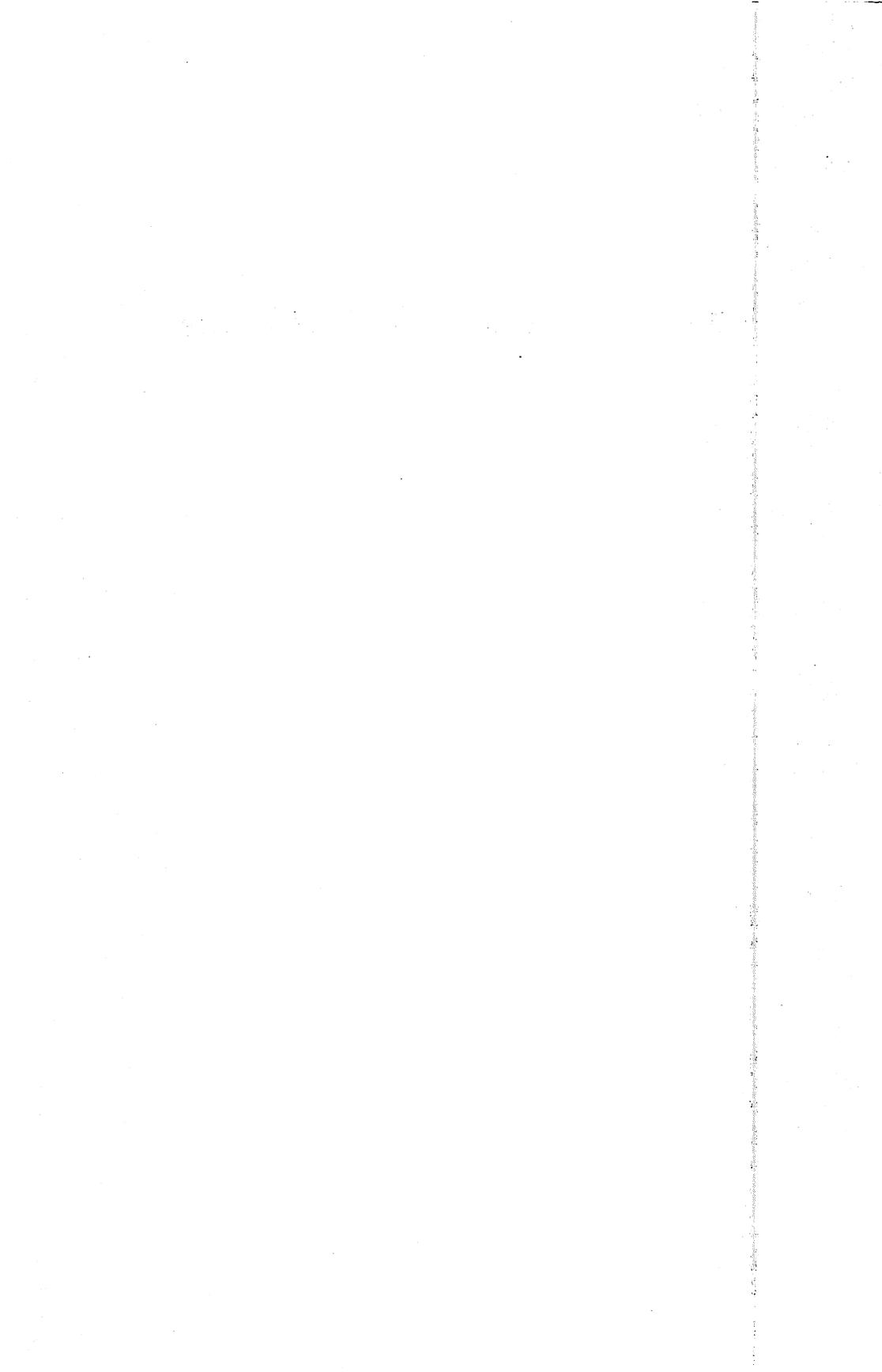


# **Toward a New World Order**





INSTITUTE OF EAST ASIAN STUDIES  
UNIVERSITY OF CALIFORNIA • BERKELEY

# **Toward a New World Order: Adjusting India-U.S. Relations**

EDITED BY

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## Preface

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The 1980s had been a period of great fluctuation in India-U.S. relations ranging from sullen antipathy to sullen indulgence, reflecting primarily the reactions in both societies to developments in the Pakistan-Afghanistan-Iran border areas and, in particular, the Soviet military intervention in Afghanistan. By the end of the decade it was reasonably clear that the complex but limited multipower confrontation in this highly strategic western border area of South Asia was coming to a conclusion with the Soviet withdrawal from Afghanistan and the American decision to seek an agreement with Moscow that would allow Washington to terminate military assistance to the Afghan resistance forces. Implicit, of course, were some modifications in the American perceptions of Pakistan that made changes in U.S. policy toward that presumably “near nuclear state” more acceptable than in the years Pakistan had been serving as the principal channel of supply to the Afghan resistance.

The early 1990s have been, if anything, even more traumatic for Indian and American policy making in South and Southwest Asia. The Gulf War in early 1991 and the disintegration of the Soviet Union late in 1991 has made it necessary for both New Delhi and Washington to revise certain basic themes in their foreign policy—quietly at least. The second India-U.S. bilateral conference was held in Berkeley in mid-1991 while the process of change was still a subject of debate in both countries. The distinguished collection of participants from both countries expressed a range of views on policy matters in their contributions to this volume that reflect the ongoing debate within both countries as well as the dialogue between them in ensuing months and years.

The Institute of East Asian Studies at the University of California, Berkeley, would like to express appreciation to Eric Gonsalves, the director of the India International Centre in New Delhi, for the center’s essential cooperation in the organization of the conference and in the selection of a distinguished delegation from India and to the Ford Foundation for its financial support.

LEO E. ROSE

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# 1. Introduction

PETER R. LAVOY

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## **First Session: Global Political and Strategic Developments**

The conference participants used their initial discussion to examine the likely impact of the Gulf War on recent developments and trends in global politics. The dialogue focussed on how the world's most powerful states—the United States, the Soviet Union, Germany, and Japan—would relate to one another and to the world's middle and small powers after the war. The delegates also exchanged views about the likely contributions that the United Nations and arms control could make to future international relations.

### *The United States and the New World Order*

Although the forum participants could only speculate about the long-term outcome of the Gulf War, most felt that if the American government and people are pleased with the war's resolution, then Washington will act with greater confidence in global politics and lead efforts to establish a new world order. It was observed that the United States, which had been uncertain about its post-cold war role, had demonstrated to the world and to itself that it is the only power able and willing to apply enough political and military resources consistently to influence the outcome of global events.

The two delegations reacted to the prospect of Washington's international resurgence in very different terms. The Indian participants expressed concern about the degree of responsibility with which the United States would act globally and in the Middle East in the aftermath of a military victory over Iraq. They stressed that any move toward establishing a Pax Americana would be considered threatening not only in New Delhi but in many other capitals of the developing world.

Far more confident in Washington's ability to act prudently in world affairs, the American delegates called attention to the pressing domestic problems that are certain to limit the level of future U.S. activity abroad. The American speakers also stressed that financial and political considerations will compel an even more assertive United States to encourage other actors to play prominent parts in efforts to solve and prevent future regional security problems. The Indian side did not disagree with this assessment.

### *The Future International Role of the Soviet Union*

Although the delegates agreed that the Soviet Union can no longer be considered a superpower in the same sense that the United States continues to act as one, the group viewed the issue of Moscow's future world role with uncertainty. Internal economic development will remain a fundamental Soviet goal, but an Indian delegate warned that this does not necessarily imply that the Kremlin will keep looking to the West for economic assistance or that it will always accommodate Western interests in foreign policy matters. Internal political developments will almost certainly shape Moscow's role in international relations. But because nobody can predict whether Moscow will be able to keep the Soviet republics together and the union's borders intact, there is no telling how this powerful source of domestic instability will affect the government's activities.

### *Germany and Japan in International Politics*

If the Gulf War demonstrated that the Soviet Union no longer functions as a global superpower, it also indicated that Germany and Japan are not yet ready to alter significantly the scope and nature of their involvement in global politics. Even though the United States has intimated that it expects more than checkbook diplomacy from its partners, Germany and Japan effectively have acted as little more than cash-dispensing machines during the Gulf crisis. Although the delegates observed that the diffusion of global power was a certainty in the long run, they disagreed—along individual rather than delegation lines—about the nature of the Gulf War's shorter-term impact on the propensity of powers other than Washington to become more assertive. Several speakers believed that recent events in the Gulf would temporarily freeze the trend toward multipolarity, but others observed that the Gulf crisis had stimulated serious and focussed discussions in Tokyo and in Bonn about what kind of global responsibilities Japan and Germany should undertake in the future. Debates of this nature, it was emphasized, are an essential precondition to any fundamental change in policy orientation and actual conduct.

### *The United Nations and World Politics*

The end of the cold war created a widespread belief that the United Nations might play a more important role in international politics, and the steady use of the UN at the outset of the Gulf crisis appeared to validate this expectation. But many conference participants pointed out that the UN's very structure precludes it from operating immediately in dramatically different ways. Despite their desire to see the UN become a more responsible, consistent, and evenhanded force for dampening regional tensions and heading off violence, the Indian delegation observed that the composition and decision-making procedures of the Security Council impel the UN to reflect the interests of the world's powerful states in crisis management. Although the UN should become more responsive to the concerns of India and other developing states, several Indian and U.S. delegates suggested that greater attention should also be devoted to setting up new regional organizations or strengthening existing ones to deal with regional security problems.

### *Arms Control and North-South Relations*

Both delegations anticipated that arms control will take on a new identity in post-Gulf War global politics. Declining in significance as a means to ease tensions in East-West relations, arms control is likely to gain new salience in a North-South context. The Gulf crisis has made the proliferation of advanced military equipment the primary global security concern of the United States and many other industrialized countries. But several members of the Indian delegation pointed out that this new focus is likely to be criticized by developing states if their military and industrial modernization is blocked by export embargoes on key technologies while the developed states raise the technological sophistication of their own military or those of favored client states' forces without restraint. Both sides expected that their respective governments would differ over this matter in the future.

### **Second Session: Global Economic Developments**

Conference participants considered three interrelated issues in the second session: the prospect for the international economy to recover from the present recession; recent trends in the international trading system, including the formation of regional trading blocs; and the capacity of India and other developing states to attract foreign investment and technology on terms that are politically and economically attractive.

### *Recovery of the International Economy*

Several speakers predicted that if the Gulf War ends quickly, the prospect for the international economy to avert an extended recession would be quite

good. Although Washington's high fiscal deficit restricts American economic policy options, continued economic growth in Europe and Japan is likely to stimulate an early economic revival globally and even in the United States.

### *Establishment of Regional Trading Blocs*

The further integration of the European Common Market in 1992 coupled with expectations that Western Europe will annex Eastern Europe as a privileged trading zone; the movement of the United States, Canada, and Mexico toward a Western hemisphere trading bloc; and Japan's increasing economic involvement with ASEAN, the South Pacific, and East Asia in general are all developments that signal the likely emergence of regional blocs as part of the basic structure of international trade and the global economy. Fearful that the multilateral emphasis of the previous GATT (General Agreements on Tariffs and Trade) rounds appears to have come to an end and that the strategic cold war is giving way to an economic cold war with trading blocs supplanting strategic alliances, members of the Indian delegation expressed a desire to see the emergence of a less discriminatory international trading system. If "enlightened multilateralism" loses out to a system of regional blocs, the competition among these blocs is likely to result in an increased marginalization of nonintegrated economic regions like South Asia.

### *Third World Economic Development*

The combination of decreasing global savings, the rise in protectionist political pressures, and the greater investment demands involved both in reconstructing the Soviet Union and Eastern Europe and in meeting new environmental requirements is likely to make it ever more difficult for developing countries to attract badly needed foreign resources. Global savings are bound to decline over the next decade due both to the persistence of high national deficits and to demographic trends—the aging of the Japanese, European, and American populations means reduced private savings and large increases in governmental expenditures—in the industrialized world. Not only will less money be available to fuel economic development in the Third World, but the advent of regional trading blocs, continued concerns over the protection of intellectual property rights, and heightened fears about the export of dual civilian- and military-use technologies will likely render the industrialized countries less eager to transfer the resources and especially the technology they do have. All the observers found these developments disturbing in that they imply the continuation of the increasing disparity in economic performance between the industrialized and developing states.

### **Third Session: Developments in Southwest Asia**

This session's discussion focussed almost entirely on the Gulf War and its aftermath. The delegates considered the merits and drawbacks of several possible arrangements for establishing the peace and security that each of their governments desired for the Gulf and Southwest Asia as a whole. Although the speakers generally expected that India would play a minor role in the region and that the United States would assume a more active position, there was no agreement over what the nature of American involvement in the Middle East should and eventually would be.

#### *Regional Peace Settlement*

All the observers believed that a comprehensive peace settlement would be the best approach for assuring the future stability of the Middle East because it would heighten the incentives of the region's actors to seek and protect a mutually acceptable political order. However, it was uniformly recognized that the present aspects of conflict in the region—the moderate-radical rift within the Arabic and Islamic worlds, the Arab distrust of the West, the Palestinian dispute, and the Arab-Israeli impasse—are very difficult, if not intractable. Thus the delegates doubted that a settlement could be reached for several years to come.

#### *Regional Hegemony or Regional Balance of Power*

Many participants wondered if the Middle East could become and remain stable in the absence of a regional hegemon; yet no delegate advocated regional hegemony as a prescription for peace because there was no guarantee that the power in question, whether Iran or a strengthened Iraq, would consistently seek to oversee a regional order that would satisfy simultaneously the interests of the hegemon's neighbors and the concerned foreign powers.

Rather than assisting in the military buildup of a hegemon, some speakers expressed interest in a scheme that would produce a balance of power in the region. They asserted that the most stable regional system might be one in which Iran, Iraq, Syria, and Egypt have roughly the same military capacities and share a common interest in assuring the protection of the weaker Gulf states. However, several of the Indian delegates argued that a regional balance of power would suffer the same flaws as regional hegemony: Each framework would entail arming states that have in the past been unreliable supporters of regional peace.

*Extended Deterrence*

The delegates also discussed a security framework suggested by an American participant involving the extension of a U.S. nuclear guarantee southward from Europe; Washington would threaten nuclear use against countries that committed aggression against Saudi Arabia or other moderate states in the area. After the Indian delegates stressed the serious political ramifications of a nuclear weapons state threatening nuclear used against nonnuclear weapons states, the group noted that the U.S. extension of nonnuclear deterrence to the area might be a more feasible plan.

*Regional Arms Control*

Several speakers thought the proposal made by President Mubarak of Egypt for a nuclear weapons-free zone in the Middle East deserves greater attention, especially because Israel recently had hinted it would seriously consider such a plan. But some Indian delegates wondered how a regional arms control structure could emerge if the United States and other powers reserved and asserted the right to disarm countries like Iraq by force. These participants also expressed skepticism over the implementation of a nuclear weapons-free zone that did not require Israel to sacrifice its nuclear arms capability.

Even with respect to conventional armaments, many conference participants, especially those in the U.S. delegation, felt the powers external to the region, particularly the traditional suppliers, should consider carefully the supply, production, deployment, and use of arms in the Middle East. It was pointed out that, with respect to certain classes of weapons, a regime presently exists that seeks to limit arms transfers to the region, but the existing system needs to be made more comprehensive and effective.

*Benign Neglect*

A final security framework for Southwest Asia discussed at the conference involves foreign powers playing a greatly reduced role in regional politics. Rather than attempting to impose a security order on the region, several Indian delegates suggested that the United States would do better simply to allow the local actors to sort out their own affairs in a manner consistent with their national aspirations. Though the Indian speakers acknowledged that the West's long-standing interests in preserving access to Gulf oil and in protecting Israel would inhibit any vast reduction of U.S. and European involvement in the region, they argued that Western interests might benefit too if the market were allowed to take care of oil's price and production levels and if Middle Eastern disputes were not treated as global problems.

## **Fourth Session: Regional Developments in South Asia**

Regional politics in South Asia essentially refers to India's relations with its neighbors because the latter interact minimally among themselves, and their foreign policies focus on relations with New Delhi. Conference participants thus used this session to discuss how India interacts with Pakistan, Nepal, Bangladesh, and Sri Lanka. Specific attention was paid to the meaning of Indian preeminence in the region, to the evolution of the Indo-Pakistan dispute in the nuclear era, and to the impact of the ethnic and democratic movements that presently are sweeping through most of India's neighbors.

### *India's Relations with Its Neighbors*

Although it was agreed that India consistently has displayed remarkable pragmatism in adjusting to a variety of different political systems across its borders, the delegates also observed that New Delhi prefers to live with secular democracies in its neighborhood and thus has empathized with the gradual movement toward greater pluralism in Pakistan, Nepal, and Bangladesh, even though the democratic revolutions in these three states must still be regarded as incomplete. It was pointed out that the success of the new democracies would depend on their ability to accommodate three sets of political interests. The formerly dominant remnants of the ousted interests—the military in Pakistan and Bangladesh and the monarchy in Nepal—will have to be integrated into the new democratic order, as will the new democratic forces competing for power with the present governments. Finally, the new democracies will need to meet or neutralize the political demands of ethnic interests that have long been a part of South Asian politics.

### *India's Relations with Pakistan in the Nuclear Era*

Although no speaker expected that the tensions between India and Pakistan would be resolved soon—considering the deep roots of the bilateral dispute in historical, cultural, ethnic, and other political forces—a general feeling of optimism prevailed regarding the increasing prudence with which Islamabad and New Delhi interact with one another. Some opined that had the spring 1990 crisis over Kashmir occurred several years earlier, war might have been the result. But war did not occur, and relations remained stable in spite of the crisis. Several delegates, Indian and American alike, argued that the emergence of nuclear arms capabilities in each country, and the ensuing conditions of mutually assured destruction and deterrence, accounted for the heightened caution and stability in Indo-Pakistan relations.

There was not complete consensus on this point, however; other speakers stressed the importance of American and Soviet activities to encourage bilateral

restraint at the peak of the Kashmir crisis. A third explanation presented to account for the apparent durability of the Indo-Pakistan peace is that the people and governments in both South Asian states no longer see military action as a viable way to resolve political disputes; the cost of another war between India and Pakistan would be excessively high even if nuclear weapons were not used.

### *Indian Preeminence and Cooperation in South Asia*

It generally was argued that war is becoming more and more unlikely between any of the states of South Asia, but members of the American delegation asserted that India's inability or unwillingness to define what its preeminence means in practical terms for the weaker countries of the region translates into a continuing source of tension in South Asia. In the absence of a clearly communicated and mutually understood role that India intends to play in South Asia, India's neighbors will view its regional aspirations with suspicion and apprehension. New Delhi, in turn, is likely to resent the subsequent diplomatic and military countermeasures its neighbors are bound to pursue.

Both delegations expressed hope that the countries of South Asia could cooperate more in the future to solve problems of mutual concern. Because India is the dominant regional power, it was argued that New Delhi is obliged to initiate such cooperative ventures. It was pointed out that India cannot and should not unilaterally attempt to solve its neighbors' internal political and ethnic problems. There is tremendous potential for India to elicit its neighbors' support to tackle the environmental, energy, and water problems that confront the region as a whole.

### **Fifth Session: Projected U.S. and USSR Roles in South Asia**

Has the end of the cold war appreciably altered the priorities and levels of involvement of the United States and the Soviet Union in South Asia? The conference delegates devoted this session to a discussion of the future of Soviet and American activity in the region.

#### *American Involvement in South Asia*

Although the level of American interest and involvement in South Asia was quite high when Soviet troops were stationed in Afghanistan, their withdrawal has reduced Washington's regional concern and activity to the low level and more evenhanded attitudes that typify American involvement during "normal" times. As some American delegates put it, the United States desires the democracies of South Asia to thrive and the region's economies to grow, but Washington's primary interest in the area lies in maintaining peace and stability among a pair of the world's nuclear threshold states: India and Pakistan.

Conference participants agreed that crisis prevention is likely to remain the focus of U.S. concern for South Asia in the future.

### *Soviet Involvement in South Asia*

As the Soviet Union has become increasingly preoccupied with its internal political and economic problems, South Asia, and the developing world in general, has declined in strategic and economic importance for Moscow in recent years. Like the United States, the Soviet Union is very concerned about the prospect of Indo-Pakistan nuclear conflict and joins its fellow superpower in regional crisis management activities. Although there is growing pressure inside the Soviet Union to regularize the special economic relationship New Delhi enjoys with Moscow, both conference delegations observed that Indo-Soviet trade has actually increased in recent years and that the Kremlin remains interested in continuing strong economic ties with India.

### **Sixth Session: China**

Although the delegates considered some issues pertaining to China's internal political and economic challenges, this session mainly focussed on China's foreign policy, particularly its likely role in South Asia. The dialogue on China was significant in that there were no major areas of disagreement between the two delegations.

### *Priorities in China's Foreign Relations*

The participants believed that at present China's greatest domestic priorities are to stabilize state-society relations and to continue to modernize and liberalize the economy. To accomplish each of these objectives, Beijing is determined to avoid conflict and tension in its foreign affairs. Consequently, China has improved its relations with Japan, the United States, the Soviet Union, and much of the rest of the world.

Though the delegates observed that China has been troubled by Moscow's recent unwillingness to act as a countervailing power to the United States and by Gorbachev's eager support for the opponents of the erstwhile Communist regimes in Eastern Europe, Beijing continues to seek normalized relations with Moscow in the interest of reducing tensions in Asia. Washington's punitive diplomatic activities in the aftermath of the Tiananmen Square incident similarly disturbed the Chinese leadership; but partly because much of the Sino-American economic relationship remained basically unaltered, bilateral ties did not decline dramatically. In fact, they have improved considerably since 1990.

China continues to look to the United States as an important economic market and a source of valuable technology, but Beijing realizes that another

important sphere of economic and political activity centers on relations with Japan and the other states of Asia. Although Sino-Vietnamese relations remain somewhat strained—China continues its policy of countering Vietnamese interests in Southeast Asia—the participants of each delegation affirmed that China's policies generally favored stability throughout Asia.

### *China's Role in South Asia*

The delegates observed both that India and China desire improved relations and that they have come to regard each other's interests in increasingly pragmatic and conciliatory terms. Beijing now accepts India's primacy in South Asia, and China no longer seeks to play a major political role in the Himalayan region. For its part, New Delhi has agreed not to promote or allow any activities to occur inside India that threaten China's basic interests in Tibet. India's recent opening of a new diplomatic consulate in Shanghai and China's opening of one in Bombay testify to the warming in Sino-Indian relations. But some Indian participants pointed out that if there is one issue that continues to cause concern in New Delhi about China's world role, it is Beijing's willingness to sell sophisticated missiles and other advanced military weaponry to Pakistan or to Saudi Arabia and other states that might in turn provide this equipment to Pakistan.

### **Seventh Session: Japan**

The delegates spent this session discussing the basic features of Japan's present foreign policy and speculated about when Japan would become a more assertive political and strategic force in international politics. As was the case of the previous session on China, the dialogue on Japan witnessed a notable convergence of Indian and American perspectives.

Although Japan's foreign policy continues to be dominated by economic considerations, the focus of Japanese foreign policy has changed from a prior export orientation to a growing emphasis on trade and investment. Japan's imports of produced goods are growing rapidly, as is Japanese foreign investment, especially in the developing world; by the end of the decade, Japan will have become every Asian state's largest foreign investor. As a result, Japan is acquiring greater influence with the countries with which it interacts, but Tokyo remains uncertain about how to use this influence.

Because the Soviet Union, China, and Asia's smaller states all wish to pursue and protect improved economic relations with Japan, and because there presently is limited apprehension about Japan as a regional security threat, the delegates agreed that Japan's role in Asia is likely to remain stable for quite some time. In fact, all the region's governments, except perhaps South Korea

and China, desire Japan to play a more active role in ordering political (not security) and economic activities in Asia.

The greatest area of tension in Japan's foreign relations is Tokyo's economic relationship with the United States. Though the participants largely expected that differences would continue to arise in U.S.-Japanese relations—especially as the United States experiences further decline in its relative economic performance in global affairs and because there is not a long tradition of bilateral cooperation to sustain close ties in difficult times—both delegations believed that the U.S.-Japanese rivalry would not escalate into a more serious bilateral confrontation.

The delegates' general belief was that Japan would gradually seek to enlarge its global role in a way that does not risk antagonizing the countries with which Tokyo presently enjoys friendly relations. In this sense, it was expected that Japan would continue to upgrade its involvement in peacekeeping and conflict-mediating operations under United Nations auspices, but the participants doubted that Tokyo would risk acting unilaterally in the military sphere for the foreseeable future.

### **Eighth Session: U.S.-India Political and Security Relations**

The discussion of the political and strategic aspects of Indo-American relations focussed on two sets of issues. First, delegates expressed their views about the kind of bilateral relationship that New Delhi and Washington are likely to seek in the future. Second, conference participants singled out naval activity in the Indian Ocean as a potential source of strategic misunderstanding and discord between their governments.

#### *The Indo-U.S. Relationship: Alliance, Coalition, or Competition?*

An American delegate argued that although the United States has many important, well-functioning alliances with various countries around the world, Washington increasingly will pursue coalitions that bring states together to deal with more narrowly defined tasks that require less in the way of formal obligations. The Indian delegates agreed with their American hosts that no formal strategic cooperation is likely to develop between the two countries, and they believed that even a limited coalition will be unlikely in the immediate future because Indian officials always fear becoming overly dependent on Washington and also that the latter will expect too much in terms of military basing rights and diplomatic support. The conference participants agreed that their governments perceive alliances in very different terms. On the whole, India would rather settle the problems in its immediate neighborhood directly than with help or involvement of outside powers.

Indian delegates emphasized that American paternalism must be removed from the bilateral relationship. They contended that the United States questions the motives and criticizes the behavior of India with far more condescension than that with which it treats other states. An Indian speaker suggested that the United States should interact with India along the lines of its relationship with China, the point being that Washington transfers advanced technology relatively more freely to Beijing and that it demands relatively less in return from the Chinese. A U.S. delegate disagreed that China enjoys special advantages that India does not have with the United States, stressing that China and Pakistan (especially Pakistan) request to be treated as India is treated by Washington.

#### *Naval Activity in the Indian Ocean*

Pointing to India's ongoing naval buildup in the Indian Ocean, several American delegates suggested that foreign states would be much less apprehensive about India's growing military capabilities if New Delhi identified its naval objectives openly and clearly. In particular, U.S. participants suggested that New Delhi ought to communicate its strategic aims to Australia, a country that is very concerned that India is attempting to turn the Indian Ocean into an *Indian Ocean*. The visiting delegates replied that the Indian navy is genuinely confused about its strategic objectives, but that certain Australian interests have fabricated the idea of an Indian threat in order to justify large increases in Australia's defense budget. Moreover, they argued that because India conducts nearly all its trade by sea and because the Indian government virtually ignored its navy until the last decade, New Delhi now cannot responsibly do anything but modernize and expand its naval forces.

#### **Ninth Session: U.S.-India Economic Relations**

In contrast to the conference dialogue on the Indo-American strategic relationship in which the delegates expected little in the way of closer bilateral cooperation, the participants observed greater potential for improved relations in the economic sphere; it was expected that Indo-American trade would grow in a slow but steady manner. However, each delegation agreed that considerable obstacles remain to a more mutually satisfying technology transfer relationship.

#### *Indo-American Trade*

Several American speakers stated that although India and the United States hold different economic philosophies, Americans see India as an attractive trading partner. The American delegates applauded the increased openness of the Indian economy, but they indicated that New Delhi would have to become

more vigilant about protecting intellectual property rights in order to pave the way for an improved economic partnership. The Indian participants empathized with their counterparts' concern but suggested that it was unrealistic for Americans to expect Indians consistently to pay Western prices for Western books, computer software, and similar products when most Indians cannot afford these prices.

All the Indian delegates expected the present trend of economic liberalization to continue and predicted greater Indian reliance on foreign trade. However, they differed over the issue of foreign investment. One Indian delegate suggested that foreign (although not necessarily American) investment will play a more important role in driving India's economic growth; another Indian speaker stressed that foreign investment is likely to be a result rather than the cause of Indian economic development. The American participants also expected increased levels of trade activity between the two countries but expressed concern that to date Indian businessmen have not been aggressive enough in their efforts to penetrate the U.S. market.

### *Technology Transfers*

Members of both delegations were pessimistic about the impact of the Gulf crisis on Washington's technology export control policy. Although it was pointed out that the U.S. government actually has rejected only a very small portion of past Indian requests for American technology to date, the fear is that Washington increasingly will view India much as it views Iraq, as a potentially irresponsible user of American technology. An Indian speaker suggested that Washington should not regard New Delhi as one of the world's irresponsible regimes and should differentiate civilian from military uses of advanced technology, but both sides anticipated that a new wave of export controls would affect India's space and missile programs because many of the items India desires are considered to have dual civilian and military uses.

Although it generally was expected that Washington's renewed focus on the proliferation of advanced military components would lead to tighter restrictions on technology transfers, several speakers argued that in the fiercely competitive international market, U.S. technology will continue to flow as American firms pressure Washington not to inhibit them from competing with their Western and, increasingly, Third World adversaries.

### **Tenth Session: U.S.-India Cultural and Intellectual Exchanges**

The discussants used this session to express their views on the role of domestic and foreign nongovernmental organizations (NGOs) in improving social conditions in India, the impact on each society of the migration of skilled

individuals between India and the United States, and the way Indian and American cultures penetrate and influence one another.

### *NGO Activities in India*

Participants from both groups observed that although foreign NGOs have been active in India for quite some time, indigenous NGOs are growing in number and now play a significant role in improving the social, cultural, and economic circumstances especially, but not exclusively, of disadvantaged Indians. Members of the visiting delegation pointed out that some foreign NGOs have conducted themselves in a manner that is critical of and confrontational toward the Indian government. Thus their programs have not been fully productive. Currently, most domestic NGOs, which are establishing themselves all over the country, and several foreign NGOs are most concerned with improving the lives of Indians in more and more ways. These generally have not managed to effect sweeping changes and reforms in governmental activities, but their impact on isolated cases has grown both in number and in degree. Although Indian elites often have attempted to co-opt grass roots movements for their own political purposes, several delegates observed that domestic NGOs have created a greater awareness of the fragility of India's environment and of the need to protect it; they have promoted and preserved local cultural activities; they have made Indian women more aware of their gender and of their rights as individuals; and the NGOs have stimulated a general concern for individual freedom and autonomy.

### *The Migration of Skilled Workers*

An Indian delegate stated that individuals educated in the many U.S.-sponsored technical programs throughout India typically move to the United States upon completion of their training, thereby depriving India of one of its most valuable resources: highly skilled workers. In response, an American delegate pointed out that Indian immigrants send a large portion of their wages back to relatives in India, thus reversing the flow of capital and providing India with an important source of foreign exchange. Another American participant indicated that many of the Indians trained at advanced American institutions often return to India to apply their newly acquired skills. Although it was asserted that the Indian economy often has difficulty absorbing these individuals, the United States nevertheless loses tangible economic benefits from the resources it devoted to train these people.

After acknowledging that the costs of the "brain drain" operate in each direction, delegates from both groups suggested that migrants provide a useful bridge between the two societies. As the number of Indians residing in the

United States increases, so does the political power of these new Americans, citizens who have a vested interest in seeing Indo-American relations improve.

### *Cultural Exchange and Influence*

An Indian participant expressed concern over the pervasive penetration of Western, and especially American, culture into Indian society. Citing the booming popularity of the American Cable News Network (CNN) in New Delhi and the steady Indian demand for Western products of all sorts, this speaker suggested that with the import of Western goods and ideas, Western values and expectations also take root in Indian society. Another Indian delegate criticized the American tendency to represent Indian culture in negative and stereotypical terms. The U.S. government and media place far too much emphasis on Indian poverty, wife-burning incidents, and other unflattering aspects of Indian society.

An American speaker responded that Indian culture has influenced certain segments of American society; American counterculture movements, especially in during the 1960s and 1970s, drew on Indian culture, or what they took to be Indian culture, in their attempts to challenge the hegemony of Western culture. Another American delegate contended that wife burning and other crimes against women have become noteworthy in the United States largely because of the efforts of Indian women to publicize and call global attention to the problems they face.

Finally, an Indian participant asserted that India is much more self-confident than it used to be; Indians now realize that there is little to fear from the inevitable penetration of Western values because Indian culture has itself become powerful and stable.

## **Eleventh Session: India, the United States, and the World**

The delegates devoted their concluding session to an examination of the global roles that India and the United States are likely to play in the future. The general sentiment was that although the two states are unlikely to confront and trouble one another directly, each might antagonize third parties and create problems in regions of mutual concern in a way that sends ripples of tension through the Indo-American relationship.

### *Unlikelihood of Indo-American Confrontation*

Both delegations agreed that there is no apparent reason for India and the United States to brush up against one another in a hostile manner in the foreseeable future. An Indian participant indicated that New Delhi will continue to object to Washington's criticism of Indian human rights problems.

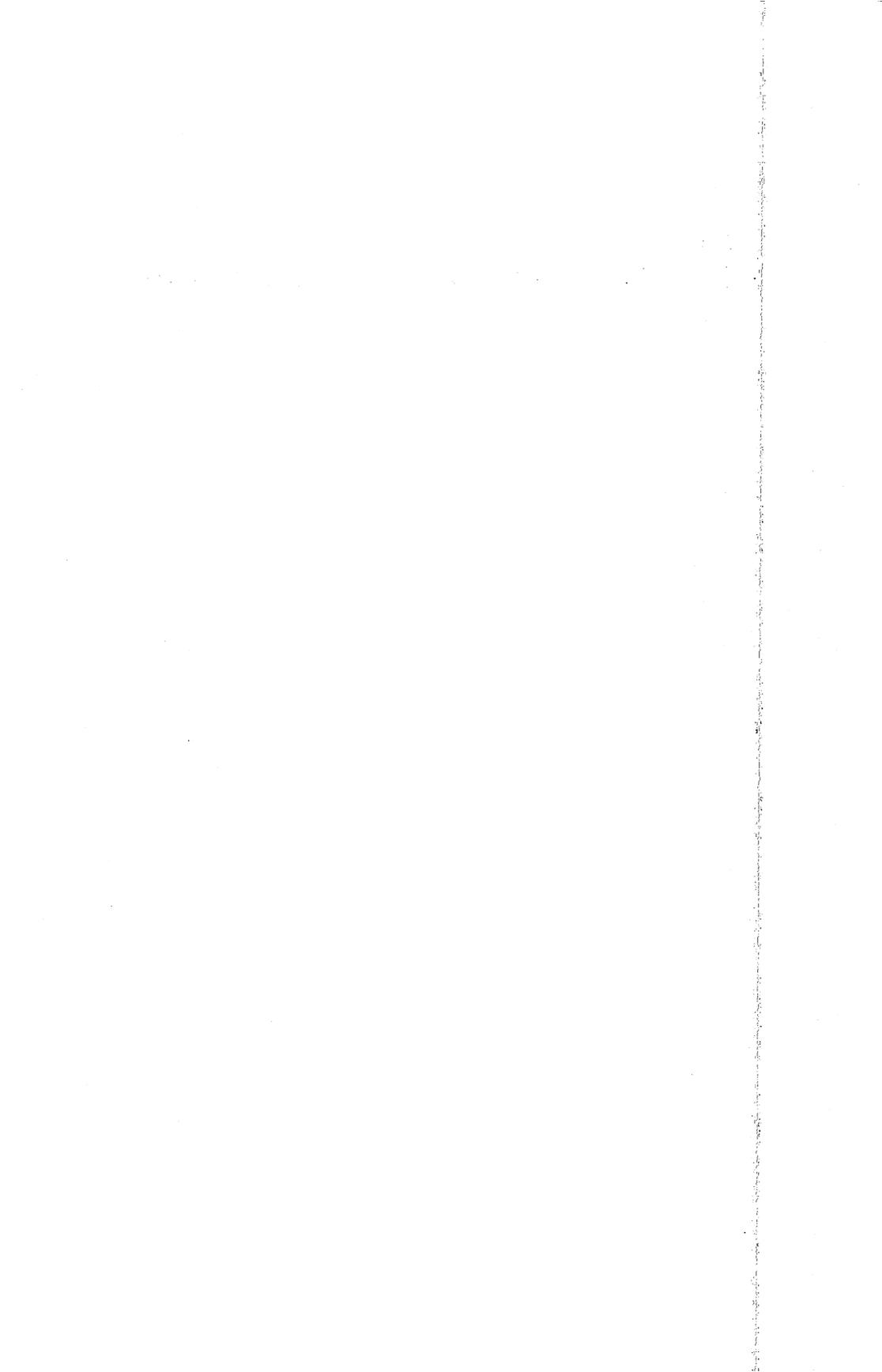
An American delegate pointed out that the United States will closely monitor India's activities in South Asia, supporting Indian leadership in the region but objecting to New Delhi's efforts to dominate its neighbors. Although these and other issues will continue to lead India and the United States to treat each other cautiously, the delegates could identify no dispute likely to disrupt the relationship, particularly as New Delhi's nightmare security scenario of the 1980s—joint Pakistani, Chinese, and American action against India—recedes from practical concern.

*Possible Areas of Tension in Indo-American Global Relations*

There may be no fundamental security issue over which India and the United States are expected to clash directly, but the delegates identified several considerations that would prevent a more positive convergence of Indian and American perspectives and approaches to international politics. One speaker called attention to the point that New Delhi and Washington conduct their foreign affairs in two similar ways: They both act on the basis of moralistic and sometimes hypocritical ideologies, and they both pursue an essentially globalist foreign policy orientation. Owing to diverse geographic, demographic, and historical situations, however, Indians and Americans perceive and desire to change the world in very different ways.

For example, Washington identifies the spread of advanced military capabilities to new countries as a primary threat to world security; India sees a far greater menace in the qualitative and quantitative proliferation of armaments in the arsenals of the world's existing great powers. The Indian delegates suggested that their government also disagrees with Washington's emphasis on stability. India does not necessarily view maintaining the status quo, per se, as a desirable thing; stability is an ongoing evolutionary process. Because India's borders are not yet fixed, the territorial status quo in Asia is not totally acceptable. The same delegate argued that India also has doubts about how the United States conceives of and pursues its world leadership role. The delegate stated that New Delhi can live with the United States as a global leader—and fully expected Washington to assume this role for several years to come—but that Indians would prefer Washington to eschew the use of force as an early option to solve global problems and be willing to relinquish some sovereignty with a view toward establishing a more collective and democratic framework for dealing with international political disputes. The American delegates also acknowledged this to be a central challenge facing American foreign policy in the coming years.

**Part 1.**  
**Global Political and Economic Perspectives**



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## 2. Toward a New World Order: Collective Security or Balance of Power?

C. RAJA MOHAN

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There apparently will be no leisure for the theory class of international relations. Since the mid-1980s, the revolutionary changes unleashed by Soviet President Mikhail Gorbachev have severely challenged the postwar conventional wisdom on international relations. Even before the great debate on the nature of the post-cold war world got resolved, the Gulf crisis confronted the world. Many analysts, along with the Bush administration, were convinced that the crisis in the Gulf was the defining moment of the post-cold war era.

The international response to the Gulf crisis, the course of the allied war against Iraq, and the consequences of that war have surprised most analysts. The unexpected resolve of the United States, its success in creating and holding an international coalition against President Saddam Hussein during the prolonged crisis and war, the new Soviet-American cooperation and great-power solidarity within the United Nations, the stunning rapidity of the American success in the ground war, the failure of Baghdad to draw Israel into the war and incite Arab masses against pro-allied Arab regimes, and the terrible Iraqi civil war that followed Baghdad's defeat could hardly be foreseen by anyone. The Gulf War and its aftermath have sharpened the debate on the character of the emerging international order.

Central to this debate is the divergence in understanding the nature of power in the international system and its distribution among the great powers. Although not all American analysts are sanguine about the international strategic consequences of the Gulf War and what it has done for the future American role in the world, many Indian observers have convinced themselves of the central implication of the Gulf War, that it has restored American hegemony over international politics and renewed the American century. Although the extent of consensus in India on the revival of *pax Americana* is impressive, the logic behind it is not.

Any reasonable survey of the distribution of power in the international system among the great powers and the variation in the pattern over the last century must confront the relative rise and decline of American power in the twentieth century.<sup>1</sup> Through the nineteenth century there was a steady expansion of American industrial, technological, and economic power. But in strategic terms it remained largely a force confined to the Western hemisphere. The United States fought two major wars in the nineteenth century, one to expand the nation and the other to preserve it.

