not share common political interests, and are not a natural trading bloc. They dismiss the BRIC summit as a paper exercise similar to the Non-Aligned Movement that will prove heavy on rhetorical flourish but unlikely to significantly change the unipolar *status quo*. For BRIC to pose a serious threat to the current world order, India and its fellow BRIC members would have to share the same views regarding the need to replace the unipolar system based on U.S. power with a multipolar system. India’s actions and the views propounded by its foreign policy elites indicate that this is not the case. Instead, India has taken pains to cultivate closer U.S. ties, while disdaining any move to turn BRIC into a formal anti-U.S. alliance. India is not enthusiastic about challenging American dominance and does not share many common interests with its purported BRIC partners. As the *New York Times* points out, “India is not as concerned with the status of the dollar and is by no means as intent on scoring ideological points against the U.S. as is Russia.”⁴²

We contend that India has joined BRIC principally as a means of gaining recognition of its growing international position. Due to its unique history and a myriad of compelling social and economic factors, India is reluctant to abandon its current “nonaligned” status and support a BRIC grouping aimed at displacing the U.S. and restoring multipolarity. Instead, India is genuinely interested in working with the U.S. and does not want to challenge U.S. dominance, which most Indian policymakers view as currently in India’s best interest. The Indian foreign policy establishment closely follows the basic dictum of classic international relations, namely that the country’s foreign policy must benefit India first and foremost. While many Indian opinion leaders long for a return to multipolarity, they are well aware that India is benefiting from its growing closeness to the U.S. In this sense, they are becoming more integrated into the set of formal institutional relationships established by the U.S. after its victory in World War Two and further strengthened by U.S. behavior after its triumph in the Cold War.⁴³ Ikenberry notes how “[i]nstitutional agreements were pursued in order to reinforce domestic governmental and economic changes which, in turn,

41. Radyuhin, “For a New Order,” *Frontline*.

42. *New York Times*, “Emerging Economies Meet in Russia,” *New York Times*, 17 June 2009.

43. This fits in with the theory propounded by John Ikenberry in his book *After Victory, Institutions, Strategic Restraint, and the Rebuilding of Order After Major Wars* (Princeton, NJ: Princeton University Press, 2001), 256, which postulates that U.S. behavior after these two victories has consolidated a peaceful international order by stressing conciliation and the mutual benefits inherent in formalized international institutions.

tended to fix into place desired policy orientations.⁴⁴ In this sense, as India becomes more deeply enmeshed in the interwoven international institutions established by the U.S., it becomes less interested in challenging the *status quo* by trying to form a competing power bloc (such as BRIC). Ikenberry makes it quite clear that this is precisely what has happened with Germany, Japan, and the EU. However, unlike the countries of Western (and now Eastern) Europe and the Pacific, India is attempting to play a unique role vis-à-vis the U.S. by accruing the benefits of an affiliation with the U.S. without entering a formal alliance.

India subscribes to the widely held view that unipolarity is anomalous and that a multipolar order is more natural and will ultimately emerge. The advent of the unipolar system at the conclusion of the Cold War almost immediately touched off avid speculation as to how long it would last and what would eventually replace it. Many wonder about the ability of the U.S. to maintain its dominant position over the long term. There is a large body of published work examining the process of the rise and decline of states and the peculiar circumstances surrounding the rise of the U.S.⁴⁵

Paul Kennedy and other scholars have drawn parallels between the world order dominated by the British Empire and the current state of affairs. Kennedy attributes Britain's decline to its squandering of economic power and dominance to fund ever greater military entanglements and expansion. It has become commonplace to point to U.S. military involvement in Iraq and the draining impact of the American "war on terror" as indicators that the U.S. is replicating the British pattern, condensed into a much shorter period. By this view, it is a question not of whether but when the "Pax Americana" will come to an end.⁴⁶ While most regard a transition to a multipolar world order as inevitable, it remains unclear as to how this transition will take place and whether it will be a violent transition marked by confrontation or a peaceful one characterized by cooperation.

