

VISION FOR INDIA- EMERGING NEW WORLD POWER

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ABSTRACT

India is the country having biggest democracy in the world. The governments at the centre as well as at the states level are elected on the basis of universal adult franchise. Although the country is a melting pot of different communities, religious and languages, they enjoy equal rights and share the common responsibilities. So far as military is concerned, India is one of the strongest countries in the world. Having the third largest army in the world, it has a huge arsenal of weaponry including nuclear weapons. Its Army, Navy and Air Force are always ready to meet any challenge. Tremendous all round development is shown in the last decade or so. Economy growing at the fast pace, the social life of people has in general been peaceful and progressive. There are positive indications in the main indicators like literacy, per capita income, employment, etc. The world is now looking at India with a renewed respect-as it is an emerging power in the world. India is often referred as the “sleeping giant”, and presently it holds the third largest market in the world. Even after the continuous depression in the international economy the results are less bad in India comparatively. More impressive is the positive transformation of the India’s working class group from low cost labor to brain power of highly skilled and educated people. This paper highlights the factors / measures that can help in making India, world power considering the present global economic scenario.

INTRODUCTION

India – Potential World Power

For a long time people have spoken about how India could be a new world power. With rising disposable incomes Indians would be able to live a better standard of life. However, this vision seems bleak when we look at the disappointing GDP figures, which show the Indian Economy is slowing down to 5.3 percent GDP growth. The Indian economy has dropped from 9 percent growth to 5 percent, which may not seem exceptionally bad at first, but we notice that at a 9 percent growth rate the Indian economy would have doubled every 8 years while at 5 percent, the same would take over 14 years. The Indian government argues that this is due to global factors, and says that Indians should take pride in the fact that their country is growing at a rate of 5 percent instead of the near 2 percent growth rates at which other global superpowers are growing. Although these statistics are valid on their own, when we look holistically at the Indian economic context we notice that India also has a much smaller base for the per capita GDP which, in 2009, was \$46,300 in the United States while India showed numbers close to \$1180.

India' Competitiveness

The competitiveness of the nations are measured on the basis of the totality of competencies and on how they capitalize on the vast amount and diversity of skills available. The strong growth shown during the economic depressions has been supported by a buoyant domestic economy, high business confidence and a capacity of companies to adapt better and faster than rivals. India shines in eighth place for its “resilience to economic cycles”. More optimistically, India does gain from a strong legal system and business legislation that is starting to open more sectors to foreign investment, after decades of inward-oriented policies.

India's Strong Entrepreneurial Spirit

Considering one of the important competitive factor, Business Efficiency, India's position fell one place to number 19, but remains ahead of China's 26th position. This is here where India can further exploit its competitive advantages in “brain power” by drawing more on its innovative capacity and effective corporate governance. The country has also gained international recognition for its world-class companies that are growing more global competitors and expanding over borders through external growth or foreign acquisitions.

Challenges Ahead

India faces political resistance while pursuing the necessary, but not always popular, reforms to meet the challenges of rapid economic expansion. India also suffers the problem of under-performing public sector. Its substantial public deficit restrains its ability to distribute the benefits of growth more equitably. Other challenges include corporate taxes, laws and regulation and restrictive labor that continue to stifle some sectors such as retailing.

Another biggest challenges remains sufficient job creation in order to meet the needs of India's growing population, especially for the migrating rural workers. Further there is a need to develop its manufacturing base, chiefly automobiles, steel, textiles and leather products, as well as in higher value-added activities. Enhancing job creation at the same time will also necessitate important reforms to India's labor laws, notoriously inflexible. Equally important is the need to improve India's social infrastructure, educational system, especially at the primary level and in rural areas. Significant poverty levels in India will continue to stigmatize the country's potential of becoming a global leader.

Turning Weaknesses into Opportunities / Measures

Infrastructural development especially in rural and backward areas has shown very low progress and energy sector is also lagging behind. Problems of water management, insufficient irrigation and electricity also adds to the problems.

At the same time developing infrastructure can bring interesting prospects for both domestic and foreign private investors. Another opportunity can be in the form of more FDI which may be due to the global market diversification brought about by risk of rising costs, inefficient financial system, corruption, political interference, etc in some countries.

Financial and Fiscal Measures

Measures to prevent a further decline in India's growth would include economic strategies as well as political reform. Both personal as well as corporate taxes should be lowered and allocated such that the central government receive 15 percent, the state government receive 4

percent and the local governments receive 1 percent, because certain districts like Mumbai contribute close to 46 to 54 percent of India's income tax but get a pittance from the central government. State governments should be allowed to maintain their own flexible income tax rates and for example should be permitted to reduce the tax rate to attract people into the state. One might argue that lowering taxes would increase fiscal burden, however I beg to differ, In 1991 corporate taxes were at 45 percent and contributed only to 1 percent of the nation's GDP but today the tax rate is at 30 percent (excluding cesses etc.) but account for 3.4 percent of the GDP. It is evident that the Indian government has been failing to effectively handle funds for welfare purposes as only 16 paise in every rupee spent on Public Distribution System (PDS) schemes reach the poor raising the question of why are such projects are being continued in spite of the aggregate wastage. Such PDS schemes should be stopped after a thorough review process and subsidies should remain for a certain period of time to achieve a certain fixed goal after which the subsidy, too, should cease to exist. In the shorter term we must increase spending on infrastructure, such as for better roads and transportation systems as this will reduce costs, result in less spoilage of goods, help in creating jobs, improve living standards and will spurt growth in economy.