Only with the victory over Spain in 1898 did the United States emerge as a minor colonial power and a major actor on the global scene, until then predominantly European. The United States dramatically expanded its naval and other military capabilities, but its involvement in European affairs was only intermittent and politically constrained by American isolationism. The peak of American strategic power was in the middle of the twentieth century, when its decisive involvement in the Second World War laid the basis for what seemed a lasting American engagement in the world and the beginning of the American century.

The United States bestrode like a colossus over a battered and exhausted Europe at the end of the war. In the Pacific it occupied Japan and reworked its internal and external policies. Almost unilaterally, Washington defined the structure of postwar international monetary and trading systems. The dollar became good as gold. The American scientific, technological, and industrial prowess became unrivalled. In the military field it had nuclear monopoly, its military power was overwhelming, and its strategic reach was global. In its confrontation with the Soviet Union, the United States set up enduring military alliances in Europe and East Asia, bringing the entire industrialized world under its protection. At the cultural level American movies, magazines, and music—in short, the American way of life—provided the much-needed cultural buttress to the exercise of American hegemony. Indeed, if there ever was *pax Americana*, it was then, not now.

The American century was, however, far too brief. The crisis in American hegemony became visible by the early 1970s with the strains of the postwar international economic system ordered by the United States, the economic and technological resurgence of Western Europe and Japan, and the achievement of nuclear parity by the Soviet Union. The United States responded to this hegemonic crisis by offering detente and arms limitation to the Soviet Union and economic trilateralism to Western Europe and Japan. The collapse of detente by the late 1970s saw the revival of the cold war with Russia and the renewal of East-West confrontation. The advent of Gorbachev in 1985, his

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<sup>1</sup>Paul Kennedy, *Rise and Fall of Great Powers* (New York: Random House, 1987).

restructuring of Soviet internal and external policies, finally culminated in the Eastern European revolutions and the conclusion of the cold war at the end of 1989.

Much of the confusion in assessing the future American role rests on the interpretation of the consequences of concluding the cold war. Does the end of the Soviet challenge to the United States restore American hegemony over the world, as the theorists of *pax Americana* have argued, or does it result in a complex world of many powers? The American victory in the cold war confronts the world with a number of paradoxical results.

The first is the historic paradox of the Soviet challenge to American hegemony at the end of the war. Despite the widespread imagery of the bipolar world, the two camps of socialism and capitalism, and nuclear symmetry between Moscow and Washington, the Soviet challenge had been greatly exaggerated by American cold warriors and Third World radicals. The cold war was largely an unequal contest between Russia and the collective might of the entire industrialized world (North America, Western Europe, and Japan), further strengthened since the early 1970s by the incorporation of China into the anti-Soviet coalition. What is significant is not that the cold war eventually collapsed, but that it lasted more than four decades and that the Russians sustained it for so long. The impressive Soviet economic growth in the 1950s and 1960s, its ability to provide ideological, economic, military, and strategic support to some Third World states, helped perpetuate the illusion of the Soviet challenge for four decades: but it could not last forever. Once the Kremlin allowed the tremendous internal fatigue from seventy years of internationalism to burst out, the Soviet challenge just withered away.

A second paradox is that Russia is not the only loser of the cold war. Its costs have turned out to be excessive not only for the Soviet Union, but for the United States as well. There is a widely shared sense in the United States that running Russia to ruin in an arms race has sapped American industrial and technological vitality and that the excessive preoccupation in Washington with national security has put America on a course of irreversible decline. Even those who challenge Paul Kennedy's "declinist" thesis have nothing but exhortations for America to reform its economy, and its budget and trade deficits, increase its investment in education and infrastructure, and regain its export competitiveness.<sup>2</sup> The end of the cold war need not necessarily become a license for American adventurism abroad. It could well turn out to be an occasion for reorienting U.S. priorities toward a domestic agenda.

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<sup>2</sup>Joseph Nye, *Bound to Lead: The Changing Nature of American Power* (New York: Basic Books, 1990).

A third paradox is that the end of the cold war and the demise of the “Soviet threat” may accentuate rather than ameliorate the European and Japanese challenge to American dominance. So long as the Soviet military threat appeared real to the Western Europeans and Japanese, American military presence on the Eurasian landmass, American nuclear guarantees, and American leadership of the Western alliance were central to the allies’ security. The utility of America to its major cold war allies will of necessity become ambiguous in the new international context. In the future, its allies are unlikely to show the deference to American wishes they have shown in the past because the principal incentive for it is no longer apparent. “With the Cold War a receding memory, but with financial stringency a persisting reality, how long can we be expected to maintain a role that, while no longer required for our security, is viewed by others with the mixture of ingratitude and resentment that has always been the lot of policemen?”<sup>3</sup> The growing mismatch between declining domestic resources and global strategic commitments undertaken at a time of plenty along with domestic pressures for strategic retrenchment and external pulls for autonomy and strategic independence may combine to produce an inevitable scaling down of America’s global involvement.

In short, the Russian retrenchment has been accompanied by the relative decline of American economic and technological power, the rise of Japanese economic power, the reunification of Germany, the restoration of Germany’s status as the critical power in the heart of Europe, the diffusion of economic and military capabilities in the Third World, and the emergence of regionally dominant powers. The end of the cold war has seen the loosening of the traditional strategic alliances led by the United States, which is heavily indebted to the allies whom it is supposed to lead.

Has the American victory in the Gulf War reversed the tendency toward American decline, the emergence of multipolarity, and the falling importance of military power in international relations? Radical analysts in the West and the developing world have argued that the main rationale for the American war against Iraq

is in its broadest contours an effort to *reverse* world historical trends that are moving to relegate the United States to the status of a second-class power. It is meant to define a new military-centered global order in which markets, income and resource shares are defined not by technological-market power, but by political-military dominance. Under these rules Washington’s comparative advantage in military power would ensure US global supremacy, and would

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<sup>3</sup>Robert Tucker, “1989 and All That,” *Foreign Affairs*, Fall 1990, p. 112.

undermine the capacity of its competitors to mount an effective challenge to its position.<sup>4</sup>

These fears on the left are matched by a new hubris among a section of the American right. Conservative ideologues like Charles Krauthammer have argued that “the immediate post–Cold War world is not multipolar. It is unipolar. The centre of world power is the unchallenged superpower, the United States, attended by its Western allies.”<sup>5</sup> The unilateralists, in their enthusiasm for unrestrained exercise of American power, point out that despite the United Nations cover, the transparent cloak of multilateralism, and the rhetoric of collective security, the victory in the Gulf is essentially an American triumph. Without the American pressure, the United Nations may have written off Kuwait, just as the League of Nations wrote off Abyssinia. It is argued that the Gulf crisis had demonstrated the impossibility of collective decisive actions by Western Europe and the strategic irrelevance of Germany and Japan, the emerging economic superpowers, who were reduced to reluctant bankrolling of American military operations in the Gulf. The new unipolarity is based on the fact that the United States is the only country with the “military, diplomatic, political and economic assets to be a decisive player in any conflict in whatever part of the world it chooses to involve itself.”<sup>6</sup> America must now believe in its own greatness and get on with the job of establishing peace and security in the world all by itself.

The Gulf War has indeed corrected the post–cold war euphoria that we have been delivered into the era of perpetual peace. The notions that war may no longer be an instrument of politics, that war has become an outmoded institution like slavery and duelling, and that the utility of military power is in decline obviously require more qualifications after the Gulf War. Conflict remains endemic in most parts of the developing world, and war remains an instrument of policy. But it is also unwise to be dazzled by the American use of force, on a devastating scale in the Gulf, and to believe that military force is once again the arbiter of international relations.

It is rash to suggest that American military power coupled with a readiness to use force anywhere would allow America to boss around the Western Europeans and the Japanese and extract economic concessions from them. Although military power is indeed useful, it is unlikely to be decisive in resolving trade and economic disputes within the industrialized world. Allied deference to American economic interests was possible only when the allies felt

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<sup>4</sup>James Petras, “Gulf War and the New World Order,” *Economic and Political Weekly*, March 2, 1990, p. 482.

<sup>5</sup>Charles Krauthammer, “The Unipolar Moment,” *Foreign Affairs*, Spring 1991, p. 23.

<sup>6</sup>*Ibid.*, p. 24.

a tangible threat from the Soviet Union, not when the United States is spanking local bullies in the Third World. They could lend a battalion and contribute money to counter the presumed threats to world order, but they are unlikely to yield on paramount national economic interests. Economic conflicts among the industrialized world cannot be resolved by the use of force or threat of its use, but by the pressures of complex interdependence among them.

Does the success of the American venture in the Gulf imply the United States would continue to despatch half a million troops halfway around the globe with the UN in tow and the other great powers meekly submitting? Few in the world would be as bold as President Saddam Hussein to present such an obvious and blatant transgression of international law and invite the collective might of all the great powers. The American success in putting together an international coalition against Iraq does not represent the resurrection of *pax Americana*, but the strategic stupidity of Saddam Hussein, who left no political space for any great power to pursue an independent policy on the Gulf. France came perilously close to disrupting the international coalition against Iraq by searching for an honorable exit for Saddam Hussein. It was not that there were no contradictions among the great powers in dealing with the Gulf crisis. By failing to show flexibility on its occupation of Kuwait, Baghdad forced an unprecedented solidarity among the great powers. It is by no means certain this will be a recurrent scenario.

A victorious war in the Gulf can really do nothing to overcome the structural problems of the American economy and its inability to be productive at home and compete abroad. The high-tech weapons and smart bombs, advertised as the symbols of American technological sophistication, cannot substitute for vibrant technological innovation in the civilian sector. American dependence on imported critical elements from Japan has been steadily growing even in the military field. There is an increasing sense in the United States that the current economic and technological challenge from Europe and Japan is far more severe than the past military challenge threats from regional powers. If internal economic reordering is an urgent imperative and there are growing demands within the country to end the economic deprivations of the Reagan Revolution, the political class seems to have little stomach to initiate such reform at home.<sup>7</sup>

The resurgence of self-confidence in Washington and euphoria over the Gulf victory should not be mistaken for a new domestic consensus behind the idea of *pax Americana*. Those calling for an America “unbound,” intervening and defending its interests everywhere in the world, are a very small minority. Even those who have called for such an activist foreign policy fear the growing

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<sup>7</sup>Kevin Philips, *The Politics of Rich and Poor* (New York: Random House, 1990).

attack within the United States on the postwar internationalist consensus and the resurgence of right-wing isolationism.

With the disappearance of the Communist threat, the unifying and organizing principle of American foreign policy, domestic political space has been opened up for a range of contending views on defining American foreign policy in the emerging world. The right-wing isolationists, along with the left-wing noninterventionists, insist that the time has come for America to extricate itself from needless external engagements and foreign adventures. The purpose of American power, the isolationists argue, is not to right every wrong in the world but to defend and expand American freedoms and material welfare.<sup>8</sup>

The internationalists who continue to dominate the American foreign policy establishment are, however, a divided lot. Some call for readjusting America's foreign policy goals to stay in line with declining domestic resources that can no longer support the kind of massive global engagement that America undertook during the cold war. Some urge a great-power concert to maintain international stability. Others soar high on Wilsonian internationalism, emphasizing multilateral cooperation, collective security, the United Nations, and international law. Some demand new emphasis on worldwide export of democracy in place of the old principles of containing communism. The traditional realists dismiss liberal internationalism and exporting democracy as idealistic and insist that international stability and order can be maintained only through the pursuit of equilibrium and balance of power. All these diverse views were intensely articulated in the weeks and months preceding the Gulf War. The victory in the Gulf War has certainly not brought about a new consensus around any one particular position. The American divisions have come into sharp focus on the issue of dealing with the civil war in Iraq.

The Bush administration has seen itself as a sophisticated exponent of realism, conservative internationalism, and balance of power. Its appeasement of Saddam Hussein until he invaded Kuwait and then giving him a free hand in crushing the Shia and Kurdish revolts through a policy of nonintervention in the civil war reflected the classic balance-of-power policy. For Washington, containing Iran, preventing the Iranian domination of the Gulf, and maintaining the integrity of Iraq are as important as preventing the domination of the Gulf by Iraq and defanging the Baathist regime in Baghdad. The Bush administration's policy is to weaken Baghdad sufficiently to remove the threat it has posed on its neighbors, but not to weaken it so much that it goes under the tutelage of its neighbors. As Henry Kissinger pointed out, America should "avoid branding Iraq as forever beyond the pale. Rather, it [sh]ould seek to balance rivalries as

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<sup>8</sup>Patrick Buchanan, "America First—and Second and Third," *The National Interest*, Spring 1990, pp. 77–82.

old as history by striving for an equilibrium between Iraq, Iran, Syria, and other regional powers.”<sup>9</sup>

Besides its approach to balance of power in the Gulf, the Bush administration is also apprehensive that any involvement in the Iraqi civil war would suck America into a quagmire and undercut the domestic support for Gulf policy. Although General Norman Schwarzkopf objected to the American policy of nonintervention in the Iraqi civil war, the military advice to Bush from the joint chiefs has been to vacate Iraq as quickly as possible. The Pentagon was set against prolonged military involvement in Iraq with imprecise political objectives. For all the talk about kicking the Vietnam syndrome, the American experience in Vietnam and Beirut continues to burden U.S. military thinking. This realistic policy on nonintervention has been widely condemned in the United States as a betrayal of the Iraqi dissidents after asking them to rise in revolt, as insensitive to concerns of democracy and human rights in Iraq, and as reducing America to the role of an accomplice in Saddam’s butchery of his own people.<sup>10</sup>

The postwar American policy in the Gulf offers us better clues to the evolution of the American role in the post-cold war world than its military triumph in the Gulf. First, the collapse of the Soviet countervailing power does not guarantee the automatic exercise of American hegemony. Even after its triumphant victory in the Gulf and an apparent free hand in determining the fate of West Asia, America finds itself paralyzed by the complex political reality of the region. Without an identifiable permanent enemy, the United States would be under compulsion to balance the pursuit of different goals and competing interests. External complexities and a lack of consensus at home make the pursuit of a hegemonic course difficult. In most parts of the world the United States would have to remain content with the pursuit of a balance of power.

But America will find it difficult to adjust to balance-of-power politics because it has been familiar only with hegemony or isolationism. Kissinger argues, “There is no escaping the irony that our triumph in the Cold War has projected us into a world where we must operate by the maxims that historically have made Americans uncomfortable. To many Americans, the most objectionable feature of the balance of power is its moral neutrality. For the balance of power is concerned above all with preventing one power or group of powers from achieving hegemony.”<sup>11</sup>

<sup>9</sup>Henry Kissinger, “A New World Order,” *India Today*, March 15, 1991, p. 39.

<sup>10</sup>Paul Gigot, “Bush’s ‘Stability’ Not So Appealing If You’re a Kurd,” *Asian Wall Street Journal*, April 1, 1991.

<sup>11</sup>Kissinger, “New World Order,” p. 11.

The American tragedy is that the relative decline of the United States and the fragmentation of the international power structure leave America no option but to pursue a strategy of balance of power. Such a policy knows few permanent enemies and fewer permanent friends, and Americans will find it difficult to digest such a policy. While pursuing balance of power, the American foreign policy elite knows that in order to overcome the isolationist impulse and mobilize domestic support, the policy goals will have to be articulated in terms of grandiose slogans like new world order, opposing aggression, and supporting democracy. But the realpolitik will keep running against these formal slogans. This tension between idealist rhetoric and cynical realpolitik in the Gulf has been in focus in dealing with the postwar situation in Iraq. This tension will continue to manifest in many areas of American foreign policy in the coming years.<sup>12</sup>

If we ignore the rhetoric on the new world order, the strategic content of American foreign policy in the new era appears to be fairly modest: to meet the technoeconomic challenge from Europe and Japan and to maintain the balance of power on the Eurasian landmass, even as it substantially scales down its military presence in Western Europe and East Asia. In spite of Third World fears of American hegemony, much of the Third World could cease to be of central significance to Washington.<sup>13</sup> The West Asian region would indeed extract much of the American energies. There could be greater attention to Latin America and the Caribbean than in the recent past. Sub-Saharan Africa is already out of American focus, and South Asia could meet a similar fate. On issues of global security American leadership would be effective only if it leads in collaboration with other great powers. But such cooperation may have a constraining rather than a liberating impact on the American role in the world.

The Gulf War is unlikely to arrest or reverse the tendency toward fragmentation of power in the international system. The world is unlikely to see either the revival of American hegemony or the return to the prewar world of many competing great powers. The great-power relations would have to be managed, without recourse to use of force, under the impulses of both competition and cooperation within a framework of interdependence.

The complexity of the new order is also intensified by the diffusion of military and economy power in the Third World. There is no better example of this than pre-Gulf War Iraq. To defeat this small country of about 17 million people, the United States had to mobilize half a million American troops and

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<sup>12</sup>Irving Kristol, "Tongue-tied in Washington," *Asian Wall Street Journal*, April 16, 1991.

<sup>13</sup>Samuel Huntington, "America's Changing Strategic Interests," *Survival*, January-February 1991, pp. 3-17.

use 75 percent of its tactical aircraft and 40 percent of its tanks.<sup>14</sup> Iraq had also come to symbolize the accelerating proliferation of mass destruction weapons and high-technology conventional weapons. The new emphasis on anti-proliferation regimes in the post-cold war world is largely a reflection of the desire to cope with the diffusion of military power in the Third World.

It is ironic that the new focus on nonproliferation coincides with the dissipating momentum in East-West arms control. The expected progress across the wide front of arms limitations after the INF (intermediate nuclear forces) treaty has not materialized. The two major developments—the conventional forces in Europe (CFE) treaty and the unilateral reduction of tactical nuclear forces in Central Europe—have been the result of the seachange in the European political order at the end of 1989 and are no reflection of the inherent strength of the arms control process. The decision by Washington and Moscow to slash their chemical weapon arsenals is significant, but the world is no closer to the convention to abolish chemical weapons. After nearly two decades of negotiations and despite the basic change in Soviet-American relations, a strategic arms reduction treaty is not in sight.

More basically, the exalted significance that the arms control process had assumed in East-West relations during the cold war is no longer there. The moment the political relationship was restructured, the pressure for arms control steadily diminished. Although recent internal developments in the Soviet Union could bring a new focus on arms control, such attention could be more negative than positive. It could strengthen the realist arguments on keeping the current levels of military preparedness and maintaining the current alliance structures as insurance against a possible reversal in Soviet policy.

If the earlier salience of arms control in East-West relations is unlikely to be recaptured, the Gulf crisis has generated new interest in arms control in the North-South context and in building effective regional security structures in the volatile regions of the developing world. Third World nationalist attacks on the multilateral arms control framework are likely to intensify as advanced countries seek to impose new regimes to prevent proliferation of mass destruction weapons. Some of them are already arguing that even small progress in European arms limitation has worked against the developing world. They refer to U.S. ability readily to shift troops and equipment from Germany to the Gulf, which would have been unthinkable even two years ago. In the developed world the military threat from the developing world could emerge as a new bogey for sustained military spending at high levels. For example, missile proliferation had already emerged, well before the Gulf War, as the last justification for the strategic defense initiative.

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<sup>14</sup>“On Top of the World,” *The Economist*, p. 15.

Although nonproliferation issues are likely to emerge at the top of the global strategic agenda, the existing nonproliferation regimes such as the nonproliferation treaty (NPT) have come under severe stress. The collapse of the NPT review conference in 1990 on the issue of the test ban, the failure of the conference to amend the partial test ban treaty (PTBT) into a comprehensive test ban treaty (CTBT), and the Bush administration decision to make the destruction of Iraqi nuclear facilities a major Gulf War objective are indicative of this.

The Iraqi nuclear ambitions, and there is no denying them, mark a new phase in the politics of nonproliferation. Until now the main challenge to the nonproliferation regime had come from those nations like India, Pakistan, and Israel that chose to remain outside the NPT system and kept their nuclear option open. But Iraq is a party to the NPT. Iraq's pursuit of nuclear weapons reveals the erosion of the security incentive to stay within the NPT fold for those countries with unfulfilled ambitions for the status of a regional power or those locked in rivalry with a regional nuclear actor. Further, the implicit threats that have emanated from the Bush administration on the use of nuclear weapons against Iraq, and certainly the explicit refusal to rule out their use, are likely to undermine the basic security bargain in the NPT. The destruction of the Iraqi nuclear facilities in spite of International Atomic Energy Agency (IAEA) assurances that no nuclear material had been diverted may invalidate the very credibility of the verification system so critical for maintaining the NPT.

As the world devotes greater attention to the problems of proliferation, the inner contradictions of the nonproliferation regimes are bound to get sharper. The model of "enforced disarmament" that has been applied against Iraq after its comprehensive defeat in the Gulf War is indeed a unique one and cannot be applied everywhere in the developing world. The existing and future nonproliferation regimes will run counter to the basic tendency of diffusion of military power in the world. Given the nonuniversality and the inherent discrimination within these regimes, their success would be limited at best. There are few takers in the West for comprehensive solutions such as eliminating nuclear weapons or ballistic missiles. The message given to the Third World is that the linkage between nuclear weapons and security is positive in the case of NATO and Europe and negative elsewhere. The West declares nuclear weapon indispensable in Europe even after the collapse of the Warsaw Pact and says there is no alternative to nuclear deterrence while preaching the virtues of nonproliferation to the emerging powers in the developing world.

There is much talk now of a new order in the Middle East after the Gulf War. Most of the conceptions of this order have referred to new arms control mechanisms to be applied to the region. It is by no means clear what will be controlled or how it will be controlled. Any arms control regime that leaves the

Israeli nuclear arsenal intact while disarming the Arab nuclear potential would be inherently unstable. Can one expect that the proposed Middle East arms control mechanism would be given overriding priority over other political and economic interests of the great powers when trade and economic rivalries among them are likely only to intensify? The American decision, so quickly after the Gulf War, to sell a reported \$18 billion worth of arms in the region is an invitation to a new arms race in the Middle East. It is not entirely clear whether the missile threat would be addressed by eliminating ballistic missiles from the Middle East or if a new arms race in acquiring Patriot-type missiles would be initiated.

That brings us to the major tension of the post-cold war world, namely, the tension between the need for global cooperation and collective security on the one hand and the persistence of balance-of-power politics on the other. The imperatives of economic and ecological interdependence and the fragmentation of power in the international system would push the world toward the former course. But *realpolitik* and the short-term interests of the great powers would continue to pull it in the latter direction. The first crisis of the post-cold war world has demonstrated this tension.

Many had hoped that the end of the East-West confrontation could open the door for a fresh attempt at collective security at the global level and the reinvigoration of the United Nations system to maintain international peace and stability. The unprecedented unanimity of the permanent members of the UN Security Council in dealing with the Gulf crisis, the creation of the most punitive framework of sanctions against Iraq, and the eventual granting of authorization to the U.S.-led coalition to use force against Iraq are evidence for the emergence of a new collective security framework to reverse aggression, impose international law, and restore peace and security in the Gulf.

But many in the Third World are not willing to see this as evidence of a collective security framework. There is a deep sense of resentment that the UN system has been appropriated by the United States, that Washington did not exhaust the option of sanctions, that it is not interested in addressing the long-standing grievances of the Arab world, that the United Nations has been pressured into implementing many resolutions against Iraq while doing nothing about Israeli occupation of Palestinian territories. They see the harsh terms for cease-fire demanded by the UN and the imposition of unilateral disarmament on Iraq and the allied intervention in the Iraqi civil war as setting dangerous precedent for violating Third World sovereignty.

Whatever the validity of these perceptions, they reflect the enormous Third World frustration with the UN role during the Gulf crisis. They are right in pointing out that President Bush's rhetoric on new world order is no more than a cover from the pursuit of balance-of-power politics. Despite the sense of its

misuse, however, there is no alternative in the long term to the United Nations as the instrument of collective security. It is important that the developing world not shun the United Nations system but demand its democratization. The anarchy and disorder that would occur without such a genuine collective security framework could have the most negative consequences for the developing world.

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### **3. India and the World Economy: A Perspective for the 1990s**

**VIJAY L. KELKAR**

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#### **Recent Trends in the Indian Economy**

If there is no early resolution of the Gulf crisis, the world economy is in for considerable economic difficulties, which will have devastating consequences on developing countries, including India. There is already an incipient recession in the U.S. economy. These negative trends will only be further strengthened and can lead to “stagflation” in the world economy. Whatever the outcome of this conflict, the energy sector is going to dominate the world economy in the 1990s because of the structure of the oil market (very low short-term price elasticity, high income elasticity, and geographical concentration of the hydrocarbons resources so that one small region accounts for more than 50 percent of the world hydrocarbon reserves). Hence, these markets are very vulnerable to politics and vice versa.

Between the first and third oil shock (between 1974 and 1990), the Indian economy has changed considerably. In many ways, perhaps it is now a different economic entity than it was even a decade ago, since the second oil shock of 1979–1980. During the 1980s, India’s gross national product (GNP) increased from \$150 billion to \$210 billion in U.S. dollars. The size of the industrial sector is now about twice that of even 1980. The stock of technical manpower is one of the highest in the world. Similarly, thanks to continuous demographic expansion, from 1973–1974 to 1990, the population increased by 232 million. Almost 50 percent of India’s current population was born since the first oil shock. In other words, now there is a totally new India. Compared to the experience of many other developing countries, India’s experience in the 1980s has been quite encouraging. India’s gross domestic product (GDP) growth rate during the decade was 5.2 percent per annum; the developing countries grew by 2.2 percent per annum during the same decade. Even compared to its own earlier experience, the 1980s showed considerable growth. For instance,

India's per capita income increased at a rate exceeding 3 percent per annum, indicating more than a 50 percent increase in the long-term growth rate, which is substantial.

There were several interesting features of India's growth during the 1980s. The industrial sector was the most dynamic, with its growth rate accelerating in the second half of the decade. From 1984 to 1988 (the Seventh Plan period), the industrial growth rate was one of the highest since independence, but it accompanied considerable changes in the structure of India's industry with the emergence of new and technology-intensive industries. Yet another interesting feature has been the "decoupling" of industrial and agricultural growth rates. During the 1980s, the agricultural growth rate was modest, perhaps marginally lower than that of the 1970s, but this did not pose a constraint vis-à-vis the industrial. Even severe droughts did not slow the pace of industrial growth, unlike in earlier decades. This structural change has considerable significance for future growth prospects. As far as price stability is concerned, the average rate of inflation during the 1980s has been 7.3 per annum. Although in many other developing countries, especially those of Latin America, the average rate of inflation has been much higher, India's performance on inflation has not been as good as those of the Organization of Economic Cooperation and Development (OECD) countries. One interesting feature of the 1980s has been considerable improvements in the use of capabilities in the infrastructural sectors, such as power and railways, that enabled the economy to attain higher industrial growth rates. Although in growth rate terms the performance in the 1980s has been very dynamic, it did create some major and structural imbalances, and these are likely to continue for some time, adversely affecting growth prospects in the 1990s.

The fundamental structural imbalance results from the 1980s growth having been more "debt financed" than that of the earlier decade (debt rose from Rs. 69 billion in 1981-82 to Rs. 266 billion by 1989-90) while during the same period the external debt rose from \$17 billion in 1980 to almost \$40 billion in 1990 (U.S. dollars), thus making India one of the most highly indebted countries in the world. If contracting such very high debts was accompanied by an increased growth rate of exports or of domestic savings, the debt level per se would not have been of much concern. Accelerating growth through borrowing has been a classic strategy of many dynamic economies (the United States, Japan, Germany, and Korea). The debt would not have been of major concern but for the disappointing Indian domestic savings and exports trends. Especially during the second half of the 1980s, the net savings in the economy as a percentage of net national product declined from 15.1 percent in 1980-1981 to 11.6 percent in 1987-1988. Similarly, India's share in world markets, especially in manufactured products, did not increase as rapidly as world trade. These

macroeconomic imbalances reflected the deterioration of international competitiveness of India's industrial sector and the growing breakdown of the "development consensus" among various social groups. This breakdown is particularly serious because it has led to the erosion of public saving and investment as various subsidies made growing demands on India's exchequer, thus reducing the government's ability to fund programs to encourage public saving and private investment.

When one talks of India's international competitiveness, one is talking about the country's ability to increase its share of world trade. In that sense, industrial growth in the 1980s did not improve India's international competitiveness. The considerable evidence now available indicates this was essentially due to trade and industrial policies during the 1980s. During this period, industrialization was pursued within a closed economy framework as the industrial sector was subjected to ubiquitous nontariff barriers. This led to a peculiar situation in which, even in new industrial sectors such as computers and petrochemicals, domestic activities was encouraged when there was little "value added" when the products are valued at border prices (at opportunity cost) while penalizing the economic activities such as engineering goods and textiles that are internally competitive in the sense of domestic resource costs. Studies show that the incentive structure in the 1980s was somewhat perverse because it let industrial growth move away from the sectors in which the country possesses comparative advantage and competitive strength (engineering industries, textiles, and computer software) by encouraging the industries that have very high domestic resource cost.<sup>1</sup> International financial institutions such as the World Bank also encouraged this trend by excessively focussing attention on internal liberalization without adequate emphasis on trade policy reforms, leading to "consumption led" growth rather than "investment or export led" growth and thus making the growth process unsustainable in a longer-term framework.

This "closed" economy syndrome also facilitated the continuation of the phenomena described by Professor Pranab Bardhan in the Radhakrishnan memorial lecture, where he showed how dominant members of the ruling coalition extract transfers or subsidies from the state.<sup>2</sup> These subsidies are both direct and indirect (financed directly through the budget and indirectly through the cross-subsidization with differential price policy). During the 1980s, the food and fertilizer subsidies increased from Rs. 10 billion to Rs. 54 billion, and

<sup>1</sup>Vijay Kelkar, Rajiv Kuman, and Rita Nangia, *India's Industrial Economy: Policies, Performance and Reforms* (Manila: Asian Development Bank, September, 1990).

<sup>2</sup>Pranab Bardhan, *Political Economy of Development in India* (New Delhi: Oxford University Press, 1984).

it is estimated that total subsidies currently amount to Rs. 610 billion (16 percent of India's GNP), which is unprecedented. This trend of growing levels of transfers or subsidies has become unsustainable, and this is the fundamental source of the country's fiscal crisis and development impasse. This has led to a vicious circle of increasing budget deficits and debt levels coupled with declining saving and investment levels, resulting in growing balance-of-payments deficits. The cross-subsidization through differential prices also adversely affected the international competitiveness of the Indian economy because it effectively taxed the productive sectors of the economy. Although this ensured intersectoral transfers within the economy, it meant that Indian goods were noncompetitive in the world markets.

There now seems to be a growing awareness that these underlying factors have made the growth process unsustainable, and radical changes are required. These will involve not only macroeconomic policies but also major overhaul of trade and industrial policies (microeconomic reforms). Promotion of an industrial structure that is internationally competitive will have to be the cornerstone of the new strategy, and this can be done only in an open economy framework by actively seeking to increase the share of foreign trade in the country's GNP. This would mean bringing domestic relative prices in line with international prices by removing nontariff barriers as quickly as possible and launching tariff reforms. This would also introduce "hard budget constraints" on the various social groups to limit their growing demands on "distribution" of the national cake and thus limit the growth in consumption, especially conspicuous consumption. This limitation on transfers will help restart the virtuous circle of capital accumulation, growth, and technological progress through growing participation in the international division of labor. Clearly, this desirable policy transition is feasible in a world economy that is open, nondiscriminatory, and supporting of countries such as India that are seeking a structural transformation of their economies by rapidly expanding their foreign trade and "catching up" with the West in technological fields. The pace of the policy reforms in India would be vitally linked to the degree of support India receives from the OECD countries, including the United States, through removing their trade and nontrade barriers to India's exports of goods and services and by making available adequate financial resources. The 1990s can be the decade of transformation for the Indian economy—transformation from a "closed" to an "open" economy. This will strengthen the U.S. and world economies through the "rebound" effects.

### **The Impact of World Economic Processes on Developing Countries**

When we look at the postwar period in the long-term framework of the twentieth century, the postwar economic growth is clearly unprecedented in terms of its width, length, and depth.<sup>3</sup> The other important fact is the last 40 years of international peace, despite the cold war between the two major nuclear powers. This sustained growth brought about a number of structural changes in the world economy; consequently, the world economy is becoming radically different. The world economy has become multipolar; no one single power can now exercise hegemony on it. The major economic powers now dominating the world economy are the United States, Japan, and Europe. In the 1990s, they will be joined by China and the newly industrialized countries (e.g., Korea). Over these years, economic power itself has become multi-dimensional (i.e., GNP, size of foreign trade, population, technological capabilities, and control of strategic raw materials and natural resources, especially hydrocarbons). The energy sector will be at the center of the world economy because of the nature of its markets and its profound impact on both the financial markets and macroeconomic management policies. Yet the technological capabilities embodied in its human capital and the vitality of its institutions, whether market or state, will be most decisive in deciding a country's relative economic power and thus the degree of its influence on the world economy.

Postwar growth, especially of the market economies, was facilitated by the "Bretton Woods" institutional framework (i.e., IMF [International Monetary Fund], World Bank, GATT [General Agreement on Tariffs and Trade], and the UN system). This institutional framework enabled rapid postwar reconstruction and spectacular growth of world trade and of the national economies, especially of the OECD countries in the "golden" phase that lasted until 1973. U.S. leadership was vital to the creation and management of this institutional framework. Almost all of the developing countries increased their growth rates during the postwar period over the colonial period. Of course, the different groups of countries achieved different levels of performance. One of the disturbing features of the postwar growth is that it did not reduce disparities among nations (i.e., between the developed and developing countries). In fact, economic distance between the developed and developing countries seems to have increased whether measured in terms of per capita incomes or technological capabilities. This issue will become one of the key concerns in designing institutional and other reforms of the world economy in the 1990s. It is possible to identify three different phases since World War II, although their dating is

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<sup>3</sup>A. Maddison, *The World Economy in the 20th Century* (Paris: OECD Development Centre, 1989).

admittedly arbitrary. The first phase, which lasted until 1973, can be called the Bretton Woods phase. From 1973 to about 1980 can be described as the phase of a struggle for establishment of the new international economic order (NIEO). The third phase (post-1980) is a “nonsystem” phase in which all the Bretton Woods institutions are in retreat — for instance, in the international financial system, the international capital markets dominated the IMF or the World Bank. Similarly, the increasing intensity of protectionist measures threaten the GATT framework. Clearly, the 1990s will have to see a new beginning for better governance of the world economy.

The world economy has witnessed a revolutionary change in the last few years in which the “three world” categorization has become somewhat a thing of the past with the collapse of socialism in the East European countries. Among other things, this will affect world trade and investment flows in the 1990s. Given the enormous human capital in terms of higher sciences, the “democratization” of Eastern Europe can have only a positive long-term impact on the world economy, although the short- and medium-term implications of these changes are uncertain as these economies seek radical reforms affecting their economic organizations, the incentive structure, and their political institutions. For the world economy, the transitional problems of these economies will be one of the important issues for the 1990s. In Western Europe, the integration of the European Economic Community (EEC) will quicken its pace in the coming years. Although the jockeying for power among the larger members of the community (i.e., Germany, the United Kingdom, and France) will continue, they can collectively exploit the opportunities now offered by Eastern Europe, including the Soviet Union. If the 1980s was the “decade of Europe,” greater integration between Western and Eastern Europe will create a more dynamic, a very large, and hence a very powerful economic entity. This will enable Europe to succeed in its bid for technological leadership in some key areas. Consequently, the European firms will take center stage in many sectors of the world economy. In terms of its economic performance, Eastern Europe in the 1990s resembles Latin America of the 1980s. The possible consequent political conflict between aggressive nationalism and religious fundamentalism could retard progress in Europe.

One of the most important trends in the world economy is the pace of technological change. Many observers have argued that we are in the midst of the “third industrial revolution” driven by informatics, genetics, new materials, and space technology. Not only is the pace of change rapid, but it leads to shifts in economic leadership among countries. These shifts, coupled with the multipolar nature of the world economy, will be reflected in considerable instability in international financial markets (e.g., greater exchange rate movements where real exchange rates move sharply within a short period and

consequently destabilize the world economy). Most of these technological achievements will probably be concentrated in the developed countries, and the rate of diffusion of the new technologies to the developing countries will depend on the technology policies adopted by the developed countries. In a number of important technologies, the policies of many developed countries have been restrictive. Consequently, it is not clear whether the technological distance between the developed and developing countries will decrease during the 1990s.

Almost all the national economies became more open in the 1990s; international exchanges in national economic activities are increasing; there is far greater interdependence among national economies. This is occurring not just in the goods sector, but in the services sector, too. For instance, financial markets are now truly globalized, and the volume of world trade in financial instruments in the capital markets is far ahead of that of goods. This international movement of capital across national boundaries has also increased the role of asset markets in the world economy, and this is leading to further integration of national economies. Thanks to the communication revolution, there is now greater convergence in consumer preferences, and the lure of "new goods" has become global. This will affect the development patterns of developing countries like India and thus world trade in the 1990s.

All these factors (i.e., greater interdependence in goods and services, greater interpenetration of factor markets, greater communication and rapid technological changes) mean that the world economic system will face the problem of managing a profoundly complex system in the 1990s. All these changes also mean that the world economy will be characterized by much greater uncertainty and increased instability. Handling these issues will probably require new insights, new approaches, and new theories.

Two other issues face the world economy in the 1990s. The first is solving the external debt crisis of the developing countries in a way that enhances their growth. The second is meeting global environmental concerns (i.e., global warming, ozone depletion, and control of nuclear and other hazardous wastes). Some of these issues create a cruel dilemma because abating action will reduce development options and growth rates; consequently, the disadvantaged sections of the society will be particularly hard hit. Even more distressing, the technological solutions are readily available, and these can be implemented without reducing the development options of the developing countries. But the international community is not responding positively. The recently concluded international agreement on the control of the Combined Forces Command (CFC) is a case in point.

Within the multilateral institutional framework, the operations of transnationals have been the powerhouse of the world trade and investment flows.

There are a number of negative features of the operations of transnationals (restrictive business practices, transfer pricing, and their blatant political role in a number of developing countries). Further, it is also leading to growing cartelization of world trade (i.e., an increasingly fewer number of actors is dominating the underlying economic process). Consequently, the transnationals will have an even greater say in the world economy, whether in manufactures, services (such as the financial sector), or communications. These economic agents will have little respect for national boundaries and national objectives, especially of the developing economies. This will also reduce the power of the interstate institution. In other words, the market will dominate the state. Market failures occur, for a number of reasons, so this development does not auger too well.

The failure of the Uruguay round of GATT is very disturbing. It will only encourage bilateralism, regionalism, and regional blocs, which can only lead to inefficient outcomes for the world economy. Further, factor markets will globalize (e.g., capital markets cannot co-exist too long with trading system regionalization). The history of the interwar years shows that such arrangements are inherently unstable and can lead to unmanageable conflicts.

Thus all the underlying trends in the world economy indicate that the 1990s are going to be very unstable. The demographic changes occurring in the OECD countries suggest that the global savings can show secular decline, adversely affecting the investment levels and growth rate of the world economy. Consequently, the 1990s may be much less dynamic than the 1980s. The world economy can presently be described as at a turning point, where a search for a new paradigm for managing a multipolar world economy has yet to yield fruit.

There are a few positive features that may enable us not only to muddle through, but to accelerate the transition of the developing countries and thus the growth of the world economy. First, the ending of the cold war has opened the possibility of releasing resources that can be made available for making a successful transition, especially in the developing countries and the socialist countries. The "peace dividend" may boost the global savings and investment. Second, the new technological revolution can give both the pioneers and the latecomers more options to accelerate their growth rates. Third, the coming soft oil markets of the 1990s can accelerate the world economy. Finally, the economies of East Asia, India, and China can provide momentum to the world economy. East Asian economies have already shown their dynamism. India has the potential to do so, and the Chinese economy is likely to achieve growth acceleration in the coming decade because of that country's cohesiveness and proven ability to pursue clear objectives with pragmatic economic policies.

North-south issues (i.e., the “equity” in world economic relations) are bound to take center stage in the coming years, forcing us to find ways to redesign multilateral cooperation so it is fair to all contracting parties and also capable of making development of developing countries one of the central concerns of the world economy. OECD countries’ present obsession with recent changes in Eastern Europe may turn out to be at the expense of developing countries in terms of transfer of financial resources or opening of markets.