While most Indian foreign policy experts and members of the Indian power elite share this assessment, they view a return to a multipolar world as a long-term goal rather than an imminent possibility. There is a broad consensus that

44. Ikenberry, *After Victory*, 246.

45. For example, see Paul Kennedy, *The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000* (New York: Vintage Books, 1989); Ikenberry, *After Victory*; Samuel P. Huntington, *Clash of Civilizations and the Remaking of World Order* (New York: Simon & Schuster, 2003); Francis Fukuyama, *The End of History and the Last Man* (New York: Free Press; Toronto: Maxwell Macmillan Canada, 1992).

46. For representative articles see, Robert Samuelson, "The End of Pax Americana?" *Washington Post*, 13 December 2006, and John Thomson, "The End of Pax Americana?" *The Mackenzie Institute Newsletter*, October 2008, <http://www.mackenzieinstitute.com/2008/pax-011108.htm> (accessed on 28 September 2009).

multipolarity is destined to return, with India as one of the natural poles. In India the argument therefore usually centers not on whether unipolarity will come to an end, but when. Indian analysts subsume this belief in the inevitability of Indian participation as a pole in a restored multipolar system under their conviction that India must always act in its own best interests. Since the current unipole (the U.S.) will remain dominant for the foreseeable future, they argue that India should therefore cultivate close ties with the unipole during its period of dominance, which will continue over the medium term. During this period India will continue to gain strength so that it will be prepared for the day when U.S. power recedes and multipolarity returns.

While India is a rising nation eager to play an expanded role on the world stage consistent with its growing economic, political, and military status, it is also patient and willing to wait until the world order shifts. In the interim, India will continue to cultivate close ties to the world hegemon. Seen in this light, India's participation in the BRIC process is a concrete manifestation of its interest to increase its participation on the world stage and its prestige in the international community. Following a remarkable rise from an impoverished former British colony to a major world player,⁴⁷ India now stands ready to assume a greater international role. However, the country is only beginning to break out of the bounds of a regional power and assert its role on the world stage within the confines of a unipolar setup. It is aware that it will take time for this transition to take place. In the interim, India will continue to determine its course of action in international affairs by cultivating its relationship with the sole remaining superpower, the U.S.

During the just-concluded Bush administration, conservative Republican circles urged the U.S. to redefine its relationship with India by recruiting it into a formal alliance aimed at containing a rapidly developing China.⁴⁸ Little was done to implement the policy before the September 11 terrorist attacks and subsequent U.S. involvement in Afghanistan, Iraq, and the "Global War on Terror (GWOT)" diverted U.S. foreign policy into other areas. This did not deter the Bush administration from removing sanctions imposed on India during the Clinton Administration in response to its detonation of a nuclear device and then proposing a U.S.–India agreement recognizing India as a *de facto* nuclear

47. For a recent recounting of this remarkable story see, Ramachandra Guha, *India After Gandhi—The History of the World's Largest Democracy* (New York: Harper Collins Publishers, 2007) and Stephen Cohen, *India: Emerging Power* (Washington DC: Brookings Institution Press, 2001).

48. For a concise articulation of Bush Administration thinking see Peter Brookes, "Cozying Up to India" *Heritage Foundation*, 1 August 2005. <http://www.heritage.org/press/commentary/ed080205a.cfm> (accessed on 28 September 2008).

weapons state (the U.S.–India Civil Nuclear Cooperation Initiative—Bilateral Agreement on Peaceful Nuclear Cooperation). After the administration expended considerable domestic and international political capital to ensure the ratification and implementation of the U.S.–India nuclear deal, the process was concluded when the U.S. Congress passed a bill on 1 October 2008 confirming the agreement.

The Congress Party-dominated coalition government in India welcomed the bilateral agreement, believing that it resulted in increased international recognition of India's status as a nuclear weapons state and confirmed that India was not a proliferator or a rogue state. The deal also assured unrestricted access to the latest nuclear power generation technology. India's business community welcomed the move as an indicator that India would no longer face the threat of international trade sanctions and restrictions. Polling indicated that most Indians believed the agreement increased India's international prestige. Indians also believed that it would be impossible to realize the country's ambitious nuclear energy program without the nuclear deal.⁴⁹ The agreement also removed many restrictions on Indian access to U.S. military technology, doctrine, and training. India's military establishment has long viewed these as essential inputs, but not as a magic bullet. A 2005 study by the International Institute for Strategic Studies concluded that “[t]he new willingness to co-produce military equipment, which Bush administration officials view as major evidence refuting the cynics' claims, simply does not have the same resonance in New Delhi that it possesses in Washington.”⁵⁰

India's military continues to view its principal threats as a Pakistan–China axis and terrorism. But the menace from the two neighboring states has receded. India's military establishment has determined that because of the ongoing deterioration of Pakistan's military capabilities, it no longer poses a serious military threat and India's armed forces can contain Pakistan without outside assistance. Likewise, India's foreign policy establishment has concluded that while China is an economic rival, India and China will address their disputes without recourse to military action.

