

CHAPTER 3

INDIA'S CHALLENGES TOWARD THE ACHIEVEMENT OF MAJOR POWER STATUS

A. Major Power Status: The Definition

In becoming a major power, a country must achieve the military and economic capabilities to “choose and shape the structures of global security and political economy within which other states have to operate.” (Richard & James, 1998) Superior economic and technological capabilities are essential for gaining and maintaining a leadership position in the international system. In the case of the United States, global or continental interests and security goals beyond territorial defense, are a main focus in order to maintain the balance of power and order in the international system. The United States also defends its interests with a wide range of instruments through both soft and hard power. In addition, Nayer and Paul have selected ten key elements as crucial for a new state to claim major power status. Four are hard power resources which are military, economic, technological/knowledge and demographic. The rest are soft powers, including norms, leadership roles in international situations, culture, state capacity, strategy/diplomacy and national leadership (Richard & James, 1998). Major power status has to be agreed upon by the other major powers through formal recognition, by treatment as a major power and by giving it membership in decision making organizations.

The two most vital resources for major power status are military and economic capabilities. Great economic strength is a foundation for building a strong military and sustaining it, while wealth creation and technological innovation are necessary to maintain its relative power position (Kennedy, 1987). Although, there are still challenges and obstacles India is currently facing in achieving this status, India's partially acquired military, successful nuclear program and economic capabilities, make it a likely force to reckon with in the future. Several attributes have illustrated the bases for India's aspiration, these include: India's geopolitical status, hegemonic presence in the South Asia region, the perception of its potential economic and

military power and a nationalist struggle (Richard & James, 1998). In terms of Indian political parties, the Bharatiya Janata Party (BJP) has been the most outspoken party in support of India's goal to achieve a major power position. In their view, all major powers in the world are currently nuclear weapons powers and it is therefore essential for India to acquire and declare its nuclear capability in order to claim its major power position (Richard & James, 1998). This chapter will illustrate how the economic sphere and military power, including nuclear capability, will assist India in achieving major power status in the near future.

B. Indian Flexible Economy

Before the period of economic liberalization, the key feature of the changes occurring at the time depended on the private sector as the core of economic growth for the future. The plan was for the public sector to be complementary to the private sector, focusing mainly on the infrastructure. The resulting changes were visible in taxation, industrial licensing and trade policy (Richard & James, 1998). During this period, the government was also faced with opposition from the trade unions and the communist parties. The Rajiv Gandhi government was unsuccessful in reforming the public sector but he was able to change public perception on liberalization as an appropriate economic strategy for India. The average growth rate during the 1980s was about 5.5%.

After 1991, there was an international phenomenon, being the end of the Cold War, through which the United States became the single superpower state, under the resulting framework of economic globalization. A key consequence of globalization has been the expansion of the market under which the responsibility of the state, as it has had to revise trade and investment policies, provides less control and intervention in relation to the economy. This process has often been developed by opening less developed and developing countries' economies in response to recommendations of international financial institutions like the International Monetary Fund (IMF) and the World Bank. Economic modernization has been driving the policy movement as the notion of globalization has created a networked interdependence especially in the economic sphere. The concepts of 'balance of power' and 'non-alignment,' which had

been used by India during the Cold war, were no longer applicable. Many countries have had to liberalize their economies in order to compete in the economic globalization period or else be left behind. For instance, avoiding adjustment would cause some severe effects in their economies such as slower rates of economic growth, uncompetitive economies due to higher cost, shortages of goods and necessities, and large scale smuggling (Richard & James, 1998).

The critical reforms of Indian economic development policy in 1991 also corresponded with its major financial crisis due to its inability to repay debt. India has abandoned its indigenous model of centralized democratic planning, socialism and government control and regulation in support of a policy of the liberalization, privatization and globalization of its closed economy. This has allowed for India's integration into the global economy and has laid the foundation for the current high economic growth presently enjoyed by India. The chief architect of those reforms was the former finance minister, Manmohan Singh, who is now the current Prime Minister. The reforms which were explained by Hardgrave (2001) include:

“The structural reforms included the decontrol and deregulation of industry, changes in monetary and fiscal policy, liberation of trade policy, changes in foreign exchange regulations, encouragement of foreign direct investment (FDI), financial sector reforms, the promotion of private foreign investment in infrastructure, partial privatization of public sector units, and the promise to enact labor reforms and an exit policy that would allow bankrupt private sector firms to go out of business.”