### **Important Issues**

Indo-U.S. economic cooperation can now play an important role in improving global as well as bilateral economic relations. Decision making to manage the world economy is currently concentrated in the Group-5, consisting of the United States, Germany, Great Britain, Japan, and France. Although this group’s decisions affect the economic welfare of all other countries, their concerns are not reflected in this forum. This process will have to be democratized in the 1990s. Integration of the Eastern European socialist countries and China into the international economic system make this even more urgent. There are a number of proposals in this regard. One of the more imaginative is that of the World Institute for Development Economics Research of United Nations (WIDER), Helsinki.<sup>4</sup> It envisages setting up a world economic council so that the large developed countries take into account the needs of the smaller developed economies and developing countries. This process, if successful, may provide an answer for better managing the multipolar world of the 1990s. Both India and the United States should be interested in such reforms.

It is essential that the world trading system remain open and nondiscriminatory, with multilaterally enforced rules, procedures, and sanctions. Such a system should be able to act even against a large developed country that discriminates against a small developing country (i.e., establishing the rule of law in place of “reciprocity”). Once again, there are a number of proposals in this regard.<sup>5</sup> Among other things, these reforms would mean removing the discriminatory tariff and nontariff measures presently in place in the OECD countries against the developing countries, especially the more advanced ones. They would agree to assume greater obligations and responsibilities of the multilateral framework by shedding their “free rider” privileges. In designing

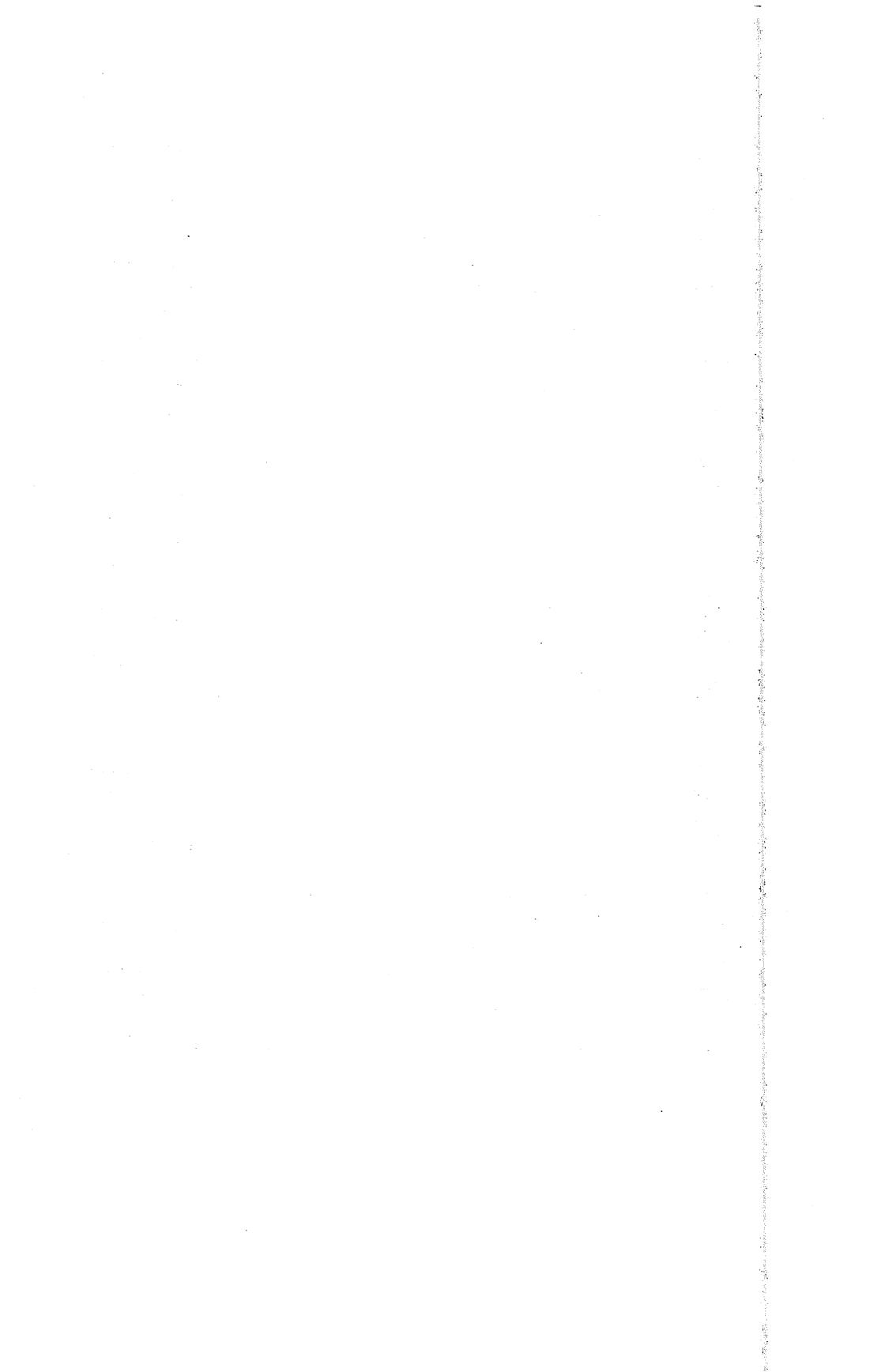
<sup>4</sup>WIDER, *World Economic Summits: The Role of Representative Groups in the Governance of the World Economy* (Helsinki, 1989).

<sup>5</sup>Vijay Kelkar, *On the Reforms of the International Trading System*, RIS Working Paper no. 17 (New Delhi, 1987).

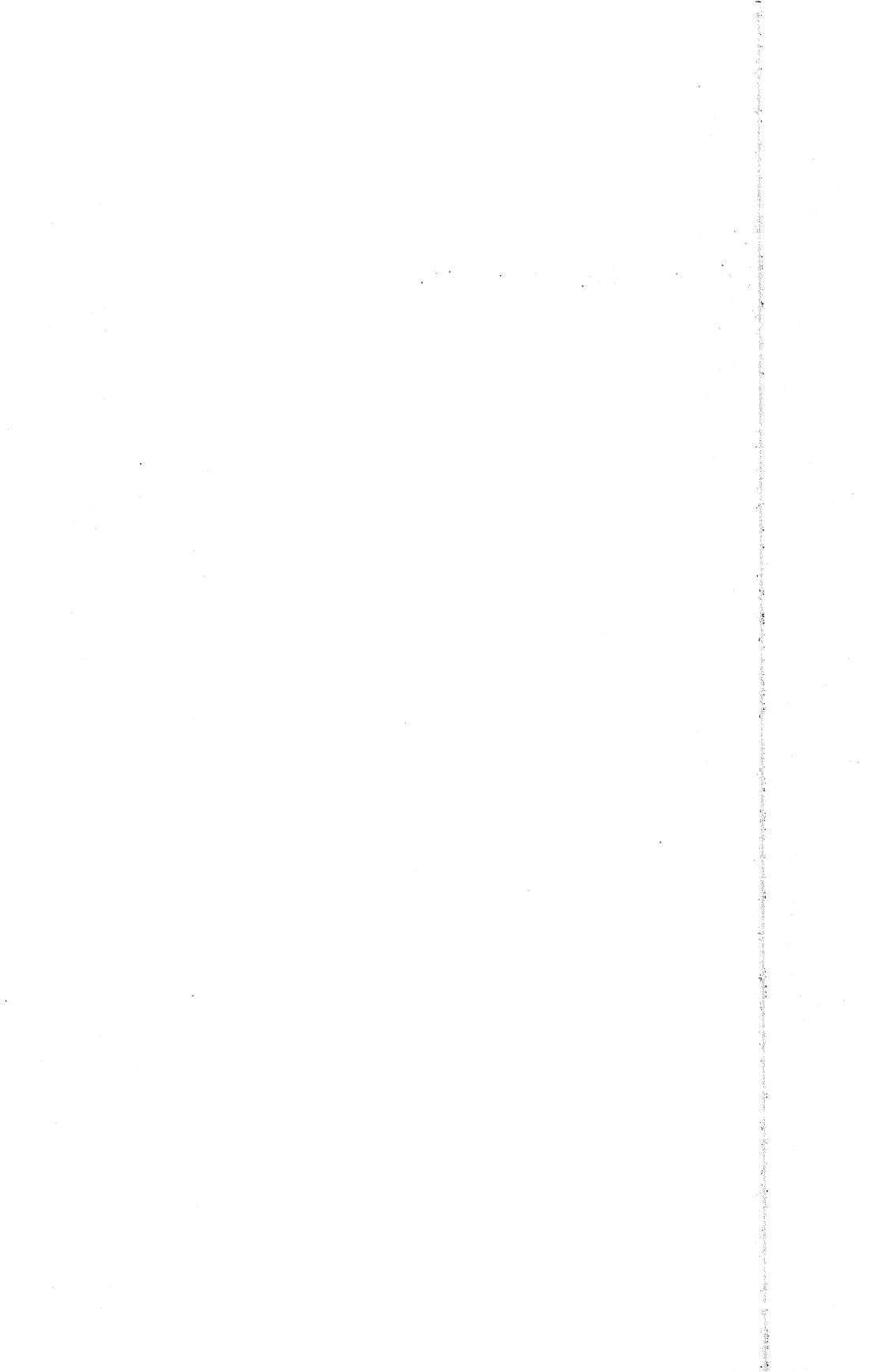
reforms, individual developing countries should be allowed considerable flexibility so their trade policies can take historical problems into account.

In conducting their trade policies, neither India nor the United States should try to bring down multilateralism, which is now in danger of happening. The current "all or nothing" approach of the United States, the EEC, and Japan in the Uruguay round should not be allowed to wreck the efforts to create an international trading system that is nondiscriminatory in general and yet capable of allowing "affirmative action" in particular cases. India has a vital stake in such a system and should participate fully in the negotiations to create such a regime. In these multilateral negotiations, there is also an urgent need to take into account OPEC (Organization of Petroleum Exporting Countries) concerns so a desirable level of stability is imparted to the oil markets. This ought to be considered a "public good" because the oil markets are vital for the health and well-being of all countries. Such initiative will be an appropriate response to the concerns of the countries of the Gulf region and also help "balm" recent wounds.

The trade issue will require urgent bilateral consideration. The United States has adopted unfair and discriminatory trade measures against India's exports in a number of sectors. Textiles is the classic case, but unfair discrimination is now also occurring in steel and leather, for example. If India is to overcome the emerging development impasse, it will have to follow more market-oriented policies. This would mean exploiting the country's comparative advantage, which exists in sectors such as textiles, steel, leather, and software. Hence, the United States should remove the tariff and nontariff barriers against India's exports in these sectors. This will also help India undertake a number of trade reforms to remove its own quantitative restrictions against imports. In other words, India and the United States can deploy mutually reinforcing trade policies. Thus, naming India along with Brazil and Japan under the Super 301 clause has come as a shock to most Indians interested in Indo-U.S. cooperation. The share of Indian exports in total U.S. imports is less than 1 percent. Except for garments, handicrafts, and simple metal-based products, Indian firms have not been able to penetrate U.S. markets. Given this rather minimal performance, the naming of India under 301 is most unusual, and the country should be removed from the list as soon as possible.



**Part 2.**  
**Regional Developments**



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## 4. South Asian Relations, Bilateral and Regional

S. D. MUNI

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Two unalterable aspects of South Asian reality have decisively shaped the region's bilateral and multilateral relations: India's centrality, not only geographical but also historical and cultural, and India's overwhelming superiority encompassing territorial, demographic, economic, and military dimensions. Combined, these aspects have generated intense apprehensions and fears among the neighboring countries vis-à-vis India, resulting in perpetual disharmonies and conflicts in bilateral relations between India and its neighbors.

Both these aspects are the constants of South Asian reality, being the products of geography, size, population, and economic resources. To view South Asian regional affairs through the prism of *only* these two unalterable aspects is erroneous as well as misleading. Doing that would present a static and lopsided view of the region in which the powerful past currents and future prospects of understanding and cooperation among South Asian countries will be ignored and undermined. It would also ignore and undermine the crucial role of other variables (i.e., those factors and forces that are themselves changing while continuously imparting varying political and strategic contents to the previously identified constants of regional and bilateral interactions). Hence, the role of internal political dynamics in each of the South Asian countries, as well as how the international order and the extraregional forces have impinged on the regional interactions, deserve critical and careful understanding.

India's neighbors' responses to India's "centrality" and "superiority" have not been identical. Pakistan stands out as distinct and separate from India's other neighbors. Pakistan emerged as a new state from the process of partition, the roots of which lay not in any historical precedence, but in a make believe theory of "two nations" based on religion. The fact that Pakistan was "carved out" from the gradually evolved political entity of India, unlike the other neighbors, imposed on it an identity crisis as well as an emotional and psychological antagonism vis-à-vis India that is not common in the history of

state-to-state relations. The intensity of Pakistan's crisis and antagonism has been unique, even compared to other partitioned states that emerged in the post-Second World War period, like Korea, Vietnam, and Germany.

Pakistan's inherent identity crisis vis-à-vis India has manifested itself in various forms. One relevant to this discussion is its strong refusal to accept the fact of asymmetry with India and the implications of this asymmetry in bilateral and regional relations. Pakistan has relentlessly driven itself to undo the asymmetry with India in all possible ways, particularly in military power and capabilities. Pakistan's drive for parity has not, in turn, been looked upon kindly by India, in whose perception that amounts to distorting natural reality of the South Asian political structure to its disadvantage. The result has been a perpetual conflict and intense rivalry between India and Pakistan that is completely absent in India's relations with other South Asian neighbors. This conflict has led both nations to exploit each others' weaknesses and vulnerabilities, in both international diplomacy and internal disintegration. India's direct and decisive involvement in the emergence of Bangladesh in 1971 and Pakistan's present involvement with the Sikh and Kashmiri separatist forces both illustrate this point.

### **Internal Political Dynamics as a Factor**

Two aspects deserve careful attention. One is the nature of political systems and ruling regimes that have widely varied from each other. Although India and Sri Lanka can be put, with qualifications, in the category of stable democracies, the political evolution of Pakistan, Bangladesh, Nepal, and to an extent even Bhutan has been marked by the transition from one form to the other. In this transition, while Pakistan and Bangladesh witnessed the emergence of military dictatorships, Nepal saw the reassertion of traditional monarchy. In all these cases, democratic, representative systems and regimes were the victims. India, in the interest of democracy and political stability in its strategically important neighborhood, has in the past reacted strongly against the emergence of undemocratic systems and regimes. The democratic forces, ousted from and struggling for power in the neighboring countries, have looked toward India for support. The dictatorial regimes in India's neighborhood have perceived India as an ally of their domestic political adversaries and criticized it as such, despite India's subsequent efforts to come to terms with the undemocratic regimes in the overall interest of regional stability and harmony. Owing to a host of cultural, historical, and ideological factors, India has become a convenient "whipping boy" in the internal battles of contending political forces in its neighboring countries. The fallout of such a systematic and ideological hiatus within and between South Asian countries (in India and its neighbors) has been detrimental to their bilateral and regional relations. In a very important way,

the degree and nature of tensions and conflicts in these relations have been coterminous with the degree and nature of systematic, ideological, and regime divergences between the countries of the region.

If the military had not come to dictate the Pakistani political system, its drive for parity with India might not have been manifested in the arms buildup and armed conflict, at least as intensely as it was. On three out of four occasions, Pakistan took the initiative to start armed conflict with India. Again on three out of four occasions when India and Pakistan had armed conflict between them, Pakistan was under military dictatorship. Under the early phase of civilian regimes in Pakistan, the defense expenditures showed a significant decline in the aftermath of the first Kashmir conflict, and a number of bilateral issues were mutually discussed and sorted out through peaceful negotiations until the military junta assumed power in 1958. The Simla Agreement of 1972, which provides a viable framework of peaceful relations between them, was concluded on the ashes of the Pakistani military's humiliation and under a democratic representative leadership.

The second aspect of internal political dynamics in the South Asian countries pertinent to this discussion has been the divergent nation-building strategies pursued by them. As in the case of political systems, while India has persisted with its initially stipulated ideals, all the other neighbors have deviated from those ideals at various times in their political evolutions. Thus, India has pursued the goal of evolving a secular, multiracial, multireligious, national identity within a democratic and federal political structure. All other countries of the region began on similar lines, even Pakistan. Its political architect, Jinnah, wondered in his first major national assembly speech how he could create a secular nation in spite of the religious banner of the Pakistan movement and two-nation theory. Gradually, however, all of India's neighbors drifted toward sectarian national identities, dominated by one religion, one language, and one community. Accordingly, Nepal underlined the "Hindu" character of the state in 1962, Sri Lanka became a "Buddhist" Sinhala nation in 1956, Bangladesh constitutionally adopted Islam in 1982, and Bhutan has started asserting its Buddhist and Drukpa tenets far more aggressively in recent years, to the detriment of its Nepali-Hindu subjects. In Pakistan, not only did the secular concerns of nationalist leadership disappear fast, along with this leadership, but the state's Islamic character and Punjabi dominance subsequently emerged as formidable platforms of domestic politics.

The secular versus sectarian ideals of nation-state building processes in South Asia thus introduced a new cleavage in the region between India and its neighbors. This reinforced the systematic and ideological hiatus already existing in the region. An inevitable fallout of the sectarian approach in India's neighboring countries has been the alienation of minorities and weaker ethnic

sections, precipitating, in some cases, intense internal conflicts, violence, and insurgencies. In Pakistan, the anti-Ahmedia riots of 1953, the Bangladesh crisis of 1971, and the persisting conflict between the Punjabis on the one hand and the Sindhis and Pathans on the other were the products of such a sectarian approach to nation building. Similarly, in Sri Lanka, the Tamil-Sinhala conflict and in Bangladesh, the growing sense of alienation and insecurity of the minorities (Buddhist Chakma tribals and the Hindus) in relation to Islamic dominance have also been generated by the sectarian approach to nation building.

The contention here is not that the sectarian approach to nation building is the only source of ethnic alienation and conflicts in South Asia nor that the ideals of secularism have been sincerely pursued in India. But if they had been, internal social conflicts would have remained within manageable proportions. In India, the rise of ethnic alienation and conflicts, as witnessed in the northeast, Punjab, and Kashmir, are a product of uneven and distorted patterns of economic development and serious deviations from the ideals of secular nation building. India's neighboring countries have also failed in their strategies of economic development. What is of concern here is not so much the genesis of domestic political, economic, and social turmoil in South Asia, but the fallout of such turmoil on regional affairs. The spillover of such turmoil in one country to another (primarily between India and any one of its neighbors) has added to disharmonies and tensions in bilateral and regional relations.

### **Imperatives of International Forces**

Like the role of internal political dynamics, the imperatives of international order and extraregional powers' strategic interests have also vitiated South Asia's bilateral and regional interactions. Being a part of the Third World, South Asia has been subjected to similar economic, political, and military pressures of the post-Second World War order. Thus, one could witness a broad consensus among the South Asian countries on the basic global issues of disarmament, decolonization, and development. There also existed a broad consensus in the region during the late 1940s and early 1950s on the emerging global strategic balance, when none of these countries had any sympathy or support in concrete terms for the Soviet Union but had close economic and political links with the West, particularly the United States and United Kingdom. This pro-West stance was, however, covered under the pronounced stance of independent and "unattached" (which later emerged as nonaligned) foreign policy.

This situation could not be sustained for long. The U.S. decision in 1954 to establish strategic ties with Pakistan in its drive for establishing military alliances to "contain communism" pushed India toward the Soviet Union.

Thus, the cold war entered South Asia. As a result, the broad consensus prevailing in the region on global issues was shattered (or submerged), and the regional asymmetry existing between India and its neighbors assumed the character of regional divide. The United States had also tried to cultivate other neighbors of India, like Nepal and Sri Lanka, for their respective strategic locations in the Himalayas and the Indian Ocean, in its strategic schemes for Asia. These countries, for their own respective political and strategic reasons, found it expedient and convenient to use extraregional powers to contain and balance unacceptable implications of their asymmetries and divergences with the proverbial "big brother." India strongly resented such developments because it perceived any unpalatable extraregional strategic presence or influence as detrimental to its own and the region's security and stability. India's worries in this regard were enhanced when China, following its conflict with India (on border and Tibet issues) and rivalry with the Soviet Union, made determined moves to mobilize and strengthen anti-Indian and anti-Soviet forces.

The imposition of the cold war rivalries (both U.S.-USSR and Sino-Soviet) on South Asia has had negative consequences for its bilateral and regional relations. Mutual suspicions and misunderstandings between India and its neighbors have grown. The worst impact of this could be seen on Indo-Pakistani relations. Pakistan has doggedly used its strategic ties with the extraregional powers, particularly those with the United States and China, to gain a military parity with and, if possible, superiority to India. Pakistan's success in this respect has not been consistent owing to the changing intensity of the strategic rivalries among the concerned great powers, but the basic pattern of interactions has remained stable. Indian attempts to frustrate Pakistan's parity drive have made it more dependent on the Soviet Union. The arms race (in both conventional and nuclear fields) between the two subcontinental neighbors has not only worsened their political relations, but has led them to initiate armed hostilities toward each other. This has been done at the cost of other vital priorities, such as in the field of economic development and domestic sociopolitical stability and balanced evolution. On a smaller scale, India's relations with Sri Lanka, Nepal, and Bangladesh have also been adversely affected by extraregional factors in South Asia.

### **Changing Domestic Dynamics**

The preceding discussion underlines the significance of four important factors that shape the realities of South Asian relations: (1) India's centrality in the region, (2) the huge and adverse power asymmetry between each of the South Asian countries and India, (3) the internal political dynamics in each of the South Asian countries, and (4) the role of the world order and extraregional

forces. Of these factors, the first two, being the constants, would continue to operate qualitatively in the same manner as hitherto. But the other two have been changing, thus affecting in turn the thrust of bilateral and regional relations in South Asia. Accordingly, the developments in these relations have to be viewed in the context of changes in the other two factors.

In the internal political dynamics of South Asian countries, democratic pressures on military dictatorships and traditional monarchies have increased, while the democracies (India and Sri Lanka) have been experiencing the upsurge of popular aspirations and exirations from hitherto marginalized sections of society. This has resulted from the failure of the prevailing systems, the widening of political consciousness at the mass level, and the ideological shift in favor of democracy and freedom at the global level. The unleashing of democratic forces has set into motion a process of political and systematic transformations in Pakistan, Nepal, Bangladesh, and now, it seems, even Bhutan. The path of this transformation, however, cannot be straight or smooth. Two tendencies are evident in this regard. One is that the ousted and discredited vested interests of the previous orders are struggling and regrouping to retain as much control on political processes as possible. In Pakistan, in fact, the electoral victory of the Islamic Democratic Alliance in the 1990 elections, achieved through questionable means in some respects, has given a new legitimacy to the centrality of the military's role in the political order. New tensions between the elected government and the entrenched military are surfacing of late, but any prospects of the military's retreat from Pakistani policies in the foreseeable future seem very bleak. In Nepal, the new constitution underlines the key position of the king in vital areas of public policy and political authority. The remnants of the Panchayat system have been regrouping themselves, with the tacit support of the discredited vested interests, to contend for democratic power. Similarly, in Bangladesh, Ershad is out but not the military, which remains vitally placed to intervene in the future course of political developments in the country.

In addition to the resistance put up by the former vested interests, struggles for democracy in South Asian countries also face challenges from the contending ideological forces of left and right extremism. To complicate matters further, the prospects of democracy have also led to the strengthening of ethnic assertion from groups either kept suppressed under dictatorial and controlled political systems pursuing sectarian nation-building strategies or subjected to neglect and discrimination through faulty and distorted developmental priorities. Examples include the emergence of the Mohajir movement and intensification of Sindhi-Punjabi antagonism in Pakistan; mobilization of the Terai and the hill peoples' alienation from the mainstream democratic political forces in Nepal; the reintensification of Tamil insurgency and growing prospects for

the resurfacing of the JVP in Sri Lanka; the deepening conflict between the Drukpas and the Nepalis in Bhutan; and the extension of insurgency and ethnic uprising in the Assam (United Liberation Front of Assam [ULFA] movement) and Jharkhand (Bihar) regions in addition to Punjab and Kashmir in India. All this means greater turmoil, disruption, and violence in the sociopolitical situation of South Asia before democratic aspirations and institutions settle down to a stable, peaceful, and orderly evolution.

The internal turmoil and disruption is having a far-reaching impact on South Asian relations. Although this impact is generally adverse and tension prone in bilateral relations, in the regional context it is nudging the countries to get together and cooperate with each other. In the bilateral context, tensions and misunderstandings are being generated by the flow of refugees, the emotions of the affected ethnic community across the borders, and the development and expansion of arms-drugs-insurgency linkages from one affected country to another. During the 1960s and 1970s, such movements of men and materials were the outcome of political turmoil. Since the 1980s, more and more ethnic conflicts are causing the same because, in the political arena, the democratic forces that sought refuge and shelter in India from the neighboring countries are now becoming dominant, and the nondemocratic forces on retreat are not finding it expedient to seek exile in India for obvious political reasons. Earlier, the movements generated by the spillover of internal sociopolitical turmoil in the region were generally from a neighboring country into India. In the wake of such movements, India was often accused by its neighbors of harboring the alleged disruptionist forces and exploiting internal turmoil in the given neighboring country. Of late, however, the direction of these flows has become somewhat bilateral. Accordingly, it's not only the Tamils of Sri Lanka and the Chakmas of Bangladesh who are coming into India; but also from India, the Sikhs, Kashmiris, and Nepalese, among others (during the Gorkhaland crisis) are going into the neighboring countries.

The spillover of internal social turmoil has precipitated fears, misunderstandings, and diplomatic tensions. The factors of ethnic and ideological affinities have caused the turmoil in one country to lead to disturbances in another. The role of Tamil refugees from Sri Lanka in creating tensions and violence in Tamil Nadu is an example. Another interesting dimension of the adverse impact of domestic political rivalries and power struggles in South Asian countries on the intraregional relations is related to the role of the "India factor" in domestic politics of neighboring countries. In the recent elections in Pakistan, the Islami Jamhoori Ittehad (IJI), to discredit the then ruling Pakistan People's Party (PPP), described Prime Minister Benazir Bhutto and some of her ministerial colleagues as Indian agents. Tall claims of "liberating Kashmir" and putting India in its place in bilateral relations were also made. These

made it impossible for the IJI to make any major move to establish cooperation with India, for that would amount to living down the laboriously cultivated self-image of India haters. Further, if the prevailing tensions between military and political leadership increase, policy toward India may generate additional controversies. Similarly, in Nepal, pressures from the Communist groups of the ruling coalition as well as the lingering vested interests of royalty and the ousted Panchayat system will continue to thwart any serious attempt made by the Nepali Congress to improve cooperative relations with India. Even the new constitution has been burdened with provisions to obstruct the growth of Indo-Nepalese relations. In Bangladesh, ousted President Ershad obliquely tried to involve the "India factor" to discredit the democratic movement.

The internal sociopolitical turmoil has also gradually brought a realization among the South Asian countries that their respective national problems cannot be resolved effectively without help and cooperation with their neighbors. This realization led to the evolution of a regional consensus through the establishment of the South Asian Association for Regional Cooperation (SAARC), under which it was then decided to fight collectively against terrorism and drug abuse. This was also the realization behind the Indo-Sri Lanka agreement of 1987 to resolve the ethnic conflict. Although the implementation of this agreement floundered on the IPKF question and other issues because of the imperatives of domestic policies in each of the two countries, the revival of ethnic conflict in Sri Lanka has again underlined the need for bilateral cooperation. This was the main thrust of bilateral discussions during the foreign minister's visit to Sri Lanka in January 1991. The significance of bilateral cooperation between Bhutan and India to deal with the consequences of internal turmoil has been enhanced in the wake of the outbreak of ethnic (Nepali) and democratic agitation in Bhutan. Even between India and Pakistan, efforts to build bilateral confidence during the recently held secretary-level parley are an acknowledgment of the fact that national problems are no longer exclusively internal. They can neither be contained within national boundaries nor resolved through national efforts alone.

As the social turmoil and the consequent pressures on intraregional relations grow, the significance of cooperation and a collective approach in the region may also be enhanced. One of the ways to seek such cooperation and a collective approach to mutual problems would be to equip SAARC to respond to them. In doing so, the regional forum may have to devise mechanisms to attend to the spillover of internal sociopolitical turmoil and its adverse consequences.

### **Shifts in the Role of Extraregional Powers**

The tendency for cooperative interactions and a collective approach in South Asia has received a much greater push from shifts in the role of extraregional powers, particularly the United States and China, when they decided to bridge rather than widen the regional divergence in pursuance of their strategic interests in the region. Such a shift, which is commonly attributed to the end of the cold war, in fact started in South Asia in the heat of the Second World War. The Soviet military intervention in Afghanistan altered the basic parameters of South Asia's perspective strategic profile and brought a grudging realization on the part of India that it had to cultivate the United States, China, and even Pakistan (recall Foreign Minister Narshimha Rao's hints in Karachi in 1980 for a coordinated approach to the Afghan issue) to counteract the adverse implications of the Soviet move on regional and its own security. It also induced the United States and China to accept India's regional significance and encourage its subtle attempts to distance itself strategically from the Soviet Union. The success of the Indira Gandhi-Ronald Reagan meeting in Cancun in 1981 and the resumption of official-level talks between India and China in 1982 to resolve boundary questions and increase bilateral trade and economic and cultural contacts between the two countries marked the shift in the role of the extraregional powers.

The shift in U.S. policy toward India was not at the cost of its relations with Pakistan. There was instead an attempt by the United States to cultivate simultaneously good relations with the two regional adversaries. Thus, while providing massive military and economic support to Pakistan for its "front line" role in Afghanistan and the newly (in 1983) set up central command, the United States also developed cooperation with India in defense and economic fields. Similarly, China also started responding to India's normalization initiatives (notwithstanding the aberration of the Sondrongchu Valley incident in mid-1986) without weakening its extensive and close ties with Pakistan. Such moves have been strengthened since the beginning of the end of the cold war, when the Soviet Union, far more openly and assertively than the United States and China, announced its resolve to distance itself from the South Asian strategic divergence and conflicts. Gorbachev's Vladivostok speech of July 1986 marked this announcement. More specifically, on his first visit to India in November 1986, the Soviet leader expressed his country's disinclination to be drawn into the Indo-Pak and Sino-Indian hostilities.

The end of the cold war and the consequent weakening of the linkages between the extraregional divide and acrimony have created a significant, though limited, space for harmony and confidence building in South Asia. The

extraregional great powers' positive disposition toward such confidence building has made a visible impact in gearing South Asian countries toward mutual positive interaction. The U.S. role is particularly notable in this regard—asking India and Pakistan to resolve their differences on Kashmir and Punjab issues involving cross-country terrorism. Robert Gates's mission to the subcontinent in May 1990, which resulted in the United States asking Pakistan to close down camps for training Sikh and Kashmiri extremists, may be recalled. The latest U.S. position of distancing itself from the plebiscite and instead asking for a negotiated solution of the Kashmir issue deserves attention above all because it indicates a basic shift from its earlier stance on this question. U.S. support can also be seen behind the Indo-Pak confidence building in the nuclear field. The agreement between India and Pakistan on nonattack on each others' nuclear installations initiated in December 1985 and ratified in January 1991 may be seen as a small but important achievement. Earlier, the United States had also endorsed the South Asian consensus on suppression of terrorism and drug trafficking evolved under the SAARC framework. The same was true in the case of the Indo-Sri Lanka agreement in 1985 at the Dhaka summit on the question of Sri Lanka's ethnic crisis.

The United States was joined by the Soviet Union in moderating both India and Pakistan when prospects of another armed conflict between them emerged, first in late 1986 ("Operation Brasstacks" phase) and again in late 1989 (Zabre-Momin phase). The Soviet Union also pleaded with India and China to avoid any precipitate armed action on the border question for which prospects emerged during the Sondrongchu Valley incident (June–July 1986) in India's northeast border with China.

The shift in the extraregional divide in South Asia has a clear lesson for the countries of the region: that they will have to find other ways and means in pursuing their national interests vis-à-vis each other than employing one or the other of such great powers as political and strategic counterweights against their neighbors. Sri Lanka learned this lesson well in its acrimony with India on the question of ethnic crisis. Then President Jayawardene eloquently articulated this when he justified the July 1987 agreement by saying that Sri Lanka had no other option because its trusted friends (the United States, United Kingdom, and even China) were not willing to help Sri Lanka at the cost of antagonizing India, beyond a point. The limits of playing great powers against India were also realized by King Birendra of Nepal on the question of its trade difficulties with India during 1989–1990. One hopes that Pakistan is undergoing similar strains in reassessing the role of its great-power alliances in dealing with its regional questions, although America's need to preserve its allegiance with Pakistan has by no means disappeared. Its depth and intensity may even be considerably revived in the context of the post-Gulf War situation both in terms

of evolving a new security structure and initiating the reconstruction of war torn regions.

The roots of the hostilities between India and Pakistan go far beyond their respective cold war linkages. There are thus a number of uncertainties as to how Indo-Pakistani relationships will shape up as (and if) the post-cold war order stabilizes. The great powers' strategic delinking with South Asian nations like India and Pakistan may also mean a reduction in their influence in the region. Hence the enhancement of autonomy on the part of regional adversaries may be manifested in conflict rather than cooperation. In the nuclear field particularly, the manifestation of such autonomy may lead to the abandoning of ambiguity on their respective nuclear status. Further, the continued military domination of the Pakistani state may restrain any major breakthrough in Pakistan's relations with India. A new middle class (of prosperous Gulf returnees, medium-level industrialists, and commercial entrepreneurs) is asserting itself in Pakistani politics through the IJI and Prime Minister Nawaz Sharif. This man may find it profitable to have greater economic interaction with India, but its impact on policies has yet to be felt in a decisive way. There was also the evidence of greater divergence between the Pakistani state and the Pakistani masses on the question of the Gulf War, but whether such divergence will generate enough pressure in Pakistan for a real democratic political order and realistic defense and foreign policy postures remains to be seen. Much of Indo-Pakistani relations would be decided by the outcome of these uncertain political processes within Pakistan.

The north-south dialogue has all but collapsed, and the pressures of the world economy are generating even bleaker prospects for the developing countries, with increasing threat of recession in some of the major economies, greater focus of reconstruction and development assistance to Eastern Europe, increasing debt burden on the developing countries, and haunting prospects of the aftermath of the Gulf War. In the long-term perspective, the only hope lies in growing competition among the major economic powers such as the United States, Japan, Western Europe (particularly Germany), and the Asian NIEs (newly industrializing economies). But here again these major powers are inducing greater regionalization of the world economy by forming cohesive regional groupings for the purposes of trade and manufacturing.

If South Asian countries have to respond to the emerging economic pressures and also take advantage of the opportunities offered by the competition among major economic powers, then they will have to streamline management of their domestic economies and enhance their collective bargaining capacities in the international context. For the latter, SAARC will have to transform itself into an effective economic grouping, which it is not so far. The regional forum's thinking on this subject is indicated by its decision at the

recently held summit in Male to move slowly toward regional cooperation in the field of trade. For any meaningful economic cooperation at the regional level, a number of political questions will also have to be dealt with. Thus, there is a new impetus for greater understanding at the bilateral and regional levels and new pressures for strengthening and expanding the regional organization (SAARC).

### **Conclusion**

The implications of changes in internal political dynamics and the international milieu for South Asia suggest that a desire for greater harmony and confidence building is gaining momentum in the region. Bilateral South Asian relations are also experiencing positive movements as a result of these changes, though not without uncertainties and prospects of occasional reverses. The key to peace and stability in South Asia lies in the nature of Indo-Pak relations, and the situation there is still fraught with conflicting tendencies and confusing signals.

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## 5. Developments in Southwest Asia

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Occurring in an area of the world where some form of bloody conflict has been in progress almost continuously since the end of World War II, the war against Iraq displayed a consumption of resources, human and material, and an involvement of participants on a scale not heretofore witnessed in the region. Some, but hardly all, of the impact of daily events could be readily observed in the extensive media coverage. Considerably less attention, however, was given to the possible longer-range impact of the war, whose total effects, whether disruptive or advantageous, could only be guessed at during the early phases.

As leader of the United States, the country heading the anti-Iraq coalition, President George Bush repeatedly declared our purposes to be repelling and punishing aggression and ejecting Iraq from Kuwait. The administration thought it tactically preferable to state our goals as simply as possible, although some spokespersons occasionally embroidered this basic view with not always very pertinent considerations. In actual fact, several complex objectives not often mentioned by the administration motivated U.S. policy.

Thus much public discussion in the United States focused on the need to guard the high proportion of world oil supplies in the Persian Gulf region from dominance by any power seeking to restrain availability of supplies or to push prices up to artificial levels. This has been a U.S. strategic objective throughout the post-World War II era.

Much of the extensive U.S. support given to the last shah of Iran was premised on our concept of Iran as a defensive outpost against possible aggressive Russian movement toward the Gulf. With the Soviet advance into Afghanistan in late 1979 and with the shah no longer available, President Jimmy Carter enunciated a "Carter doctrine" clearly stating the U.S. intention to defend the Persian Gulf, not excluding the use of force. Carter also created rapid deployment force, assembled principally in the United States, to implement this purpose if needed.

Less well known is that successive U.S. administrations have in recent years given the Saudi Arabian government assurances of our profound concern for Saudi security. Never embodied in any formal, written agreement, this commitment has been an important guiding principle of U.S. policy for the last four decades. It has been reiterated in personal presidential letters to Saudi kings and orally during royal visits to Washington.

The Bush administration assessed Saddam Hussein as a disturber of the peace: a ruler with a potentially sizable and steady petroleum income; a willingness to use a large, battle-hardened, well-equipped military force; an iron grip on his own people through a totalitarian political organization; and ambitions to stimulate and dominate a new pan-Arab revival whose ultimate objective would be to confront Israel. It has also been felt that any realization of Saddam's pan-Arab ambitions would begin with efforts to bend the oil and other policies of the Gulf states to his own purposes and perhaps to bring about some spread of his closely knit Ba'ath Party organization to take over governments of the Gulf sheikhdoms. These concerns tended to be heightened by Saddam's image as a ruthless despot given to such cruel practices as using poison gas to repress his own citizens. With such large petroleum resources, Saddam was seen as capable of building an atomic arsenal permitting him to exercise a baleful and frightening influence both within and outside the Arab world.

Iraq's relations with its Arab neighbors to the south have in recent decades fluctuated from periods of uneasy tension and suspicion to interludes of close collaboration. The latter prevailed during the Iran-Iraq war, when in varied ways and with varying degrees of intensity, the Ayatollah Khomeini sought to undermine governments of the Arab states across the Gulf. While the United States was giving Iraq some limited assistance, Saudi Arabia and Kuwait loaned Iraq an estimated \$50 billion. When in the course of the war Saddam Hussein's bitter enemy, Hafiz Assad of Syria, closed the pipeline carrying Iraqi oil to the Mediterranean, the Saudis mitigated this handicap by building a connection to Iraq of the Saudi pipeline carrying oil across the Arabian peninsula to tanker loading facilities in the Red Sea.

But in earlier years, particularly in the 1960s and 1970s, when Iraq depended on the USSR for arms and other forms of support, Iraq encouraged left-wing nationalist groups carrying on subversive antiregime activities against the governments of the lower Gulf. Even in periods of collaboration, suspicions of Iraq persisted, tending to heighten the ominous sense of shock among the governments of the Gulf sheikhdoms following the conquest of Kuwait by their much more powerful neighbor.

It seems reasonable to assume the Bush administration's view of Saddam Hussein is not far from that held by the governments of the sheikhdoms. All Arab

governments concurred in the resolution put forward at the Arab League meetings that Iraq should withdraw from Kuwait. Saddam is certainly no hero, no paradigm, among the governments of the Arab world. Bush administration apprehensions with regard to Saddam Hussein are probably shared to a considerable degree by all Arab governments. Yet 10 out of 21 at the Arab League meeting voted their disapproval of the involvement of foreign, Western troops in defending Saudi Arabia or liberating Kuwait.

From this point, further examination reveals the deep fissures dividing attitudes held by the Bush administration from those prevailing among some Arab governments, Arab intellectuals, and Arab popular opinion. Attention needs first to be focused on a kind of despondency whose precise boundaries are difficult to delineate but that now affects the Arab outlook at many levels. A restatement of this is contained in a recent article by William Said, a Palestinian, a voluble and articulate spokesman for Arab and Palestinian causes, and a professor of English at Columbia University. Giving vent to Arab feelings of frustration, Said commenced with a sharp criticism of the Bush administration for "believing in its right to project its power when it pleases, for its own ends, wrapped in its own 'higher' morality." Said sees the United States as basically pursuing nineteenth-century imperialist policies of the British and French while failing adequately to utilize the peaceful processes of the United Nations to reverse aggression and without evenhandedly insisting that Israel carry out Security Council resolutions enjoining Israeli withdrawal from Arab territory. "It is terrifying," Said asserted, "to watch Iraq being readied for mass destruction."