On the other hand, India has long faced a concerted and multi-faceted terrorist threat, vividly demonstrated by the three-day terrorist attack on Mumbai, 26–29 November 2008. Terrorist activity directed against India, moreover, goes far beyond the Islamist terrorists who have carried out a series of spectacular attacks

49. For an example of Indian thinking regarding the agreement, see Ranabir Ray Choudhury, “Nuclear Deal: Benefits for India,” *The Hindu Business Line*, 13 March 2006.

50. IISS [The International Institute for Strategic Studies], “America, India and Pakistan, A New Approach from Washington,” *Strategic Comments* 11, (March 2005). Accessed at: <http://www.iiss.org/publications/strategic-comments/past-issues/volume-11-2005/volume-11—issue-2/america-india-and-pakistan/>.

in Indian cities over the past decades. In addition to the Islamists, India is under attack from Maoists (the Naxalites) and a wide variety of separatist insurgencies in Kashmir and the Northeast. In the aftermath of the Mumbai attack, Indian commentators decried what they characterized as long-term U.S. indifference to the Indian role as a principal victim of Islamist terrorist attacks (which India has long alleged are principally directed by terrorist leaders based in Pakistan receiving support from Pakistan's Interservices Intelligence, ISI).

Indian commentators have long criticized the U.S. for continuing to provide extensive economic and military aid to Pakistan regardless of its sponsorship of terrorism against India. They have argued that as long as the U.S. is unable or unwilling to apply serious pressure against Pakistan, including the serious threat of a cancellation of aid, India will remain unwilling to grow too reliant on U.S. military assistance. India does not see that a formal military relationship with the U.S. will significantly increase its ability to combat the challenge posed by Islamist terrorism. A key component underlying India's policy is its desire to preclude international (U.S.) involvement in its dispute with Pakistan over Kashmir. At the same time, India looks askance at the U.S.–Pakistan alliance to combat Islamist terrorism in Pakistan and Afghanistan, alleging that it does not sufficiently take Indian interests into account. In the Indian view, Afghanistan is a friendly state that lies within the Indian sphere of influence regardless of Pakistani objections. India has restricted the involvement of its armed forces in countering terrorism and insurgency within its borders, preferring to rely on the national police and paramilitaries. In the Indian view, Indian democracy is preserved when the Indian armed forces refrain from involvement in domestic operations. To gain access to the requisite technology and training for its counter-terrorist and counter-insurgency forces, India has preferred to rely on *ad hoc* arrangements, primarily with Israel and the U.S. While this has led commentators in Pakistan and other Islamic countries to decry a “Christian–Hindu–Jewish” alliance against Islam, the reality does not reflect this overheated rhetoric. India remains convinced that, with only limited logistic, doctrinal, and training assistance from abroad, it can deal alone with the challenge of terrorism (Islamist or otherwise).

India's approach to economic policy also works against the formalization of alliances or the joining of blocs. After winning independence from Great Britain, India was faced with the challenge of untangling its nascent industrial capacity from the colonial model, which subjugated the Indian economy to Britain's needs. John Kenneth Galbraith described India's dilemma as follows: “a good deal of capitalist enterprise in India was an extension of the arm of the imperial power. . . . As a result, free enterprise in Asia bears the added stigmata of colonialism, and this is a formidable burden.”⁵¹ One consequence of the colonial

51. John Kenneth Galbraith, “Rival Economic Theories in India,” *Foreign Affairs* 36 (1958): 591.

legacy was that India's industrial capacity was at an infant stage at independence. Consider the steel sector: in 1947, there were only two steel plants in India, producing just over one million tons per year.⁵² Prime Minister Jawaharlal Nehru and the Congress party determined that Indian industry would be wiped out if it faced international competition on its own and devised a mercantilist/protectionist regimen to shield nascent Indian industrialists. Washington has championed economic policies in stark contrast to this model. The American model advocates laissez-faire economics, while stressing "open markets" and a system of "free trade" characterized by deregulation, privatization, and the removal of trade barriers.