In short, the reform was focused on the role of markets, liberalization, deregulation, privatization and globalization. Narasimha Rao, the former Indian Prime Minister, also cooperated with the IMF and the World Bank to restructure its economy. The structural adjustment, including the reduction of the import licensing system, was reduced to a minimum, industrial licensing was eliminated, and the expansion of privatization was executed. These adjustments were a highlight of the Indian structural adjustment program (Richard & James, 1998). However, the Rao government failed to remain in power as a result of the 1996 election due to the failure to build a strong constituency behind the reforms. Since then, India has had three governments from 1991 to 1999, all with different approaches to the liberalization process which has caused a lack of a coherent and consistent policy.

Nevertheless, economic liberalization proved to be beneficial for India as it was able to withstand the economic sanctions by the United States and its allies after successfully conducting the test of nuclear weapons.

India has been increasingly able to compete since 1991 as several developments have significantly facilitated its economic capacity. The government has modernized telecommunications, decreased interest rates, improved highways systems as well as ports, and real estate markets are becoming increasingly transparent. The remarkable result of Indian economic reformation has been reflected in Indian-based companies, as there are currently more than 100 Indian companies with a market capitalization of over a billion dollars. These companies include Bharat Forge, Jet Airways, Infosys Technologies, Reliance Infocomm, Tata Motors, and Wipro Technologies which are likely to become multinational companies in the future (Mohan & Das, 2006).

Unlike other developing countries, which are usually export oriented with low priced products for the Western market, “India has relied on its domestic market more than exports, consumption more than investment, services more than industry, and high-tech more than low-skilled manufacturing” (Mohan & Das, 2006). This approach ensured that the Indian economy would not directly be affected by global economic recession. In their articles, C. Raja Mohan and Gurcharan Das, also claimed that the Indian economic model is unique, it is not following the Asian model of growth based on low-cost manufactured products. The Indian economy, instead, is a much more domestically-led growth, not an export led growth, but a consumption led model. Service led growth rather than manufacturing led growth have preceded manufacturing (Mohan & Das, 2006). Moreover, India, in comparison with China, has a better business environment that nurtures entrepreneurship, supports healthy competition and is relatively free of political intervention. Part of this success was a result of the leadership of Manmohan Singh during the economic liberalization period. He allowed 100 percent equity for multinationals which brought remarkable competition to India. Local companies had to use their talents to fight in competition against these multi national companies (MNCs) making Indian companies stronger as a result of local companies’ realization that they had to create a good infrastructure, decent salaries and a desirable work environment (Chanda, 2006). As a result, India

emerged, having a group of world-class companies ranging from Infosys in software, Ranbaxy in pharmaceuticals, Bajaj Auto in automobile components and Mahindra in car assembly (Huang, 2006).

India's strength is in its service sector, now dominating the Gross Domestic Product at more than 50 percent GDP, has its strong points including high-tech and high-skilled manufacturing. The share taken by agriculture is only 22 percent with industry at 27 percent. China's GDP numbers show more of a focus on industry at 46 percent. (Mohan & Das, 2006). Mohan and Das assert that the big difference between India and China is that while China is making a huge step in manufactured exports, these exports are produced either by foreign or by state-owned and state-funded companies. In contrast, India has a profound private sector, a well-regulated financial system and a strong rule of law (Zakaria, 2006). Thus, only a small portion of Chinese companies can really be considered an entrepreneurial success. Unlike China, India has several companies over a billion dollars as a result of the entrepreneurial success of competitive businessmen. Today, India currently has 20 to 25 companies which are either globally competitive or are on the edge of becoming so, while China probably has only around three to five companies (Mohan & Das, 2006).

In addition, India's performance in soft infrastructure has changed the perception of the Indian economy with its good legal structure, corporate governance, banking system, financial sector, property rights security, and skilled work force all contributing to India's economic strength (Bava, 2007). One of the most noticeable segments that have largely facilitated India's economic potency is computer-software exports in information technology (IT) which has enhanced India's image as a country with technological strengths. This is due to India's large pool of educated, English speaking computer specialists whose wages remain below those in the United States. This makes an attractive place for software and computer services and location for IT development facilities (Kux, 2002). Although India is still in the middle of economic development and industrialization, it is likely to become one of the five largest economies of the world within the next few decades (Sahgal, 2003). If the Goldman Sachs BRICs study is accurate, three of the four largest economies in the year 2050 will be Asian, China, India, and Japan ranking at the top along with the US (Mahbubani, 2006). India has extended an outward economic orientation in free trade

agreements with individual countries as well as multilateral bodies including the Association of Southeast Asian Nations (ASEAN), the Gulf Cooperation Council (GCC) and the Southern African Development Community (Mohan, 2006). The rising of India could also be a major contribution to economic integration in the Indian Ocean region.