But he is also critical of Arab reactions: "The traditional discourse of Arab nationalism, to say nothing of the quite decrepit state system, is inexact, unresponsive, anomalous, even comic." He continues by bitterly deploring the lack of truth, freedom, or rationality to be found in the Arab press. He concludes with words of scorn for Arab rulers, their bureaucracies, and Arab lack of achievement in science and other cultural fields. Said might also have mentioned the Arab's continuing sense of frustration stemming from Israel's military victories and the failure of the three-year Palestinian uprising in the occupied territories to achieve much more than excruciating suffering for the Palestinians themselves.

The nominally democratic institutions left behind by the departing European powers failed substantially to take root. In the post-World War II years the Arab world has experimented with pan-Arabism and a limited degree of Marxism, but without the kind of favorable results for which postindependence euphoria had stimulated expectations. Today the Arabs find themselves faced with a choice between highly authoritarian, secularist government and fundamentalist Islam. It should not be overlooked, however, that in the decades since

World War II, all the Arab states, not just the oil-rich principalities, have made significant if widely varying progress in literacy, health, and industrialization. Now, however, problems of further economic growth are recognized as particularly challenging when pressures of population expansion are viewed against a shortage of resources.

If a sense of despondency has tended to discourage the Arab world's intellectuals—its journalists, academics, and other professionals—authoritarian government has drastically limited their scope to develop imaginative leadership. In the present crisis the government-supervised press in Syria and Saudi Arabia has been required to give strong support to governmental participation in the coalition against Iraq.

But the most vehement expression of Arab attitudes and grievances is found at the popular level. Most striking perhaps is how the deep Arab feelings of frustration and helplessness have translated into support for Saddam Hussein, seen as an Arab leader who has the strength and courage to stand up to the remaining superpower and eventually to lead an Arab confrontation against Israel. The ruthless, repressive nature of his rule is viewed merely as little worse than that of the other Arab autocrats. The popular view of his seizure of Kuwait adopts Saddam's own line that Iraq is righting a wrong created by British imperialists when they drew boundaries separating the two countries after World War I and that in Iraqi hands, the vast wealth of Kuwait would be put to use for general Arab benefit rather than in support of a handful of luxury-loving sheikhs.

Arab governments have positioned themselves according to how they see their particular interests. But in some cases the posture has been heavily influenced too by a desire not to become too greatly separated from the usual pan-Arab line, emphasizing Western domination and interference whose most objectionable aspect has been continued vigorous U.S. support of Israel. Such views have overwhelming support among Palestinians.

Religious leaders are particularly hostile to the United States. This has been inspired not only by our linkage to Israel but also by a perception of this country as the great irreligious force of the world, threatening universal corruption through its toleration of crime, sexual freedom, widespread use of drugs, and so forth.

Among the Arab governments, Algeria, Tunisia, and Morocco have all followed the line calling for Iraqi withdrawal from Kuwait; but they have been in varying degrees critical of the use of force against Iraq and of Western domination of the coalition's military forces and policy. The Tunisian government, usually sympathetic to Western concerns, has watched nervously as its students and unemployed demonstrated vigorous support for Saddam Hussein.

Tunisian schools and colleges have been closed, American and British embassies are being protected with tanks and soldiers, and members of leading Islamic fundamentalist groups have been arrested. The Algerian government, though publicly critical from the outset of Western intervention in the Gulf crisis, shut its high schools and universities to discourage pro-Iraqi demonstrations. Initially, the Moroccan government, which over the years has been an important recipient of Saudi financial assistance, sent 1,500 troops to participate in the Gulf coalition force. The Moroccan public, however, has responded with massive protest demonstrations against the heavy bombing of Iraqi cities. King Hassan tried to calm such outbursts, affirming his opposition to Iraq's invasion of Kuwait but declaring, "Our hearts are with the Iraqis, our brothers, Arabs and Muslims." In Iran, public demonstrations led by religious figures reaffirmed hatred of and opposition to the United States, perhaps blunting any tentative efforts by President Rafsanjani to play peacemaker. Tensions were created in the Islamic states of Pakistan and Bangladesh, both of which sent troops to participate in the coalition's military forces. In these two states the bombing of civilian targets in Iraq may have played an important role in transforming the image of Saddam Hussein from aggressive tyrant to leader who embodies Arab and Muslim pride and dignity.

From all reports Egypt and Jordan were in the most difficult positions. Second to Saudi Arabia, Egypt is the Arab country that has contributed the largest number of troops, 45,000, to the coalition forces and is accordingly the Arab state most deeply involved. It has had to deal with mounting dissent at home, where the government forbade public demonstrations and kept universities closed. With a press somewhat freer than in other Arab countries, editors were allowed to express, if not opposition, at least considerable misgivings regarding developments in the Gulf crisis.

Of all the Arab countries, Jordan has suffered the most wrenching disruption. Jordan's predominantly Palestinian population, bitterly resentful of continued Western indifference to their plight, vociferously demonstrated their support for Saddam Hussein. Caught between the passions of his people and his desire to maintain his traditional friendship with the West, the king initially expressed disapproval of Western military involvement in the efforts to oppose Saddam Hussein but promised to observe the UN-sponsored economic sanctions.

While King Hussein made the rounds of world capitals urging renewed efforts for a peace settlement, the economy of his country staggered steadily toward collapse. In the years of the Iran-Iraq war, Jordan endeavored to replace uncertain economic dependence on Saudi Arabia and the West by closer links with Iraq. War has either terminated most of these or made them politically risky. Threats of war terminated Jordan's valuable tourist income, transit trade

with Iraq virtually ceased, remittances from Jordanians abroad dropped sharply while a flood of refugees from the war, mostly transients but many returning to homes in Jordan, nearly inundated its limited facilities.

Finally, on February 6, the king gave way to feelings of wounded pride and bitter disappointment in a television address. Asserting that this is a war “against all Arabs and all Muslims,” he urged support for Iraq. Besides venting personal feelings, Hussein was no doubt trying also to stay ahead of his increasingly restless domestic constituency or even, in the view of some observers, looking to the day when he believed he might claim leadership in a new, more independent Arab alliance. The speech may have been based on an expectation of more understanding than President Bush was prepared to give. Germany was reported to be providing Jordan with \$500 million, but this could have been only a stopgap to maintain Jordan’s otherwise nearly exhausted foreign exchange reserves.

If we were distressed by, among other things, the seeming delay of the conflict to move promptly toward successful conclusion, we could have found some solace in the indifferent performance of Saddam Hussein’s “surprises.” The Scud missiles aimed at Israel and Saudi Arabia, although bringing some tragic deaths, destruction, and unease, had been partially blunted by the Patriot countermissiles. The Scud threat, however, did require diversion of significant military resources to the task of their detection and destruction. Iraqi hopes of drawing Israel into an active military role, thereby driving a wedge between Arab and Western coalition members, were disappointed. Israel instead garnered international sympathy and support. The Iraqi air force proved to be of little military value, those aircraft not shot down or in hiding having fled to Iran. Similarly, the oil released into the Persian Gulf has been a staggering environmental disaster but of little military consequence.

In the political-psychological sphere, however, the compulsions of our own military policy may, ironically, have provided the Iraqis with an increasingly effective weapon: the television images of bomb damage done to Iraqi human life and civilian structures. David was being assailed by Goliath, American bombs falling on innocent Arab civilians representing the ultimate in imperialist arrogance and indifference to the welfare of the weak and powerless.

In addition to the political forces at work are the disruptive economic factors affecting the present situation and their implications for the future: the disappearance, until some time after the end of the conflict at least, of the tourist trade so valuable to many countries in the region, the termination of employment for many expatriate workers and loss of valuable remittances for their home countries, and the immediate needs of states such as Turkey, Jordan, and Yemen, to whom the war may have brought other disproportionate economic burdens. Weighty economic problems will continue to burden all but

the oil-rich countries: heavy dependence on foreign food imports, large external debt, large unemployment and underemployment, unplanned urbanization, and excessive population growth. Facing these challenges and with the issue so prominently posed by Saddam Hussein, it seems inevitable that there will be heavy postwar pressure on the oil-rich Gulf states to contribute much more than they have hitherto to economic development throughout the Arab world.

Any effort to estimate future probabilities at once encounters major imponderables: How long would the war last? Would the current political turmoil in the Arab states grow to such dimensions as to threaten continuance of the existing regimes? If Saddam Hussein disappeared, could the surviving structure of the Ba'ath Party keep the country together and provide orderly administration of reconstruction efforts? Should the West assist with funds for the purpose, and who would supply them? Whether Saddam remained or was succeeded by others, the need for some continuing military presence in the region to deter possible Iraqi revanchist efforts seemed agreed upon by most observers. Such a force would have to be led by the Arabs, presumably Syria and Egypt, so as to permit early withdrawal of the massive U.S. presence in Saudi Arabia, which might, with the arrival of peace, rapidly become an acute political liability. Would political conditions permit an important supplement to any Arab deterrent force: significant naval power supplied by the United States and maintained in the Persian Gulf?

Whatever the outcome of these issues, certain other elements seemed certain to play an important role. Islam as an alternative to and a refuge from the kind of despondency mentioned previously is going to be increasingly attractive to the Arab popular mind and perhaps also to many intellectuals.

Political leaders, such as Mubarak in Egypt, the leaders of Jordan, Tunisia, Algeria, and other Arab politicians, have shown some flexibility and imagination in adapting to such Islamic political mobilization as has already taken place. But none of these basically secularist figures and their constituencies are likely to give up power to Islamic forces without a very determined struggle, whether that involves invoking military power, perverting judicial institutions, or rigging elections.

Since the beginning of the crisis, there have been insistent Arab allegations of Western partiality in pursuing to the letter the punitive UN resolutions against Iraq while demonstrating neglect with regard to UN injunctions to Israel respecting the Palestinians. Perhaps it is not unreasonable to hope that the crisis may bring about some changes of outlook facilitating progress toward satisfaction of Palestinian needs and a general Arab-Israel settlement.

In the past Israel has been uninterested in area arms control proposals, seeing them as imposing undesirable outside restraints on Israel's choice of

weapons for protection from its many hostile neighbors. In public remarks several months ago Prime Minister Shamir noted, however, that perhaps the moment had come for the Middle Eastern states to think more concretely about developing means for controlling the race in offensive weapons. In this he seemed to be responding to comments made earlier by President Mubarak suggesting establishment of a nuclear-free zone for the Middle East.

Their first experience with missile warfare may persuade Middle East leaders generally that a continued escalation of the arms race would impose an unbearable economic burden and provide only uncertain security. An arms control agreement, containing monitoring provisions to assure compliance, might provide a sound foundation for an overall peace agreement, including some satisfactory resolution of Palestinian demands and full commitment, on the part of all Arab governments, to peace.

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## **6. Projected U.S. and USSR Roles in South Asia**

**ROBERT L. HARDGRAVE, JR.**

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Projections in international politics are hazardous in the best of times, but as we look to the 1990s, they are highly problematic in the aftermath of the Gulf War and what some analysts see as the imposition of *pax Americana* and by the deepening crisis within the Soviet Union that threatens disintegration of the union and economic collapse. The roles of the United States and the Soviet Union in world affairs will be shaped significantly and perhaps dramatically by the outcome of events in the Middle East, by the resolution (or lack thereof) of “the national question” in the USSR, and by the success (or failure) of *perestroika*.

Before the advent of the Gulf crisis, South Asia had begun to decline in strategic priority for both the United States and the Soviet Union, and even in the Indian Ocean superpower force levels were being reduced. As a result of the Gulf War and increased U.S. involvement in the Middle East, American naval forces in the Indian Ocean will remain substantial, but South Asia as such is unlikely to become a focus of strategic concern or involvement. The American role in South Asia will be largely economic, but even as the United States looms large as a trading partner and creditor for the nations of the region, South Asia is likely to decline, in relative terms, from its already low level in American trade and foreign investment, rendering the region increasingly marginal to American interests.

For the Soviet Union, the resolution of its own domestic problems will shape its role in South Asia over the next decade. Geographic proximity gives the USSR a permanent security interest in the region, but, with Soviet withdrawal from Afghanistan, rapprochement with China, and—barring a new freeze in U.S.-Soviet relations—an end to the cold war, South Asia will likely decline in strategic and political importance for Moscow. Within the region, the Soviet Union will maintain close relations with India, but the character and extent of economic ties will turn in substantial degree on the fate of *perestroika*.

### U.S. Role in South Asia

South Asia has had relatively low priority as a locus of American foreign policy interest, and historically U.S. strategic involvement in the region has been derivative of other, more vital interests—the containment of the USSR and China, response to the Soviet invasion of Afghanistan, and concern for the security of Southwest Asia and the Gulf. With American rapprochement with China, Soviet withdrawal from Afghanistan, and the end of the cold war, South Asia declined once again as an arena of concern for the United States.

In the aftermath of the Gulf War, U.S. foreign policy priorities will depend on any number of contingencies, but South Asia as a region is unlikely to assume strategic importance. Pakistan and the Indian Ocean may be viewed distinctly—although any enhanced American involvement will have an impact on South Asia and, as in the past, on India in particular.

Given limited ground options for an extended American presence in the Gulf area, U.S. naval forces will probably be maintained at a relatively high level in the Indian Ocean. This could create tensions with India—long an advocate for the Indian Ocean as a “zone of peace,” a term other littoral states have sometimes viewed as a euphemism for Indian naval hegemony. But in recent years, India has seemed tacitly to welcome the American naval presence, and it is not inconceivable that Indian and American naval forces would establish a close relationship in the Indian Ocean.

President George Bush has not yet certified to Congress that Pakistan does not possess a nuclear explosive device or (perhaps a new condition) the components of such a device. Accordingly, under the terms of the law, the United States cut off economic and military aid to Pakistan (\$238 million in 1991). Should the United States and Pakistan reach an understanding on the nuclear issue and aid be resumed—and the effort is being made by both sides—the Department of State announced in January 1991 that aid would in any case be significantly reduced.

With the Soviet withdrawal from Afghanistan, Pakistan was no longer “a front-line state,” and differences between the United States and Pakistan on support for the mujahidin became increasingly evident even as U.S. interest in the Afghan issue declined. (Neither Hikmatyar as a leader or the prospect of a fundamentalist Afghanistan has been viewed favorably in Washington.) In addition, the argument made in Congress for military assistance to Pakistan—that enhanced conventional weapons capability would give Pakistan security and thus it would not feel compelled to pursue a nuclear weapons option—could no longer stand in the face of evidence of Pakistan’s continued program. Thus, by 1990, it was clear that U.S. assistance to Pakistan would be phased

out—and again, in Pakistan’s eyes, the United States would prove to be an “unreliable ally.”

But Pakistan looks to the United States for increased trade and economic investment, and Prime Minister Nawaz Sharif has accelerated the rate of Pakistan’s economic liberalization and privatization. Investments outside gas and petroleum remain limited, and there continues to be unease among U.S. investors about social and political unrest, especially in Sind, and about the undercurrent of anti-Americanism in Pakistan that surfaced most recently during the course of the Gulf War. Pakistan’s improved business climate and the prospect for a resolution of differences between the U.S. and Pakistan governments (particularly if Pakistan signs the Nuclear Non-Proliferation Treaty) should draw the two nations closer, but Pakistan is unlikely again to be the recipient of America’s military largess.

Afghanistan is no longer a pressing issue. Before the Soviet invasion in 1979, the United States regarded Afghanistan as being of little strategic importance and accepted it as within a sphere of Soviet influence. After Soviet withdrawal, Afghanistan has assumed its more traditional position in the American perspective. American support for the muhahidin has declined, and the outcome of the struggle between the Afghan resistance and the Najibullah regime no longer seems so fateful. U.S. efforts to secure some sort of coalition government without Najib has come to naught, and the United States is increasingly irrelevant to the resolution of the Afghan problem.

American relations with the smaller nations of South Asia—Sri Lanka, Bangladesh, Nepal (I need not consider Bhutan and the Maldives)—can be expected to continue very much as they are. No vital U.S. interests are implicated, but the United States has an interest in their *stability, democracy, and economic progress*. Indeed, this triad perhaps best characterizes American interests in South Asia today, and this applies to India specifically as well.

The United States has an interest in the stability of the region and of its constituent nations. India, as the most powerful nation in South Asia, has a special role to play as the keystone of stability within the subcontinent. The United States has come to recognize and, insofar as it is exercised responsibly, support this role. Thus, the United States endorsed the India–Sri Lanka accord and India’s assistance to the Maldives, even as India’s neighbors viewed the American position as a validation of Indian hegemony. However, the United States quietly expressed concern over India’s heavy-handedness in dealing with Nepal. On the Kashmir dispute, the United States urged restraint on both sides and called for “political dialogue” under the terms of the Simla agreement—a position India viewed as both constructive and satisfactory.

Although South Asia itself may not be of strategic importance to the United States, instability within the region could have far-reaching effects—most

dramatically in heightened India-Pakistan conflict and the potential for a regional nuclear arms race. Without extensive involvement in the region, instruments for American influence will be limited—but then such instruments proved of little affect in restraining Pakistan on the nuclear issue. The United States will look to India to play a constructive role in regional stability and cooperation. This may be viewed more benignly as simply a recognition of the limits of American power and of American interests in the region; less benignly, it will seem to some that the United States has relegated South Asia, with one-fifth of all humanity, to the margins of the world arena.

Several factors contribute to the marginalization of India and of South Asia, as Eric Gonsalves noted in writing of the Third World more generally: “The winding down of the cold war, the changes in Europe and the movement toward a multipolar world will make the industrialized countries concentrate more on their concerns and the interactions between themselves, resulting in marginalization of the developing world to a greater or lesser degree.”<sup>1</sup> But the newly industrializing countries (NICs) are surely not marginalized, and if India—a nation of 850 million people, with a high level of industrial, scientific technical, and managerial capability—is marginalized, it cannot be but in part by its own action. That India has marginalized itself is most evident in its economic relations with the world.

The United States has minimal economic interests in South Asia, whether these are measured in terms of access to raw materials, trade, or investment. Indeed, in comparing the level of U.S. economic involvement by world region, South Asia ranks last on each scale. By the size of India’s economy alone and the level of its industrial output, this would seem an anomaly; but South Asia as a whole, and India particularly, has been unreceptive to foreign investment and has pursued restrictive trade policies. Sri Lanka since 1977 has been a notable exception, followed later and less fully in liberalization by Pakistan and Bangladesh. India’s economic liberalization, initiated in the 1970s and accelerated under Rajiv Gandhi, remains “halfhearted,” and even in the areas targeted for foreign investment—production for export, power, and high technology—India often sends mixed signals. In any case, investors have not been pounding at the door. The ghosts of Coca Cola and IBM have not been wholly exorcised, and the difficulties Pepsico had in negotiating its food-processing joint venture with Tata only underscored to most American companies the continuing difficulties of doing business in India.

In a recent editorial, *India Today* described what it called “the economic masochism of self-imposed fetters to growth.”<sup>2</sup> India has paid a high price for

<sup>1</sup>Eric Gonsalves, “Regional Cooperation Inevitable,” *India Abroad*, November 2, 1990, p. 2.

<sup>2</sup>December 31, 1990, p. 11.

sheltered inefficiencies of its vested interests. India's suspicion of foreign investment and of multinationals, epitomized by views expressed in past years by Chandra Shekhar, reflects a vestige of xenophobia and an inability on India's part to throw off the burden of the past, even as India may value self-reliance for its own sake. But India's approach is overly cautious, for today's Indian economy, in its size, vigor, and complexity, has the capacity to absorb foreign investment without being dominated by it.

Total U.S. investment in selected Asian countries provides some sense of the U.S. economic role in South Asia:<sup>3</sup>

India	\$549 million
Pakistan	201
Sri Lanka	16
Bangladesh	12
Malaysia	1,098
Thailand	1,279
Singapore	2,213
Indonesia	3,696
China	2,398 <sup>4</sup>

If we compare India and China in total foreign investment, the difference is dramatic: For India, foreign investment is about \$3 billion; for China, the figure is more than \$28 billion. China nets some \$2 billion a year in foreign investment, compared to India's \$192 million in 1989 and \$70 million in 1990, a year of policy drift and heightened social unrest and violence in India.

The United States is India's largest investor, with \$38 million (20 percent) of its total \$192 million investment for 1989, and, with a 49 percent drop, \$19 million of India's \$70 million 1990 investment. The U.S.-India treaty on double-taxation goes into effect on April 1, 1991, and should facilitate the flow of investment, but the prospect of political instability and deepening social unrest in India—and in South Asia more generally—acts as a powerful damper on expanded American investment in South Asia. American investors have attractive alternatives to South Asian investment. Even if the luster of China has faded, Southeast Asia remains a magnet of opportunity and dynamism, and Eastern Europe will be a major focus of U.S. investment interest in the coming decade. South Asia and India will do well to hold its own and, in all likelihood, will decline as a percentage of total U.S. foreign investment.

Moving from investment to trade, the situation again underscores India's marginality. In fact, India's share of world trade has declined from 2.1 percent

<sup>3</sup>Figures for South and Southeast Asia are 1989 totals. U.S. Department of Commerce, *Survey of Current Business*, August 1990.

<sup>4</sup>Investment figures for China vary widely among sources. This figure is from *China Business Review* 17 (July-August 1990), p. 25, and is for 1988.

in 1950 to 0.5 percent in the late 1980s. Although India has dramatically expanded exports in the past three years (14 percent per annum), its total world trade (exports and imports combined), excluding the rupee trade with the USSR and Eastern Europe, is now only some \$50 billion, compared with about \$120 billion for China.<sup>5</sup>

The United States is India's number one trading partner, accounting for about 14 percent of India's trade, even as India accounts for less than 1 percent of all U.S. trade.<sup>6</sup> Over the past decade, Indo-U.S. trade has grown significantly, going from less than \$1 billion in 1980 to more than \$6 billion. Expanded trade over the coming decade will depend on a number of factors, most notably India's import restrictions and possible U.S. retaliation. But for all the U.S. pressure on India's restrictive trade practices, the United States exercises its own protective measures, which have weighed heavily on India. Overall U.S. policy supports freer trade, but a failure to secure a breakthrough in the current GATT (General Agreement on Tariffs and Trade) round could result in the erection of new trade barriers around the world, including the United States, and the emergence of trading blocs. Under such circumstances, India would be particularly disadvantaged, and its trade ties with the Soviet Union would likely assume increased importance.

Although U.S. strategic involvement in South Asia, except for the Indian Ocean, is likely to decline in the 1990s and economic interests will remain at a comparatively low level, the now 800,000 Indians in the United States will act as an increasingly strong and positive force for good relations with India.

### **Soviet Role in South Asia**

Soviet interests in South Asia over the past forty years have been driven principally by security concerns directed to the denial of preponderant influence within the region by any external power—that is, the United States or China—and by competition with the United States for “the hearts and minds” of the people of the Third World, with South Asia as its central arena. Today, neither is compelling.

First, there is no foreseeable danger that American involvement in South Asia—minimal, in any case—will be a threat to Soviet security or, indeed, that the United States seeks such a presence directed against the USSR. South Asia, however, retains geopolitical and strategic importance to the Soviet Union if only by its proximity. But Soviet interests are not necessarily at odds with those

<sup>5</sup>The source for the 1990 China trade figure is the U.S.-China Business Council, perhaps the best and most reliable source for such data.

<sup>6</sup>In 1992, a united Europe will become India's number one trading partner. But even then India will account for only 0.5 percent of Europe's total world trade.

of the United States. Both countries, in fact, share a fundamental interest in the stability of the region. The Soviets fear that conflict, as between India and Pakistan, could draw the superpowers back into the region as adversaries (better that they work in cooperation to promote peaceful resolution of conflict, as in Kashmir) or that other powers external to the region (e.g., China or a Middle Eastern power) could be involved in ways that might threaten Soviet interests or security. Of special concern is nuclear proliferation and the danger of a regional nuclear arms race so close to the Soviet Union.

Second, U.S.-Soviet competition in the Third World has dramatically declined with the end of the cold war. There will be continuing competition (for markets and influence), but the countries of the Third World are unlikely to be viewed either as pawns or prizes in a struggle for global power. The Soviets have lost faith in their own system, and they no longer push “the Soviet model of development” as a compelling and historically inevitable alternative to capitalism.<sup>7</sup> Indeed, socialism as an ideology—and surely as an economic system—has largely lost its appeal to the Third World.

By the late 1980s, Soviet adventures in the Third World generated increasingly public debate about heavy costs, high risks, and dubious benefits. Its objectives are being reassessed in recognition of the limits of Soviet power and of its own domestic problems, and there has been, overall, a retrenchment in Soviet involvement in the Third World. The Soviet Union has dramatically pulled back support from revolutionary movements; and, seeking to cut its losses among those countries that do not really count, it has placed emphasis on pragmatic, state-to-state relations with the more advanced, developing states of the Third World with whom the Soviets can trade.

Soviet interests in South Asia focus on India. Over the past thirty-five years, the Soviet Union has made a great investment in its friendship with India and has reaped substantial returns. Both countries regard the relationship as generally mutually beneficial. But Soviet interests in South Asia, like those of the United States, have been in large part derivative of other, more vital interests. Indo-Soviet friendship was forged in the context of the cold war, of U.S.-Soviet competition for influence in the Third World, and of the Sino-Soviet conflict. For the Soviet Union, India was an important counterweight against U.S. involvement in South Asia and against China. These interests have notably declined; and in the context of the “new political thinking,” the Soviet Union is seeking to redefine its role in South Asia, as it is, more generally, in the Third World.

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<sup>7</sup>In the 1970s, Nodari Simoniya argued that Marx was right—that developing nations must mature as capitalist economies before they can undergo a socialist transformation. He was then viewed as a heretic, but his opinions today are widely accepted among Soviet intellectuals and policymakers—save for the fact that the promise of a socialist transformation has largely disappeared.

The course of Soviet relations with India over the next decade will depend heavily on the success or failure of perestroika. Just before his departure to the Moscow “summit” in July 1990, Prime Minister V. P. Singh said in an interview with the Soviet weekly *New Times* that the success of perestroika would draw India and the Soviet Union more closely together, with new opportunities for Indo-Soviet trade, economic cooperation, and enhanced people-to-people contact. It is far more likely that the contrary is true—that the success of perestroika will diminish India’s importance for the USSR. Economic reform will draw the Soviet Union into the global market economy and reinforce the primacy of Soviet relations with the United States, Western Europe, and Japan for trade, credits, and access to high technology. Failure of economic reform or, more dramatically, a political reversal of perestroika would likely enhance India’s importance to the Soviet Union both economically and politically.<sup>8</sup>

In Indo-Soviet relations, of course, India is not passive. It will react to Soviet policies, and independent of what the USSR may do, India will pursue its own interests—and these may not converge with those of the Soviet Union. The Soviet Union has long regarded India as an important political asset, most recently in India’s positions on Afghanistan and Cambodia. India has looked to the USSR for support in the United Nations and elsewhere on such issues on Kashmir. Indo-Soviet friendship has been sustained through twenty-nine summits from Khrushchev’s visit to New Delhi in 1955 to V. P. Singh’s 1990 meeting in Moscow with Gorbachev. Each has been accompanied by toasts of mutual admiration and agreements on trade, credits, arms purchases, and various forms of exchange. The Singh-Gorbachev summit was no different and, in fact, was capped symbolically by the decision to extend the Indo-Soviet Treaty on Peace, Friendship, and Cooperation (which, in any case, would have been extended automatically at its expiration in 1991). Although Gorbachev reaffirmed the “abiding” friendship between the two countries and referred frequently to the “Indo-Soviet factor in world politics,” Indians were not

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<sup>8</sup>Perestroika and the “new political thinking” in foreign policy are linked in significant ways. First, those who oppose perestroika—right-wing ideologues, party careerists, bureaucrats, the KGB, the military, and the interests of the military-industrial complex—also tend to oppose new thinking in foreign policy, as reflected, for example, in their criticism of Shevardnadze and in their concerns about the loss of Eastern Europe. Insofar as it seeks closer relations with the West, new thinking would be more difficult in the face of a reversal of perestroika—especially if accompanied by violent repression of nationalist/separatist movements in the Baltics. (Western reaction to Soviet repression in other nationalist/separatist movements in other republics might be less pronounced, but any substantial return to repression within the Soviet Union is likely to cool political relations and impede the development of economic ties.)

wholly convinced that the time-honored relationship was secure. Since Gorbachev's 1986 Vladivostok speech, India has been apprehensive about a relative decline in its importance for the USSR. This has been deepened by the Soviet detente with China and "the end of the cold war." India has taken comfort in the Soviet Union's reassertion that Kashmir is an integral part of India—but then, with the Soviets facing their own separatist republics, anything else would have been surprising. India's border dispute with China is another matter. (The Soviets, in fact, have never recognized India's claims.) Moscow, having improved relations with Beijing, is now urging New Delhi to do likewise. For those in India who view China as the major security threat, Sino-Soviet detente is a source of unease, especially given heavy Indian reliance on Soviet arms.

With glasnost, the Soviet press for the first time has been openly critical of the "special relationship" based, as *Izvestia* put it, on obsolete ideology. In a series of articles, *Izvestia* identified what it called "hitches and sharp edges" in Indo-Soviet relations and raised questions about the 8.9 billion ruble debt that India has yet to repay, India's refusal to sign the Non-Proliferation Treaty, and continued Soviet contributions to "the vicious cycle of the arms race on the subcontinent."<sup>9</sup> Similarly critical articles appeared in *Moscow News* and in the organ of the Young Communist League, *Komsomolskaya Pravda*—although *Pravda* itself, the official organ of the CPSU, hewed the traditional line.

But if such discussion in the Soviet press is unfamiliar, it is fair to say that India is and will continue to be politically important to the Soviet Union. The Soviets have a good relationship with New Delhi and are "popular" in India, and this will not be lightly jeopardized—and the relationship will be especially important if the new rapprochement between the Soviet Union and the West sours. But even if perestroika moves forward, the USSR would find Indian support valuable as it seeks entry into international economic institutions such as the IMF (International Monetary Fund) and GATT.

The Soviet supply of arms to India (and to the Third World more generally) has come under the scrutiny of glasnost and "new thinking" just as the USSR under treaty obligations reduces its own armaments stockpiles.<sup>10</sup> There is

<sup>9</sup>See, for example, V. Skosyrev, "The USSR and India—After the Dialogue in Moscow," *Izvestia*, July 26, 1990, p. 4, in *Current Digest of the Soviet Press* 42, 30 (1990): 21.

<sup>10</sup>Aside from the more general concern of fueling the arms race in South Asia, *Moscow News*, July 8, 1990, was sharply critical of the lease of Soviet nuclear submarines to India. Despite its alleged intent for training purposes, the lease violates the spirit of both the Non-Proliferation Treaty and the Soviet commitment to turning the Indian Ocean into a zone of peace. The article concluded: "Perhaps from a commercial point of view, the sale of nuclear submarines is profitable. But restraint and extreme circumspection are needed in any arms deal. Particularly, if it concerns nuclear technologies. Their deliveries must be strictly banned. The USSR Supreme Soviet must

evidence that Soviet arms production has been scaled back, and arms factories have been closed down. Many are expected to be adapted to civilian/consumer production, but many have been simply abandoned. But there are strong pressures from a very much alive “military-industrial complex” (the phrase is widely used in the USSR) to sustain military production—and its influence has grown in the past year. Against “new thinkers” are more traditional military hardliners, who are buttressed by the economic incentives for arms export. The Soviet Union has long been a major arms merchant, and the need for hard currencies is likely to sustain production for export. In India’s case, there is likely to be increasing Soviet pressure for hard-currency purchases, especially for those items for which there is a ready dollar market, but the barter trade is likely to remain attractive when hard-currency sales are not forthcoming. In 1990, the Soviets agreed to continue to accept rupee payments until 1995, though as economic considerations displace the political and ideological, the terms of sale are likely to be less generous, and an increasing portion of arms purchases is likely to be made on a cash-and-carry basis. Soviet arms are thus likely to be factored into the rupee trade so as to become an increasing proportion of Soviet “exports” in exchange for Indian consumer goods.

As Indian dependence on Soviet arms has grown, so have Indian apprehensions of vulnerability. From the mid-1970s, India began to purchase arms from the West, both to secure the best in military technologies and to diversify the sources of armaments. Indians have long complained about problems in military purchases from the Soviet Union—however attractive they may be in terms of credit, interest, co-production, and such. Some Soviet weapons systems have to be serviced in the USSR; others produced in India require certain elements that must be imported from the Soviet Union; and the supply of spares has been, at best, unreliable. This has placed India on a short leash and has made at least some Indian defense analysts increasingly apprehensive in the face of growing problems within the Soviet Union. There are reports that there are already long delays in deliveries. K. Subrahmanyam in *Hindustan Times*, July 17, 1990, wrote, “While there are possibilities of bureaucratic tangles in respect of some supply relationships and flow of spares as the Soviet Union switches over from command economy to market, over a period of time we should expect that the market economy will improve Soviet efficiency.” But that “period of time” may be very long indeed, and a command economy in collapse is likely to pose serious problems for the Soviet Union in meeting its arms commitments to India—and the problem is likely to be most acute in spares. Another concern raised in India is the geographical dispersal of Soviet

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raise serious objections to this,” p. 12, in Foreign Broadcast Information Service (FBIS), *Daily Report—Soviet Union*, FBIS-SOV-90-131, July 9, 1990, p. 19.

manufacture, with production of components spread among various republics, including those in rebellion. This is perhaps not so serious as it might seem, for Soviet military production is concentrated within the Russian republic, and it would seem unlikely—though it is surely possible—that a critical component for a particular weapons system would come only from, say, Lithuania or Georgia. But the disintegration of the Soviet Union raises the question as to who is in charge: Does India deal directly with Russia, as President Yeltsin no doubt would like?

Trade as well as arms supply will almost inevitably bear some disruption as a consequence of the events within the Soviet Union. Since the early 1950s, the rupee trade has enabled India and the Soviet Union for “mutual benefit” to buy from the other without spending scarce foreign exchange; but over the years, even as Indo-Soviet trade has increased, there has been some dissatisfaction on both sides. There are growing pressures that make major changes in the terms and character of trade inevitable, and these will be affected by the success, failure, or reversal of perestroika in the Soviet Union and by the ability of India to sustain economic liberalization and expand exports for hard currencies.

With the move in Eastern Europe toward market economies, India’s rupee trading bloc dramatically constricted, leaving the Soviet Union as its sole rupee trading partner. (The rupee trade with Eastern Europe, in force since 1950, is being phased out, as in Poland where since the beginning of 1991, all trade has been in convertible currencies.) The Soviets have agreed to retain the rupee trade only until 1995, but, depending on the composition of Soviet exports to India, the advantages of the continuing arrangement are considerable. We are likely to see some tough negotiations in the coming years on a range of issues.

India is pleased that its exports to the USSR have increasingly diversified, with a greater proportion of manufactured goods to meet the Soviet consumer market. By contrast, manufactured goods, notably machines, have dramatically declined as a percentage of Soviet exports to India. Petroleum, petroleum products, and nonferrous metals today account for some 78 percent of Soviet exports to India—for the most part, all products for which there is a ready market in hard currencies. Indeed, Soviet oil sales to Eastern Europe are now to be conducted in convertible currencies. Moreover, the Soviets have complained about the quality of some Indian products, accusing India of dumping shoddy goods that could not be sold in hard-currency markets. (The Indians, for their part, have complained about the “switch trade,” where the Soviets sell Indian products for hard currency. There has been concern that some exports to the Soviet Union have a high import component that comes at the cost of foreign exchange, thus reducing the value of what is, in effect, a barter deal.)

We are likely to see increasing pressure by the Soviets to reduce (perhaps even phase out) oil as a part of the rupee trade. Indeed, the Soviets may have

little choice, as much of the petroleum India received was from Iraq, by way of payment to the USSR for military assistance. In its place, the Soviets will push manufactured goods. Over the years, India has had less need or interest in such Soviet products—save for arms. This is not likely to change. What we may see is greater pressure for India to purchase Soviet arms and civil aviation equipment on a cash-and-carry basis—ending, or substantially reducing, the use of credits.

A major portion of India's imports from the Soviet Union are against credits—and this has been almost wholly true for arms. This has resulted in a debt of 8.9 billion roubles, the largest of any developing country to the USSR.<sup>11</sup> Repayment—interest and some portion of the principal—is by India's surplus with the Soviet Union. This has been a major issue for India, for Soviet credits are designated in roubles set at an artificially high level, but repayment is in rupees, the value of which has declined. The result is manifestly unfair to India because it has the affect of raising the debt. The problems will be solved when—or if—the rouble becomes a convertible currency, as Gorbachev has promised. But this does not appear to be imminent, and India in seeking some compromise will certainly use this in negotiations regarding the composition of trade.

The Soviet Union surely presents a large potential consumer market for Indian goods, for co-production, and for entry into the service sector, especially banking and insurance. Even if economic reform in the Soviet Union should usher in a market economy and tie the Soviet Union to the international economy more fully, Indo-Soviet trade will remain important. A portion, involving oil, for example, might be conducted in hard currencies. But with what will probably be severe foreign exchange pressures, there will be a strong incentive to retain and even expand the rupee trade so long as a satisfactory composition can be reached. India is a particularly attractive source of consumer goods for the USSR; and this will be especially important in the period of transition to a market economy, when the Soviet Union will likely experience disruptions in production, serious shortages, and spiraling inflation. Should perestroika fail or be reversed—if this has not already happened—barter trade with India will become even more critical, but in composition and on terms that will be driven by harsh economic pressures rather than by political interests.

For India, the rupee trade with the Soviet Union will remain a major element of the economy, if only in repayment of credits. As long as the Soviets

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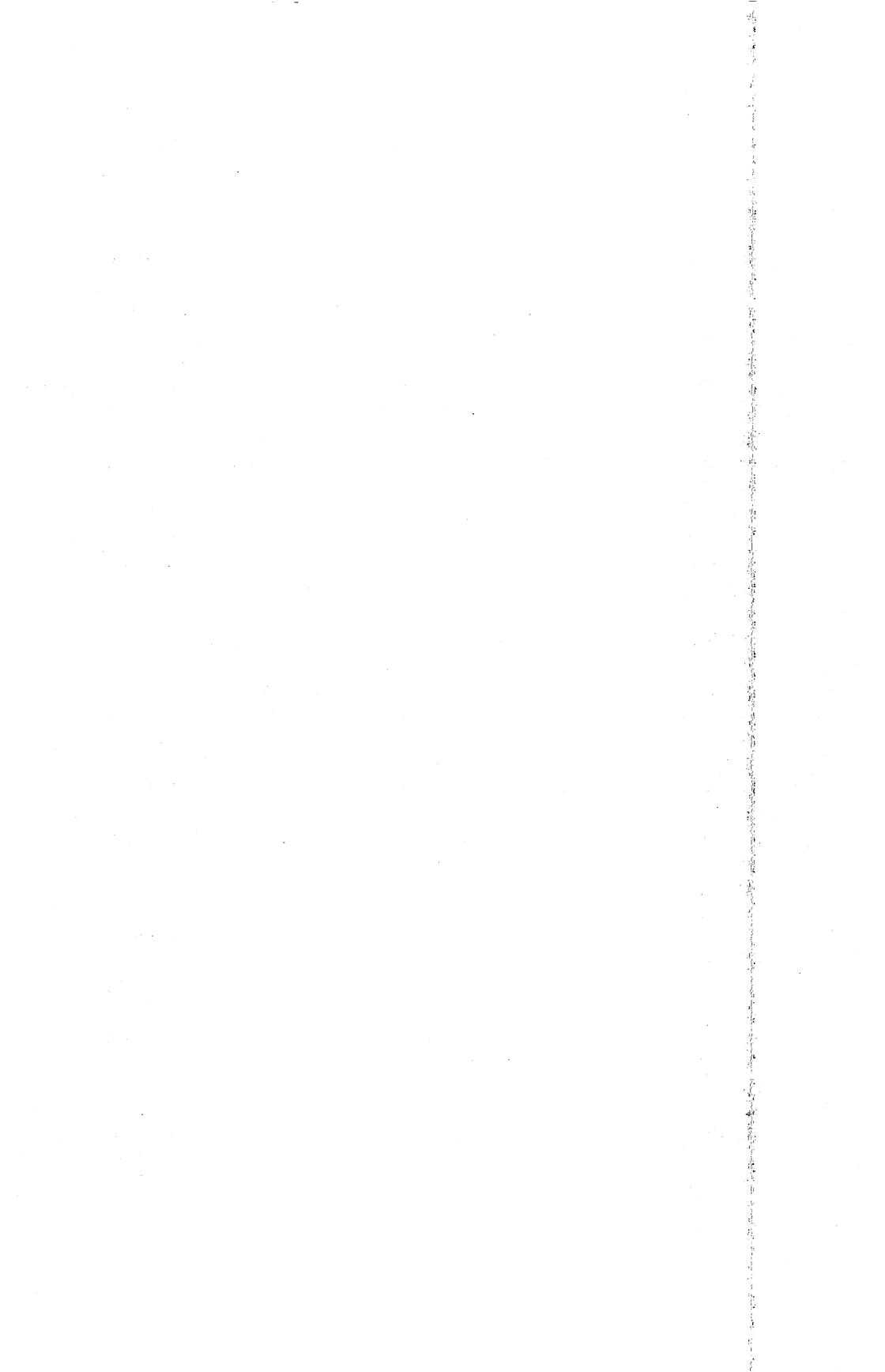
<sup>11</sup>G. A. Shcherbakov, USSR trade representative in New Delhi, discussed India's debt to the Soviet Union in an interview with *Izvestia*, July 20, 1990, p. 5, in FBIS, *Daily Report—Soviet Union*, FBIS-SOV-90-141, July 23, 1990, p. 25.

supply oil for rupees, it will be enormously attractive. But should India find its hard-currency exports limited by rising trade barriers or by a failure to secure a place in the market with more competitive products, the rupee trade will assume major importance.