This basic economic antagonism was modified in 1991 when the then Finance Minister, Manmohan Singh (India's current prime minister), liberalized the Indian economy and set off an unprecedented period of economic growth. In a 2001 interview, Singh described his reforms:

We got government off the backs of the people of India, particularly off the backs of India's entrepreneurs. We introduced more competition, both internal competition and external competition. We simplified and rationalized the tax system. We made risk-taking much more attractive . . . [and] much more profitable. So we tried to create an environment conducive to the growth of business We removed a large number of controls and regulations, which in the past had stifled the spirit of innovation, the spirit of entrepreneurship, and restricted the scope for competition, both internal competition and external competition. As a result, in the '90s, productivity growth in the Indian industry has been much faster than ever before.⁵³

Successive U.S. administrations have encouraged New Delhi to move more forcefully in this direction, but considerable areas of disagreement remain. Manmohan Singh and his Congress Party are mildly responsive to the American proposals, but are not about to adopt *in toto* an economic model imported from the U.S. India has opened its markets to foreign imports, but continues to see the need to provide protection. This was reflected in the Indian approach to the Doha Round trade talks. In the 2008 round "India wanted the right to raise farm tariffs far above agreed ceilings in response to a modest increase in imports."⁵⁴ In the talks, India opposed what it characterized as a too "far-reaching" liberalization strategy. India also accused the U.S. and its G8 partners of hypocrisy, pointing to G8 government subsidies and trade barriers that remain in place,

52. Guha, *India After Gandhi*, 218.

53. *Public Broadcasting Service*, "Commanding Heights—An Interview with Manmohan Singh," 6 February 2001. Accessed <http://www.pbs.org/wgbh/commandingheights/lo/index.html>.

54. *The Economist*, "The Doha round . . . and round . . . and round," *The Economist*, 31 July 2008.

despite U.S. calls for “free trade.” While paying lip service to the dominant world economic system propounded by the U.S., Indian policymakers remain heavily influenced by Nehruvian thinking and focused on what they have determined to be Indian national interests. To Indian economic policymakers, endemic poverty remains India’s biggest economic challenge, and they have yet to be convinced that the international economic model propounded by the U.S. is the best method to bring about substantial poverty reduction. These views have only been reinforced by the disastrous impact of the current economic crisis, which many in India attribute to the dominance of American economic policies. Although the ruling Congress Party has pursued economic liberalization, it has not abandoned its belief that there is a strong role for the Indian government in diminishing inequalities of income. While willing to open India up to foreign imports and foreign investment, Indian policymakers from across the political spectrum remain cautious, and few in India are calling for a total repudiation of economic planning, a mixed economy, a strong role for labor unions, and the retention of protectionist elements.

Indian policymakers readily embrace traditional foreign and economic policy doctrines that emphasize national interest as the principal determinant of policy. Thus, while liberalizing the economy, India would still like to retain the lion’s share of its domestic market for domestic producers. While espousing “free trade,” India would still like to ensure a trade surplus in its favor, with its exporters gaining easy and hopefully “unlimited” access to foreign markets, while continuing to constrain foreign access to the Indian domestic market. This is particularly true when it comes to the U.S. Until the advent of the current recession, American consumption drove the world economy. India, like many other exporting nations, worked to capture its share of this huge American market, while only reluctantly opening up to American exports. India also looks to the U.S. as a source of employment for its skilled and highly educated workforce. Education is the principal engine of social mobility for an Indian middle class and also an essential element in economic growth. The Indian educational system cannot keep up with the ever-increasing demand. Indians have come to view the U.S. as the destination of choice for high quality university and technical education. The U.S. therefore plays an important economic role by providing education and training needed to fuel economic development.