Decontrol diesel oil prices. If this is politically impossible, levy a tax of Rs one lakh on every diesel car. Abolish the kerosene subsidy and instead offer free solar lanterns to all folk currently using kerosene lamps. This will not only reduce government spending but also end adulteration of diesel with kerosene, which is highly polluting and ruins diesel engines. Increase the import duty on gold and silver modestly. This will not only fetch revenue but check the runaway growth in imports of bullion, which have become the third largest import item. Do not increase the duty so much that smuggling of bullion becomes remunerative. The key reforms India needs are not higher limits for foreign investment in banks or insurance. The most important reforms will be those making it simple for millions of Indians to start businesses and stand on their own feet. Such reforms will not get banner headlines or TV coverage. Yet they are the most important reforms of all.

Political Measures

Further, we need a smaller more focused government body, handling a smaller agenda and allowing for decentralization of power, as a larger government has, in recent years, led to massive corruption and great irregularities. One suggestion would be the removal of the multi party system. I see the two powerhouses of Indian politics as the Congress Party, one that stands for secular and social schemes and BJP, more favorable towards the Industries. What we need is a caucuses system so that we (the residents of a district) get to elect as candidates whom we see fit to represent party. This would boost responsibility and suitability of the elected. Also, the Prime Minister of India and the Chief Ministers of the States should be elected directly by the people making them directly accountable for the promises that made by them party.

No party has lambasted either the MPLADS (Member of Parliament Local Area Development Fund) or the MLA equivalent scheme in states. This is seen as their birth right which must be abolished right away. MPLADS was born during the Narasimha Rao regime, when the PM tried to keep his MPs happy by giving them money to play around with. It was meant to keep the political situation stable at a time when the country, faced with external bankruptcy, could ill afford to let a reformist minority government to fail. The political

process has since hijacked the idea to make MPs and MLAs quiescent, by allowing them to milk it for private benefit.

Politically the government must pass needed MFI Bill, Multi-Brand FDI, Insurance FDI Bills, Pension Reform Bills.

Foreign Policy Changes

The late K Subrahmanyam, celebrated defense analyst, said the Indian government seemed incapable of strategic thinking. Perhaps intellectuals outside the government are no better. This has to be the verdict on an ambitious attempt by some of India's finest thinkers, backed by the National Defense College and Centre for Policy Research, to enunciate a new foreign and strategic policy in the 21st century. Their policy paper is titled Nonalignment 2.0. This is a classic case of a title being an epitaph. The title shows, sadly, that the Cold War is over but the Cold War mentality is not. The authors include Sunil Khilnani, Rajiv Kumar, Pratap Bhanu Mehta, Lt Gen Prakash Menon, Nandan Nilekani, Srinath Raghavan, Shyam Saran and Siddharth Varadarajan.

They are among India's best and brightest, and have eminently sensible things to say in various chapters: engagement with neighbors, the international order, internal strength, promoting internal democracy. Yet, the policy paper fails to bring these individual themes together into a strategic whole. It says the aim of foreign policy must be to maximize autonomy of action. Sorry, but this is plain wrong. A country refusing to have any relations at all with any other country has maximized its freedom of action, but has opted to become a pariah. Pariahs have total autonomy, but also total misery. Successful states seek to maximize their interests, not autonomy. They cultivate multiple relationships to maximize economic, political and social aims. This is multiple alignment, not non-alignment. Every time India signs a multilateral agreement - be it with the WTO, Unicef or Basle Convention - it gives up autonomy for rule-bound membership of an association. Every time India signs a bilateral deal (like free trade agreements with Thailand or Sri Lanka), it gives up trade autonomy for the advantages of rule-bound association. In all these cases, the aim is not maximization of autonomy but agreement on rules that curb autonomy but maximize welfare. It emphasizes interdependence over autonomy. The document's chapter, India and the International Order, recognizes the need for India to globalize and promote an open world order. But globalization implies multilateral and bilateral agreements to replace untrammelled national autonomy. The authors are unable to see that, in strategic terms, they are really talking of the merits of multiple alignments, not non-alignment at all. Multiple alignments provide plenty of room for freedom even while agreeing to be bound by rules. The document's repeated emphasis on maximizing autonomy sounds like a throwback to the days of Nehruvian self-sufficiency.