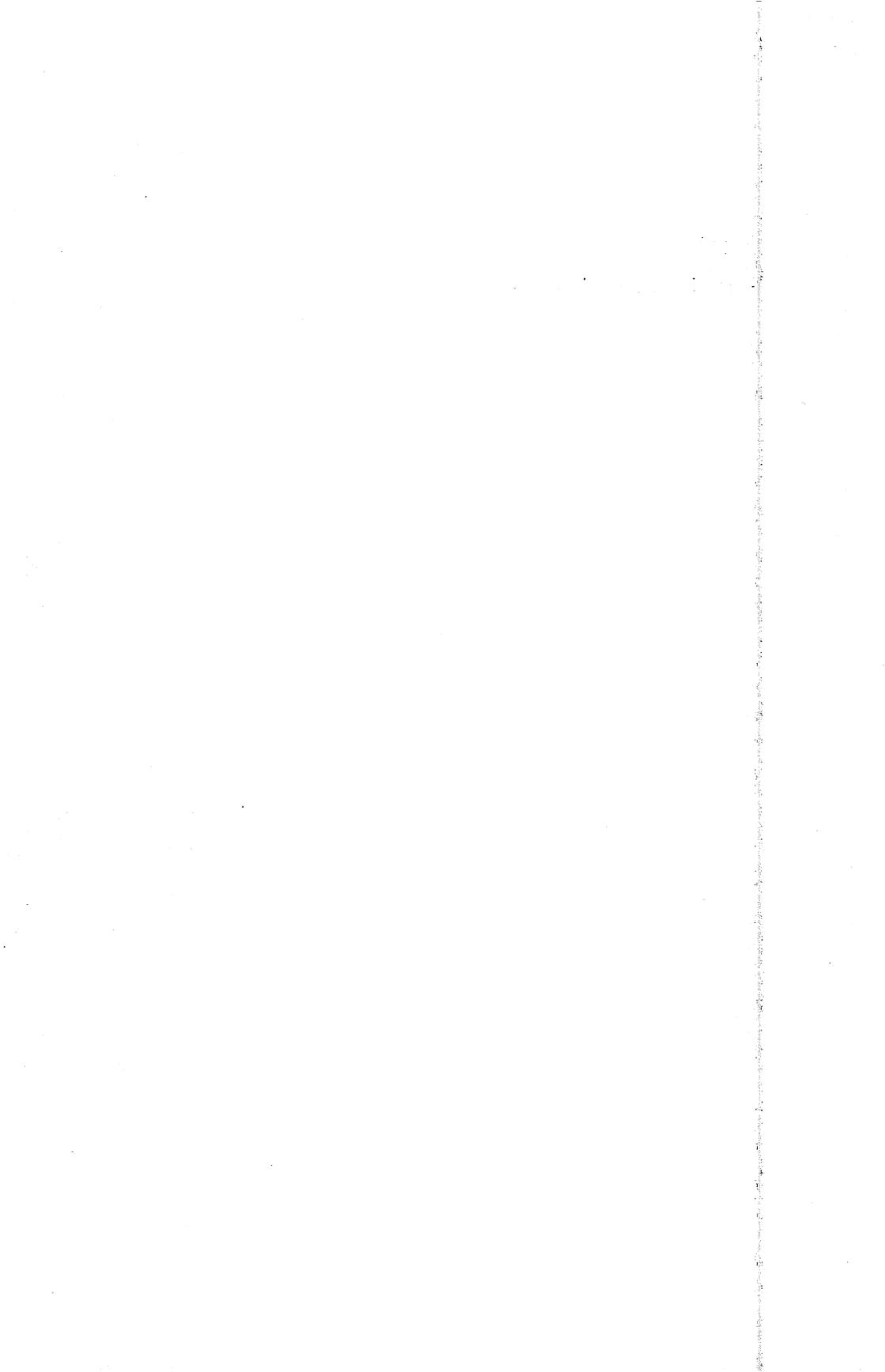
Indo-Soviet relations are the focal point of Soviet concern. Soviet relations with the other nations of the subcontinent are on a substantially lower scale and are—save for Afghanistan and Pakistan—most unlikely to figure significantly in Soviet security, political, or economic concerns in the coming decade.

Afghanistan will be a matter of continuing concern, especially in terms of Muslim fundamentalism and the possible “contagion” in the adjacent Soviet republics. Support for the Najibullah regime is expensive; and with the scaleback in U.S. support for the mujahidin, the Soviets are likely to reduce their own aid, with a resulting negative symmetry. The USSR has supported Najib’s efforts to secure political accommodation with nationalist elements of the mujahidin and to bring back the king as a symbol of national reconciliation. But the fundamentalists will have nothing to do with this, and there is some indication that contacts have opened between Hikmatyar and the Soviets. A possible scenario would involve quadrilateral negotiations among the Soviet Union, the mujahidin (led by the fundamentalists), Pakistan, and Iran directed toward the establishment of a new Afghan government without Najibullah. In such negotiations, Soviet interests and security would be essential, but the reality of Afghanistan is that any government in Kabul must accommodate the USSR. Afghan gas is piped in only one direction—into the Soviet Union—and the electrical grid and much of the economy of northern Afghanistan is linked to the USSR. The stalemate in Afghanistan could, of course, persist for a long time to come, but we can be confident that the USSR will not reenter Afghanistan militarily and, in all likelihood, will continue to reduce the level of its support and involvement with the Kabul regime.

Soviet relations with Pakistan are problematic. For all the tensions between the two countries, arising out of both Soviet involvement in Afghanistan and its longtime support for India, the Soviet Union has sought to maintain a dialogue with Islamabad. Even during the course of its occupation of Afghanistan, the Soviet Union continued construction of a steel plant near Karachi. This past year, Moscow agreed to supply Pakistan with power units. Discussions on the Afghan issue continue. India has always been watchful and at times apprehensive about Soviet overtures to Pakistan, but Moscow’s concerns are clear. Stability within South Asia and the prevention of another war between India and Pakistan are major security interests for the Soviet Union, and it needs to retain a position vis-à-vis Pakistan that will enable it to offer its good offices and, at a minimum, ensure that Pakistan poses no security threat to the Soviet Union itself.



**Part 3.**  
**China and Japan**



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## 7. Politics of Growth and Stability in China

MANORANJAN MOHANTY

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### I

The Tiananmen episode of 1989 had no doubt shaken up the Chinese political system. Most observers actually visualized that tensions would spread in China, and reform policies would be disrupted. In fact, China's international relations, especially with Western countries, were badly affected by the events of June 1989. Intraparty differences leading to the removal of party General Secretary Zhao Ziyang, the new role of intervention by the People's Liberation Army, and the continued reliance on the aging leader Deng Xiaoping all had pointed toward great uncertainties in store for China. But the scenario seemed to unfold differently, and by the end of 1990, China presented a picture of relative stability and recovery from the shocks of 1989.

Since June 1989, there has been no panic reversal of the economic policies, even though some adjustments were made to correct certain imbalances. The "reform and open door" approach has continued. Instead of reacting nervously to the reactions of the Western countries, which enforced some economic sanctions against China, the Chinese government patiently persisted in explaining its case for the restoration of normal relations. By early 1991, most of the punitive steps had been withdrawn by the West. Deng Xiaoping went ahead with his plans for retirement. Premier Li Peng, who was the chief of government at the time of the Tiananmen episode and was the target of much criticism, continued to function actively as part of the new leadership group headed by Jiang Zemin. As for handling the cases of the youth involved in the demonstrations, the Chinese government tried them in a businesslike manner, security the toughest punishment for a few and being lenient to most. After the series of economic difficulties experienced by the Chinese people in 1987-88, the government had slowly worked out policies of recovery and growth that continued through 1989-90. By early 1991, it could claim a degree of success in

curbing inflation, improving the balance-of-payments position, resuming the positive trend in people's living standards, and generally putting the economy back on the rails. Thus the Chinese leadership seemed to have regained full control of the situation, leaving behind the adversities of 1989. In early 1991, they were in a position to announce the fulfillment of the targets set by Deng Xiaoping for the first decade of reforms and were all set to work on the ten-year program to achieve the goals earmarked for the end of the twentieth century.

Despite this situation of reestablished stability and economic successes, there are sources of instability and tension in China about which debates break out now and then. In fact, there are forces representing alternative lines of thinking at various levels in China. It is necessary to consider both these aspects of the prevailing situation in China. Although the present leadership has a firm grip over the political and economic situation, there are objective consequences of the dominant development strategy that may give rise to tensions in society. There are political groups and leaders who are questioning the prevailing policies, though the vast majority of elites and masses seems to support the current policies.

There are three currents in Chinese politics. One is the attempt by the leadership of the Communist Party of China (CPC) to combine economic liberalism with political authoritarianism. This is the most visible trend backed by state power. There are adjustments made from time to time in this line in the name of "seeking truth from facts." The Seventh Plenum of the CPC Central Committee in December 1990 conveyed the impression that economic liberalization was going to stay but within the framework of planned economy, and tight political control was going to continue while a degree of relaxation would be allowed. The second current is the force of wholesale liberalism on the pattern of Eastern Europe. This is the target of attack by the present regime. Its leading advocates are either in jail or under watch. There is a persistent ideological campaign against this current that got support from within the CPC leadership. The campaign against "bourgeois liberalization," which continues in the various political forms, only shows that this force of liberalism is quite strong. Although the main battle is between these two currents, there is also a third line of thinking on socialism that seeks to democratize politics, economy, and culture and defines socialism as the realization of socialist freedom in every sphere. The leaders of the Chinese state dismiss this line variously as "utopian," "idealist," "backward-looking" and carrying the "wrong economic ideas" of Mao Zedong.

The political struggle in China involves these three lines of thought. Deng Xiaoping's efforts have succeeded in defeating the liberals and the radical socialists so far. Instruments of state power—the army, the bureaucracy, and the propaganda organs—have been solidly kept under the Deng group. With the

mass peasant base maintained relatively undisturbed, there is a new formidable coalition of social forces behind the Deng line. They are the managerial cadres and the party cadres, the rich peasants, the rising capitalists, the army cadres, and the party cadres who form the social base of the contemporary state. The vision of building a "rich and strong China" unites them. For them, economic success is far more important than democracy.

The struggle for democratization is likely to continue but not to achieve any major success by the turn of the century. The regime will continue to reject a Western-style multiparty system, electoral competition, and freedom of the press, saying they would disrupt socialist economic development. Paradoxically, this very experience will create an expanding social base for the democratization of the Chinese state because it will give rise to more and more differentiated social groups seeking to exercise their rights, and there will be few institutional channels for their effective participation. The urge for democratization becomes part of the evolving political consciousness generated from the domestic as well as the international environment. Thus the conflict between the forces of authoritarianism and the forces of democratization is likely to intensify even though its overt manifestation may wait for critical moments. The reluctance to reconceptualize the socialist state in terms of social freedom will make socialism itself less and less popular in China.

When the Deng Xiaoping leadership originally described its "reform and open door" policies as "socialism with Chinese characteristics," they wanted to differentiate their policies from those of the Soviet Union and Eastern Europe. Dismantling agricultural collectives, promoting market forces, linking wages with particular pieces of work, giving incentives, and, above all, seeking foreign collaboration were all explained as requirements of the concrete Chinese situation. At the Thirteenth Congress of the CPC in 1987, they coined the concept "primary stage of socialism" to justify such apparently unsocialist practices, saying that because China had not gone through a full-scale capitalist development before liberation, it had to resort to many such special measures to overcome the conditions of backwardness. After the changes in Eastern Europe and the unfolding of major reforms in the Soviet Union, the expression "socialism with Chinese characteristics" has assumed a different meaning. It now refers to the particular mode of combining economic liberalism with political authoritarianism. The Chinese leaders are frequently called upon today to explain why the Chinese cannot have the Western type of parliamentary democracy. According to them, China would pursue the path of gradual democratization, keeping pace with the developing conditions in China.

The outlook that has been slowly consolidated since the Tiananmen episode is but a poor response to the issues raised by the student movement and is almost

insensitive to the implications of the developments in Eastern Europe. The concept of socialism that underlies the contemporary policies of the CPC leadership and the strategy of implementing the current line are fraught with serious contradictions. The need for linking the growth of production with the sociopolitical goals of the Chinese revolution; responding to the expanding urge for democratic rights; grappling with the problems of science, technology, and the environment; and realizing the humanist essence of socialism are not the central preoccupation of the CPC today.

Socialism as seen by Deng and his successors is the development of productive forces. The Fourth Party Plenum, which met shortly after the Tiananmen episode, reaffirmed the 1978 Third Plenum decision on the “focus” of the current period, which was “economic construction.” At the same time, it formulated the “two points,” one being “reforms and open door” and the other, “four cardinal principles.” The latter was first mentioned in a March 1979 speech by Deng emphasizing the need for maintaining the correct ideological direction of the “four modernizations” process: keep to the socialist road, uphold the people’s democratic dictatorship, leadership of the Communist Party, and Marxism-Leninism and Mao Zedong thought. The experience of the decade of reforms shows that the four principles were only occasionally used as an ideological weapon by Deng to check or remove the leaders in charge. They were not integrated to the economic, social, and cultural policies. Moreover the four principles themselves do not deal with the questions of democracy and freedom at different levels. The more important issue is to work out institutional and operational measures that not only promote economic growth in the appropriate manner but also respond to the political and cultural demands of the people. The present leadership emphasizes political and social stability, which means disallowing public opposition activity. Such a policy, which is justified in the name of carrying out economic development, necessarily generates tensions in society and politics that may be subdued at the moment but may crop up in the future.

Obviously, the CPC leadership is aware of the implications of its policies, especially after the Tiananmen episode of April–June 1989. Several important measures were taken by them to gear up the party organization, initiate ideological education, launch a drive against corruption, and streamline the economy. As many as three party plenums were held in quick succession. The fourth removed Zhao Ziyang from the post of party general secretary and reaffirmed the reforms perspective. The fifth, in November 1989, accepted the resignation of Deng Xiaoping from the chairmanship of the military commission of the Central Committee and made a number of significant decisions on the economy. The Sixth Party Plenum, in March 1990, addressed the question of democratization and reviewed ideological work and especially economic

work. These measures indicated the leadership's serious effort to tackle the concrete economic problems in society and also an uneasiness about the ideological situation.

The Seventh Party Plenum, of December 1990, was a critical stocktaking of the past decade's experience, keeping in view the shocks of Tiananmen. It charted the perspective of development for the next decade so as to achieve the lofty goals set by Deng Xiaoping by the turn of the century. The doubling of China's GNP (gross national product) of 1980 had been achieved by 1990; it had to be quadrupled by the year 2000, correspondingly raising China's per capita income fourfold. The plenum announced: "Success or failure in our efforts in the 1990s to consolidate and develop achievements made in the 1980s and to greatly promote economic growth and social progress will have a direct bearing on the rise or fall of China's socialist system and the future and the destiny of the Chinese nation." Thus the stress continued to be on economic growth, for which the "first strategic step" had been completed at the end of the first decade. Now the plenum spelled out the outline of the "second strategic step," namely, the Ten-Year Plan from 1991 to 2000, the first part of which was the Eighth Five-Year Plan. Although a marked increase in economic capability and living standard had been achieved in the past decade, the objectives of the next phase were the following: quadrupling the 1980 GNP in terms of constant price; raising people's living standard from just having enough to eat and wear to a state of living a fairly comfortable life; making educational, scientific, and technological progress; improving economic management; and readjusting economic structures so as to "lay the material and technological foundation for China's sustained economic and social development in the early twenty-first century." By the middle of the next century, the objective was to turn China into a moderately developed country. The Seventh Party Plenum reaffirmed the political perspective of the last decade and worked out a three-pronged strategy to consolidate it. Politically, it put the CPC's new collective leadership in firm command of the state structure and did not allow any uncertainty over compromising with the two other trends. In the economy, some policy adjustments were permissible, but within the general parameters of "market socialism" or "socialist planned commodity economy." In the ideological sphere, a forceful drive was unfolded further to claim Marxist legitimacy for these policies.

## II

The official Chinese media have gone out of their way to stress that, despite the turmoil of 1989, the Chinese economy has made steady progress. China's GNP went up by 3.9 percent and the national income by 3.7 percent over the 1988 level. The total industrial output rose by 8.3 percent. Coal production was

1.04 billion tons, a 6.1 percent increase; steel rose by 3 percent to 61.24 million tons; and electricity generation was up by 6.7 percent, with 582 billion kilowatt-hours. The most conspicuous achievement was grain production, which, after three years of stagnation, surpassed the 1984 record and was 407.45 million tons. Impressive gains were mentioned in the production of fruits, vegetables, meat, and fish. Even in foreign trade, the economic sanctions imposed by the Western countries apparently did not affect China too badly. Its exports grew by 10.5 percent and imports by 7 percent over those of 1988.

Despite these claims, some serious problems in the economy were acknowledged by the Chinese government itself. One was the “overheated economy,” in which the social demand far surpassed the level of supply. With their increased incomes, the peasants and some workers wanted to buy a number of things, but they were not adequately available in the market. Inflation and price rises had reached serious proportions and were among the issues raised during the student demonstrations. Although industrial production was moving too fast, agricultural production was lagging, thus creating several imbalances. Shortages of energy, raw materials, and transportation facilities continued to create problems. Widespread corruption and increasing disparities of income were the most talked about issues in recent years. A new strata of rich peasants, managers, and professionals, some linked with foreign companies and capitalist entrepreneurs, has emerged in China and is encouraged by the government to participate in the modernization drive. The contradictions between them and the rest of society affected the entire political and economic process in China.

Efforts were initiated to tackle some of these problems even before the Tiananmen episode, when the Third Party Plenum decided to “improve the economic environment” and rectify the economic order in September 1988. But a year later the Fifth Party Plenum made the crucial decision on “further improving the economic environment, rectifying the economic order and deepening reform.” As General Secretary Jiang Zemin explained in his speech at the plenum, the party must embrace the ideas of “a sustained, stable and harmonious development of the national economy.” Obsession with quick results regardless of the actual conditions has been a problem in the People’s Republic of China (PRC) almost throughout its history. Even though Mao Zedong’s Great Leap Forward strategy was condemned by the Deng regime as “leftist” and “adventurist,” both seemed to share the obsession. Deng’s strategic statement at the start of the reform period that China should double its 1980 GNP by 1990 and quadruple it by the turn of the century carried the same urge, though it did have an electrifying effect on the population. Indeed, China has accomplished the 1990 target and is also poised to reach the target of the

year 2000 as well. But the quick growth policy has created many dislocations and ups and downs in the different sectors. Jiang Zemin explained the new decision at the Fifth Party Plenum thus: "In principle, sustained development is one with a normal, long-term development speed; stable development means development without violent ups and downs; and harmonious development refers to rational relations between important economic sectors."

Following the fifth plenum decision, steps were taken to curtail society's general demand, reduce investment in capital construction, and cut consumption funds. In 1989, investment in fixed assets was 11 percent less than that in 1988. The rate of wage increases was also down by 9.1 percent. Issue of money has been controlled, and steps were taken to reduce the rate of price increases. In 1989, the general retail price level rose by 17.8 percent over that of 1988, a rate slower than that of 1988. The objective was to bring it down to 10 percent in 1990. The rate of industrial growth was brought down to make it relatively more harmonious with agriculture. The growth rate in 1988 was 12.5 percent; it was 8.3 percent in 1989. The growth proportion of industry to agriculture came down from 5.33:1 in 1988 to 2.42:1 in 1989. The Chinese government estimates that the 1990 growth rate of industry and agriculture will be 6 percent and 4 percent, respectively. This would be a major advance in establishing some proportionality between the two. In industry, selective emphasis has been placed on energy, transport, and communications, which have been serious bottlenecks during the past decade.

In agriculture, some rethinking is noticeable. The contract responsibility system continues. But some broad planning on grain production, rural industries, and marketing has been stressed. The trend of reckless privatization has been modified, and even collective farming is recommended where conditions are suitable. The earlier policy had allowed the farmers to divert land from grain cultivation to cash crops and other more profitable activities. This affected the growth of grain production. Even though a record of 407.45 million tons of grain were produced in 1989, the per capita grain came down to 363 kg from 400 kg in 1984, the previous year of record harvest, due to the rise in population. Thus feeding the population well and meeting the overall needs of industrialization continue to demand much greater success in China's agriculture than has been achieved so far. This has been once again realized by the CPC, and now they give top priority to agriculture.

The expansion of rural industries run by the *Xiang* (former commune) and *Cun* (former production brigade) was so fast that in 1987, the total output value of these industries surpassed that of grain production. It provided employment to part of the surplus labor and contributed to the income of rural families. But soon it was also noticed that, to quote Li Peng when visiting Jiangsu in 1990, where these industries were the most successful, "some turn out inferior

products, are poorly managed, have backward technology and [use] so much energy and raw materials.” Now a number of steps have been taken to link them with large enterprises, make them use local farm produce, mainly in priority areas, and take up labor-intensive projects.

All this suggests that a balancing act was on in managing the Chinese economy. Macroeconomic management and planning are to be retained and improved without going back to overcentralized control. Multiple forms of ownership—individual to public—will be in operation while maintaining the dominance of the public sector, which has to function on the basis of contract responsibility as well. The trend of giving full powers to the enterprise manager has been modified to give a supervisory role to the party secretary. He or she is called upon to ensure that party policies are respected by the economic decision maker without interfering in the day-to-day functioning of the enterprise. These steps are intended to prevent what the present leadership calls “bourgeois liberalization.”

### III

The economic measures may actually arrest price increases, develop production, and create some degree of balance in the economy. But the totality of the issues relates economy with the demand for democratization. On that score, there has been very little progress during the past year.

The Sixth Plenum of the CPC Central Committee, which met March 9–12, 1990, devoted itself to the question of “strengthening ties with the people.” It noted that “bureaucracy, subjectivism, formalism, passivism, corruption, and other serious phenomena of divorce from the masses have grown among some party organizations and party cadres in recent years.” To deal with this problem, the plenum recommended a seven-point plan: (1) Adhere to the “mass line” or “from the masses and to the masses.” (In recent years, the managers, professionals, and cadres had acquired so much power that this principle was not mentioned very much.) (2) Leading cadres should go down to the grass roots. (3) A socialist legal system should be built and political restructuring deepened. (4) An honest and clean government should be built and corrupt practices overcome. (5) The system of supervision from within and outside the party should be improved. (6) Bring into full play the role of grass roots party organizations. (7) Conduct extensive education in the Marxist point of view.

Another major initiative taken after the sixth plenum was to involve the non-Communist parties in the process of decision making even though their role remained advisory. This link had been somewhat weakened by the Tiananmen episode. In Eastern Europe, the multiparty system had come into being, and in the USSR, it was about to emerge. The CPC leadership has rejected a multiparty system but has retained what it calls “multiparty

cooperation” under the CPC leadership and political consultation system. On July 12–13, 1990, the CPC Central Committee had organized a forum of the leaders of the democratic parties, including Fei Xiaotong, the famous sociologist who is chairman of the China Democratic League; Sun Qimeng of the China Democratic National Construction Association; Zhou Peiyuan, former president of Peking University and chairman of the Jiusan Society. CPC leader Jiang Zemin reaffirmed the importance of the united front for the sake of “patriotism and socialism” and announced the decision to take more non-Communist personnel into leading posts in the government and regularly undertake consultation with the democratic groups.

“Perfecting the People’s Congress system” is yet another measure CPC leaders talk about. So far they have allowed multiple candidates in the elections only up to the county level. At the provincial and the national levels, the party finalizes the list of candidates after several rounds of consultation. Discussion of issues has been improved in the session. Institutions of democratic participation are yet to develop fully.

A campaign against corruption was launched with full vigor in 1990. Severe punishment has been meted out to the criminals and corrupt officials. Children of senior officials have been stopped from engaging in commercial activities. Austerity measures have been imposed on the life-styles of all leaders.

In addition to all this, an intensive drive has been launched to promote ideological education in Marxism-Leninism and Mao Zedong thought. Students, youth, and soldiers are required to spend a certain length of time studying the history of the Chinese revolution and philosophy of Marxism. A series of articles by Zhang Zhen, president of the National Defence University, entitled “Marxism-Leninism Is the Manner of Our Times” is a good example of the way classical Marxism is defended along with Mao’s pre-1958 ideas and the principles of Deng’s reforms. The conflict since 1980 between the two lines—one seeking to promote “bourgeois liberalization” through reforms and the other upholding the “four cardinal principles”—is a constant refrain in the current ideological campaign. In spite of all these measures, the chance of the present notion of socialism flourishing in China appears full of uncertainties. The group conflicts within the party involve the pro-Zhao Ziyang elements, who are more liberal than the rest; the old guard, who stick to classical socialist ideas; and the balancers like Deng. Each has supporters in the army, and conflicts may flare up once Deng is gone. The reactions to the developments in the USSR and Eastern Europe are not uniform in the CPC. The new classes that have emerged are not likely to take it lying down when the party wishes to restrict their rights. The disparities in society create a fertile ground for social conflict. To respond to all this, the CPC does not seem inclined to change its terms of socialist discourse and adopt new terms that put socialist discourse and

freedom—material, political, and cultural—at the core and transcend the paradigm of the capitalist industrial revolution.

Institutions of social democracy that would resolve such contradictions have not grown in China. The party, army, government, and mass organizations have not developed democratic methods to involve masses in decision making. The coercive dimension of the state apparatus continues to acquire greater salience—a trend not so prominent in the early years of the PRC. The responsive dimension (i.e., to perform functions for the benefit of the people) remains dominant. But the legitimacy has eroded nevertheless. That affects the capacity of the state apparatus to play its responsive role.

Having encountered one crisis after another, the rulers constantly had to renew their efforts to make the state acceptable to the people. The current drive to reemphasize the ideology of Marxism-Leninism and Mao Zedong thought lacks consistency, for it is not backed by appropriate measures at the political and economic levels. The modernization program was put forward with fervent patriotic and nationalist appeals to unite all nationalities of China and also to mobilize non-Communist sections of society with the followers of the CPC. But as the Tiananmen episode showed, this effort has not succeeded in maintaining a bank of legitimacy. The policy of handling the ethnic minorities has not yet matured under the current regime. No doubt the successful creation of an international environment of peace provides some positive conditions to develop legitimacy of the Chinese state. But without the internal support from large sections of the people backed by economic benefits, institutional participation, and cultural assurance, full advantage of the international climate cannot be taken. The fact that peasant masses are by and large the main source of legitimacy of the present-day Chinese state may not be an all-time reality, especially if the trends of social differentiation and conflict continue. Thus struggle for socialist freedom is likely to go on as long as the authoritarian state persists, no matter how developed it is in economic and military power.

#### IV

In order to continue the policies of reforms and persist in maintaining relative stability within the country, the Chinese leadership pursued its foreign policy geared toward peace and development. This line of “independent foreign policy” was proclaimed in 1982 and was not seriously affected by the Western reactions to the events of June 1989. The end of the cold war and the developments in the Gulf did not upset the overall foreign policy outlook of China either. The Chinese government wanted to remove tensions in its relations with as many countries as possible and promote the creation of a peaceful international environment so it could harness all possible support for

its economic development. This line is likely to continue for the foreseeable future.

The Chinese do not consider the end of the cold war an unqualified boon. The Soviet Union's role as a countervailing power had its positive effects as well. They do not think a unipolar world has emerged. The rise of the United States may be a short-run phenomenon, but in the long run, it was a declining power facing economic crisis at home and tough competition abroad. The old world had disappeared, but a new world order was yet to emerge—this is the constant refrain of Chinese statements at present. The contemporary situation was characterized by much turbulence caused by regional conflicts and ethnic upsurge. As for the creation of a new world order, the Chinese mention Deng Xiaoping's 1988 proposal for a "new international political and economic order" based on the Five Principles of Peaceful Coexistence. Of them, the principles of noninterference in internal affairs of other countries, respect for sovereignty and territorial integrity, and equality and mutual respect irrespective of the size of a country are highlighted again and again.

Within this framework of decade-old foreign policy are some significant trends that are likely to grow in the coming years. There is a greater emphasis on developing relations with Third World countries at present than was visible in the early 1980s. Visits by top leaders to Asian and African countries, increased trade, and close coordination in the international fora are some examples of this. Second, relations with neighboring countries are given considerable importance. Contentious issues like borders are put aside for negotiations while friendly relations in cultural, economic, and technological spheres continue to grow. Anything that might adversely affect the process of normal relations is avoided. Third, there is evidence of increased activism by China in the international institutions, particularly at the United Nations. This was most conspicuous during the Gulf crisis. China has also taken a keen interest in the campaigns for environment, disarmament, population development, and restructuring the world economic order. China's perspective on South Africa is derived from its overall international line. In contrast to its attitude during the 1970s, when countering Indian influence was its main objective, China pursued a policy of normalizing relations with India during the 1980s. There was a corresponding change in India's policy toward China as well. China recognized India's primacy in South Asia and supported the efforts at bilateral settlement of disputes among the South Asian countries. It welcomed the formation of SAARC (South Asian Association for Regional Cooperation). Its policy toward Pakistan remained one of building close, friendly relations without doing anything that would offend India. Trade and military assistance continued to grow with Pakistan, but China did not quite endorse Pakistan's stand on Kashmir. China's press coverage on Kashmir and Punjab was not of an order

that India would take exception to. Prime Minister Rajiv Gandhi's visit to China in December 1988 advanced India-China relations to a new stage. A new process of handling the border dispute began with the formation of a joint working group not only to survey and demarcate but also to maintain tranquility on the border. Trade and cultural exchanges expanded quickly. The successive governments of India pursued this process, reflecting a new consensus that had emerged in favor of this policy. Visits by Indian Foreign Minister V. C. Shukla and Commerce Minister Subramaniam Swamy in January 1991 led to new agreements, including one that opened consulates in Shanghai and Bombay.

China's new international policies have won it many new friends and helped China conduct its interaction with business circles abroad more effectively. With the "one country, two systems" framework, integration of Hong Kong in 1997 and Macao in 1999 has been assured without upsetting their economies too much. With all this, the question that arises is whether China is participating in a power game or is working for the democratization of the world process so that conditions for socialism and socialist freedom are generated. Perhaps this will be a part of the agenda when Jiang Zemin meets Gorbachev in May 1991.

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## 8. Japan in Asia

PAUL H. KREISBERG

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Japanese have felt most comfortable, national consensus about policy direction has formed most easily, and government and business policies have meshed most closely when Japan has focused its national strategies on its economic interests in Asia. The Meiji reforms in the late nineteenth century and subsequent economic and political transformations in Japan in the early decades of the twentieth century were centered on the concept of absorbing from the West what would make Japan a strong and modern state capable of asserting leadership and, as military and nationalist influences grew in the 1920s and 1930s, dominance in Asia.

Its early strategy was cooperation with England and the United States as a balance against Russia, but all outside powers from the Soviet Union and the European colonial powers to the United States became obstacles to its objectives by the 1920s and 1930s. Japan made the crucial error of allying itself with Nazi Germany and ultimately was defeated in its effort to drive all outside powers from Asia.

After the war Japan linked its political and strategic interests, seemingly irrevocably, with U.S. interests in Asia. It prospered, recovering its economic power in the course of a single generation, in a second generation became the second most powerful economy in the world, and by 2000 is predicted to have a GNP (gross national product) as large as the United States (and a per capita GNP twice as large).

Rejecting the pursuit of influence through military power or even much international political activity, and essentially eschewing responsibility for international security, by the early 1970s Japanese economic preeminence in Asia was already clear. Indeed in the 1980s Japan increased its *relative* emphasis on new investment and trade away from Asia. The share of Japan's new direct private investment between 1980 and 1989 going to Asia declined from 25 percent to 12 percent and for North America and Western Europe rose

from 46 percent to 72 percent. Nevertheless by mid-1990 Japanese investments in Asia exceeded the total of those everywhere else in the world except North America (which in turn were twice Japan's total investments in Asia!). And Japan's trade with Asian countries (from the Indo-Pakistan subcontinent east) has exceeded its trade with the United States since 1987.

Annual Japanese investment in the Asian NIEs (new industrializing economies) (Hong Kong, South Korea, Singapore, Taiwan) increased more than tenfold between 1980 and 1990 and that in ASEAN (Association of Southeast Asian Nations) countries more than tripled in the same period. While U.S. investments in Asian countries were doubling between 1980 and 1988 (from \$17 to \$33 billion), Japanese investments quadrupled (\$10 to \$42 billion).

Under the umbrella of a policy defined as "comprehensive security" Japan also began in the 1970s to increase its aid to developing countries as a substitute for its professed inability to contribute to military security. The lion's share of aid consistently has gone to Asian countries (although the proportion going to Asian states has gradually declined from 98 percent a decade ago to roughly 70 percent at the beginning of the 1990s), mostly in the form of trading credits, credit guarantees, and joint credits by government and private lenders.

Grant aid was limited, and the bulk was heavily tied to procurement of Japanese goods and services and thus the furtherance of Japanese economic interests in the region. But Japanese contributions to the World Bank, the International Monetary Fund, and the Asian Development Bank also increased, and gradually in the mid-1980s the "grant" component in Japanese direct aid also rose. U.S. economic assistance to Asian states was virtually static between 1980 and 1988 (\$1.0 billion to \$1.1 billion) while Japanese assistance nearly tripled from \$1.4 billion to \$4 billion.

The conceptual framework for Japanese economic policy in Asia in the 1980s was described by Japanese officials as a horizontal division of labor. Japan would shift its manufacturing of a wide variety of products lower down the technology scale to countries of the region, increase its imports back into Japan from these countries, and focus its own manufacturing and investment efforts on higher technology levels. All of this, however, was to take place in the context of a broad international trading environment and not of regional trading alliances. Japan would exert its influence to hold open North American and European markets for the Asians and indeed undertake to speak for them and their interests in the industrialized nations' Group of 7 (United States, Japan, Germany, France, United Kingdom, Canada, Italy). The Asians for their part would not form a trading market that excluded Japan or the United States. Thus Japan has remained cold to proposals by Australians and then Malaysians for special Asia-only trading areas. Japan is likely to continue to hold to this position unless a breakdown in global trade arrangements produces

increasing regionalization, with the European Community blocking Asian access to Europe and a North American trading area (or a larger trading system for the whole western hemisphere) potentially blocking growth of Asian trade with these regions.

Although economic issues are of enormous importance to Japan, the more complex issue in the medium term for Japan has been the political role or security role Japan should play in Asia or in the world. Particularly now that the global East-West struggle has dimmed in importance with the political and economic weakening of the Soviet Union and international attention has turned increasingly to regional conflicts and tensions rather than strategic nuclear balances, Japan has come under increasing pressure to decide whether to shift from its four-decade-old policy of refusing any involvement in "collective security."

As recently as 1988, the Japanese consul general in New York shortly after his arrival insisted in a speech that "Japan's political role in Asia will continue to be a limited, . . . a passive one. We will nevertheless try to make greater contributions towards peacekeeping in Asia throughout the nineties." Two months later, however, in February 1989, Prime Minister Mōboru Takeshita declared, "Japan must unfold a positive foreign policy with new creative ideas." Japan had a "greater responsibility and role than ever before."

Japan has been trying to work through what this role might be in the last two years. A foreign ministry official's observation in March 1989 that the new policy "has not yet gelled" and that Japan must "move step-by-step" remains a fair characterization, although the process has moved forward. A year after Takeshita enunciated a more active foreign policy, Vice-Foreign Minister Takakazu Kuriyama began to sketch out more substance in an article in the May 1990 issue of *Gaiko Forum*. Kuriyama named Japan one of the major world poles of power, identifying a 5:5:3 balance in which the United States and Western Europe, each with GNPs roughly at \$5 trillion, and Japan, with \$3 trillion, represented two-thirds of total world GNP. Economic and technological power would play an increasingly important role in the world along with the need for international cooperation and coordination of the global economy, and Japan's economic weight would give it proportionate political influence as well.

In Asia the answer that has begun to evolve over the last two years is that Japan should increasingly play a more important role in easing regional tensions, one commensurate with Japan's economic weight.

- Japan's efforts in mid-1990 to play a more active part in resolving the Cambodian conflict by convening a conference of Cambodian parties in Tokyo was not successful, but Japan has remained engaged on this issue,

- not only by supporting the United States but in continuing dialogue with both the Cambodians and the Vietnamese.
- In mid-1990 Japan initiated the reopening by the major industrial powers of an economic and political dialogue with China after the Tienanmen violence. Gradually virtually all European and Asian countries except the United States followed Japan's lead in resuming normal high-level contacts and economic cooperation.
  - Japanese Prime Minister Toshiki Kaifu visiting India early in 1990 took advantage of the occasion to mediate between India and Pakistan on Kashmir and publicly cautioned against arms buildups in the subcontinent or regional tensions that would undercut economic development objectives and arouse concerns among India's aid donors, one of the blunter Japanese excursions to that time into the political arena in the region. The Indians ignored the caution and rejected the offer of mediation, but the point was made that Japan was willing to speak out on major political and security issues.
  - In mid-1990 Japan turned its attention to another major Asian area of tension, initiating a series of discussions with North Korea aimed at easing Japanese-North Korean tensions and particularly at using the leverage of prospective Japanese economic aid to get Pyongyang to agree to strict inspections of its nuclear facilities, where intelligence reports revealed a weapons program has been in process for several years. South Korea welcomed Tokyo's pressure on nuclear proliferation, but considerable diplomatic smoothing by Japan was needed to overcome suspicions that Japan was about to compensate North Korea for the years in which Japan had no relations with that country.

Only in dealing with the Soviet Union has Japan found it difficult to shift gears from a century of tension and conflict. Soviet President Mikhail Gorbachev's visit to Tokyo, the first ever by a head of state from Moscow, softened the ice. There may be progress in the next few years, but it will clearly come slowly. Japan is wary that improved relations with Moscow not complicate its security relations with the United States or the domestic rationale for the U.S.-Japan security treaty. The absence of strong business incentives to increase trade or investment activity in the Soviet Union, of pressure on Japan from other Asian states to improve ties swiftly with Moscow, or of any hint by Moscow of compromise on outstanding territorial disputes kept the relationship in low gear.

The major problem facing policymakers looking at Japan's global as well as Asian strategy is to find a Japanese foreign policy that seems truly Japanese. Prime Minister Kaifu's insistence in a 1990 speech that "Japan should undertake international responsibility in accordance with its own judgement"

and Vice-Minister Kuriyama's observation in the article noted earlier that "the days are gone forever when Japan depended upon U.S. sustained order and took compliance with it as a matter of course" reflect this. Japan would like to distinguish its policies more visibly from those of the United States. At the same time Japanese political leaders are usually careful to add, as does the annual foreign policy report in October 1990, that it is essential that the U.S.-Japan security relationship remain undiminished in importance, not just for the two countries, but for the stability of the Asia-Pacific region as a whole.

Resentment of the United States has grown in recent years in Japan—over trade and investment issues, over U.S. pressure to change Japan's economic policies on a broad range of issues, over U.S. insistence that Japan increase its share of the "burdens" of international security borne by the United States in ways consistent with U.S. policies. Japan has repeatedly responded to U.S. pressures for change, but only in small increments. This has produced a steady rise in irritation on both sides of the Pacific as issue after issue continuously returned to the agenda in new forms.