Even with the growth of such sectors as technology, the Indian economy remains dominated by agrarian interests. Although the Indian agricultural sector provides only 17.2 percent of the country’s GDP, it employs 60 percent of the Indian workforce.⁵⁵ Should there be any diminution of demand for agricultural

55. *The World Factbook*, “India: Economy,” Central Intelligence Agency, Washington DC. <https://www.cia.gov/library/publications/the-world-factbook/geos/in.html> (28 September 2008).

labor, it would be difficult or impossible for India to find employment for displaced agricultural workers in other sectors. Indian policymakers therefore view the import of agricultural produce into India as a threat and remain determined to restrict it. This is especially true when the agricultural imports are themselves heavily subsidized. Indian negotiators have long argued that this is precisely the case with agricultural exports from the EU and the U.S. In essence, Indian policymakers and opinion leaders have yet to be convinced that “free markets” and “free trade” as defined by the U.S. are in the best interests of its population, and are determined to pursue economic policies they believe are better crafted to India’s unique economic conditions.

Indian resistance to American pressures has been abetted by Indian expatriates. The U.S. is the home of a powerful and affluent Indian immigrant community. Indian policymakers continue to assume that this community, along with the Indian diaspora around the world, will place a high priority on the interests of the “mother country” and lobby for Indian interests regardless of their formal citizenship. They also count on diaspora remittances and investment to provide India with an edge over other developing countries. In the Indian view, this added safety net provides India with the ability to withstand pressure to adopt economic policies that it deems are not in the national interest.

Indian domestic political shifts may also play a role in the reconfiguring of relations with the U.S. The recent Indian election (held in May 2009), which propelled Manmohan Singh’s Congress Party to an unprecedented victory, frees Congress to rule with only nominal participation from its coalition partners. Likewise, Congress must no longer contend with a coalition containing the Communist Parties. The conventional wisdom regarding the impact of this election on U.S.–India relations was reflected in a *Wall Street Journal* editorial that asserted, “The return of the Congress Party-led coalition to power in New Delhi opens the door for the Obama administration to forge a more ambitious agenda with India than either Presidents Clinton or Bush envisioned.”⁵⁶ Despite these initial heady assessments, India–U.S. relations are unlikely to grow as close as many envision. For example, the election does not portend a quick and major shift in Indian economic policy. This became apparent on 6 July 2009 when Indian Finance Minister Pranab Mukherjee unveiled his first post-election budget before Parliament. The *New York Times* reported that “the plan disappointed many foreign investors, especially after the Congress Party’s reelection victory in May raised hopes that more market friendly economic policies might be at

56. Alyssa Ayres, “The US-India Moment,” *Wall Street Journal*, 22 May 2009.

hand.”⁵⁷ A typical reaction was that of Robert Prior-Wandesforde, the senior Asian economist at HSBC, who said, “Those of the view that the budget would encompass all sorts of exciting structural economic reforms have just had their hopes firmly dashed. . . . Instead, this was largely a populist budget focused mainly on the poor with plenty of promises of additional infrastructure spending.”⁵⁸ Despite expectations to the contrary, the new budget did not include measures to encourage foreign investment or to privatize publicly owned companies. As Subir Gokarn, Chief Economist at Standard and Poor’s Asia-Pacific, noted, “Change will be gradual and incremental; don’t expect any radical, dramatic movements.”⁵⁹ The budget also did not relax investment limits in banking, retail, education, and other areas. Instead, Mukherjee praised India’s public sector banks for weathering the financial crises and the socialist economic policies of former Prime Minister Indira Gandhi. Suhel Seth, an Indian marketing executive, complained that the speech “tells every foreign institutional investor that India is back in the 1960s.”⁶⁰

Instead of dramatic moves, then, Congress is likely to continue with many elements of the economic agenda of incremental and cautious liberalization that it pursued prior to the election, while retaining its mixed economy. India has not been abandoned its core economic commitments, which are deeply rooted in Indian history. British departure from India in 1947 ended 190 years of colonial rule. Throughout this period, Britain subordinated the Indian economy to British imperial interests. This contributed to an Indian world view far different from that of the U.S. unipole. As a result of India’s historical experience, Indian thinking remains heavily influenced by ideas often viewed as “left-wing” in the American political context. Indian nationalism continues to embrace a strong role for the state in the economy and a determination that India be independent of alliances.