Although the unique Indian economic model has been remarkably promising, there are still obstacles which would hinder India's rise in the economic realm. The 2007 Index of Economic Freedom, published by The Heritage Foundation and The Wall Street Journal, rates India's level of economic freedom in trade at about 50 percent because of India's high average tariff rate and serious non-tariff barriers, including restrictive licensing requirements, export subsidies, import taxes, and problematic enforcement of intellectual property rights (Curtis, 2007). In addition, the history of the United States has shown that the U.S. only became the leading economy at the turn of the 20th century after it struggled for 40 years to play a much larger role in the international economy. Thus, Mohan and Das claimed that it's not automatic that once a country has strong economic capabilities that it will inherently become a great power (2006).

Apart from India's flourishing economic sector in IT business, India wants to compete on a level playing ground with the United States, Russia, China, the Ukraine and the European Space Agency in offering commercial satellite launch services. India also wants to be recognized as a serious player in space commerce, aiming for a 20 percent share of the satellite launch market, with plans to deliver two or three missions a year (Penna, 2007). India's greatest asset now is information technology (IT) which is likely to contribute to 7.5 per cent of India's GDP by 2008 (Nayer & Paul, 2003). India has now emerged as one of the world's most favored investment places for multinational corporations, as a result of the outsourcing of their software development. The competitive advantage over other countries are "high quality workforce and superior offerings, cost-benefit edge, long experience in the area, widespread fluency in English and supportive government policy." (Nayer & Paul, 2003) Thus, knowledge related to technology is the main hope for India's future success in new technologies.

C. Indian Military power: Nuclear weapon

With the downfall of Indian-Soviet relations in the field of security issues after the end of the Cold War in 1991, India was required, by concerns over national security, to revise its relations with the major power. The Indian government needs to build mutually beneficial relationships with both the United States and its major adversaries, China and Pakistan. There was some increase in military cooperation in India-United States relations, but the purposes were different (Nayer & Paul, 2003). While India implemented a strategy of constructive engagement to improve relations in order to build its military abilities and to protect its nuclear program, the US government under President Bush (Senior) aimed to contain India's abilities and prevent its nuclear options. The most solid opposition constructed by the US, was the effort to persuade the Russian government to cancel the contract to supply cryogenic engine technology for India's civilian space program.

The Non-Proliferation Treaty (NPT) of 1968, initiated by the U.S., was successfully extended indefinitely in 1995. This made India realize that countries in possession of nuclear weapons have no intention of disarming their own weapons, but wanted to contain others by persuading them to remain disarmed. The NPT did not apply to the five permanent members of the UN Security Council, including China whose nuclear capability has been legitimized by the NPT since 1967. The prevention measures taken to keep India from possessing nuclear weapons directly affected the country in terms of security, as it had no major power allies to provide security protection, nor the provision of guaranteed security assurance, of non-nuclear states. India did not want to be bound by this unequal treaty. India was also under major threat when Pakistan, with the assistance of China in obtaining nuclear technology, confronted India with the current and potential nuclear powers on its borders. Thereafter, Rajiv Gandhi authorized the nuclear development program and successfully tested the Agni missile which was capable of carrying a nuclear warhead in May of 1989.

In 1996, the United States proposed a Comprehensive Nuclear Test-Ban Treaty (CTBT) at the Conference on Disarmament in Geneva. The treaty was nondiscriminatory in that it prohibited future nuclear tests by all states but the draft

treaty did not mention anything about the elimination of current nuclear weapons obtained by NWSs as those powerful countries refused to allow such proposal (Nayer & Paul, 2003). In other words, NWSs led by the United States have attempted to deny the possession of such weapons in India through the creation of a nuclear nonproliferation regime. In addition, the Clinton administration also promoted a policy of strategic engagement with China, overlooking the transfer of nuclear and missile technology by China to Pakistan, even after China joined the NPT in 1992. In addition, the Clinton administration successfully persuaded France to stop supplying nuclear fuel for India's commercial reactor. The purpose of this action was to obstruct India and preserve the power position of the existing nuclear powers on the world stage. This indicates that other major powers considered India to be a rising power. However, the major powers have encountered and sustained opposition toward India, as it has been perceived that the regime would permanently hinder its entry into the major-power group. Hence, India refused to sign the 1968 Non-Proliferation Treaty (NPT), which it viewed as discriminatory since the treaty legitimized the nuclear weapons of the five permanent members of the UN Security Council.