The Gulf War produced a particularly sharp shift in the climate. American unhappiness with what was seen as the slow pace at which Japan ultimately produced \$13 billion in assistance for the war effort and over the debate in the Japanese Diet over the role Japan should play in the Gulf War was high. If the war had gone on longer and American casualties had risen, the issue could have produced a major crisis in the relationship. As it was it ultimately paved the way for the first despatch of Japanese warships for operational activities outside of the immediate defense area of the home islands—after the war was over—but with implications that cannot be underestimated.

Japan consulted with other Asian countries and found that all, except for China, were willing to endorse Japan's sending a small flotilla of minesweepers to clean mines from commercial shipping channels in the Persian Gulf, so long as this was linked in some way to a UN-sponsored effort. Although the decision in March–April 1991 encountered resistance from opposition political parties, it was relatively short-lived because public opinion seemed comfortable with the decision once the fighting stopped in the Gulf. Although formalization of measures for participating in future peacekeeping remains unresolved and the Japanese public remains uneasy about Japanese military forces being involved in any combat situations, the *principle* appears to have been established that military forces can be sent overseas for at least some purposes.

So long as Japan continues to function in cooperation and collaboration with the United States, other Asian states are likely to welcome or at least not oppose such initiatives. Moreover as the generation of politicians and officials whose personal experiences of the occupation of their countries by Japanese forces during World War II is replaced by a postwar generation of leaders, fear

of Japan is also likely to continue to diminish. This opinion is heard widely in the region, from the Philippines to Indonesia and Malaysia.

Asian comments during Prime Minister Kaifu's April–May 1991 visit to ASEAN states was symbolic of the growing turn to a warmer welcome for greater political activity by Japan by the states in the region and in global affairs. Concerned about weakening of the American economy and protectionism in Europe, countries throughout the region are increasingly seeking Japanese political support for Asian objectives and interests. Throughout the 1980s Japan stressed its willingness to defend the interests of the Asian states at the annual Group of 7 economic summits on both economic and political issues. Smaller Asian states want to preserve their relationships with the United States and ensure a continuing American presence in the region as a hedge against larger powers—including both Japan and China. But there is a growing sense in a number of countries that Japan may be more sympathetic to the political and economic concerns of the region on a broad range of issues than the United States with its broader global agenda and its serious domestic economic problems.

Underscoring Japan's wish for better relations with the region, Kaifu reassured an Asian audience in Singapore in early May 1991 that "as Japan goes on to play a more active political role, we should remind ourselves of how we perceive our past history. I express our sincere contrition for past Japanese actions which inflicted unbearable suffering and sorrow upon a great many people of the Asia-Pacific region." Kaifu also said he would ensure that his country's youth had a "full and accurate grasp of history." The strongest expression of regret yet made by Japan for its wartime activities and the most explicit commitment to change the treatment of the period in Japanese textbooks (a long-protested issue throughout the region but particularly in Korea and China), the next step in putting the past aside would logically be a parallel expression of regret by the new Japanese emperor when he pays anticipated visits to Southeast Asia and China in the next year or two.

Suspicion of Japan runs deep in both China and Korea, where Japanese military occupation and oppression were not only particularly long and onerous, but where negative historical images run much further back in history and complicate contemporary political relationships. Even in Southeast Asia a breach in the U.S.-Japan security relationship that precipitated a Japanese quest for a truly independent regional and global military capability would arouse strong regional resistance.

Chinese officials and scholars occasionally acknowledge privately the "inevitability" of Japan's playing a more active security role in the region, but the official Chinese position remains that the potential growth of Japanese militarism is a danger to be watched carefully. In South Korea as well there is

concern that, while professing friendship, Japan would prefer the Korean peninsula remain divided between North and South rather than reunited into a single strong state with abundant raw materials, a strong industrial base, a powerful military, and a population more than half as large as that of Japan itself.

There are unquestionably individuals and groups in Japan whose motives on such issues might be questioned. There seems little prospect at present, and probably for the remainder of this century or even beyond, however, that national policy will turn militaristic or expansionist. Two generations of Japanese have grown up convinced that Japan should avoid another war. Japan would, however, like to have greater international recognition of its position in the world, including removal of the references in the UN charter to Japan as an "enemy state" and ultimately membership in the Security Council.

Japan has been increasingly active in seeking leadership of major international organizations. A Japanese has been president of the Asian Development Bank since its inception (a symbol of its 40 percent share of contributions to the bank). Japan would like to hold the managing director position in the International Monetary Fund. A Japanese was elected UN high commissioner for refugees in 1990, a position with considerable political as well as humanitarian and economic significance. Private suggestions to Japanese that they contest for secretary general of the UN are listened to with interest rather than embarrassment and disavowals.

Although there is increasing pride in Japan's being recognized as an international power, there appears to be no Japanese interest in pursuing a Japanese global or regional "mission" analogous to that which mobilized nationalistic feelings in the 1930s. There is unease in Japan and elsewhere, however, that this could change more suddenly than might be thought, particularly if trade and financial tensions between the United States and Japan should grow. In working assiduously to strengthen their relations with Japan, Asian states may hope to avert the adverse consequences in such circumstances of having to choose between their relationships with the United States and Japan.

The attraction of the evolution of a regionwide organization of Asian states such as the Asia-Pacific Economic Coordination group since 1989 for many countries in the region is that it may provide a way of engaging both Japan and the United States as well as China and ultimately other Communist states in a regional consultative framework. The ASEAN Post-Ministerial Conference has served this purpose for most non-Communist states in East and Southeast Asia in the last decade. With an "end" to the cold war, the need and the opportunity to look beyond this framework are likely to be increasingly important for Japan as well as the United States.

Of all the subregions in Asia, Japanese engagement—and that of virtually all other Asian states—is far less active in the Indo-Pakistan subcontinent than anywhere else in Asia. It is only in the area of economic aid and credits that India, Pakistan, and Bangladesh in particular appear to rank high on Japan's priorities in the region.

Japan has been the single largest bilateral donor of economic aid to all three countries since 1987. Yet total Japanese investment in the region is smaller than in the South Pacific island states and not even half that in New Zealand. Trade is somewhat larger, but still far less than half Japan's trade with any single ASEAN country (except the Philippines). The perception that sometime in the future the huge populations of the region would generate major new markets for Japanese business and the skilled but low-cost labor of the area would be a draw for Japanese investment remains in the background. In the mid-1980s Japanese interest grew, then ebbed by the end of the decade. It began to rise somewhat in Pakistan in 1990 but overall remains cautious.

Nevertheless Japan is also concerned about the risk of conflict in the Indian Ocean or the growth of Indian naval capabilities that might interfere with the free flow of shipping through the sea lanes in this area of the world. The issue is not sufficiently pressing to be a major consideration in Japan's assessment of its naval security, but it reappears repeatedly in the writings of Japanese think tank scholars and in bilateral discussions in the region.

As Japan becomes increasingly concerned about regional instabilities and tensions, it has begun to pay more attention to its own potential leverage in limiting proliferation of the most sophisticated weaponry, particularly those weapons Japan itself does not have: medium- and long-range missiles and nuclear weapons. Beginning in 1990, as noted earlier with regard to Kaifu's comments in India, Japanese officials have increasingly warned that Japan will take account of the attitudes toward proliferation and defense expenditures of aid recipients. Japan's role as the largest bilateral aid donor and the second largest contributor to international financial institutions will ensure that such cautions are heard.

Japanese policy in Asia has gradually developed from a mercantilist pattern to one in which there is increasing interchange of benefits from trade, investment, and technology flows for the countries of the region and in which Japanese credits and aid play an important role. Japanese trade and investment with most of the countries of East and Southeast Asia make it the leading economic partner for most states in the area, and with this economic influence has inevitably emerged growing political influence as well.

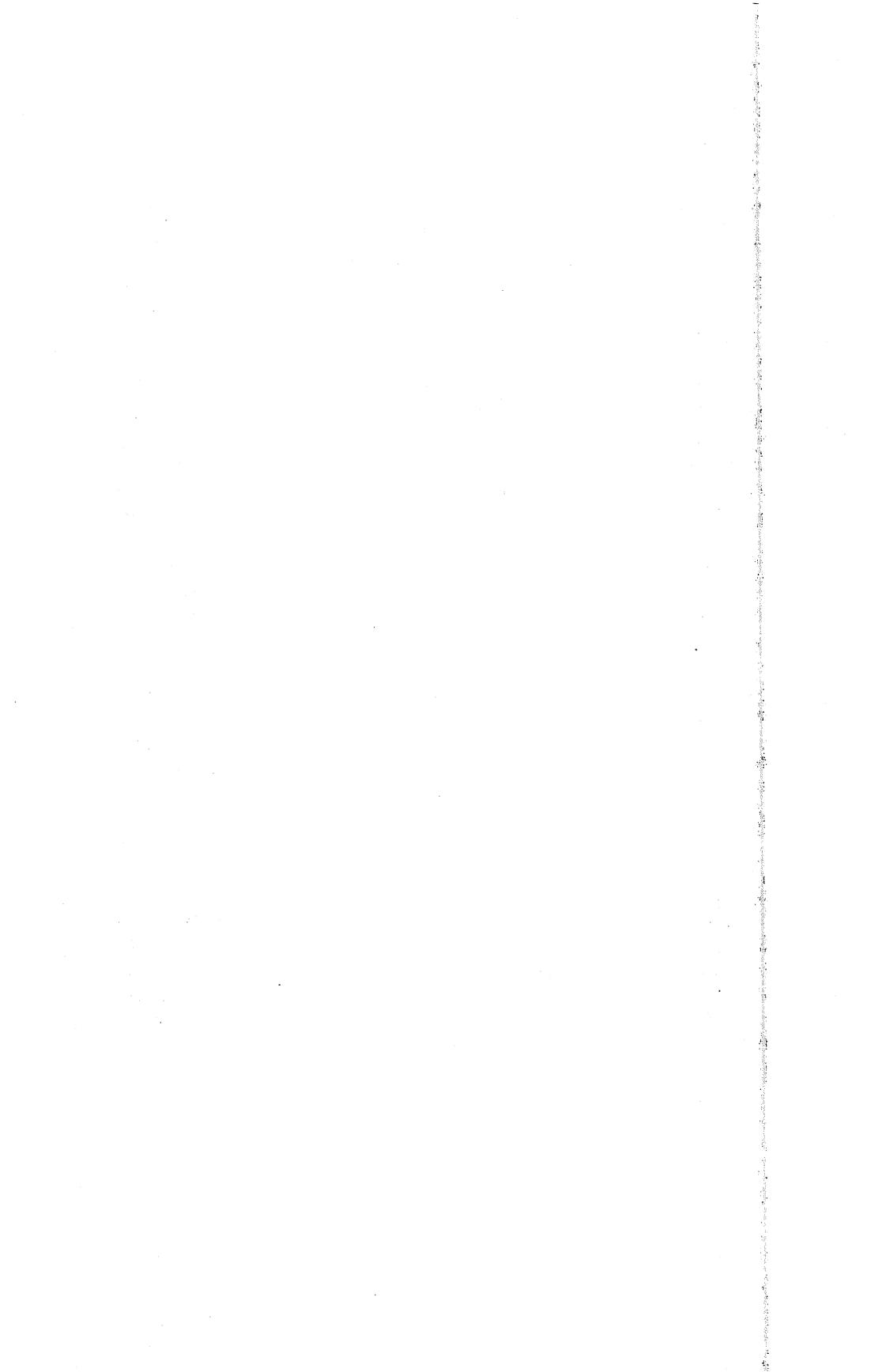
On most regional and global political and security issues Japanese foreign policy continues to mesh closely with that of the United States, but Japan is more and more seeking a "national" policy image of its own. This has led

Japan to take increasingly forthright positions on regional conflict (North Korea, Vietnam, Kashmir, and Cambodia), to suggest it may link its foreign assistance to arms exports and defense budgets of recipient countries, to greater activism on global issues such as environmental degradation and refugees, and to an evolution in its own security policy toward peacekeeping around the world.

On most of these issues Japan continues to coordinate its policies closely with those of the United States, Europe, and other Asian states. Most Asian countries welcome increased Japanese activism in international affairs. But it seems probable that over the course of the 1990s there will be a greater risk of tensions in Japan's relations with the United States and other states as Japanese "interests" from time to time diverge in various ways from those of the United States or other states. Japan's political weight in international affairs and the attention paid by all Asian countries to strengthening their ties with Japan on political as well as economic grounds will increase. This will provide other Asian states with new opportunities for balancing their foreign policies among major powers in ways that may benefit their own interests but make international diplomacy and negotiations more complex.

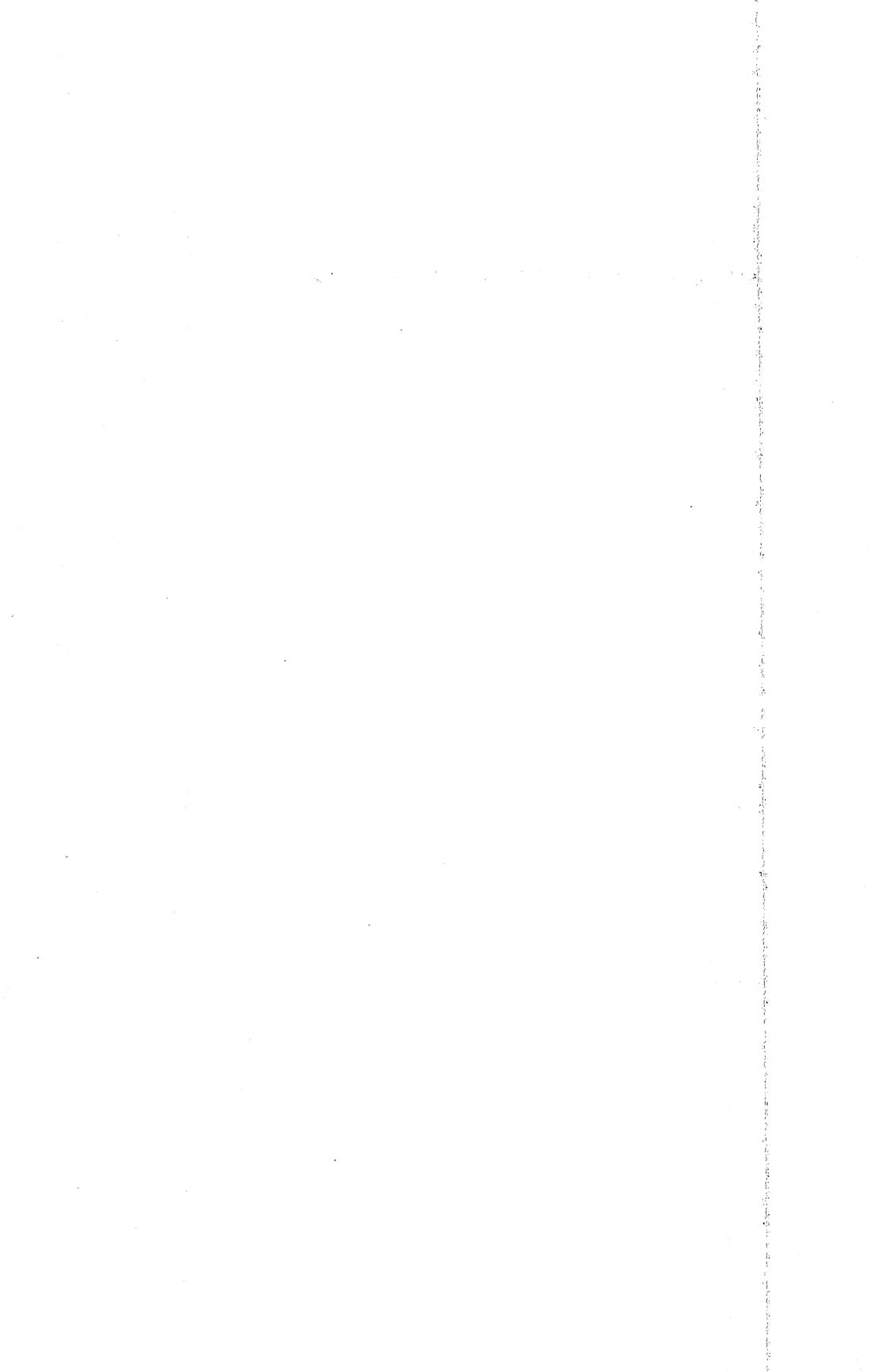
Japan's economic interests and objectives may begin to conflict with its political ones. This would be particularly true if Japan measures its economic assistance and trade relations with other countries by political criteria such as human rights, arms sales, environmental discipline, or other issues. Despite hints to the contrary, there is little evidence so far that Japan will be willing to use economic leverage for such political objectives in Asia if the risk is that this will aggravate Japanese relations with Asian states.

An active role in international peacekeeping could also begin to impose new financial burdens on Japanese taxpayers, a sensitive issue last year when the government had to raise taxes to pay its pledges to the United States for the Gulf War. A more active political role may also involve domestic political costs, for example in attempting to implement Prime Minister Kaifu's pledge in May 1991 to revise Japanese textbook treatment of World War II and presumably other aspects of Japanese recent history, including relations with Korea. All these elements could make foreign policy more politically controversial, even within the factions of the ruling Liberal-Democratic party, than at any other time in the last four decades.



## **Part 4.**

### **India-U.S. Relations in the 1990s**



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## 9. Trends in U.S.-Indian Relations: The Security Dimension

STEPHEN PHILIP COHEN

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There are two reasons why it is difficult to estimate the future course of U.S.-Indian strategic relations. First, Washington itself does not know what it wants in or from South Asia. Americans remain confused by the momentous events in Europe and distracted by the spectacular sideshow in the Gulf—little if any serious thought has been given to this quarter of the world's population. Weaned on the idea of a bipolar global power structure, American strategists did not anticipate nor have they adjusted to a world of *regional* security (or, in some instances, insecurity) systems. The American foreign policy bureaucracy remains inadequately organized and staffed to deal strategically with South Asia. Once seen largely through cold war-tinted lenses, there is an equally depressing prospect that South Asia (and its two leading military powers, India and Pakistan) will be seen largely as a by-product of Gulf policy. Despite professed good intentions, there is still no coherent regional policy for South Asia.

### **Indian Perceptions**

The sources of American confusion do not all reside in the minds of American policymakers. Delhi does not present itself clearly to the rest of the world. India offer several images: a thriving, powerful, and expansive state, demanding the attention and respect of others, and a supplicant, vulnerable at home and abroad to the initiatives of others. Indians hold different and even competing visions of how their state should manage the essential tasks of statecraft. This is not surprising. Any enduring civilization will offer distinctive but different perspectives on the role of the state, the use of force, and the means by which conflicts are to be resolved. With Jawaharlal Nehru's legacy fragmented, Indira Gandhi saw the use of force as a necessary and sometimes desirable means to achieve certain goals (although even Nehru once wrote to John F. Kennedy of the "thrill" felt by Indians after the invasion of Goa).

Many “Nehruvians” now deride his patient approach to China, his willingness to offer concessions to some of India’s smaller neighbors, and his reluctance to build up the Indian armed forces. Nehru saw force as the instrument of last resort and took little pride or interest in the hardware of hegemony—that was Krishna Menon’s contribution.

The centrist, post-Nehruvian view of India, its region, and Asia holds that South Asia is not complete to the degree that Pakistan and the weaker regional states are not properly respectful of Indian power and culture; there is also a degree of paranoia about interests of outsiders in the region and concern about the relationship between India’s large Muslim population and its relations with Iran and the Arab states. The Nehruvian tradition was also conscious of those religious passions that could tear India apart. Nehru pursued a foreign policy that aggressively sought out “secular” Arab allies and avoided contacts with states that emphasized religion as an organizing principle.<sup>1</sup> As for Asia, there remains a strong sense of rivalry with China stemming from the humiliation of 1962 and a feeling that India must play some significant role in Southeast Asia because of its historical cultural influence in the region and the presence of overseas Indian communities in many Southeast Asian states. In terms of relations with the industrialized powers, there is irritation at their failure to acknowledge India’s great accomplishments and its potential strategic role—especially in view of the attention lavished upon the People’s Republic of China (PRC).<sup>2</sup>

In the case of India’s relations with the great powers, the pattern is consistent but not indicative of future close collaboration with the United States. India has resisted close collaboration or strategic relations with both superpowers, although it has become dependent on the Soviet Union for key military hardware. India has managed to get more out of its relations with both than it gave. India’s wariness of alliances is deep-rooted and not unlike that of early, independent America’s attempt to distance itself from Europe’s quarrels. Of course, like Jefferson, Indians have added a moral gloss to *realpolitik*, and it remains to be seen whether nonalignment will survive even in name in an era of multipolarity, when everyone is nonaligned.

<sup>1</sup>Indian sensitivity to events in the Islamic world are not new. Mahatma Gandhi actively supported the Khilafat movement, and the British were always alert to reverberations among India’s Muslim population. Indeed, Indian Muslims have themselves made important contributions to Islamic theology and theory.

<sup>2</sup>There has been a parallel Chinese irritation with recent attention given to India. Both Indian and Chinese perceptions of their “neglect” by outsiders are simply a function of their greater marginality in terms of Western, Japanese, American, and even Soviet strategic calculations as the cold war has wound down.

## **The Indian Record**

My reading of India's record is that it has behaved erratically as a strategic power.<sup>3</sup> It is a country that has been torn between cynicism and Nehruvian idealism, a state with a number of hawks, some doves, but very few owls. Disaster occurred when there was a conjunction of personality and opportunity. There were, alternatively, the successes of 1961 and the disasters of 1962, the brilliance of 1971 and the failure of 1987. In virtually every case, parliament provided more of a cheering section than a check on executive power. Indian public opinion is also volatile, although not particularly focussed on foreign policy issues, compared with more pressing domestic concerns. I do not read this history as a constant, steady move toward hegemony as much as an oscillation between impulses to expand and inevitable pressures to contract. It is easy to draw selectively on this past and condemn India as a habitual offender or disregard it as a major player in international politics. Neither characterization is quite accurate.

For Americans, the following seem crucial in any attempt to characterize India as a potential strategic partner:

- India's absolute military strength has significantly increased. The buildup began well before 1980, but it was stimulated by American aid to Pakistan. The rationale for this buildup is feeble: It rests in large part upon imagined threats. Still, India has increased its capacity to deter outsiders from intervening in South Asia and extend its own military power across the Indian Ocean, especially if it were unopposed.
- India's relative military power has not significantly changed and may have slipped. Pakistan has regained its self-confidence and the support of several outside states and may be near a nuclear deterrent. Even an inward-looking China responded with alacrity to Indian pressure in 1987. The Soviet Union, less of a friend, may be unable to fulfill its military commitments. Finally, there is resistance to another foreign adventure along the lines of Sri Lanka.
- India's neighbors are uniformly distrustful and fearful, but can do little to oppose New Delhi. In part, they lack the capacity, but most recognize that India's regional behavior could be worse, and there is always the prospect that it will improve. Their vocal criticisms of Indian ambitions do much to convey to the outside world the image of a fractious and divided region.

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<sup>3</sup>But, on balance, India has behaved no more erratically than the United States. Consistency in purpose and strategy is found primarily among states whose survival is threatened or whose relative strategic position permits them little leeway for error.

- There is the problem of the domestic roots of Indian foreign policy. India's own strategic community is more varied and diverse than most outsiders realize. Even the Nehruvian tradition is fragmented. But foreign policy is likely to be the outcome of an ongoing debate among his intellectual successors rather than steered by militant Hindus or groups who would like to tilt the balance of domestic power away from Delhi and toward the states.
- The evidence provided by past strategic behavior adds an element of uncertainty. India has acted with brilliance and ruthlessness, but it has also vacillated (as over Afghanistan) and plunged into disaster on more than one occasion. Yet on an international scale of comparison, it is not more erratic than many other major powers, including the United States. One area of consistency has been India's refusal to become too closely tied to any outside power if this meant compromising some important domestic or regional objective. The very instrument of diplomacy most preferred by Americans, the strategic coalition or alliance, is the one viewed with the greatest suspicion in nonaligned New Delhi.<sup>4</sup> In this, Indian inclinations resemble those of the early American republic.

### Implications

If someone had asked ten or even five years ago what the implications for Americans are of this analysis of India as a regional power, the answer would have been shaped by Washington's concern with a global strategy of containment. On this critical strategic issue, India and the United States had very different perspectives and few prospects for cooperation. It is important for Americans to understand that Indians had contempt for the very institutions of collective security that were the centerpiece of America's containment policy. From Delhi's perspective, these alliances were merely devices by which India's neighbors could gain arms to check and weaken India. When Americans refused to take their complaints seriously, Indians concluded that one of America's goals was to contain them. As for the alliance system as a whole, Indians saw no role for them in a scheme devised by and for others. This attitude is clearly seen in the furor over India's "alignment" with the United States through its provision of refueling facilities to American aircraft involved in the Gulf operation. At best, each side understood that damage limitation was the order of the day; at worst, each accused the other of the darkest kind of motives.

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<sup>4</sup>This caution over contact with the American military establishment also has its roots in suspicions about their influence on the Indian armed forces. Yet it includes innocuous and politically tangential joint exercises at sea between the two navies.

Further, Indian power was so limited that it did not much matter—to some Americans—what India did or said. Indian opposition to American policy in the Middle East, Afghanistan, and in various international fora were irritants, not obstacles. On their most important issue, aid to Pakistan, Indians registered their protests—sometimes in shrill and unconvincing fashion. But the collateral damage to Delhi's interests had already been factored in, and the United States pursued a strategy of accommodation to some of these interests in 1984–5. It supported Pakistan but encouraged India-Pakistan normalization, just as it encouraged normalization in 1962 when it supported India against China.

### **Toward a New Relationship**

This is 1991, and we must think of a future without the cold war. I have argued for at least six years that India-Pakistan relations are not a cold war issue for the United States and the Soviet Union. We must also factor in the changes in Indian strategic and military capabilities, discussed previously. These do not add up to a “hegemonistic” India, but they do suggest fresh American thinking about its relations with New Delhi.

One type of an evolving U.S.-India relationship might be an explicit, formal agreement in pursuit of shared regional or strategic objectives. In Asia, the United States has such an arrangement with Japan concerning spheres of responsibility and the level of Japan's burden sharing for the security of Northeast Asia. There are similar formal arrangements with NATO allies. In India's case, this seems highly improbable. Not only is Delhi resistant to any formal arrangement with any other state involving security matters; it is especially allergic to U.S.-sponsored alliances.

Second, there might be an implicit or informal agreement in pursuit of shared security goals. (India had such an arrangement with the Soviet Union for a number of years and earlier had a tacit alliance with Washington against China.) Such an arrangement might involve several features. Indians frequently suggest that the United States support Delhi as a regional dominant power or the region's most significant state; some have suggested that India is so big in itself—a “region state”—that it deserves American support on these grounds alone. Another issue is the terms of a U.S.-India linkage that involves the idea of India as a regional dominant power. Such language was used by earlier American administrations, including Nixon-Ford. The historic Indian view of its meaning is that any American regional security role, or even political support of India's neighbors in a regional or bilateral dispute, is a greater threat than such support from other states because the United States is perceived as a very powerful country and as a potential threat to India itself. Indeed, from an Indian perspective, the main goal of any Indo-U.S. relationship would seem to be the neutralization of American influence, not the pursuit

of common strategic objectives. India's inability to develop a coherent response to American aid plans for Pakistan over an eight-year period (other than merely saying, "less is better than more, and none is better than less") does not give one confidence that India can ever come to grips with any American regional role other than unqualified support for itself.

Over the years, some Americans have made a strong case for letting South Asia reach its natural balance. This policy would have (in the past) strengthened South Asia's ability to resist Soviet or Chinese pressure by strengthening its strongest regional power. Conceptually, the idea of supporting the strongest state in each region of the world has the attraction of simplicity, but it does not quite fit into the moralistic outlook of either Delhi or Washington. It would also reduce America's role in fostering a regional arms race (substantial support for India would presumably imply a diminished relationship with Pakistan). Selig Harrison has been the leading advocate of this policy, although he did favor U.S. military aid to Pakistan after the invasion of Afghanistan. But such a policy would also have put the United States squarely on India's side in a whole range of disputes. The United States did (and presumably still does) support India's position on the border dispute with China, but it has not endorsed Delhi's view of the Kashmir conflict. More to the point is whether such an endorsement would make any difference, whether the United States would be willing to let Delhi determine its policies on bilateral and regional issues. The assumption of support for India (even if not formalized in an agreement) would mean an abdication of American policies in exchange for Indian goodwill, whether or not such goodwill would be of any tangible benefit to the United States.

Further, although India is clearly the dominant regional power (a point made many times by Indians, who correctly draw the comparison with China), it is not the *only* regional power in South Asia. Pakistan has limited but parallel interests with the United States. Pakistan cannot be directed or controlled, and it was absurd for Americans to accept the relationship as one of "close friends," or that Pakistan was the most allied of American allies, when in fact Pakistan pursued an independent foreign policy from 1972 onward. But there were many occasions when that policy paralleled American interests (the opening to China in 1970, Pakistan's continued good relations with both Saudi Arabia and Iran, and, of course, removing the Soviets from Afghanistan). As for whether the United States should forsake or finesse the advantage of a continued link with Pakistan to meet India's standards of an acceptable relationship, if Delhi were more precise about the relationship it would accept between Washington and Islamabad (and Washington and its other neighbors), it would be easier to come to a judgment on this question. But Indians have rarely, if ever, been specific on these points.

If the United States is unwilling to meet present and past Indian terms for a strategic relationship, the most attractive remaining alternative would seem to be one of limited or partial consultation in order to map out areas of common interest. These would seem to include:

- The stability of India's smaller neighbors and the weaker states in the Indian Ocean region
- Prevention of conflict between India and its larger neighbors
- A dialogue and expanded cooperation over a whole range of emerging economic and technical issues
- Important shared ideological interests (pluralism, democracy, and human rights)

But there are also shared conflicts between Washington and Delhi:

- The possibility that India itself might become a security threat to its neighbors
- Differences in policies toward the proliferation of advanced conventional and nuclear weapons
- Differences in policies on so-called north-south issues
- Indian concern with the intrusion or imposition of U.S./Western culture and values on Indian society

Of course, the two lists are really one list. They each represent a different way of phrasing common concerns—in almost every field or issue, there are areas of agreement and areas of disagreement. Delhi and Washington have plenty of scope for cooperation (the first list) and ample opportunity to dispute each other's intentions and motives (the second list).

### **Obstacles to Cooperation**

There are four recent issues of importance to the United States where Indian policies are either contradictory or vague and thus further complicate their prospect for strategic cooperation.

First, proliferation has added a new dimension to the growth of technologies under the command of both India and Pakistan and created a new, unique dyad of near-nuclear states. Not just Americans, but Soviets, Chinese, and the region's smaller states are concerned about the spread of these weapons. Yet India has been immune to persistent American efforts to provide assurances that it will not contribute to proliferation. At the same time, it shies away from becoming a nuclear weapons state (for good reasons), giving the impression of a state that either wants to have things both ways or does not know what it wants.

Second, the rise of ethnic and religious fanaticism will make the Middle East and Persian Gulf a dangerous place for years, even with the best Soviet

intentions. For reasons discussed previously, India finds itself with no role in the world's first major post-cold war crisis, except as victim and bystander.

Third, at the other end of the Indian Ocean region is clustered the world's greatest concentration of rapidly expanding economies, with virtually no significant regional military power. Here, India's expanded power is not viewed benignly by some of America's closest economic and military partners. They ask for and have not yet received a straight answer to the question: Why has India built up its naval capacity? As long as no credible response is forthcoming from Indian policymakers, America has no reason to endorse a naval program whose purpose could be harmful to important U.S. interests. I do not believe there is a clear-cut Indian strategy or plan, but this is hardly an acceptable explanation to military planners. Indeed, as long as Indian strategists question the presence of significant American naval forces in areas of vital importance to Washington, Europe, and Southeast Asia, reasonable suspicions about Indian motives and intentions are in order. However, Indian capabilities are still modest. In brief, it is up to India to define its place in any emerging collective security regime. But India's past behavior and the divided nature of its strategic community suggest that no such coherent statement can or will be produced in the near future.

Finally, one other security-related issue is likely to pose renewed problems for Indian-U.S. relations. This is the transfer of military technology, or dual-use technology, where high Indian expectations have not been fulfilled—for reasons that have their origins in both states. India has tried to acquire advanced technology from the United States and other industrialized nations to make its own defense industries more self-reliant. But this policy has not produced much in the way of concrete results in key weapons systems (aircraft and armor), and it has inherent limits: the growing American concern with the transfer of advanced military technologies to states that are not close allies (one lesson learned too late, as far as the Gulf is concerned), the legal problem of transferring military technology under the guise of "dual use," and the growing inability of India to pay for such technology in hard currency. It appears that the process of cooperation on dual-use technologies that began in 1985 has not reached an end point, and fresh thinking is certainly required to avert mutual disappointment and the inevitable mutual recrimination.

### **Perceptual Obstacles**

Not only is it difficult to be optimistic about strategic cooperation with an India that has a shifting and sometimes contradictory self-image as a great power, but there are genuine problems of communication. American perceptions of India are like a radio receiver programmed to cut off signals below a certain strength; India has regularly failed to register, to transmit a strong

enough signal, except in moments of crisis. This does not mean that India is unimportant; it means that American perceptions of India do not yet put it in the class of China, the European countries, and many smaller, weaker, and more unstable states in the Middle East.<sup>5</sup> Yet, to extend the metaphor, India bears some responsibility for this state of affairs. India seems, for much of the time, to broadcast to Americans over wavelengths that are simply not on our radio—no matter how loud the signal may be. To take one recent example: India's response to the Gulf crisis was to turn to the one international group regarded as ultimately irrelevant by Americans, the nonaligned movement, and to disregard the one instrument of diplomacy that would have snapped Washington to attention, the newly expanded Indian navy. When India did extend very limited refueling rights to the United States, the resulting public debate in India demonstrated how fragmented Indian thinking on cooperation with the United States really is. It also reveals a persistent anti-Americanism.

### **Looking Ahead**

In the future, I see, at best, that both countries will try to practice a mix-and-match diplomacy, seeking limited arrangements on a businesslike basis without investing the process with the whole moral argument behind the cold war or nonalignment. That should be easier to do now, even if this dialogue is hampered by the fog of apathy found in Washington and Delhi's long list of grievances.

In a sense, both India and the United States are confronted with the most difficult task of all: normal diplomacy in a world of competing and cooperative states. A few of these states believe they can shape the world to one degree or another—whether on a regional or a global scale—and they have a vision of what that world should become. America and India, for better or for worse, are unequal in terms of their economies, their raw military power, and their populations. However, both, for better or for worse, are included among those states that hold such visions. In this new international era, these visions assume new relevance because there is a unique opportunity to shape and adjust them. This will not be an easy process, given the difficulties Americans and Indians have had in simply getting around a table, let alone engaging in serious analysis. I am cautiously optimistic about the future, given that neither the United States nor India has much of an alternative to the kind of limited partnership now appropriate to its new regional and global roles.

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<sup>5</sup>In surveying Soviet and Chinese attitudes toward India, I was impressed with the care and attention given to analysis of events in South Asia, compared with the United States. However, India's expertise on America leaves much to be desired along several dimensions.

Yet we must keep in mind the possibility that the relationship will not reach even this limited degree of cooperation. Despite India's absolute increase in military and strategic significance, despite the growth of a large and increasingly vocal group of Americans of Indian origin, and despite the strategic logic that should lead Americans to think seriously about an enhanced relationship with India (which can be achieved without damaging further the no less fragile relationship with Pakistan), similar opportunities have been squandered in the past. One or both sides have found it to their advantage to attack the prospects of even limited strategic cooperation. This gloomy history provides the backdrop for the present dialogue, but not reason to abort it.

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## **10. India and the United States: Growing Economic and Technological Cooperation**

**S. K. LAMBAH**

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Indo-U.S. economic and commercial relations have deep roots. U.S. presence has been in evidence in many facets of the Indian economy, beginning with the flow of U.S. assistance to India in 1951. In recent years, the United States has emerged as India's largest trading partner as well as a major collaborator in joint ventures and technology transfer agreements. Until the late 1970s, economic and commercial relations grew rather slowly. In addition to geographical distance, the Indian environment of a mixed economy, with some restrictions on the private corporate sector, made India a difficult investment destination for most U.S. companies. Yet, even under such circumstances, India's market size, its stable and democratic polity, the variety and sophistication of its human resources base, and the growing capabilities of its vast and diverse industrial sector have been seen by the United States as major advantages that make India a potentially attractive economic partner.

The relationship has evolved from one in the 1950s and 1960s characterized by infusions of U.S. aid to India to a less unequal relationship of today, with the two countries undertaking joint research projects in several advanced areas of scientific endeavor. The composition and pattern of bilateral trade have also undergone a definite change. With the development of India's technology absorption capacity, India's U.S. imports have come to be dominated by high-technology products while its exports to the United States have begun to diversify into new areas, such as computer software.

Inevitably, there have been strains in this relationship. The United States is a highly industrialized economic and technological superpower; India is a rapidly modernizing developing country. In recent years, the differences arising from the divergent economic philosophies of the two nations have crystallized in the naming of India under Section 301 of the Omnibus U.S.

Trade Act of 1988. The United States has complained of lack of market access to foreign firms in the services sectors of the Indian economy, particularly banking and insurance, and expressed some concern at the environment for intellectual property rights protection in India. India has asked for U.S. appreciation for its developmental priorities and for the socioeconomic objectives the vast government-owned financial and insurance sector is designed to subserve. India has advanced similar considerations in support of its patent protection and other intellectual property protection laws and policies.

The Indo-U.S. economic and technological collaboration relationship can be broken up into four major segments: (1) trade, (2) investments, (3) technology collaboration, and (4) aid.

### **Trade**

The United States has been India's biggest trading partner in recent years. It accounts for almost one-fourth of India's total imports. The Indian share in U.S. imports continues to be insignificant, especially when compared to the magnitude of U.S. trade with other countries of the Asia-Pacific region.

Following some years of slow growth or near stagnation, the two-way trade registered a quantum jump in 1988. This positive trend was maintained during 1989, when the two-way trade reached an all-time high of over U.S.\$6 billion.

The growth of recent years began to flatten out in 1990, when India's exports to the United States declined from 1989. There was a 1.26 percent decline in two-way trade from January to October 1990 compared to figures for the corresponding period of 1989. There was a decline of 3.08 percent in Indian exports while Indian imports went up by 1.23 percent over the corresponding period of 1989.

Essentially, the problem on the export side for India seems to be the narrow base of products and services sold to the United States. The export basket is dominated to a large extent by gems and jewelry, especially polished diamonds, and garments and textiles, with relatively minor contributions from a host of traditional exports such as tea, cashew nuts, seafood products, handicrafts, and leather goods. The two major nontraditional exports include engineering goods and, increasingly in recent years, computer software. Even in these two fields, the optimistic projections have not materialized.

India's imports from the United States consist primarily of fertilizers, which constitute the largest product group, transport equipment, metal scrap, pulp and waste paper, organic and inorganic chemicals, and scientific and precision instruments. India also imports small quantities of some U.S. agricultural products, such as California almonds.

Although the potential for expansion of U.S. exports to India is limitless, the challenge for the United States is to mesh in such exports with India's

modernization objectives. Increasingly, India's imports from the United States would emphasize high-technology products and equipment. The two possible constraints in this regard are the U.S. export control regime for high-technology products and, in the short run, the severe present pressures on India's balance of payments.

Although the dispute between the two countries centered on Section 301 of the Omnibus Trade Act of 1988, other ongoing developments may have a significant bearing on Indo-U.S. trade. India's exports to the United States would be affected greatly by whatever denouement eventually ends the current Uruguay round negotiations. India has a major stake in liberalization in the trade in textiles, which has so far been governed by the Multi-Fiber Arrangement (MFA) and its elaborate quota system, whose inclusion in the General Agreement on Tariffs and Trade (GATT) umbrella is a major priority for developing countries in the Uruguay negotiations. Conversely, the failure of the Uruguay round might strengthen protectionist pressures in the United States, possibly leading to a revival of the restrictive textile bill that narrowly escaped passage in Congress in 1990.

### **Investments**

The United States has been the main source of foreign investment in India. Of a total of U.S.\$2.5 billion of foreign investment in India, the U.S. share is more than \$600 million. At Rs. 244 crores or some \$200 million, the U.S. share has been nearly 24 percent of the total.