The tenacity of non-alignment is reflected in a recent survey of nine Indian foreign policy experts.⁶¹ When asked to list India’s most pressing foreign policy challenges, most listed the threat of jihadi terrorism originating in Pakistan and managing the relationship with China (depicted as a leading ally of Pakistan). While the importance of maintaining ties to the U.S. was duly noted, not one of the seven experts urged India to cultivate an alliance with the U.S. Several advocated nursing friendly relations with Russia, not because the two states

57. *The New York Times*, “India to Raise Spending and Cut Taxes,” *The New York Times*, 7 July 2009.

58. Quoted in *The Financial Times*, “Indian Budget Disappoints Investors,” *The Financial Times*, 6 July 2009.

59. *The New York Times*, “India to Raise Spending and Cut Taxes,” *The New York Times*, 7 July 2009.

60. *The New York Times*, “India to Raise Spending and Cut Taxes.”

61. See, “Geopolitics”, *Pragati*. The nine experts surveyed included: C. Raja Mohan, V.R. Raghavan, B. Raman, K. Subrahmanyam, Mohan Guruswamy, Swaminathan S. Ankelsaria Aiyar, Bharat Karnad, and P.R. Chari.

enjoy a natural affinity or shared interests, but because “Russia might be able to moderate Chinese policies towards India and is still a dependable supplier of arms, ammunition and nuclear power stations.”⁶²

India’s attitude toward relations with the U.S. was clarified during and after Secretary of State Hillary Clinton’s trip to New Delhi. The visit highlighted a number of “deliverables,” including an agreement allowing the U.S. to monitor the sale of dual use equipment to India and a pledge by India to set aside two sites in Gujarat and Andhra Pradesh states for the construction of nuclear power plants. In return, India promised to pave the way for the American nuclear contracts by passing legislation in the Indian Parliament providing the liability protection needed to proceed with construction.⁶³ However, India also made clear that it had no intention to formally limit its carbon emissions in response to U.S. urging, with Indian Environment and Forests Minister Jairam Ramesh stating that there was “no case” for the West to push India to reduce its CO₂ emissions, as it already had among the lowest per capita emissions in the world. “If this pressure is not enough,” he said, “we also face the threat of carbon tariffs on our exports to countries such as yours We are simply not in a position to take over legally binding emission reduction targets.”⁶⁴ Thus, while India is determined to cultivate close ties to the U.S. and willing to make concessions to get results, it also remains determined to maintain a sense of distance and is unwilling to formally ally itself with American goals in every instance. Much as very few among the Indian power elite openly advocate a formal alliance with the U.S., the same caution permeates attitudes toward the other countries in the BRIC grouping. Despite the BRIC agreement, there remains in India considerable suspicion of China and guarded and lukewarm fondness for Russia. These pervasive attitudes influence strongly India’s position regarding the political role of the BRICS grouping.

Although some see the BRICs as future rivals of the U.S. for global leadership, India seems unlikely to claim such a role if and when multipolarity returns. A number of circumstances will likely prevent India from being a full fledged rule-maker or a shaper of the structures of global power. It is far more likely that India will continue to be a rule-taker, inhibited from taking full advantage of its status as a pole in a multipolar world order. India’s reluctance to assert global leadership reflects important ongoing constraints that limit current policy and near-term policy choices. India’s endemic poverty and poorly developed

62. B. Raman, quoted in “Geopolitics—Foreign Policy Challenges for UPA 2.0,” *Pragati—The Indian National Interest Review*, 28 (July 2009).

63. Mark Landler, “Clinton Urges Stronger U.S.-India Ties,” *The New York Times*, 21 July 2009; *Reuters*, “U.S., India Expected to Sign Defense Pact on Monday,” *Reuters*, 20 July 2009; Mark Landler, “Clinton Urges New U.S.-India Relations,” *The New York Times*, 21 July 2009.