Nehru saw self-sufficiency as economic independence, as important as political independence. He saw free trade as a colonial device to keep developing countries as exporters of commodities and importers of manufactures. He and his Congress brethren saw the ghost of the East India Co in every foreign investor. Many other developing countries ignored these neo-imperialist fears, and went for interdependence rather than self-sufficiency. The four most successful ones - South Korea, Taiwan, Singapore and Hong Kong - were soon called Asian Tigers. They were followed by Thailand, Malaysia and Indonesia. For generating GDP growth of 7% per year - double the rate of the Nehru-Indira era, and the highest in history - these countries were called miracle economies. Their

economic strength gave them more true freedom of action than India, which remained heavily dependent on food aid and foreign aid, notwithstanding aspirations and claims to be self-sufficient. The Big Three of the non-aligned movement - Nehru, Tito and Nasser - produced economic systems that lagged way behind the best. Votaries of self-sufficiency sneered that these Asian Tigers would become imperial puppets, doomed to domination and poverty. In fact, supposed puppets like Singapore and Hong Kong soon became richer than their former imperial master, Britain. India, of course, remained steeped in poverty and aid dependence. The self-sufficiency crowd changed its argument: it now claimed that small countries like Singapore could globalize successfully but not large ones like India. This myth was finally buried when China, the biggest country, successfully adopted globalization as its route to become world number one. Even during the Cold War, non-alignment was more farce than strategy. Almost every developing nation joined it. But intellectually, the movement was a failure, since it ended up including the entire ideological spectrum from Cuba to Singapore.

In pursuit of sheer numbers, the Non-Aligned Movement opted to become conceptually vacuous. Instead of deriding that farce, the title Nonalignment 2.0 displays nostalgia for that nonsense. Over 150 years ago, Lord Palmerston defined good foreign policy: we have no permanent friends or foes, only permanent interests. He was clear that every country should have alignments, along with the understanding that every alignment was temporary, depending on changing circumstances. The 20th century showed that shifting alignment was not the only way to promote national interests. Multiple alignments could do so too. These could be at the neighborhood, regional or global level. Every alignment replaced autonomy with rules, yet retained some space for independent action. All countries aim for wiggle room within international agreements. Obviously, India must play this game too. But this tactic must not be confused with grand strategy. That requires multiple alignments that maximize interests rather than autonomy, and promote interdependence over self-reliance.

Energy Reform

India has a Severe power Shortage with over 500 million Indians having no connection to a stable electricity source. Coal has its effects on the environment and global warming, renewables like solar and wind are still developing technologies which will take time to fully mature. Nuclear is seen as a pariah after the incident in Japan. India could look at Small/Micro Hydel Projects and Shale Gas a Useful Source of Energy.

Small Hydel Projects

Crank up power for your own plants along the banks or push it onto the main grid to pocket the cash. Despite the favorable power market, procedural bottlenecks have hampered speedy growth of small hydro projects. But with no conventional solution in sight for India's power crisis, small, eco-friendly solutions like mini hydel projects could offer a leg-up to the quest for assured power. It's a win-win situation for states as small projects bypass issues like deforestation, submergence or rehabilitation. States offer incentives like nominal upfront payment at the time of allotment and low rates of royalty for such projects. The Centre's Renewable Energy Certificate scheme for small hydro power projects is a major driver for new investors as it supplements per unit cost by more than 30%.

Shale Gas

India has large shale deposits, with good prospects in the Gangetic plain, Punjab, Rajasthan, Gujarat, Tamil Nadu, Andhra and the north-east. India must get cracking on seismic surveys followed by allotment of exploratory blocks. Companies should be able to acquire blocks any time based on a predetermined revenue-sharing formula. Shale Gas can be extracted from shale rock by a method known as hydraulic fracturing that pushes water and sand at high pressures into the shale rock to crack it and let the gas flow.

The problem with our exploration policy is that it allows companies to produce only conventional oil and gas from their exploration blocks. If they find non-conventional energy such as coal-bed methane or shale gas they are forbidden to produce this, as the petroleum ministry regards any non-conventional deposit as an unwarranted windfall for the exploring company, and wants separate bidding for non-conventional energy.

CONCLUSIONS

However, it is too early to call India a world power. Its huge middle-class population, stable democratic political system, immense military clout in South Asia, rising economic fortunes and global ambitions can make it a potential power if other global factors remain well and these measures could play a very important role in world affairs. But it also needs to be noted that India's impressive growth in recent years is still affected by structural factors. In order to catch up with its bigger rival, and to become an economic powerhouse, India needs to sustain at least 8% growth, over a long period of time. Its important challenges will be to address some structural issues in the economy which will include freeing its manufacturing sector from antiquated labour laws, reining in the runaway fiscal deficit, selling State-owned assets and making use of the freed-up cash for investments in infrastructure. Tough choices under the best of circumstances and India's complicated coalition politics make these decisions even harder.

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