The major areas of U.S. investments in India have been pharmaceuticals, chemicals, fertilizers, and, increasingly in recent years, electronics. Most of this investment has taken the form of joint ventures with Indian partners. In electronics, there have been some major U.S. investments in the form of U.S.-owned Indian subsidiaries with a 100 percent export orientation, such as the chip design center of Texas Instruments in Bangladore and the software development operations of a number of major U.S. corporations, including Hewlett Packard and Citicorp.

A study conducted by the Indo-U.S. Chamber of Commerce some years ago concluded that U.S. investments in India, with few exceptions, had a high degree of profitability, high rates of capital appreciation, and strong and steady growth in sales revenues. It is generally believed that this has remained true since. Although the initial barriers to entry have sometimes appeared frustrating to potential foreign investors, once a project is on the rails, its day-to-day operations, repatriation of profits, and such have remained problem-free. In fact, even in periods of severe pressure on balance of payments, there have been no restrictions on outward remittances of dividends, profits, capital, royalties, and so forth.

U.S. investment in India has made major contributions to the modernization of the Indian economy through technology transfers, training of managers in sophisticated marketing techniques, import substitution, and such. Future U.S. investments in India will have to address the sectoral priorities emphasized by the Indian government. Currently, some of the areas encouraged in the joint venture approval policies of India include oil and gas equipment; power generation, transmission, and distribution equipment; energy-saving equipment and pollution control equipment and systems; telecommunications, computers, and peripherals; and food processing, alternate energy, and agroindustry equipment.

The consumer goods sector in India has also been attractive to U.S. investors. However, India's policies in this sector are generally more restrictive, and a foreign presence has normally been allowed only when such activity has been seen to further some of the larger developmental objectives of the government, such as employment generation, backward area development, and strong linkages with the local agricultural economy. A recent case is the Pepsi Cola venture in India, where the soft drink has been allowed market access in return for the development of some agrobased products by the company that will benefit the local fruit and vegetable growers.

### **Technology Collaboration**

The United States has been India's single largest foreign collaboration partner. In successive years since the early 1980s, the United States has been the leading joint venture collaborator in India (see Table 1).

The United States accounted for 20 percent of the total collaboration agreements approved in the 1980-89 period. The majority of these, by far, 941 out of a total of 1,332, were purely technical in nature; the remaining involved both equity investment and technology transfer. In the recent past, most of the collaboration agreements have been in sectors such as electronics, petrochemicals, instrumentation, engineering, and chemicals.

#### *Collaboration in High Technology*

India has a very great interest in collaboration with the United States in high-technology areas. To facilitate such cooperation, the two governments signed a memorandum of understanding (MOU) in November 1984 on the export from the United States to India of sensitive commodities, technology, and technical data. Roughly half of U.S. high-technology exports to India take place under this MOU. The other half, consisting of lower-end items on the commodity control list administered by the U.S. Department of Commerce, takes place under the distribution license system. (Under this system, compliance with U.S. licensing regulations is to be ensured by the distribution license

Table I  
Technology Collaboration with India, 1980–1989

Country	Technical	Financial-cum- technical	Total
United States	941	391	1,332
Federal Republic of Germany	951	259	1,210
United Kingdom	816	187	1,003
Japan	545	88	633
Italy	291	64	355
France	270	60	330
Switzerland	238	60	298
Sweden	123	31	154
Netherlands	105	28	133
 Total including others	 4,965	 1,554	 6,519

holders in the United States, which export to approved consignees in other countries.)

There are two categories of controlled items exported from the United States: those on the commodity control list, administered by the Department of Commerce, and those on the munitions list, administered by the State Department. Combining these categories, trade under the MOU increased tenfold between 1984 and 1987. A similar growth has taken place in the export of controlled items to India under the distribution license system. According to official figures of the U.S. government, the exports of controlled items from the United States to India in 1988 totalled U.S.\$1.4 billion, or approximately half the total of U.S. exports to India in that year.

In 1989, U.S. exports of controlled items from the commodity control list were about U.S.\$218 million, compared to U.S.\$685 million in 1988, showing a substantial decline. However, this is seen as a purely short-term decline arising from the absence of big-ticket items in 1989 and a cyclical shift in India from the import of complete systems to value-added manufacturing.

Although the technology collaboration relationship between the two countries has shown a phenomenal growth in the 1980s, some issues have arisen from the proliferation concerns of the U.S. government and Congress. There have been efforts to tighten controls on chemical and biological precursors and on technologies leading to CBW (chemical and biological weapons) capabilities.

In the Coordinating Committee (on Export Control) (COCOM), there has been a substantial decontrol following the end of the cold war. Efforts are under

way to streamline the lists of controlled items with a view to achieving more effective control of a small number of items. However, the growing concern on missile proliferation has led to a general trend toward tightening of controls on the sale of dual-use technologies to nations that did not sign the Non-Proliferation Treaty. Because the MTCR (Missile Technology Control Regime) does not distinguish between civilian and military uses, both categories of programs tend to be affected. These broad trends have been further reinforced with the onset of the Gulf crisis.

### *Cooperation in Science and Technology*

A visible symbol of the changing relationship is the close cooperation between India and the United States in science and technology. The current collaborative activities in this area derive essentially from the Reagan-Gandhi Science and Technology Initiative (STI), which is administered by the Indo-U.S. Sub-Commission on Science and Technology. The activities of the Sub-Commission on Science and Technology are funded primarily out of U.S.-held rupee funds in India, and most of the research work is done by Indian scientists in Indian laboratories. A small amount (up to 15 percent of the total research project cost) is used for U.S. scientific collaborators and for dollar funding of related expenses in the United States.

The jointly agreed current areas of research are physical and material sciences, earth sciences, atmospheric and marine sciences, energy, environment and ecology, information sciences, and health, medical, and life sciences. The joint research activities emphasize work in the areas of health, agriculture, monsoons, solid state sciences, and energy. In all, more than 200 collaborative research projects are currently in progress, including a \$5.8 million vaccine action program.

India has also expressed a keen interest in collaborating in the Super Conducting Super-Collider (SSC) program of the U.S. government. The program is expected to shed new light on the big bang theory of the origin of the universe. So far India is the only country to have made a definite commitment of collaboration to the extent of U.S.\$50 million by way of scientific expertise, super-conducting correcting correction magnets, and other equipment.

### *Defense Cooperation*

There has been growing interaction between India and the United States in the defense arena in recent years. In June 1989, Indian Minister for Defense K. C. Pant visited the United States. Two U.S. defense secretaries, Mr. Weinberger and Mr. Carlucci, had visited India in 1987-88. There have been other high-level exchanges, including at the level of service chiefs, as well as

symposia and workshops for exchange of views between experts in the defense communities of the two countries.

However, the major form of Indo-U.S. cooperation in defense has been the widening of activity in high-technology items and advanced weapon systems. At U.S. suggestion, the two countries have adopted a mission area approach. The Light Combat Aircraft (LCA) project is the flagship of defense cooperation between the two countries. The LCA will embody the latest digital fly-by-wire technology, advanced composite design, and a host of other futuristic technologies. It is expected to enter service by the end of the century.

### **Aid**

Although India has been among the few developing countries that have generated the greater part of their investment needs through domestic resources, external resources, including aid from bilateral donors and multi-lateral financial institutions, have sometimes been used to fill crucial resource gaps. Since India's independence, about 96 percent of Indian's investments have been met through domestic resources. However, the external component of 4 percent has provided some key inputs.

The aid relationship with the United States started immediately after India's independence. U.S. assistance to India began in 1951 and has so far totalled about \$12.5 billion. Although the nature of this assistance has undergone changes over the years, its basic goal has been to support India's developmental priorities. In the early years, the assistance was largely for commodity imports, including food grains. Later, American assistance was utilized for purchases that sought to boost the goals of India's self-sufficiency. The program emphasizes capital investment for fertilizer production, rural credit, irrigation, rural electrification, and family welfare programs. In recent years, U.S. support has concentrated on institutional development, technology transfer, and private sector involvement in development.

The present level of *development assistance* to India is in the region of \$20–25 million. India also gets about \$70–85 million annually under PL-480 (Title II), under which the U.S. government donates agricultural commodities as grant. The commodities are processed food and wheat products, which are used in schools, midday meals, and free school child feeding and nutrition programs. The supplies are received through voluntary agencies such as CARE and channelled through the agencies of the state governments or other voluntary bodies. Thus, the total U.S. aid to India is about \$100 million annually.

Although some U.S. aid to India can be expected to continue, it is a small element in the overall relationship and will probably remain of marginal significance as the economic and technological relationship expands further in other areas.

### **Outlook for the 1990s**

The 1980s, especially the years since 1985, saw a major upswing in the Indo-U.S. economic and technological relationship. U.S. investment in India, the bilateral trade turnover, and a variety of other indices of the bilateral relationship registered major increases. This appears to have slowed down in 1990, with a number of variables showing either stagnation, or, as in the case of U.S. investment in India, decline.

The question is whether the current slowdown is a temporary setback arising from transient circumstances, such as developments in India and the Gulf-related pressures on the Indian economy, particularly, the squeeze on the balance of payments, or whether the current decline is due to some structural difficulties in the bilateral economic and technological relationship. There has also been, undoubtedly, the adverse impact arising out of the 301 issue. Though at the government-to-government level the issue has been defused for the present, its persistence over the greater part of 1990 must have affected U.S. business perceptions.

On all long-term macroeconomic indices, such as the size of the economy, population, growth rate of the economy, stability of the political and economic environment, and variety and sophistication of its human resources base, India can be reckoned as an important future player in the global economy. As such, the Indo-U.S. economic relationship has a vast potential. However, given India's present problems and scarcity of foreign exchange, the future growth of the relationship in the near term can take place only in well-defined parameters that mesh India's developmental priorities with U.S. business interests. In the mid-1980s, the economic relationship benefitted from a major loosening up of India's external trade regime. The near-term outlook on this score in India would have to be cautious.

One of the main constraints in the relationship has been the low awareness of India in the United States. Even informed opinion in this country has traditionally been attracted to the more esoteric aspects of Indian culture rather than to India's potential as an economic and technological partner. On the U.S. West Coast, which is closely tied to a large number of countries of the Asia Pacific in a multitude of economic links, little effort has been expended at exploring the potential of the Pacific Rim hinterland, which is dominated by India.

There is also a perception in India that U.S. businesses have been far more tolerant and appreciative of the constraints and difficulties of foreign business environments in some other regions of the world than they have been in India. The usual complaints about the pervasive red tape, by no means a uniquely Indian phenomenon, have been somewhat muted in other business destinations

the U.S. has pursued with great zeal in recent years. Although the delays and procedural inefficiencies of the Indian operating environment are well publicized, its stability and security have generally been taken for granted.

On its part, India must continuously explore new ways to harness the enormous U.S. economic and technological prowess toward India's developmental objectives. This would entail flexible policy responses and a greater sensitivity to U.S. concerns regarding the closed nature of the Indian economy. That this can be done to mutual advantage even in such traditionally restricted areas as consumer goods has been demonstrated in the recent Pepsi project in Punjab.

Recent years have shown the tremendous potential for a close partnership between India and the United States in a variety of high-technology industries. Interestingly, the high-tech relationship, which can be said to hold the key to vastly expanded bilateral economic links in the 1990s, has also been a more equal relationship where India has provided key inputs as well as benefitted from a variety of U.S. technologies. The phenomenal growth of the Indian software industry, for which the United States is the largest present and potential market, illustrates India's key advantage as a potential international player in high technology, namely, a large and sophisticated human resources base.

Although the high-tech relationship has flourished in certain areas, such as software or in the liberalized flow of some controlled U.S. technologies to India, of which the recent U.S. clearance of the second supercomputer to India for use at the Indian Institute of Science, Bangalore, is a good example, some other forms have not been adequately explored. India as a site for low-cost manufacturing activity for some intermediate level high-technology products has not been explored by U.S. companies. As the current operations of several U.S. high-tech companies in locations in Southeast Asia reach saturation, India may offer an attractive alternative destination. Similar synergies can be explored in other areas, such as semiconductors, where India is trying to make up for a delayed start and where the eventual market potential remains sizeable. Indian and U.S. firms can also explore possibilities of export-oriented high-tech joint ventures in India.

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## 11. Expanding Social, Cultural, and Intellectual Exchanges

IRENE TINKER

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India has been consistently undervalued in the United States. Harold Isaac's findings in his 1956 study, *Scratches on the Mind*, have not changed appreciably, although the Festival of India broadened the circle of admirers of Indian art and culture. Perhaps the continued emphasis by media and scholars on the macro political and economic positions that divide the United States and India should give way to the heralding of democratic and grass-roots activities in both countries that unite us.

To assist such a shift in perception, exchanges between our countries should be broadened to include the women and men who are working on or writing about the daily survival issues of ordinary people—food, shelter, jobs, environment—and who are motivated by visions of a more equitable and self-sustaining future. Such values reflect strong moralistic traditions in both countries. Elements of Gandhian philosophy in India and the heritage of Puritanism in the United States have become embedded in the national psyche. Indeed, claims to moral righteousness by leaders of both countries have often been the source of discord between them. Today the questioning of prevailing materialistic values is growing globally as the “fruits” of unfettered economic growth become increasingly evident through environmental disasters and income disparities, particularly in the feminization of poverty.

The debate over values is reflected in periodic attempts by the development community to devise alternatives to using the gross national product as the measure of success. The United Nations Development Program (UNDP) has released the HDI (Human Development Index), which refines the earlier attempts in the mid 1970s by the Overseas Development Council, whose PQLI (Physical Quality of Life Index) used life expectancy, infant mortality, and

literacy as proxies.<sup>1</sup> The HDI elides infant mortality with life expectancy and adds military versus education budgets among others. The World Resources Institute advocates debiting national income by the cost of utilized national resources, an accounting method that shows consistent negative growth in the United States over the last five years. Another alternative measure is the Index of Sustainable Economic Welfare (ISEW) put forward by the World Bank economist Herman Daly and theologian John Cobb in *The Common Good* (Beacon Press, 1989); this measure goes beyond the ecological to include equitable distribution of goods and services.

Worldwide and at home Indians and Americans have contributed both as scholars and as activists to the debates surrounding the environment, appropriate technology, women's legal and social rights, home-based industry, and poverty alleviation. These are issues of survival, not only of individuals, but of our interdependent communities. They anticipate restructuring of industry, revaluation of economic assumptions, revision of gender relationships, and redistribution of resources and income—all of which are necessary global adjustments to be made in the twenty-first century.

It is essential that these perspectives are incorporated into the macro discussions of policy and projection. The impact of the Gulf War on energy use in both countries needs to be analyzed in terms of the environmental impacts of alternative energy sources. As world food surpluses disappear, land and water use by various agricultural systems will require review in terms of sustainability. Integral to such debate should be the inequality of food distribution both within each country and around the world. Homelessness is a phenomenon on Berkeley streets as well as in Calcutta; governmental inability to respond to this growing crisis has resulted in alternative informal systems of housing creation that have political as well as economic implications for national policy. Providing jobs for the exploding populations is one of the greatest challenges, especially now that governments recognize that women as well as men work and support their families.

Food, shelter, and jobs must not only be factored into overall national and global policies; they must be delivered in an equitable and self-sustaining

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<sup>1</sup>For further information on the PQLI, see the annual United States and World Development report published by the Overseas Development Council, Washington, D.C.: *Agenda 1977* by John W. Sewell and staff and *Agenda 1979* by Martin M. McLaughlin and staff.

The UN Development Program plans to bring out its human development report yearly beginning in 1990. The 1990 HDI combined life expectancy, adult literacy, and basic purchasing power in its measure of one hundred thirty countries. The 1991 HDI expands to cover one hundred sixty countries and refines earlier computations by including sensitivity to gender disparities, income distribution, progress over time, and measurement of human freedom. Oxford University Press publishes this report.

manner. Increasingly, people are organizing themselves to seek their own solutions or to pressure the government to respond to their needs. Leaders of nongovernmental organizations (NGOs) are of growing importance worldwide; networks of groups working on particular sectors exchange information and identify issues. Hierarchies of NGOs have been recognized: internationally oriented Northern NGOs with access to development agencies and to funding sources; national NGOs that may lobby their own governments but are primarily engaged in projects; and community-based activist organizations that may or may not be branches of national NGOs. In the early days of development activities in developing countries, Northern NGOs often tried to run their own projects in the South; today they are increasingly restricting their activities either to influencing policy of major donor agencies or to acting as a funding or information intermediary to national or local NGOs in the South. In both the United States and India, the major national NGOs play a similar role with regard to community-based organizations.

As the NGO movement has grown, the roles of these organizations in national development have increased. Indeed, the leading economic development agencies are in partnership with NGOs in many areas. Yet both sides reserve judgment about the intentions of their partners: Mainstream organizations such as the UNDP, the World Bank, the African Development Bank, and the U.S. Agency for International Development often question the approach or mindset of NGOs, considering them to lack the hard-edged economic view necessary for successful development.<sup>2</sup> NGOs, however, wonder if the hard work of servicing people is not being left to them, allowing major agencies and governments to opt out.<sup>3</sup>

The NGO movements in India and the United States are among the world's strongest and most effective. Although the problems are often similar, the

<sup>2</sup>The PISCES project of USAID designed to assist micro and small entrepreneurs documented this debate in their report: NGOs, because many of them came out of a charity background, were seen as lacking economic acumen and so unable to help people in developing countries make a profit. Women who used income from their enterprises to feed their children or send them to school were perceived of as poor entrepreneurs because they did not invest their profits. For more detail on this, see I. Tinker, "Street Foods: Rethinking Informal Sector Activity by Women and Men," *Current Sociology* 3/35, Dec. 1987, entire issue.

<sup>3</sup>An excellent commentary on contemporary debates among NGOs is found in Thomas W. Dichter, "The Changing World of Northern NGOs: Problems, Paradoxes, and Possibilities," in John Lewis et al., *Strengthening the Poor: What Have We Learned?* (Washington, D.C.: Overseas Development Council, 1988). For background on the NGO movement, see I. Tinker, "Non-Governmental Organizations as Intermediaries in Economic Development," 1990, paper read at the PRSCO Summer Institute, Bandung. On U.S. organizations, see John G. Sommer, *Beyond Charity: U.S. Voluntary Aid for a Changing Third World* (Washington D.C.: Overseas Development Council, 1977).

experiences of those working in the two countries are often very different. Exchanges between them would be extremely stimulating and fruitful.

### **Energy and Environment**

The dependency of modern society on fossil fuels is an issue in both the United States and India. In both countries, the governmental response to present disruption of supplies and future shortages of oil are of major concern to the environmental movement. In the United States, the exploitation of Alaskan and offshore beds has been slowed by a vociferous environmental coalition; but increased pressures caused by interventions abroad may open up these areas once again. In the long run, however, both countries need to develop alternative energy sources. Environmentalists are against building additional nuclear power plants or high dams; they propose utilization of renewable energy sources combined with increased funding for research to enhance these sources. Opposition to the World Bank-funded project to build a series of dams along the Narmada River in Madhya Pradesh has been the focus of intense lobbying by environmentalists in both countries against the Indian government in New Delhi and the World Bank in Washington.

This relationship between policy NGOs in Washington and national NGOs in the South goes back to earlier efforts to reduce reliance on oil during the seventies. The awareness that, in India, despite industrialization, the largest single source of energy was biomass led to a concern over deforestation. The planting of trees by people for their own use, that is, social forestry, was urged to increase the supply while the use of more efficient cookstoves was promoted to reduce demand. These issues brought together the appropriate technology (AT) groups, women in development advocates (WID), and foresters concerned with the social and environmental effects of environmental forestry. AT organizations had been propounding the need for locally repairable, small-scale technologies for developing countries and quickly embraced the technological challenge of improving cookstoves. Belatedly, as many versions of cookstoves remained unused, the AT groups began to consult the users, namely women, and to utilize the WID literature on how cooking and fuel collection fit into a woman's day. Research on cookstoves pushed AT groups into researching alternative energies for the household. Solar water heaters and slow cookers have been widely adopted; minihydros run grain mills for subsistence farmers; wind power has been revived and upgraded; photovoltaic cells provide light and refrigeration in remote areas; and, particularly in India, there has been widespread experimentation with biogas digesters. Applications for larger installations are a current priority along with new methods for conservation at all levels of use.

This growing expertise on energy at the microlevel can contribute a new dimension to the debates on national energy policy. The international institutions concerned with energy and environment have already begun to work with, and even support, international networks of environmental NGOs. The Environmental Liaison Committee, a body representing environmental NGOs from around the world, has been funded by the United Nations Environment Program since that agency was set up. More recently, the World Bank, in response to growing criticism from these groups, has established a consultative group of NGOs from both North and South.

### **Life-Style**

A small but growing group of U.S. citizens is responding to the energy crisis by calling for life-style changes that would reduce the use of automobiles, plastics, energy, and meat. Pointing to the growing populations and to limits of natural resources, such groups underscore the inordinate percentages of the world's resources consumed in the United States alone and conclude that current development planning that imitates energy consumption in the North are totally unrealistic and have no possibility of success. Unlike the sixties, when U.S. young people opted out of the society and set up communes in rural areas, today NGOs in the United States are trying to impact on the broader society by advocating shopping on foot and carrying string bags; they promote degradable trash bags and long-life electric bulbs. In India, the life-style issue does not seem to be much discussed, perhaps because it was a major element of Mahatma Gandhi's philosophy, and alternative communities still exist. With its long experience in low-resource living, India has much to tell the United States.

### **Industrial Issues of Scale, Support, and Informalization**

In the United States, industrialization has been synonymous with "Fordism": huge plants with large numbers of employees turning out identical products on an assembly line. In the newly industrialized countries, however, a majority of industry employs ten or fewer people. Intricate systems of subcontracting and vertical integration often exist, though some of the smaller enterprises are independent. To remain competitive, industries in the North are informalizing their production.<sup>4</sup> India has long been concerned with maintaining a small industrial sector and has reserved both resources and products to such factories. Given the new trends in industrial organization and the focus on

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<sup>4</sup>A valuable series of case studies is presented in Alejandro Portes, Manuel Castells, and Lauren A. Benton, eds, *The Informal Economy: Studies in Advanced and Less Developed Countries* (Baltimore: Johns Hopkins Press, 1989).

renewal of capacity in Eastern Europe, the utility of India's legislation and its application to present trends is of worldwide interest.

Similarly, India has recently studied the self-employed and how their future and welfare should be factored into industrial policy. The report of the Parliamentary Commission on Self-Employed Women, initiated by Ela Bhatt, founder of SEWA (Self-Employed Women's Organization) of Ahmedabad, has had limited circulation; yet the growing incidence of home-based work, particularly among women, suggests that there needs to be a forum or exchanges to make this work better known. Only last fall did the International Labor Organization convene a meeting to discuss a new convention on home-based work.

### **Credit**

India's requirement that a certain percentage of bank credit be extended to small-scale lenders has allowed many NGOs to help the poor obtain funds for housing or enterprises. The availability of such bank credit enabled such well-known groups as SEWA in Ahmedabad, the Working Women's Forum in Madras, and many smaller NGOs throughout the country to become intermediaries between the banks and poor women and men, who normally hesitate even to enter a bank building.

Discussion of these innovative credit programs needs to reach outside the development community. In the United States, the testimony on Capital Hill by Mohammed Yunus, founder of the Grameen Bank in Bangladesh, has resulted in over fifteen U.S. community organizations starting similar projects. Because access to credit is a greater problem for women than men and because women repay the loans more assiduously, nearly 90 percent of borrowers from the Grameen Bank are women, and most of its clones are for women. There is much that U.S. NGOs can learn both from the Grameen Bank and from Indian credit programs.

### **Housing**

Gujarat was the first state to guarantee rural housing for its citizens, a decree certainly encouraged by the Ahmedabad Study Action Group (ASAG), founded in 1968, that has as its objective to "build people along with the houses." The Development Alternatives in New Delhi utilizes students at the Delhi Institute of Technology to develop and test new inexpensive, durable products for rural homes in the AT tradition. To distribute these new products, the organization is experimenting with delivery systems based on franchising. Because the United States is the leader of franchising operations, there are clear exchange crossovers here.

Urban housing is more intractable; public housing has been a disaster in the United States. Recent attempts to resettle the Bombay pavement dwellers should be monitored for any lessons applicable to the United States. Present research reveals an informal housing market much broader than squatter settlements. Alternative living patterns might help solve the growing problem of the single elderly in the United States. All countries need to consider household use of energy and water. Modern housing design increases use of air conditioning; some traditional approaches might minimize this use. Waterborne sewage, particularly the combining of runoff and household waste, is both expensive and inefficient; water shortages are looming worldwide and are of immediate concern in California. In both countries, there are scattered attempts by NGOs to address these issues; exchanges would expand knowledge and perhaps engender cooperative research.

### **Food and Fairness**

The problem of feeding the world's growing millions has been the subject of the international agricultural research institutes that brought in the Green Revolution. How to maintain production without adverse impact on the environment through overuse of fertilizers, pesticides, or irrigation water is their current challenge, one brought to them in large measure by NGO activity in both the United States and India. The International Food Policy Research Institute, set up in 1976 to address food distribution, has noted the relationship of women's work to family nutrition.<sup>5</sup> In India, the persistently inequitable intrahousehold distribution of food is responsible, according to Amartya Sen, for some 50,000,000 missing Indian women.<sup>6</sup>

### **Women's Legal and Social Rights**

Women's lack of entitlements to food in India reflects their low status, which seems to be enshrined in contemporary cultures and religions of the region. The recent waves of religious revivalism must be considered for their regressive impact on women's rights; but the tie between economic class and religious fundamentalism is a factor as well in both countries. In India, the material aspirations of some lower-middle-class groups have resulted in increasing incidence of *sati* and wife burning, underscoring the lack of human

<sup>5</sup>See Benjamin Senauer, "The Impact of the Value of Women's Time on Food and Nutrition," in I. Tinker, *Persistent Inequalities: Women and World Development* (New York: Oxford University Press, 1990).

<sup>6</sup>Amartya Sen, "More than 100 Million Women Are Missing," *New Work Review*, December 20, 1990. For a longer explanation, see his "Gender and Cooperative Conflicts," in I. Tinker, ed., *Persistent Inequalities: Women and World Development* (New York: Oxford University Press, 1990).

rights for women among many groups in India. Antiabortion advocates come from the same lower middle class in the United States that has spawned the right-to-life groups. The dissatisfaction of the insecure lower middle class in a changing world needs to be factored into political and economic discussions.

The tendency of such groups to reimpose the sexual division of labor and patriarchy should also be considered. In both the United States and India, women's issues are widely studied and taught, and legal rights of women have been the subject of important cases before both supreme courts. Indian research, focussed on the impact of development and change on women, is largely conducted by policy groups outside the university system. Women's studies in the United States had an early emphasis on college humanities courses but have gradually become more interdisciplinary and international. A recent national survey of university courses relating to women in development found over one hundred fifty being taught in various departments, an impressive number but dwarfed by women's studies curricula throughout the country.

The National Council for Research on Women (NCRW), an umbrella organization for some fifty-seven women's research centers that includes freestanding and university-related groups with specialties ranging from minority women to employment policies to U.S. Congress legislation, is trying to increase global concerns among its members, only a few of which undertake any type of international research. The Ford Foundation supports a Visiting Scholars Program for Indian women through the NCRW. Two-way exchanges of women and men concerned with women's issues would add immeasurably to the growing importance of this new field. Although development agencies now understand and plan for women's differential priorities and needs, the scholarly community has been slow to incorporate research findings on women into mainstream research or conferences.

## **Culture**

High cultural exchange has long been part of U.S.-India relationships. Less emphasis has been given to folk art, though some examples were included in the Festival of India. NGOs in both countries are working to preserve such traditional cultural expressions by finding ways to allow artists to earn a reasonable income. The Society for Ethnic Arts is a group of U.S.-based Indian scholars who have been trying to create a market for village art in the United States. They fear commercial pressure might denigrate the work of true artists while supporting many less-talented imitators. At another level of artistic expression, alternative marketing groups have burgeoned in the United States and Europe to provide outlets for artistic handicraft from developing countries. Contacts between these groups and the Cottage Industries Boards would assist poor artisans in many countries.

## **Conclusion**

Trying to fit issues pertaining to the reality of people's lives into a discussion of macroprojects and global trends is difficult. No wonder most theories simply leave people out. No wonder theories are more and more dismissed as heuristic devices rather than predictive paradigms. As a scholar-activist, I try to bridge the two worlds of macro and micro, theories and service. Exchanges between the activists involved in NGOs and the scholars documenting this self-help movement would not only expand the scope of the U.S.-India exchange, but would enhance the understanding of social, economic, and political life in the coming centuries.

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## 12. India, the United States, and the World: An American View

THOMAS P. THORNTON

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### Sea Changes

A recent book on prospects for the 1990s, published by the Council on Foreign Relations, started with the assumption that there were fundamental sea changes under way in how the world functions—politically, militarily, economically, and culturally.<sup>1</sup> That may or may not be the case, but there are indisputably important changes taking place in the world, and these will condition how India and the United States relate to the rest of the world and to each other.

First are those changes pertaining to the framework around which international politics has revolved since World War II. U.S.-Soviet bipolarity is no longer a viable organizing concept, and this, in turn, has several implications: (1) The two superpowers will no longer be as likely to compete for the favor of other nations or to seek to prevent their opponent from making gains in bilateral relations with third countries. (2) The restraint that the two superpowers urged (at least sporadically) on their friends and clients elsewhere will no longer be so effective. (3) The fact that the structure of international relations has changed will make the environment more uncertain and perhaps lead to unpredictable behavior. (This may have been the case with Saddam Hussein.) (4) The decline in power (or at least the will to use it) on the part of the superpowers will open up possibilities for more active policy by regional powers—ranging from unilateral assertion of their own power to formation of regional groupings designed to promote regional autonomy.<sup>2</sup> (5) In a depolarized world, the

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<sup>1</sup>Nicholas X. Rizopoulos (ed.), *Sea Changes: American Foreign Policy in a World Transformed* (New York: Council on Foreign Relations, 1990).

<sup>2</sup>I have discussed regional security management and the role of regional influentials in, respectively, *The Challenge to U.S. Policy in the Third World: Global Responsibilities and Regional Devolution* (Boulder, Colo: Westview Press, 1986) and “The Regional Influentials: Perception and Reality,” *SAIS Review* 9:2 (Summer-Fall, 1989), pp. 247–60.

concepts “nonalignment” and “Third World” will lose what little meaning they still retain.

In the much longer term, the implications of the change in the system of international politics are much more profound because they mark the culmination of a more fundamental process—the end of the interrelated balance-of-power and imperial systems that, in varying forms, provided the vehicle for European domination of international politics for several centuries.<sup>3</sup>

Related is the issue of whether we are moving into a more or less violent world. The prospects for peace and arms reduction at the superpower level are fairly bright. For reasons already alluded to, however, it is not at all clear that this would hold true at all regional levels: There will be less restraint brought to bear from the global system on regional subsystems and independent actors, and interesting opportunities for national aggrandizement in the new setting will appear.

Second are changes in the economic organization of the world. These, too, can be seen under varying aspects: (1) The trend toward global economic interdependence is one of the most remarked upon developments of the past decades. Foreign investment and trade have grown very rapidly, and developments in international communications have been exponential. (This has also had a profound effect on the spread of a sort of “global culture.”) (2) The very success of this internationalization of the international economy has, however, sparked opposition as some nations have fared worse and sought protection in higher tariffs, other trade barriers, regional economic organizations, and the like. Such particularistic tendencies are at odds with trends toward interdependence, and the coming years would seem to be a crucial period in determining which way the balance will tip. In particular, it will be important to observe the extent to which the world is divided up into rival economic blocs on a more or less geographic basis. (3) The familiar issues that have long dominated the international economic and political scenes are yielding some of their primacy to new issues having to do with the environment, narcotics, technology transfer, nuclear proliferation, human rights, ocean resources, and many others. These introduce new considerations into nations’ calculations and offer new bases on which interests can be aggregated. These bases will in many cases be radically different from traditional ones, and new alignments will be formed. (4) Although the global economic expansion of the past decades has brought widespread prosperity, its benefits in the developing world have been very unevenly distributed. Especially since the 1970s, significant actors in the Third World have fared relatively poorly economically, and for some, there has

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<sup>3</sup>I have pursued this theme in some detail in “The Third World and the End of the Cold War: The Future as History,” paper prepared for a conference, The Cold War and the Third World, Past and Present, held at the University of Chicago, December 1990. It is awaiting publication.

been an absolute decline in their well-being. Some of these same countries are, however, precisely those whose security/military capabilities are developing most rapidly, leading to a potentially serious disjunction between the two elements. The potential for danger is, of course, reinforced by the changes in the international political order discussed previously.

Third, there are important changes taking place within nations that will have profound implications at the international level: (1) The most interesting of these is the assault on the centralized nation-state. (This assault from within parallels the assault from without that is inherent in greater international economic and cultural interdependence.) Subnationalisms are growing in their demands for autonomy and independence, and even when central governments have the tools to repress them, international opinion and the growing new sense of democracy and human rights put constraints on the actions of governments. (2) There is a gratifying and unmistakable trend toward democratic and open societies (variously defined) and away from authoritarian regimes. It is, of course, not a universal trend, and in some areas, it is retrograde. Furthermore, there are few compelling grounds to assume that the trend will not be reversed in the nearer or more distant future; we do not know if it is teleologic or merely cyclical. (3) The declining Soviet model specifically and Marxism in general have left an intellectual void in much of the world. Many will argue that democracy and free enterprise can and should fill this void, but that may not be appropriate in all circumstances. The Western "model" is also not a perfect fit for developing and ex-socialist societies. There will be a search for new solutions, some of which could be very disruptive of international order. (4) The very successes of modernization and economic development bring with them their own antitheses. These have most strikingly taken the form of religious fundamentalism, but the rise in subnational agitation, noted previously, is also frequently part of a search for identity in the face of bewildering change.

Overall, there is much change under way, but its patterns do not provide a clear guide to the future. Some trends are in seemingly dialectical confrontation. (The conflicting trends of expansion of the global economy and protectionism are the most glaring examples.) Some trends differ, depending on geography or level of the international system concerned (in the former case, dynamic economic growth in East Asia while Africa stagnates; in the latter, the apparent move toward peace and disarmament at the global level in contrast to worrisome regional trends). Finally, there are tremendous differences in the recognition and acceptance of the direction and pace of change.

We are in for a much more complicated and potentially more dangerous world. We will lack guideposts that were familiar, if not always welcome. There will be new fault lines and new possibilities of alignment, and there will

be new things that take on an unexpected urgency—but we will not all agree on what they are. Global issues are, after all, more important to global powers, and regional powers are more concerned with local and domestic factors.

In the midst of all this, of course, decision makers will be preoccupied not with secular trends but with day-to-day problems of seemingly much greater salience and urgency. The stuff of international relations will not really change that much, but it will be happening in a changing context. We need to understand that context if day-to-day decisions are to be coherent and purposeful.

### **Changes in Individual Countries**

The international environment is only one element that conditions how nations such as India and the United States deal with the rest of the world (and with each other). At least as important is what is going on in their own societies—bearing in mind, of course, that these societies themselves are subject to the same sea changes as other nations. This is not the place to assess the states of the two unions; I shall, however, raise a few brief questions about the two nations as they relate to the changing world.

#### *India*

Although dramatic changes in the international context will call the rationale of India's foreign policies into question less than those of the two superpowers, India will still need to rethink radically its posture because it, too, plays a significant role on the global scene. Soviet support is no longer automatic for India, Soviet capabilities have been much reduced, and neither Moscow nor Washington feels the same need to compete so acutely in regions such as South Asia. Perhaps even more important, such concepts as "nonalignment" and the "Third World" are now completely empty of content. That does not mean there are not significant groups of nations India might aspire to lead, but some other basis for that leadership will have to be found—probably in the economic sphere, where India is a less convincing candidate.

Put another way, India is in the market for a new role on the international stage. More acutely than ever, it is faced with the dilemma of where it belongs—the "greatest of the least or the least of the greatest." Is there still any global stage worth playing on for India, or should it focus its attentions on different horizons? Among the emerging "new" contenders for international position, India is at the very forefront, just as it also is among those nations where economic and politicomilitary power are most seriously imbalanced. Arguably, India may be advantageously poised, militarily as well as politically, to exploit the relative anarchy in the international order to its own advantage.

Yet India remains a very traditional and conservative—perhaps even *status quo*—power that will find it hard to evolve such a radically different role.

Especially in terms of South Asia, India will have considerable—but conflicting—opportunities to establish its leadership with less outside interference than ever before. How it goes about that task, whether through conciliation or preponderant force, is not a new choice, but one made much more salient in the new, changing circumstances.

India will have also to ask itself difficult questions as to its view of the role of violence in whatever new world order emerges. Its traditional rhetorical position has often been sharply at odds with its practice, and new conditions will require a clearer understanding of what is involved. And, of course, more than the loosening of the international structure poses these questions more acutely for India; the huge growth in India's military capabilities over the past decade goes far beyond the demands posed by any reasonable threat. India finds itself the possessor of a capability in search of a challenge, and this raises pressing questions not only for India, but also for others.

India's role vis-à-vis the international economic transformations of the time is even more ambiguous. Indians realize that failure to catch the train of global economic integration at this critical juncture could leave them even farther behind than they are now. Yet the political and economic costs of adjustment will be wrenching, and old dogmas are often hard to replace. Here, too, India faces a question of where it primarily belongs—as an active full competitor in the international economy or as an inward-looking economy with only minimal external ties. India cannot make its choice autonomously. Should the world be divided up into trading blocs, India's options would be limited, probably torn between Japan and a united Europe—or even worse, becoming further marginalized in the international economy without supportive alignment. Similarly, India will inevitably be deeply affected by the range of “new issues,” from environment to human rights, almost irrespective of whatever courses it would prefer to pursue. Some of these may offer interesting new *ad hoc* alignment possibilities, including with the United States. India has both much to gain and much to offer in the international economy; it must decide in the fairly near future whether it will do either.

Ultimately, India's economic future will be heavily determined by the performance of its own economy. There have been gratifying trends in the previous decade; newer indicators are more troublesome. Although India has never been a truly socialist economy, the demise of the Marxist planning model leaves a gap in Indian thinking—one that cannot be filled by simple adherence to the free-enterprise model. Whichever way India goes, however, will be a matter of importance well beyond its own borders, not least of all because India is a model for others.

India plays a central role in any consideration of the trends toward democracy that have emerged in the current decade. Long a leader (and frequently a lonesome one) among the democracies of the Third World, India now finds its own democratic structures under increasing pressure just as democratic trends seem to be prospering elsewhere. India is also prominent among those nations in which the central government is under attack from separatist tendencies; even though these will hardly result in the fragmentation of the country, the pressures that they exert on the democratic systems are considerable. Finally, the forces of religious extremism are also gathering a new and disturbing momentum in India, with potentially serious implications well beyond India's own borders. In particular, India is finding it difficult to deal with the problems posed by a resurgent Islam.

Overall, India is in a position of uncertainty—in part because of those changes that seem to be pervasive through much of the world, in part because of developments that are mainly domestic. It has no clear model to follow, although the chances are probably very good that the India of the next years will be not all that different from the one with which we are familiar. Yet a coincidence of negative developments could turn India from a generally benign, democratic international actor into a dangerous and disruptive force on the international scene.

### *The United States*

The basic changes taking place in the world order also leave the United States in a dangerously ambiguous position. Like India, the United States must find a new rationale for its international role. The end of bipolarity as a driving force has undermined much of the policy rationale of the past generation; containment and competition with the Soviet Union are things of the past. The Reagan Doctrine (which, incidentally, provided the motivation for Washington's courtship of New Delhi in the 1980s) is no longer a viable framework.

The ambiguity of the American position results from two factors. On the one hand, the United States is now the only "superpower" on the scene. It disposes of immense power and correctly feels a responsibility for playing a leading role as the world moves into a new era. On the other hand, Washington must understand that this uniquely preeminent position is rooted in the old order and cannot be maintained indefinitely. The task before the United States is to help manage a process of change and simultaneously yield to that change. That is a worthy interpretation of the term "new world order." It is not an easy role under the best of circumstances, and Americans are not particularly adept at this sort of thing. The *status quo* has served us well in the past, and there will be many at home and abroad who call on us to continue to do things that we no longer can or should.

Unfortunately, it will be easy to interpret the “new world order” in ways that are not all that orderly. It will be tempting to take easy shots at goals that the Soviets have left empty and to see the new situation as a means of maximizing American power—attempting to make permanent what is only transitory. The spectacular success of American arms and policy in the Iraq crisis cannot but encourage such perceptions. If the United States badly misjudges its historical role, it could become an extremely disruptive actor on the international stage. Even should it play its leading role benignly and focus mainly on the agenda of new issues, it will be difficult to learn to lead without compelling.