64. Mark Landler, “Meeting Shows U.S.-India Split on Emissions,” *The New York Times*, 20 July 2009. See also, James Lamont, “India Rebuffs U.S. Carbon Demands,” *Financial Times*, 19 July 2009.

infrastructure are likely to continue to compel the country to look inward and focus on the basic economic needs of its rapidly growing population. India's limited options are largely determined by strong compulsions that Indian historian and author Ramachandra Guha calls "shortcomings." These include "the rise of religious and political extremism, corrupt government, . . . weakened public institutions, a supine media, and rising inequalities between the rich and the poor."⁶⁵ In addition, India faces regional barriers that prevent it from fully engaging in the world arena. The inability of India and Pakistan to end their conflict and normalize relations continues to compel India to focus on the region. The India–Pakistan conflict has also prevented India from using its predominant role in the South Asian subcontinent to encourage regional cooperation and pursue trade and development initiatives. India must also face destabilizing insurgencies and terrorist movements that distract it from its development goals and from playing a more dynamic role on the world stage. Further, the persistence of high poverty levels and a high population growth rate, coupled with the emergence of a large middle class, has resulted in a society and economy characterized by high competition for scarce resources. India's economic "pie" continues to grow at a rapid clip, but must keep up with surging demand for resources that is increasing at the same or a higher rate. This all-pervasive competition also contributes to the growing friction between the "haves" and "have nots." Maoist insurgents have manipulated this resentment to encourage violence and extremism.

India's large population, high population density, and lack of a strong environmental policy have also contributed to environmental degradation and prevented the conservation of limited natural resources. Guha describes environmental degradation as "India's gravest threat," raising the alarm about "the massive depletion of underground aquifers, chemical depletion of the soil, the death of rivers, and the loss of species,"⁶⁶ while pointing out that sustainability eludes the Indian political agenda. This unique combination of environmental and economic factors has made it difficult for India to pursue the consumer economy model presented by the U.S.

In another important respect, the Indian outlook diverges from that found in the U.S. Indian mainstream thought continues to see a strong role for government in the economy and the need to protect Indian economic interests from foreign competition and dominance. Because a high percentage of the Indian population remains impoverished, with limited access to the means of social mobility (primarily education, but also including adequate nutrition and health care), there is a reluctance among India's ruling elites and much of the population to

65. James Lamont, "India Prays for Rain as it Reaches for the Skies," *Financial Times*, 15 July 2009.

66. Lamont, "India Prays for Rain."

remove the state from the economy and concede predominance to the private sector. There is also a suspicion of deregulation and privatization that has only been reinforced by the current severe recession that has disrupted economic development and widened the gap between the poor and the newly rich. All of these factors have reinforced the already existing Indian tendency to assert its independence not only from the U.S., but also from any bloc (such as BRICs). With so many factors working against alliances, initiatives such as BRIC will continue to be viewed with suspicion in a society wary of dependence on foreign powers.

Conclusion

India's apparent ascendance has been rapid and surprising. Until recently, India was perceived as a poor, low-income country and took on the role of spokesman for the Third World in international organizations. Today, India declines international aid, seeks a UN Security Council seat, and negotiates with the U.S. in most multilateral forums not as a Third World nation but as an emerging power. Partially eschewing its claims for strategic autonomy, it undertakes military exercises with the U.S., participates in trilateral negotiations with Japan and the U.S. on how to regulate the ocean pathways,⁶⁷ and is willing to play the role of policeman in the Indian Ocean.⁶⁸

We have argued in this paper that despite the current euphoria about India, it remains a rising nation that is feeling its way uncertainly toward greater power status. To achieve this goal, India will have to go through wrenching internal changes and address difficult external challenges. During the potentially lengthy period of transition from emerging force to eventual arrival as one of the great powers in a multipolar world, India is likely to perform different roles in the global system. For example, India could come forward as a bridging or pivotal power with the capacity to be a partner or key participant in many global regimes even as it is not yet ready to take on the role of a major power within them. It does not yet have the requisite capacity to take on such responsibility. Both in political will and capacity, India cannot be a great power over the short term. At the same time, labeling India as a bridging nation in no way derides its phenomenal success. One should not underestimate the extent of the sudden change both in India's strategic aims and goals, as well as the forces at work in the world order, that have combined to catapult India to a more significant status than ever before.

67. "India, Japan and U.S. Foster Relationships during MALABAR," <http://www.c7f.navy.mil/news/2009/05-may/05.htm> (accessed 31 July 2009).

68. Christophe Jaffrelot, "India, An Emerging Power, But How Far?" in *Emerging States: The Wellspring of a New World Order*, ed. Christophe Jaffrelot (New York: Columbia University Press, 2009), 76–89.