India was successful in avoiding the CTBT treaty before it became effective in 1999 after it had successfully performed a series of nuclear test in May 1998 under the BJP governments. Nuclear weapons were then perceived as the guarantor of peace through mutual deterrence (Nayer & Paul, 2003). After the test has been conducted, India declared itself "a nuclear weapon state". The possession of nuclear capability is related to national security as well as an assertion of national pride and self-respect among world powers (Hardgrave, 2001). This is due to the Indian belief that the nuclear weapon programs would provide international prestige, national identity and a symbol of modernity (Nayer & Paul, 2003). India's nuclear test brought change to the international system, particularly in the responses of major powers as they realized the need to accommodate India. The United States had imposed economic sanctions and announced an important policy in the middle of 1998 regarding conflicts in relation to China and Pakistan. However, the United States also engaged India in an effort to find a new base for their relationship. India, as a responsible power, declared a suspension on further tests and committed itself to 'no first use' of nuclear weapons.

As the United States had engaged with India, engagement with the United Kingdom (UK), Germany, Japan and China proceeded in a similar direction. The process of normalization between India and China took the longest time as it began two months after the tests but China still insisted that India sign the NPT and CTBT. Russia opposed the sanctions against India, and also refused to stop arms exports to India. Russia also considered supporting India as an appropriate candidate for permanent membership of the UN Security Council. In the case of France, sanctions were not seen as an appropriate response to the test. Economic sanctions against India were not successful because the major powers could not make it a collective sanction (Das, 2006). The withdrawal of sanctions was the result of recognition by the major power states toward India as a nuclear weapons power. At present, nearly all countries in the world have signed the NPT except India, Pakistan and Israel (Rizvi, 2007).

Recent U.S. legislation, allowing civilian nuclear cooperation with India, represents a significant highlight to relations. The recent Bush administration has revised the global nuclear order to facilitate full cooperation with India on civilian nuclear energy. India, in return, has promised to separate its civilian and military nuclear programs acceptable by a range of nonproliferation obligations. Part of the reason for India's decision to cooperate was its unwillingness to give up the nuclear option, refusing to be held by the nonproliferation regime as a NWS (Mohan, 2006). Later, the United States Congress passed a bill in December 2006 on sharing civilian nuclear technology with India through a bilateral agreement on military cooperation, signed in 2005. The Civil Nuclear Initiative is a key to Indian-U.S. partnership, which was concluded by President George W. Bush and Indian Prime Minister Manmohan Singh. This allows India to buy nuclear fuel and technology from the world market for its civilian energy program. India had previously been prohibited from doing so for three decades, since it had first tested its own nuclear weapons.

With this agreement, India becomes the only country in the world which has not signed the NPT, but is still able to conduct nuclear trade with the world while retaining its nuclear weapons program (Rajghatta, 2007). Although, Rizvi claimed that "the U.S. acceptance of India's nuclear weapons program as amounting to 'a major concession' for a country that has refused to join the NPT." (Rizvi, 2007). One of the Bush Administration's key rationales for extending civil nuclear cooperation to

India was in reference to the nonproliferation convention, encouraging it to play a more active role in promoting and participating in international efforts and, at the same time, limiting nuclear proliferation (Curtis, 2007). The achievement of the nuclear accord has strengthened the relationship between India and the US. This relationship is likely to remain strong even without the deal being completed (Sengupta, 2007).

India's foreign policy attempts to enhance regional stability as well as expand India's influence into other nearby regions such as Southeast and Central Asia. Increasing partnership status with the United States and the European Union is also an effort aimed at enhancing India's power capabilities in order to help achieve major power status. However, it is perceived that India could influence the international nonproliferation regime in terms of nuclear restraint and disarmament and could set a dangerous precedent for Iran, North Korea, and other aspiring nuclear powers. However, India has been considered as a strategically located democratic country and is seen as important because of its growing economy, setting it up to be potentially helpful for U.S. confrontations with Iran, Pakistan, and China in the future (Carter, 2006). However, it remains to be seen whether India will support the United States in the future if it means cooperating with the U.S., abandoning positions it once endorsed as a leader of the NAM and siding with the U.S. government on a range of security issues.

To summarize, India is today recognized as one of the countries most advanced in nuclear technology, including the production of source materials. It is self-reliant and has mastered the expertise necessary to complete the nuclear cycle, from exploration and mining to power generation and waste management. India has also successfully acquired a nuclear arsenal and is recognized as an NWS, avoiding rogue state status and establishing exceptional levels of closeness in relationship to the United States. India's movement reflected the seriousness with which its submission for a permanent seat in the Security Council is considered without its having to sign the NPT or the CTBT (Narlikar, 2006). On the other hand, the NPT and CTBT regimes might pose a major obstacle to India if it should like to increase its role in major international organizations. For instance, India might have to sign both

the NPT and the CTBT to gain a support from major powers in order to acquire a permanent seat in the UN Security Council (Haniffa, 2000).