Alternatively, there will be a considerable temptation for Americans to declare victory in the cold war and retreat to some mixture of an illusory isolationism and a “fortress America” mentality in which neighbors to the north and south may be adjoined. This would be an abandonment of responsibilities to others (whether rightly or wrongly taken) and harmful to our own interests. This is not a viable long-term strategy, but for Americans who are weary of carrying a global burden, it could be very attractive in the short term.

In the years following 1945, the United States was faced with the immense task of shaping a new world order in the face of considerable danger, and it did a much better job than anybody could have reasonably expected. The task it faces now is in many ways a much more difficult one, and the conditions are much less favorable. The United States is no longer the unrivalled economic leader of the world, and it does not have the same kind of moral authority it enjoyed as the leader of the victorious coalition in World War II. In the course of the next decade, a united Europe will probably displace the United States as the world’s largest economy, and competition from Japan and others will press us hard. The American enthusiasm for free trade, which was so important in shaping the global economic recovery, is dwindling, and the American public has lost much of its enthusiasm for playing a role that is both expansive and expensive. Also dissipating is its trust in a national leadership that calls for sacrifice in a larger cause. The imperatives of interdependence are extremely difficult to grasp, and being human, Americans want to take as much as they can while giving as little as possible.

Finally, U.S. internal dynamics are very different now compared to 1945. The nation is in a state of economic and social crisis with no clear path to a solution in sight. Although our own democracy continues to flourish in its peculiar kind of way, all is not well in the United States, and the possibility exists that internal malaise, coupled with external chauvinism, could characterize America in the coming decades. It would be a lethal combination. Like India, the United States will probably not kick over the traces and will adapt to a changing world with more or less good grace. But because it, like India, is a

very large country, how it reacts will have crucial political and economic importance for the future of the world in general.

### **U.S.-Indian Interactions**

The implications of these changes are at best speculative and could work themselves out in a nearly infinite number of ways. Rather than attempting to supply questionable answers, I conclude with a series of questions that suggest how India and the United States may find themselves reacting to each other in various spheres of whatever new world order is emerging.

#### *The South Asia Region*

Will the United States continue to keep South Asia generally low on its priority lists? Will it perhaps be even less willing than it has been in the past to involve itself in specifically South Asian issues?

Are there significant prospects for a U.S.-Soviet condominium over South Asia? Or will there still be substantial rivalry between the two that affects our relations with India?

Can we expect a further deterioration of U.S.-Pakistan relations as Afghanistan disappears from the agenda, nuclear problems persist, and anti-Americanism rises? What will be the effect on U.S.-India relations?

Will India and Pakistan be able to cope with the separatist and communalist pressures that beset them? What will the U.S. reaction be if they are not?

Is there any hope for intraregional relations to develop to the point where U.S. policy is not continually frustrated by them? More specifically, how will South Asia arrange itself as the Third World regions move toward greater autonomy? Will India continue to develop its military power and become a hegemonic regional influential, or will a more consensual arrangement emerge, perhaps from the South Asian Association for Regional Cooperation (SAARC)? Will the United States care about how India relates to its neighbors and how is it likely to respond?

#### *Transregional Interactions*

In the wake of the Iraq war, what role will the United States and India seek to play in new security arrangements in West Asia? To what extent will these be compatible, and where are areas of friction likely to develop?

If U.S.-Muslim relations continue to be difficult and Indian secularism weakens, might Washington and Delhi find a common set of interests?

Will the United States evolve a new concept for where India "belongs" in the world and seek to fit it into a strategic consensus around the Gulf?

Or will the United States put increased effort into maintaining a close relationship with Pakistan as means of relating better to the Gulf?

Is there any prospect for this to be compatible with a more India-oriented policy, or will one necessarily frustrate the other?

What kind of role will India play in the Indian Ocean, based on its growing military capacity? Can it become a security manager for other, nearby regions?

How will the United States react to such developments? Will we be able to see our interests as compatible with India's—will or should we support Indian aspirations?

Will India concede the legitimacy of a continuing U.S. presence in the Indian Ocean or renew its campaign to evict us?

How will our other friends in the area react to India's growing power and our relationship to it?

From the other perspective, are there other emerging power centers in the Indian Ocean region (Southeast Asia, Southern Africa) that will forcefully block any marked expansion of Indian influence? Is the United States likely to become involved?

Will India and China continue their halting path toward reconciliation, and will the United States and China be able to maintain a positive working relationship? (If both cases obtain, there should be considerably less pressure on all sides of the U.S.-China-India triangle.)

Finally, what are the prospects for Soviet Central Asia? If the USSR breaks up, what will the implications be for South Asia? Will the United States seek to play a role in Central Asia? If so, what are the implications for our relations with India and Pakistan?

### *Global Interactions*

Is the world facing a period of new economic growth or decline? More specifically, what role will the varying performances of India and the United States play in the future course of events? What economic alignment will India find? How will this affect its economic relations with the United States? Will India and the United States be increasingly marginalized or be dynamic contributors?

If Japan and Europe (post-1992) become still stronger economic competitors and the United States turns protectionist, will there be a dividing up of the world into economic blocs? What will be the impact on Indo-U.S. economic ties? Can we continue to look to these to give substance to our political relationship?

As new issues become more important in the international agenda, what side will India and the United States be on? Will the North-South divide become sharper, or are there possibilities for new aggregations of interests in dealing with, for example, threats to the environment or narcotics abuse? What

will the political ramifications be? Are there areas where India and the United States are likely to come closer together?

In particular, if the United States, based on its experience with Iraq, becomes more aggressive in promoting nonproliferation and limiting the trade in armaments, what impact will this have on Indo-U.S. relations?

Similarly, as the *leitmotifs* of our foreign policies disappear (nonalignment, the "Third World," anticommunism, the Soviet threat), how will we reorient our international positions? Are these likely to bring India and the United States closer together or drive them farther apart?

How deep and lasting will the decline of the Soviet Union be? Will Moscow seek to maintain a special tie to South Asia because (or in spite) of its problem in Central Asia? Might the United States and USSR seek to establish a condominium over certain regions, including, perhaps, South Asia? Is a resurgence of the old rivalry possible, with India again an object?

Can we divine any new global political issues that will have an impact on U.S.-Indian diplomatic relations, as, for example, apartheid and the Arab-Israel issue have?

Will India assume a major global role in the foreseeable future? How should the United States envision India's role in a Bushian "new world order"? Are we in fact both *status quo* powers?

Are we entering a period in which world military might is essentially unipolar? If so, how should the United States handle the situation? What American role would be acceptable to India?

What if we are, indeed, seeing the last phase of the system that has shaped our world for the past centuries? What will India's role be in that more distant future? How can Americans relate to such an Indian role? How should each side behave *now* to facilitate an emerging new order?

These are some of the policy questions and dilemmas of two very important countries—each of which must define a new role for itself in a changing international environment. What they do will matter not only for themselves but for other nations. The interactions of India and the United States across this spectrum can have an important role in shaping the international environment as it changes. If these interactions are to be positive as regards both our bilateral relations and our impact on the rest of the world, we must answer the questions and resolve the dilemmas in ways befitting two nations that claim to have a special calling.

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## **13. India, the United States, and the World: An Indian View**

MANOJ JOSHI

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Looked at on a globe, India and the United States cannot be seen together. Perhaps no two countries are physically farther apart. There is an asymmetry of relations between them in terms of national wealth, global military reach, and perceptions of national interest. There is another area where we are not quite synchronized—national history. Notwithstanding its ancient past, the Republic of India is only 44 years old, whereas the United States of America is over 200 years old.

In political-cultural terms, both societies have shared a proclivity toward stressing the moral dimensions of their worldview, often, observers feel, with an irritating and indeed hypocritical persistence. This dimension does, however, have legitimate constructs. In the case of India, the moral dimension is linked to the ideological background of the national movement shaped by Mahatma Gandhi. In the United States, it is linked to the Puritan forebears who came to the Promised Land to construct, in the words of John Winthrop, “a City upon a Hill.” This moralism has had a global thrust—India setting up a bloc of the nonaligned, stressing disarmament, with nonviolence as a creed, and the United States setting up a global alliance purporting to be a collective security arrangement against “godless” and expansionist communism. The irritating elements came, in the case of India, from the fact that Gandhi’s ideology was shaped by his tactics, which involved translating physical weakness into ideological strength. In postindependence India, it was used in a more or less identical fashion to provide India some currency of power and national pride. In a worldview that saw national security and “power” as its premier goal, such a view appeared to be not just hypocritical, but self-defeating. For its part, India found the U.S. tendency to ally with undemocratic regimes to fight communism as not just irritating and unprincipled, but profoundly dangerous to its own national interests, as in the case of Pakistan.

There remains a problem as to why the two sides have had such dramatically different worldviews for the past 40 years. In essence, they believe in the same things—democracy, capitalism, secularism or, to be more precise, noninterference of the church with the state. The problem obviously lay in the differing ways the two sides attempted to protect and foster their respective national interests. In the cold war years, defined in the broadest terms, the United States felt the best means to counter militant communism was to build an alliance (collective security) system that would not have any criteria other than a common hatred for communism. India thought safety and the interests of the newly emerging countries lay in their banding together in a third bloc that would steer clear of the big-power conflict.

## The Background

### *The United States*

To the American Board of Foreign Missions must be attributed the first institutionalized American approach to the world. Somewhat surprisingly, they chose India as the first site of their labors. But as usual, they were preceded by traders.<sup>1</sup> In somewhat sharper terms, the American perspective, shaped by a deeply religious people, saw “heathenism” and “barbarity” as going hand in hand and Western civilization, however poorly reflected by the British empire, serving the cause of “progress.”

The notion of the United States as a successor global power goes back to the early connections with England and the concept of Christian civilization. This was not, as has sometimes been argued, a “sudden leap in the dark,” but one that was entered into with some forethought whose strands can be seen as far back as the time the United States was working out its manifest destiny by consolidating its nationhood from the Atlantic to the Pacific.<sup>2</sup>

<sup>1</sup>The worldview of the missionaries is brought out by a description of the meeting on February 16, 1811, at Salem, “such as this western world had never yet beheld,” when five young men were “examined” by the congregation for their suitability for the first labors of the American Board of Foreign Missions. The annual report described them as leaving friends and family and “every alluring earthly prospect” and devoting themselves “to the privations, hardships and perils of a mission life to a people sitting in darkness, in a far distant and unpropitious clime.” See Joseph Tracy, *History of the American Board of Commissioners for Foreign Missions: Compiled Chiefly from the Published and Unpublished Documents of the Board* (New York: M.W. Dodd, 1842), p. 5.

<sup>2</sup>A kind of an oblique reference can be seen in the comment of William Henry Seward, the outstanding Civil War secretary of state now known for his purchase of Alaska from the Russians. Touring the world, including India, Mr. Seward reflected that the “Hindoo mind” was equal to that of the West but needed to be regenerated, and the task was being done by the British. But if not

From Seward's observations to the point where the idea that American was destined to regenerate backward and decadent people took root was less than 20 years ago. Admiral Mahan, Teddy Roosevelt, Senator Henry Cabot Lodge, Sr., and others took America to its Pacific empire. Mahan's muscular Christianity, geopolitics learned from the American experience, and British naval policy provided the ideological strand that is visible in the post-World War II global policy relying on self-interest, force, and power politics. The abiding envy of the British and the prevailing doctrine of Social Darwinism underlay the imperialists' attitudes.

A different, very American, and until 1900 quite powerful strand, picking up from Puritanism, early nationalism, domestic socialist-populist striving, and personalized by President Grover Cleveland, William Jennings Bryan, and others advocated pacificism and avoidance of colonial entanglements.<sup>3</sup> But weaving the two together was the belief that the United States was somehow "different" and its circumstances "exceptional."

Not just the writing of publicists and politicians shaped American policy. American business, which had already seen the empire it was to inherit, began to think about the eventuality that Seward was perhaps coyly hinting at. America had telegraphed its intent by the advocacy of the Open Door policy in the late nineteenth century. While simultaneously working at means of running the international business system in collaboration with the British, American business leaders were already working on a strategy of displacing the British.<sup>4</sup>

### *India*

The modern Indian context is somewhat more complex. India was, until 1947, a subject nation. Foreign policies were determined in Whitehall and the India Office or by the viceroy with British rather than Indian interests in mind. The "Great Game," the forward policy in the northwest and northeast, arose from a perspective that had more to do with the global balance of power as determined by London than with any regional imperative. Indian forces and Indian taxes paid for the maintenance of the British Empire, and Indian soldiers policed the region from Abyssinia to Beijing. Indians were committed in Europe in World Wars I and II without any consultation. Indian empires had

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finished by them, "the Western powers that should relieve Great Britain in India must necessarily assume her responsibilities." See Olive Risley Seward, ed., *William Henry Seward's Travels Around the World* (New York: D. Appleton, 1873), p. 509.

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<sup>3</sup>Merle Curti, *The Growth of American Thought* (New Delhi: Tata-McGraw-Hill, 1964), pp. 653–659.

<sup>4</sup>See Carl P. Parrini, *Heir to Empire: United States Economic Diplomacy, 1916–1923* (Pittsburgh: University of Pittsburgh Press, 1969).

traditionally been oriented to the land (i.e., they saw their threats and opportunities across the land and ignored the Indian Ocean). As instruments of preservation of British interests, India was made to see the ocean in a different light.

The freedom movement did create a worldview. Its most important element was anti-imperialism. This itself was shaped by the Bolshevik Revolution and Lenin's ideas on imperialism. For Indian freedom fighters confronting the might of the British Empire in the 1920s and 1930s, there was a narrow path. Most of Europe and America after the passage of the Immigration Act were closed. The path inevitably led, via Kabul or otherwise, to Moscow, and in some instances to Germany.

Jawaharlal Nehru is the architect of India's worldview. His has been the most unusual hegemony over the shaping and implementing of India's relations with the modern world. One of his early perceptions was that independent India would need to undo the distortions imposed by the colonial policymakers. As early as 1927, reflecting on free India's foreign policy, he noted, "We shall naturally first cultivate friendly relations with the countries of the East." He discounted those who felt that pan-Islamic ideas could threaten India, observing that the so-called Islamic countries were developing along "intensely national lines."<sup>5</sup>

The Nehruvian approach was remarkable for its maturity, a factor that lends it contemporary relevance even a quarter-century after Nehru's death. One manifestation of this was the attitude to World War II. While Bose and others legitimately sought the hand of friendship of "my enemy's enemy," Nehru castigated Britain for tolerating aggression in Manchuria, the betrayal of Abyssinia, indirect aid to Fascist Spain, and a general policy, at least until the end of 1938, "of consistently encouraging fascism and Nazism."<sup>6</sup> Nehru's idealism made him unerringly choose the right side in contrast to Bose, whose realpolitik approach appears flawed in retrospect.

As Gandhi's foremost disciple, Pandit Nehru could not but have a deep stamp of idealism expressed in the concepts of *ahimsa* and nonviolence. A distrust of nationalism, global disarmament, redistribution of world resources, and discrimination between right and wrong were the manifestations of these ideas.

These were not the only sources of India's approach to the world. There was a strong Marxist-Leninist trend that stood on its own as well as influenced the

<sup>5</sup>Jawaharlal Nehru, "A Foreign Policy for India," in S. Gopal, ed., *Jawaharlal Nehru: An Anthology* (New Delhi: Oxford University Press, 1983), pp. 338-339.

<sup>6</sup>See "The Choice Before Us" and "India and the War," two editorials in the *National Herald*, October 6, 1938, and September 21, 1939, in Gopal, *Jawaharlal Nehru*, pp. 37-40.

congress. The Indian capitalist class—G. D. Birla and Jammalal Bajaj as its notable representatives—powerfully influenced the congress and the Mahatma. Theirs was a vision of nascent capitalism seeking the consolidation of a home market, but it had its own element of anticolonialism, motivated by a desire to do away with the unfair advantages in India by British companies.

### **Idealism and Realism: The Context of Indian and American Worldviews in the Cold War**

Even as the cold war was taking shape and European empires were crumbling, Nehruvian idealism was shaping the practical policies of free India. The first and most urgent necessity was to stay clear of the power blocs; therefore nonalignment was the policy. The second was a union of the weak to foster development and self-protection. In his speech to the Asian Relations Conference of 1949, Nehru emphasized the Asia-first or Third World-first policy of India. However, notwithstanding the colonial past, xenophobia was completely absent from Nehru's ideas and policies.

There was perhaps not an adequate grasp in the United States about the sophisticated state structure erected by the Congress Party, which presented a radical and socialist posture in its pronouncements but had sufficient checks to prevent implementation of radical ideas. Even among the intelligent conservatives, there was inadequate awareness that this was, in the context of a poor nation, the most appropriate solution. This was most obvious in the policies designed to promote social justice and economic development for all through a coordinated economic policy controlled by the state.<sup>7</sup>

There is, in retrospect, a certain sophistication in the Indian worldview between 1947 and the border war with China in 1962. On the one hand, India remained a member of the commonwealth and the Western economic system; on the other, it became staunchly neutral with regard to the East-West issues and began to use Soviet economic assistance to build up an economy where the commanding heights were dominated by a state-controlled sector of heavy industry. However, there was in some U.S. circles an appreciation of the positive role played by the refusal of certain powers to accept a bipolar definition of the world.<sup>8</sup>

The assumption of the mantle of the successor power to the British left the United States bereft of a way of looking at the world. The debates between

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<sup>7</sup>A. Vaidyanathan, "The Indian Economy Since Independence (1947-70)," in Dharma Kumar, ed., *The Cambridge Economic History of India, vol. II, c. 1757-c.1970* (Delhi: Orient Longmans, 1984), pp. 950-953.

<sup>8</sup>See, for example, William Reitzel, Mortan A. Kaplan, and Constance G. Coblenz, *United States Foreign Policy, 1945-1955* (Washington, D.C.: The Brookings Institution, 1956), pp. 317-318.

isolationists and internationalists during the Roosevelt era had really been on a relatively abstract plane because the United States was not really committed globally. The idealism of FDR had given way to the realism imposed by the war; but in enunciating the Atlantic Charter, attempting to moderate imperialism, and promoting a new world order through the United Nations, FDR was providing his foreign policy the pragmatic idealism that characterized his domestic demarche.<sup>9</sup>

The world situation in 1945, America unscathed in a world destroyed, did not permit such complacency. The Soviet “threat,” manifested by its possession of nuclear weapons, led to the rise of “realism” as the dominant worldview in America. One manifestation of this was the doctrine of “containment,” requiring, according to its author, George Kennan, “adroit and vigilant application of counter-force at a series of constantly shifting geographical and political points [around the world].” For America, the cold war meant transformation to a national security state with appropriate institutions having worldwide ramifications.

The dominant American *Weltanschauung* of realism had as its high priest Professor Hans Morgenthau. He argued in the late 1940s and early 1950s that the American world outlook could be understood only in terms of interests and power. In his seminal work, *American Foreign Policy*, Morgenthau called on his readers (Americans) to forget that foreign policy was about “virtue and vice,” that a world minus power politics would emerge, or “*that any nation, however virtuous and powerful, can have the mission to make the world over in its own image.*” He wanted them to remember that “*diplomacy without power is feeble, and power without diplomacy is destructive and blind.*” Lastly, he called on nations to realize that it was their “moral duty” to follow just one “*guiding star, ...THE NATIONAL INTEREST*”<sup>10</sup> (emphasis supplied).

Notwithstanding the avowal of the doctrine of realism and power politics, the American cold war perspective was not devoid of idealism. This “liberal diffusionist” phase saw the American goal as one of transforming the Third World into American-style democratic states.<sup>11</sup> The need to transform the world in the image of America had its antecedents in Wilsonian globalism and New Deal activism. However, all this came to grief in the paddy fields of Vietnam.

<sup>9</sup>Robert Dallek, *Franklin D. Roosevelt and American Foreign Policy, 1932–1945* (Oxford: Oxford University Press, 1979), esp. Part 4.

<sup>10</sup>Hans J. Morgenthau, *American Foreign Policy: A Critical Examination* (London: Methuen, 1952), pp. 241–242.

<sup>11</sup>See Thomas Pantham, “Some Strands in American Theorizing on Political Development,” in Robert M. Crunden, ed., *Traffic of Ideas Between India and America* (New Delhi: Chanakya, 1985), pp. 119–124.

For America, there is one great watershed—Vietnam. The military defeat, notwithstanding what revisionists will now attempt to call it, was a major blow to the American psyche. It simultaneously impacted on those idealists who thought they were saving South Vietnam for democracy as well as nationalists who saw in it the first military defeat suffered by the United States in its history.

For India, there are two watersheds that stand out in the cold war years. The border war with China brought to a close an era of almost unbridled idealism. After two decades of stressing Panch Sheel (the five principles of peaceful coexistence), India realized that idealism alone could not be a useful way of looking at the world. The second episode was the Bangladesh war of 1971, which combined “idealism” and “realism” in the style Americans were used to and, even in this case, retrospectively admired. Bangladesh came coincidentally at the time India stopped getting PL 480 food from the United States and broke the dependency relationship that was bad for both donor and donee. It also began an action-reaction syndrome, with India-U.S. relations taking one step back with every step forward in Sino-U.S. relations. The deeper the American “obsession” with China, the closer was the Indo-Soviet embrace; the net result was a sharply varying view of the world in the 1970s and 1980s.

### **The New Cold War and New Realism**

The Soviet invasion of Afghanistan confronted India with a major dilemma. Its longtime friend and, since 1971, security guarantor had moved into its region. Although India could understand that deep insecurity rather than world conquest or a search for warm-water ports underlay Soviet actions, it found the American reaction difficult to cope with. The consequences were complex. On the one hand, there were direct security implications of the revived arms transfer relationship with Pakistan. On the other was the negative impact of the development in the Islamic and nonaligned world.

India may not have admitted it, but the developments in Afghanistan did profoundly affect its world perspective. Perhaps better awareness of Soviet motives shaped this. However, one of the foremost items in Mrs. Indira Gandhi's agenda was to develop “businesslike” ties with the United States. The high points of Indira Gandhi's last administration were the Indian hosting of the Nonaligned Movement (NAM) summit of 1983 and the opening to the United States that began with the meeting between Mrs. Gandhi and Ronald Reagan at Cancun. The idealistic and realistic elements of the Indian worldview appeared to mesh in the face of the new challenge, but in fact, the challenge was not quite the same, and the world had changed. The United States was no more hostile or aloof toward the NAM, and for its part, India was not the weak and insecure actor of the 1950s and 1960s. The rise of Europe and Japan and the

Sino-Soviet quarrel had made the global politics of the era enormously complex.

The new Indian approach to the world was from a position of relative strength. It was self-sufficient in food. It produced more than half of its own crude oil, and remittances from the Gulf made its balance of payments relatively sound. In response to Western criticism from the 1980s onward, India sought arms from the West in a number of publicized deals. It actively courted Western investment and technology. India did not seek political identity of views with the United States, but trade and technology. The U.S. response was slow and cautious. Images of India as a “Soviet stooge” and “proxy” were the order of the day in the ideological Reagan administration circles.<sup>12</sup>

However, the beginning of the transformations impacting on the Indian and U.S. worldviews had been initiated by the rise of Mikhail Gorbachev. The Soviet leader’s decision to withdraw from Afghanistan and end the “national security” state in the Soviet Union had a profound impact on the world and the United States, but it also had an immediate impact on India. The Soviet decision to make up with China meant that an important tier of Indian security policy was being undermined.

The impact was to confirm the validity of the opening to the United States sought by Mrs. Gandhi in the early 1980s. In terms of the world perspectives, these developments did not have major implications. However, what they did imply was that India was able to see a place in its region for the United States, albeit reluctantly. In the Rajiv Gandhi period, as the Afghan war began to wind down, it became clear that there was a narrowing of differences on regional issues between the United States and India. The Indian intervention in Sri Lanka and the U.S.-led Western armada’s coercion of Iran in 1987 mark this trend because both sides took positions with a clear understanding of the other’s compulsions.

The Indian intervention in Sri Lanka did raise some issues with regard to India’s approach to the region and its world. The proclivity to commit military forces abroad, albeit some 50 kilometers away, seemed to presage in the minds of some a new era of Indian imperialism in its region. However, the withdrawal of the forces by early 1990 seems to have muted criticism for a while. What is important was that, unlike Bangladesh, the Indian commitment was projected in a manner not unfamiliar in America—India went in out of an idealistic commitment toward the safety of Tamils as well as self-interest of its security. An equally important departure was that the support for the policy within India

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<sup>12</sup>See Manoj Joshi, “The New American Foreign Policy Establishment,” *IDSJ Journal* (Delhi), vol. 14, no. 3, January-March 1982.

was muted, and for the first time, an external policy initiative, albeit a military intervention, appeared to lack consensus.

Rajiv Gandhi was not hampered with his mother and grandfather's ideological baggage. In this sense, he was well suited to insert India into the rapidly changing world. However, Rajiv was quickly made aware of the advantages that accrued from the leadership of the nonaligned movement, whose membership now exceeded 100 countries. Therefore what can be termed Indian "world order concerns" were addressed. These were in relation to disarmament and the struggle against apartheid. In both areas, the Rajiv period saw several initiatives. Although disarmament may have remained a distant goal, Indian efforts on behalf of Namibian freedom and for the struggle in South Africa were quite significant.<sup>13</sup>

The changes that drew the greatest amount of attention in the United States related to the ones Rajiv had in mind to revitalize the Indian economy involving decontrol and liberalization of foreign investment. These had obvious implications for foreign policy and the way India was looking at the world. Notwithstanding subsequent instability in 1990–1991, the basic thrust of Indian policies as initiated by Indira and Rajiv Gandhi remain valid. Whether the United States won the "new cold war" is an issue historians can debate in the future. However, the Reagan administration legacy did not appear to be as clear toward the end of its second term as it did after the first. The sustained impact of the Gorbachevian logic was felt at the Reykjavik meeting, and the demonology of the "evil empire" receded as quickly by the early 1990s as it had appeared in the fall of 1979.

As usual, the Third World has borne the direct consequences of the new cold war, this time close to India. The region is awash with arms and ammunition, and the chatter of AK-47s remains today as the most important legacy of the period when the "hot" part of the cold war managed to touch South Asia. In neighboring Pakistan, in addition to the arsenal gifted by the CIA, there is the problem of an armed and resurgent Pakistani military machine that also controls the world's newest nuclear weapons.

### **A Unified India-U.S. Worldview?**

On an idealistic plane, both countries possess an abundance of common interests. They would like a world full of democracies, where secular ideas

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<sup>13</sup>For a survey of disarmament efforts, see *Disarmament: India's Initiatives* (New Delhi: External Publicity Division, Ministry of External Affairs, 1988). For the efforts on Africa see "Prime Minister Rajiv Gandhi's Statement as Chairman of the Non-Aligned Movement," in K. Ramamurthy and G. N. Srivastava, comps. and eds., *Eighth Non-Aligned Summit: Harare—1986* (New Delhi: Institute for Non-Aligned Studies, 1986), pp. 9–18.

prevail. Notwithstanding difficulties and differing perceptions related to immediate issues, they would like a world where human rights are secured. Both would like international behavior to be within the bounds of law with respect for the sovereignty of nations.

However, because realism remains the presiding deity of international affairs, it would be futile to pursue the "wish list" further. What we need to look at is the possible identity or divergence of "interests" that could give us an idea of future trends. In the past five years when high-level defense and security officials have met in India or the United States, talk has inevitably veered to the possibility of defining common interests.<sup>14</sup>

There has been a certain identity of views in the Sri Lankan and Maldivian issues. India has begun the process of defining its own interests in the Gulf in terms closer to those of the United States. During the period that the U.S.-led armada kept Iran in check in the tanker war, U.S. ships sought and obtained port of call rights in India even while they were denied similar rights in Pakistan.<sup>15</sup>

In 1990, following the Iraqi invasion of Kuwait, high-level Indo-U.S. discussions focussed on possible Indian participation in the resolution of the issue. However, it was clear, because of the political situation in India, that there could be no sharp departure from the past. The government of India did permit first the overflight of U.S. military aircraft over India and later their refueling. Later, in the wake of a controversy generated by political infighting, the permission was withdrawn. It is too early yet to see in the Gulf War a watershed toward a new and possibly unified Indo-American worldview. Part of the problem has been the rapidity of transition.

From India's point of view, there is another problem. While the world has been changing as a result of the Gorbachev revolution, India has been since March 1987 in a state of political turmoil. It began with the Bofors scandal, which led to an inconclusive election result at the end of 1989. It is not now clear, on the eve of a general election, whether stability in the old sense of huge parliamentary majorities will ever return.

The turmoil has also encompassed two major agitations that may alter the domestic political arrangements in India. The one around the construction of the Ram Temple and assertion of *Hindutva* (Hindu identity) and another for affirmative action quotas for "backward" caste groups have brought out sharply the powerful and, in the case of the former, atavistic forces lurking

<sup>14</sup>See "U.S. May Prune Global Commitments" (report on a closed-door strategic symposium held at Pune, India, in which Indian and U.S. officials and academics discussed some of these issues), *The Hindu*, December 18, 1990.

<sup>15</sup>Manoj Joshi, "Port Calls and Politics," *The Hindu*, March 2, 1988.

beneath the modern and sophisticated vision of the world presented by the India of Nehru and Indira and Rajiv Gandhi. There is little doubt that they pose in their own distinct ways the most fundamental challenge to the Nehruvian paradigm, and success of their political efforts will also affect the way India looks at the world.

Even without these developments, the Indian worldview is set for change. The first reason for this is the developments in the Soviet Union. The decline of the major countervailing force in the global arena means that one of the props of nonalignment is being removed. Equally important is the failure of state-controlled and dominated economic and social policies, an important contour of the Indian paradigm. Second, the end of the conflict in Afghanistan has reduced Pakistan's importance to United States, and the Tiananmen Square incident has brought out sharply the limits of the U.S. relationship with China. This means, from the security point of view, that by the end of the 1980s, the world is not as threatening for India as it had appeared at the beginning of the decade. The return of the leased Soviet nuclear-propelled submarine, *INS Chakra*, at the end of 1990 symbolizes this trend.<sup>16</sup> Third, and parallel to this, has been the steady and indeed substantial growth of the Indian economy, with the industrial sector posting substantial growth. Notwithstanding the balance-of-payments problems, the Indian economy is substantially sound, with poor management and leadership being clearly identified as the major culprit.

If the situation in India is complicated, the one in the United States is no less so. The U.S. victory in the cold war came with such abruptness that America was caught unaware. Many questions remain in the "mundane" worlds of politics and security, not to mention the complicated domestic policy areas. Should the United States welcome and encourage the decline and breakup of the Soviet Union? What is the United States to do with its military machine? How will the European security system function? Has the United States reached the age of "imperial overstretch"? Is it a declining power, or will it remain number one for another half-century?

There have in the recent past been several questions raised about U.S. ability to lead the world. Already the Gulf War seems to have answered some questions. There was a kind of fashion to talk of the American decline and "imperial overstretch." However, to my mind, Professor Joseph Nye is sufficiently convincing in his argument that the United States is "bound to lead," that the reasons the United States is a great power still obtain and will

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<sup>16</sup>"INS Chakra Handed Back to the Soviet Union," *The Hindu*, February 8, 1991.

obtain in the near future.<sup>17</sup> The U.S. combination of geopolitical and economic advantages is just not available to any potential challenger.

Considering the history of the previous 40 years, the issue of security is important in organizing a unified worldview. India and the United States have been discussing the security dimension of the post-Gulf scenario. Considering its national interest in ensuring cheap oil and a peaceful region where its citizens can continue to earn their livelihood and send home remittances, India has expressed a desire to participate in a collective security arrangement that works under the auspices of the United Nations. A precondition of this arrangement will be a major and sincere effort to resolve outstanding regional disputes, including the Palestinian question.

Following the war, there are bigger question marks about the future and problem areas. The United States has promised to pull out its ground forces from the region following the war; there are indications now that the United States and the West may step up their presence in the region. India has by now completely muted its concerns over the presence of foreign forces in the region. It has also realized that crises like the tanker war in 1986–87 and the Iraqi invasion of Kuwait can profoundly affect its national security. If their interests appear to be the same, can they coordinate their response? As of now, probably no, but in the future, if there appears to be a wider platform of shared interests that incorporates the USSR, the answer may be yes.

One of the features of the cold war victory has been the triumph of the liberal democratic idea. In fact, if there has been an unambiguous victory in the cold war, it has been in the field of idealism rather than realpolitik. The triumph has been of the liberal democratic idea rather than that of a military alliance. For the “realist” school, promoting democracy and “human rights” around the world is a foolish indulgence, and in fact, the U.S. record in these areas is spotty. It has overthrown democracy in the past just as it has in the name of democracy violated international law in Grenada and Nicaragua. It has supported repressive tyrants in the name of national interest and “balance of power.”

Yet there can be an argument for the promotion of democracy and human rights as matters of national interest. The United States has not entered into a conflict with any liberal democracy except India in 1971. In fact, the transformation of Germany and Japan into its own image after World War II has helped the United States to blunt the military challenge of its former adversaries. Relentless promotion of human rights and democracy would have shown up

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<sup>17</sup>Joseph S. Nye, Jr., *Bound to Lead: The Changing Nature of American Power* (New York: Basic Books, 1990).

Saddam Hussein for what he was a long time ago. All this sounds very naive, but there is a serious argument inherent.

As far as India is concerned, the U.S. record has in fact been questionable. The support for the Pakistani military dictatorships has been against the interests of Indian liberal democracy. The support for the Chinese Communist dictatorship also has a questionable element, especially when it has affected the security of liberal democratic India. The United States has been willing to acquiesce in a “third power” status for China, a country that has shown its “responsible” approach by transferring intermediate-range ballistic missiles (IRBM) to a sheikhdom with no pretenses to democratic tradition. There are persistent rumors and claims of similar activity on the part of China on the nuclear weapons front. But India has been relentlessly opposed for applying the democratic principles to international politics (i.e., sovereign nations, like individuals, have the right to their own way of life and opinions provided they do not in applying them deprive other nations or individuals of the same).

A uniform approach to human rights will create problems in the bilateral relationship of the United States with India just as it will for the United States with China or Pakistan, but this need not always be construed in a negative way. However, the free press in India is something the Chinese do not have; and if there is an Indian unhappiness, it is about the varying emphases of U.S. approaches to this question. There is in fact a common interest between India and the United States to stress the application of human rights in all countries of the world.

The “sovereignty of the people” also at times makes for its own problem when governments of the day are unable to contend with contrary pulls imposed by the voters and their representatives in parliament and congress. The differences in the composition and their levels of affluence between the people in the United States and India also make for differing interests. The support for Saddam Hussein by India’s 100 million–strong Muslim community and the support for Israel by America’s Jews are the most visible manifestations of this. However, there are also problems that translate into other policies. The Indian poor are almost always on the side of distributive policies, whereas the U.S. taxpayers seek protection to maintain their high level of affluence.

The more specific conflict appears to be in the clash of certain Indian “interests” and American “world order” concerns. The United States thinks that the “further proliferation of ballistic missiles would be regarded as a highly destabilising development in the region.” It has been four-square

against nuclear proliferation and has harsh provisions in its statute against further nuclear proliferation by Third World nations.<sup>18</sup>

Notwithstanding its commitment to complete disarmament, India does have a practical position with regard to nuclear weapons and ballistic missiles. It has called for concrete measures to build down the arms race in the world and has promised and shown restraint. It has taken the cheap and reversible option of "technology demonstration" with such systems as the Agni and a nuclear explosive device. The pressure for developing a deployable system has varied but has of late been more acute. The impressive showing of the "high-tech" weapons in the Gulf War has paradoxically opened up a yawning security gap for the Third World countries that have so assiduously built up their conventional capacity for so many years. In fact, Congress President Rajiv Gandhi has said that should the United States use nuclear weapons in the war, India would be forced to convert its nuclear weapons capability into nuclear weapons capacity.<sup>19</sup>

Another negative development militating against a united worldview could come from a possible tightening up of technology transfers to the Third World. There are some who believe that all technology except agriculture and health will come under the strictest of regimes. This would result in a major setback to the basic 1980s compact between India and the United States. However, progress in basic issues relating to security planning could ease pressures here, and an awareness that India had reached the level where there was possible need to incorporate it, formally or otherwise, into the missile technology control regime of the London Suppliers Club on nuclear technology could be the direction of the future.

## Conclusions

India and the United States stand to gain from looking at the world with a unified point of view. But although they share many common interests, they fail to share similar "moralisms" that seem to merge into interests—the approach toward colonialism, socialism, new world orders in international economic relations, and better terms of trade and investment.

<sup>18</sup>"U.S. Response to 'Agni,'" *USIS Press Release*, May 23, 1989. In his 1990 report on efforts to prevent nuclear proliferation, President Bush noted that the United States had urged India and Pakistan to "place all their nuclear activities under international safeguards or to accept regional measures aimed at curbing nuclear proliferation on the subcontinent." See *USIS Press Release*, July 18, 1990.

<sup>19</sup>See M. K. Kothari, "Now War Goes High-Tech," *The Economic Times*, January 18, 1991; "Pressure to Speed up Missile Programme," *The Hindu*, January 24, 1991; "Rajiv for N-Policy Review," *The Times of India*, February 12, 1991.

Many of the issues do not retain the edge they once had, but it is not because there has been a compromise. Rather, the argument has been settled in favor of the First World by circumstances. Powerful challenges remain in the abysmal conditions of life in Latin America, Africa, and parts of Asia; and it is not enough to argue that the best way is the “free market” way.

To work toward dealing with the issue of the “new world order,” I use Stanley Hoffman’s definition of world-order politics as one that attempts to tame violence and economic disruptions, encourages moderation of behavior, and organizes a “set of procedures for the settlement of disputes, the administration of joint programmes, the transfer of resources.”<sup>20</sup>

All the pointers seem to indicate that we are standing on the threshold of a “new world order.” The massive changes in the Soviet Union, the transformation of Eastern Europe, and the American-led war in the Gulf to undo aggression are the positive portents if we take them at face value. However, they may hide an as yet undiscovered fault line that may make the world a more dangerous place. One thing is certain, however: The new order will not be dominated by the United States to the extent the older one fashioned at Potsdam, Yalta, and Bretton Woods was. In fact, notwithstanding talk of the new world order by President Bush, there are big question marks over the future. The central theme, according to Paul Nitze, now that militant communism has been rolled back, will be “accommodation and protection of diversity” in world relations. The United States ought not withdraw from commitments, “but remain alert to signs of conflict [and] creative in analyzing means for cooperative efforts with other interested players to resolve those conflicts without necessarily impinging on national sovereignty or individual rights.”<sup>21</sup>

There has been a refreshing call for the United States to take up “idealpolitik” in the place of realpolitik and encourage the spread of democracy as a matter of policy. “Idealism,” according to Stanley Kuber, “is not naive utopianism but a rigorous approach to the conduct of foreign policy.”<sup>22</sup>

Talking of world order and the like also brings to mind some “nit-picking” questions about how the United States looks at the world through “exceptionalist” glasses. So far American policy has had two major thrusts— isolationism and preeminence. Whether the U.S. people, Congress, and political elite

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<sup>20</sup>Stanley Hoffmann, *Primacy or World Order: American Foreign Policy Since the Cold War*, (New York: McGraw-Hill, 1978), pp. 188–189.

<sup>21</sup>Paul H. Nitze, “A U.S. Strategic Concept for the Future,” address to the United States Institute of Peace in Washington, D.C., July 9, 1990. See also Leonard Silk, “The ‘New Order’ Is a Tall Order for the U.S.,” *New York Times*, March 17, 1991, Section 4, p. 1.

<sup>22</sup>Stanley Kuber, “Idealpolitik,” *Foreign Policy*, Summer 1990, p. 24.

accept a level of interdependence that calls for a degree of abrogation of national sovereignty remains to be seen.<sup>23</sup>

The Indian position in all this appears more vague and diffused. India stands to gain from any “new order” because such an order would, unlike the previous occasion for the exercise, come at a period when India has an independent voice, although in the immediate term, political instability has led to a degree of incoherence that is painful considering the opportunities for India and the urgency of compulsions for a policy. However, in the short to medium run, the broad Indian policy would certainly be to support use of the United Nations as the instrumentality of any new world order even though it is not a “veto” power. Considering the use of the UN as the formal interlocutor in the recent Gulf crisis, there is a possibility that there could be a congruence of interests and “moralisms” between India and the United States in accepting the United Nations as the custodian of the new international order.

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<sup>23</sup>Charles William Maynes, “America Without the Cold War,” *Foreign Policy*, Spring 1990.

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